



▶ Policy Brief

UN Women - ILO Joint Programme on Promoting Decent Employment for Women through Inclusive Growth Policies and Investments in Care

Assessing Nepal's Macroeconomic Policy Response to COVID-19 through a Gender Lens

▶ This brief is guided by the UN Women-ILO Joint Programme tool, “How to Assess Fiscal Stimulus Packages from a Gender Equality Perspective” (hereafter called the ‘gender assessment tool’) and is part of a larger assessment of Nepal’s macroeconomic policy response to the COVID-19 pandemic. The brief aims to assess the government’s responses to the health and economic crisis from a gender lens. It seeks to gather and assess evidence on how macroeconomic policies affect men and women differently and can aggravate gender inequalities, particularly in the labour market in the wake of crises. It presents an analysis of the government’s national response programmes, monetary policies and annual budgets over the three years following the onset of the pandemic.

A Gender Analysis of Macroeconomic Policies in Nepal

Crises tend to exacerbate pre-existing gender inequalities, and the effects are often more intense depending on one’s caste, class and ethnicity. Women’s disproportionate vulnerability to economic and health crises stem from: (1) discriminatory gender norms and stereotypes and (2) gender-blind policies and service delivery that do not consider varying accessibility and the differing needs of women. The COVID-19 pandemic was no exception, with some claiming that the period has resulted in not just a “lost decade” but the loss of four decades’ of hard-won progress in reducing gender gaps.

During the onset of COVID-19, the Government of Nepal (GoN) unveiled its National Relief Program

(NRP), with three areas of focus: (1) addressing social protection for the poor and vulnerable, (2) addressing health emergencies with a focus on strengthening the health system to make it capable of responding to the COVID-19 pandemic and (3) providing an economic stimulus package for early recovery. The GoN was dedicated to creating a comprehensive and pro-poor relief programme that prioritised women and disadvantaged groups. The total estimated cost was equivalent to \$1.26 billion USD, with \$359 million USD to be spent on social protection for the poor and vulnerable. A question that remains unexplored, however, is whether these well-intended initiatives were equally accessed and beneficial to all, particularly vulnerable women affected by COVID-19.

Using the gender assessment tool, this brief seeks to conduct an analysis of five areas: (1) livelihoods, (2) social protection, (3) health, (4) food security and (5) public infrastructure and housing. These areas were identified as key channels in which gender is salient,

1 <https://unctad.org/news/covid-19-threatens-four-lost-decades-gender-equality>

contributing to inequality and material deprivation among women. The interplay of policy responses and women’s pre-existing subordination and exclusion collide in these domains.

Livelihoods

The onset of COVID-19 and its resultant lockdowns had a severe impact on livelihoods, with compounding gender effects as women tend to assume the role of care takers in their respective households. 28 per cent of men and 41 per cent of women reported a loss of jobs and incomes during the 2020 lockdown.² This has not just resulted in income loss but also dramatically increased the disproportionate burden of care work on women, depleted their emergency savings, and increased their emotional and physical stress due to a lack of coping strategies. Compared to the first wave of COVID-19 in Nepal, the second wave severely hindered people’s access to basic needs and services, income and livelihoods and protection-related concerns.³

In terms of entrepreneurs, women are more likely to

2 Rapid Assessment of the socio-economic impact of COVID 19 in Nepal’ by UNDP in 2020

3 <https://careevaluations.org/evaluation/nepal-second-phase-covid-19-rga/>

be owners of micro, small and medium enterprises (MSMEs) than larger businesses, with fewer cash reserves and limited resilience to weather economic hard times. During times of crises, women-owned businesses are more likely to shut down, which was indeed the case during the pandemic. Given the sectoral/occupational concentration of women as well as their employment status, the broad question is whether fiscal stimulus packages include specific measures to address impacts on women’s employment.

A gender equalizing policy is thus designed in a way to ensure workers in the informal economy benefit and the gender employment effect of the crisis is addressed.

Fiscal responses should discuss the time pressure that women face and offer ways to redistribute and reduce unpaid care work. Introducing policies that address debt build-up for businesses during a recession, supporting MSMEs and female-dominated sectors is not only good for gender equality; it will also bolster recovery for all.

These indicators pertaining to holistic and inclusive recovery are listed and summarised in Table 1 below. Red indicates the economic policies did not address these elements, while yellow indicates they partially addressed them and green indicates they fully addressed them.

TABLE 1

Summary of indicators for livelihoods – employment, labor market and business support

	Employment and Labour Market Policies	Business Support
Not addressed	<ul style="list-style-type: none"> » Income support » Work sharing » Paid sick leave eligibility » Conditionalities » Unemployment benefits (duration and eligibility) 	<ul style="list-style-type: none"> » Grants » Restriction on use of funds
Partially addressed	<ul style="list-style-type: none"> » Workplace safety » Hazard pay » Active labour market policies » Informal employment support » Public employment/employment guarantee programmes 	<ul style="list-style-type: none"> » Tax reduction/suspension » Support for businesses in women-dominated sectors » Fixed cost support
Fully addressed	<ul style="list-style-type: none"> » Wage subsidies to businesses » Gender employment effects during crises 	<ul style="list-style-type: none"> » Support for MSMEs » Loan guarantees

Employment and Labour Market Policies

Nepal's fiscal stimulus package did not include direct cash transfers as income support to the unemployed, potentially due to budget constraints. Paid sick leave and unemployment benefits were also not expanded to those engaged in informal employment, and there was no focus on paid family leave or paid reductions in work time to accommodate unpaid care responsibilities. This forced many women out of the labour force to take care of (a) children, (b) increased domestic work and (c) sick family members.

The fiscal stimulus package incorporated a hazard allowance and Personal Protective Equipment (PPE) for health-care workers and frontline workers. However, the quality as well as the timeliness of the availability of PPE equipment and hazard allowances are questionable. Since most nurses in Nepal are female, this policy benefits women more. However, health care is highly privatised in Nepal, and a majority of health-care workers fell outside the beneficiary list, as government policies targeted workers in the public hospitals.

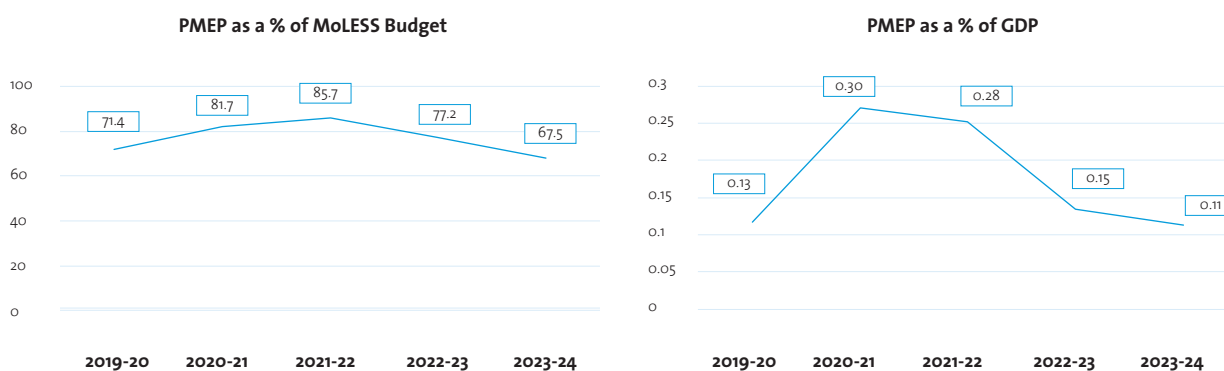
The expansion of the existing Prime Minister Employment Program (PMEP) was one of the key fiscal policy tools to tackle COVID-19-related unemployment. The Ministry of Labour Employment and Social Security (MOLESS) issued two guidelines to revise the PMEP Program Operation Guideline, 2077 and Working Guideline for Cash for Work in Community Based Projects, 2077. **The budget allocated for the programme was doubled from the previous year, from 5.1 billion**

NPR in fiscal year (FY) 2019/20 to 11.6 billion in 2020/21 and 12 billion in 2021/22. In FY 2020/21, the PMEP aimed to provide jobs to 500,000 unemployed people, expanding its pre-pandemic target of 200,000. Under the COVID-19 Action Response Expenditure Support (CARES) programme funded by the Asian Development Bank (ADB), there were also specific targets to include women and members of disadvantaged groups: 50 per cent women and 25 per cent members from disadvantaged groups. The minimum daily wage rate was also revised from 517 NPR to 577 NPR in FY 2021/22. Workers from the informal sector who lost their jobs due to the pandemic had the option to participate in public-works projects and receive a subsistence wage. If they chose not to participate, they could still receive 25 per cent of the local daily wage. The PMEP also includes provisions to give skills development training to returnee migrants who lost their jobs abroad during the pandemic. A total of 400 million NPR was allocated for skills development training, with the goal of creating work for 100,000 people in various industries, including handicrafts, plumbing, electrical maintenance, electronics, cooking, metalwork, carpentry, etc.

Apart from the PMEP, the government implemented various other programmes that provided direct cash for work. These included the Chief Minister Employment Program in Karnali Province, Routine Road Maintenance under the Department of Roads, the Rural Connectivity Improvement Project and the Chure-Bhanwar Conservation Project. These programmes aimed to provide approximately 200,000 seasonal jobs annually for low-income people and other vulnerable groups.

FIGURE 1

Prime Minister Employment Program (PMEP) spending as % of MoLESS budget and GDP



Note: MoLESS- Ministry of Labor, Employment and Social Security

However, incorporating the PMP into Nepal's National Response Program amid the COVID-19 crisis without adequate institutional arrangements and implementing modalities posed a severe challenge to achieving the target.⁴ By the end of FY 2020/21, only half of the target (56.88 per cent) was achieved. This was based on an average of 54.13 days of work per person, whereas the programme intended to provide 100 days of work per year. The programme's absorptive capacity remained low, with expenditures limited to 75 per cent of the budget in two consecutive fiscal years. Further, the gender disaggregated targets and data were limited under the CARES programme executed by ADB. Without the involvement of development agencies, there is no incentive to include gender-disaggregated targets or collect gender-disaggregated data to determine the extent to which these programmes benefited women.

The technical and vocational education aimed to create employment opportunities for new entrants in the labour market, individuals who have lost their jobs in the informal sector due to the pandemic and youth returning from foreign employment. However, interviews with some female participants reveal that while there is a supply-side investment in skills development and capacity building, the demand-side investment is often lacking. **Skills development programmes do not have market linkages and often end with participants unable to use their acquired skills.**

Business Support

The government established three channels to support businesses impacted by the pandemic in covering staff salaries and maintaining their operations. Nepal's central bank, Nepal Rastra Bank (NRB), expanded refinancing facilities to existing borrowers, revised concessional lending (Concession Lending Guideline, 2075) with subsidised interest rates and introduced business continuity lending (Business Continuity Lending Guideline, 2077) specifically for pandemic-affected MSMEs.

The NRB also established a fund worth 50 billion NPR to provide loans at a low interest rate of 5 per cent to MSMEs as well as to other industries affected by the pandemic. Additionally, a business continuity loan of 1.15 billion NPR was approved. An allocation of 1 billion NPR was made for the purpose of incentivising private

manufacturing industries to offer apprenticeships to their workers based on the recommendations of the Labour Information Bank, utilising the programme's Employment Service Centre, which was expected to employ approximately 50,000 skilled workers.

Further, the Self-Employment Loan Program (managed by the Youth Self-Employment Fund and the Poverty Alleviation Fund) in collaboration with over 32,000 community organisations across 64 districts was mobilised along with microenterprises to generate job opportunities in agriculture and MSMEs. Loans targeting women entrepreneurs were also promoted in close collaboration with NRB. Details on the amount of loans actually disbursed and their gender impact is covered under 'Monetary Policies.'

While concessional targeted credits and loan guarantees provided support to MSMEs, particularly those run by farmers, women and agri-entrepreneurs, the fixed cost support to businesses was negligible. It included reducing the electricity rates of manufacturing companies and offering a 50 per cent discount on electricity usage during off-peak hours. On the other hand, the GoN provisioned tax discounts ranging from 20 to 75 per cent for pandemic-affected businesses from their tax liability for FY 2020/21 depending on the size of their annual transactions. According to the Inland Revenue Department, the GoN waived income taxes amounting to 2.16 billion NPR for 512,753 taxpayers under this scheme. Income tax exemptions for new micro-enterprises were extended from five years to seven years, and women-owned small enterprises received tax exemptions for 10 years. **Thus, there was a greater focus on providing tax waivers across the board, rather than providing fixed income support to MSMEs.**

Nepal's tax relief measures supporting small and medium sized enterprises is beneficial. Tax waivers to businesses with above 10 million NPR in annual transactions amounted to approximately 400 million NPR. Such tax cuts to corporations risk taking away the revenue needed to fund health and other COVID-related expenditures and draining public finances, as corporations have significantly more retained earnings with which to weather economic crises. Small entrepreneurs said such facilities were delivered too late, not accessible and the measures were not enough to rescue them.

Recommendations on Livelihoods

Since the PMP was newly introduced in 2019, further

4 <https://www.mof.gov.np/site/publication-detail/3163>

awareness and trainings need to be conducted on the decentralisation of the programme and on harmonising between federal, provincial and local-level governments. The EMIS also needs to be consolidated into one programme, integrating multiple programmes from various ministries into its purview. This will also ensure that the budget allocation for the programme is fully utilised by the beneficiaries and that the targets are met.

The PMEPP should have specific targets for women and disadvantaged groups. Such **gender-disaggregated targets should not be contingent on the involvement of development partners.** Gender-disaggregated indicators and gender-disaggregated data to monitor and evaluate programmes is important.

Although a budget has been allocated for technical training and vocational courses, linking skills development to the market and investing in female-dominated sectors (e.g. care services) to create demand-induced decent job creation are key areas the government can focus on.

Investing in childcare facilities as well as social infrastructure and creating an enabling environment for women through paid family leave and shared domestic/care responsibilities can alleviate the time constraints on women. These investments can be powerful policy levers for generating decent employment for women and creating the conditions for gender-equitable, inclusive and resilient growth.

Since MSMEs have less financial cushion to weather economic crises, a greater focus on immediate/short-term fixed cost support covering rent and utilities would have been more beneficial to avoid the bankruptcy and closures of such businesses. Refinancing facilities or business continuity loans require documentation and many visits to the bank, and they also take longer to process. Cash-strapped MSMEs are likely to go out of business before they can secure the loan. Hence, tax waivers, refinancing facilities and concessional loans seem to favour bigger businesses rather than smaller businesses.

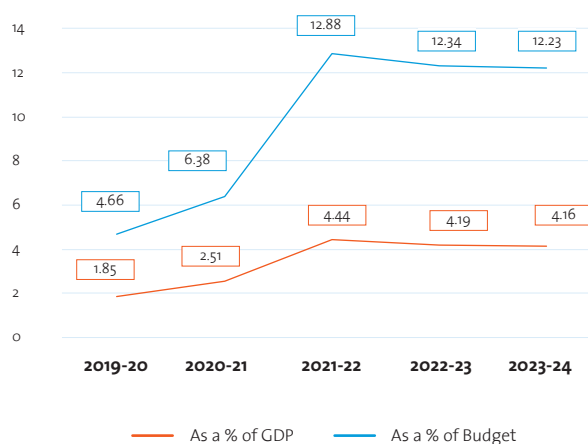
Although well-intentioned, Micro Finance Institutions (MFIs) and cooperatives that were mobilised to provide subsidised loans to MSMEs were found to be charging exorbitant interest rates and borrowers were using revolving credit. Hence, there must be stringent policies and tighter monitoring around MFIs and cooperatives. Fortunately, the NRB has already taken measures towards this effect.

Social Protection

Informal work accounts for 84.6 per cent of total employment in Nepal, with 90.5 per cent of women engaged informally compared to 81.1 per cent of men. Informal jobs tend to be low wage and lack benefits like paid sick leave, social protection, health insurance and job security, making women more vulnerable to economic shocks. Nepal's 15th National Periodic Plan (2019-2025) recognises social protection as one of the nine drivers of transformation in the country and as a cross-cutting instrument to build an equitable and just society, guaranteeing citizens fundamental rights to food security, employment, health and education. Per the recently published Integrated National Social Protection Strategy,⁵ a total of 87 programmes are classified as focusing on social protection in Nepal, and they are operated by 13 ministries and agencies.

According to the National Planning Commission's classification system, 46 programme types are designated as social assistance, 21 programmes as non-contributory social insurance/grants/subsidies, 11 as contributory social security, 6 as labour market and employment and one as legal assistance. However, it should be noted that this classification does not follow global practices because many programmes listed under social insurance/grants/subsidies are contributory or collective risk-based and should be listed under contribution-based social security.⁶

FIGURE 2
Social Protection as % of budget and GDP



5 <https://www.unicef.org/nepal/media/18096/file/Social-Protection-Budget-Brief-Update:-FY-2022-23.pdf>

6 <https://www.unicef.org/nepal/media/18096/file/Social-Protection-Budget-Brief-Update:-FY-2022-23.pdf>

In response to the COVID-19 crisis, the GoN provided relief packages to vulnerable households during the initial peak of the pandemic. These packages included food aid, reduced prices on essential food items and discounted electricity bills. Informal sector workers who lost their jobs were given the option to participate in public employment programmes for minimum wage or receive 25 per cent of the local minimum wage (577 NPR per day) if they chose not to participate. The GoN continued its existing social security allowances (child grants, senior citizens allowances, etc.) without expanding coverage in terms of eligibility or size, at least not in the context of the pandemic. The details of what programmes were fully/partially addressed and what elements were completely left out from the policies and responses can be seen in Table 2 below.

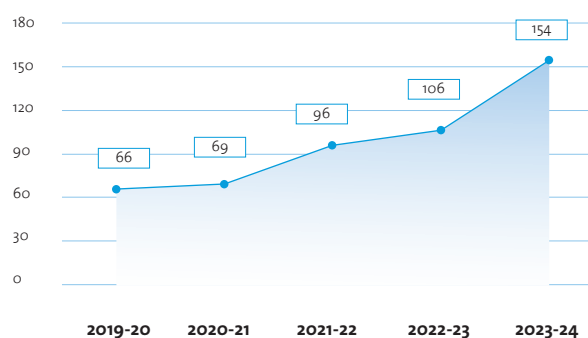
TABLE 2
Summary of indicators for social assistance and social insurance

	Social Assistance	Social Insurance
Not addressed	<ul style="list-style-type: none"> » Cash assistance and coverage » Child support grants » Childcare for essential workers » Assistance that prioritised women » Tax relief/deferral for workers » Moratoria on service disruption 	<ul style="list-style-type: none"> » Unemployment insurance » Paid sick leave and eligibility » Work-family conflict protection
Partially addressed	<ul style="list-style-type: none"> » In-kind allocations » Utility bills/broadband access » Elderly and disabled cash allowances » Childcare support » Utility price controls 	<ul style="list-style-type: none"> » Health-care coverage
Fully addressed	<ul style="list-style-type: none"> » Payment extensions 	

Social protection comprises 12 per cent of the total budget, and social assistance programmes make up almost half of Nepal’s social protection funding, with most of the budget going to social security allowances. The social security allowances eligibility, beneficiaries and amounts are listed in Table 3. Social security allowances are social support to the elderly, children, disabled people, widows, single women and Dalits. In FY 2019/20, expenditures for social security allowances were 66 billion NPR. They rose marginally to 69 billion NPR in FY 2020/21, then rose heavily in FY 2021/22 to 96 billion NPR, continuing to increase in FY 2022/23 to 106 billion NPR. The total expenditure allocated for FY 2023/24 is estimated to be 154 billion NPR – more than half the comprehensive social protection budget allocation and close to 2 per cent of GDP, as shown in Figure 2.

Nepal’s trend of expanding social security allowances may lead one to believe that it is a gender-equalising move intended to address the disproportionate impact of the pandemic on the poor and vulnerable. However, the increase is primarily driven by old age

FIGURE 3
Trends in the expenditure of social security allowances (in billions*)



allowances – the amount doubled to 4,000 NPR per month and the age criteria for eligibility was reduced to 68 years. The amount of the social security allowances for children under five (also referred to as the child grant), however, has stayed minimal at 532 NPR per month. These cash transfers not only have a skewed benefit structure in favour of the elderly but also a skewed coverage structure. Recipients of social

TABLE 3

Estimated beneficiaries, eligibility and benefit levels in FY 2022/23

Social Security Allowances	Eligibility	Annual Benefit Amount (NPR)	No. of Beneficiaries
» Old Age	» Age 68+	» 48,000	» 1,565,191
» Old Age (Dalit + Karnali)	» Age 60+	» 31,200	» 167,206
» Single Women	» Age 60+ and no earning member in family	» 31,200	» 211,000
» Widow	» Widowed women with no earning members in the family	» 31,200	» 358,890
» Endangered Ethnic Tribe	» Belonging to 1 to 10 ethnic groups considered endangered	» 31,200	» 22,144
» Disability (Full)	» Red Disability Card	» 46,880	» 63,954
» Disability (Partial)	» Blue Disability Card	» 25,536	» 132,710
» Child Grant (Dalit)	» All Dalit Children less than 5 years old	» 6,384	» 351,891
» Child Grant	» All Children Under 5	» 6,384	» 756,936

security allowances for children make up 33 per cent of beneficiaries from the nine different types of social security allowances covered but receive only 7 per cent of social security expenditures (FY 2021/22).⁷

Further, the old-age allowance is universal, with a significant portion of the population over age 68 receiving the amount. The child grant, on the other hand, is conditional, with only 45 per cent of the total population of children under age five receiving their social security allowances, i.e. child grants. There were no provisions in the GoN's COVID-19 response that relaxed the conditionalities or expanded coverage of the child grants. Thus, the amounts remain inadequate and given the government's limited resources and budget, the priorities seem misguided.

There was no fiscal package dedicated to unemployment insurance, nor was there any expansion of coverage to include informal workers under the ambit of social insurance, such as paid sick leave or health insurance. Unemployment insurance/unemployment cash assistance is not a social protection policy in Nepal, and it was not introduced during the pandemic. There were also no policies that prevented businesses from firing workers in the event they were absent from work for sickness or care activities. An expanded PMEP was the be-all and end-all for all unemployment-related interventions during

the pandemic. Given that the programme launched in 2019, shortly before the pandemic began, and was yet to be fully rolled out and tested at the local levels, Nepal's unemployed population did not have substantial unemployment coverage. While the Nepal Labor Force Survey (NLFS) reported an unemployment rate of 11.4 per cent in FY 2017/18, Nepal's returnee migrant population during the pandemic resulted in increased unemployment and the need for income support and unemployment insurance.

The CARES project completion report stated that the food relief that was distributed to poor and vulnerable households in Nepal during the COVID-19 lockdown was not enough to meet their needs. It was only sufficient for 1 to 2 weeks, and there was no third-party monitoring mechanism to ensure that it was distributed fairly and efficiently. There is also no data on how the food relief was distributed, such as by gender or employment status.

There are no provisions for tax deferrals or relief specifically targeting individual workers. Nepal's fiscal stimulus package does not explicitly include payment extensions on utilities or moratoria on service disruption for utilities as a specific policy measure. This shows that the policies were more favorable to the formal sector and large businesses rather than at the individual or household level.

7 <https://www.unicef.org/nepal/media/18096/file/Social-Protection-Budget-Brief-Update:-FY-2022-23.pdf>

Recommendations for Social Protection

Although social protection makes up 12 per cent of the budget and 4 per cent of GDP, the coverage in the largest of these programmes is estimated to reach fewer than 20 per cent of the population. For example, social security allowances, which have begun to absorb a significant share (more than half) of Nepal's total social protection budget allocation, reach only 12.3 per cent of the population. There is a need to bring more of Nepal's population under the ambit of social protection, especially the poor, vulnerable and those working in the informal sector.

The coverage, design and implementation of Nepal's social protection schemes during the pandemic seem skewed and misguided. **The child grant needs more attention and needs to be scaled up, as it is directly linked to the growth and development of the future labour force and helps address inequality at its source.** While other social security allowances have been revised and coverage expanded regularly, the child grant has not received such attention. A 2021 study by UNICEF found that if all children (between the ages of 5 and 17) in Nepal received an inflationary-adjusted child transfer of 430 NPR per month by 2035, family poverty could be reduced by as much as 16.8 per cent, at an annual cost of only 0.7 per cent of GDP.⁸

Receiving public health insurance in Nepal is contingent on being formally employed, which means that nearly 90 per cent of the population does not currently have health insurance. The inadequate capacity of public hospitals forces many to go to private establishments, where out-of-pocket costs are exorbitant. The government should prioritise its commitment to universal health insurance and roll it out in phases, prioritising the poor and vulnerable.

Perhaps the 87 social protection programmes running under 13 ministries and their agencies can be consolidated and integrated into fewer programmes and ministries, thus streamlining monitoring and ensuring more efficient distribution. The National Planning Commission has already taken this step

⁸ Kidd, S., Athias, D., & Tran, A. (2021). Universal Child Benefits: transforming the lives of children across South Asia. UNICEF. <https://www.developmentpathways.co.uk/wp-content/uploads/2021/03/UNICEF-South-Asia-Paper-2021.pdf>

with the launch of its Integrated Social Protection Strategy. **This strategy should be supplemented with an integrated management information system (MIS) that includes a digitised disbursement system, thus enabling timely and efficient disbursement and preventing leaks and misuse.**

In terms of child care coverage, paid workers only receive 96 days of maternity leave in Nepal, and the lack of quality and affordable child-care centres has resulted in many new mothers opting out of the labour market. **Targeted initiatives to address this can include improving the accessibility of formal childcare institutions and expanding parental care flexibility by introducing parental leave, care leave or care allowance (following the Maternity Protection Convention, 2000 (No.183)).**

It is therefore crucial that fiscal packages include measures to increase coverage, improve the quality of benefits and simplify eligibility rules and administrative procedures for women in informal employment as well as those who are outside of the labour market altogether and engaged in unpaid care and domestic work. Long-term investments in universal, gender-responsive social protection systems are needed to achieve economic recovery and build long-term resilience to shocks.

Health

A study focused on universal health insurance coverage in Nepal, conducted as part of the Asian Development Bank's COVID-19 Active Response and Expenditure Support Program (CARES), revealed significant disparities in infant, neonatal and under-five mortality rates based on wealth quintiles. The highest mortality rates are among children from middle and lower wealth quintiles, emphasising the urgent need to reduce inequalities by addressing the reliance on out-of-pocket payments for medical expenses. Another study conducted as part of the ILO-UN Women Joint Programme on estimating the coverage and costing gap in Nepal's health sector has shed light on the gap associated with scaling up quality human resources to meet the SDG targets. **An investment to the size of 4.4 per cent of GDP is necessary to meet the SDG target of 4.45 doctors, midwives and nurses per population of 1,000.**

Women make up the largest share of public-facing "essential" workers, i.e. those most exposed to social contact. According to data from the Nepal Nursing Council, out of 13,465 nurses, only 125 are men. Nurses

are especially vulnerable to contracting COVID-19 if their employers have not adequately provided PPE and met other safety and health standards for addressing contagion.

250,000 number of migrant workers returned home to Nepal during the pandemic due to the global lockdown⁹. These workers were vulnerable to COVID-19 due to travel and exposure. Most of them did not have health insurance, however, as many were either unemployed due to the pandemic or their insurance was not valid in Nepal. Already facing a loss of steady income, these migrants were at greater risk. Further, lockdown measures and the resulting isolation increased household stress and contributed to increased rates of domestic violence by almost 30 per cent globally. Table 4 shows health-related policy measures introduced by the government during the pandemic.

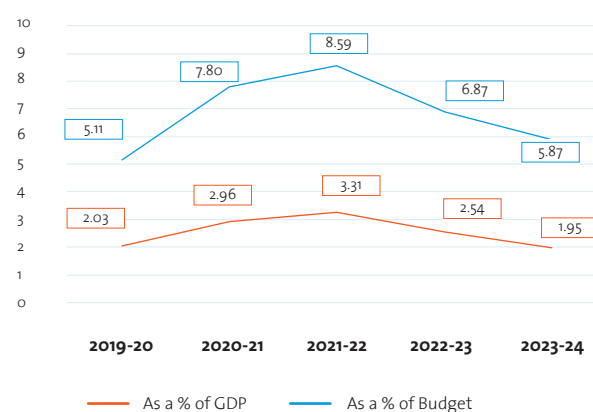
TABLE 4
Summary of health indicators

Health	
»	Hygiene kits
»	Domestic violence protection
»	Reproductive health
»	COVID-19-related health-care spending
»	Health-care spending
»	Expansion of Health-care coverage
»	Women and PPE

In FY 2020/21, a total of 42.53 billion NPR was allocated for COVID-19-related expenditures, while in FY 2021/22, the allocation was 37.53 billion NPR. These amounts accounted for approximately 50 per cent and 30 per cent of the total health-care budget assigned for those years, respectively. Health-care spending increased in FY 2020/21 and 2021/22 to 7.8 per cent and 8.6 per cent of the total budget but fell to pre-pandemic levels of 5 to 6 per cent of the budget in FY 2023/24. According to the World Health Organization (WHO), a country should spend 5 per cent of its GDP on health care annually to ensure universal health-care access. Nepal's health-care spending reached a high of 2.5 per cent of GDP in FY 2021/22. The pre-pandemic level of spending is less than 2 per cent of GDP. Nepal's health-

care spending trends are shown in Figure 4 below.

FIGURE 4
Health care spending as % of budget and GDP



There is no universal health insurance coverage in Nepal. As part of the Universal Coverage Strategy, the National Health Insurance Scheme was introduced in 2016/17, with approximately 58% of the beneficiaries being women. **In Fiscal Year 2021/22, the Government allocated a total annual budget of NRP 10.24 billion for universal health insurance which is an increase from the Rs. 7.5 billion allocated in 2020/21.** However, the scheme is yet to materialise. Efforts are being made to extend insurance coverage to the local level through the implementation of programmes aimed at achieving the “One family one insurance concept”.

The GoN had implemented arrangements for free health insurance coverage of up to 500,000 NPR for all health workers involved in the treatment of infectious diseases, including COVID-19. Additionally, the government had announced free coronavirus insurance of up to 100,000 NPR for all public servants, including temporary and contract employees. However, such policies are contingent on employment and only target workers in health and the public sector, thus leaving almost 90 per cent of the employed women outside its purview. **Ironically, the ones excluded are also the ones most in need of health insurance.**

Provisions have been made to provide incentive allowances, including the provision of PPE for doctors, health workers and laboratory employees. Budget allocations have been made to purchase essential hygiene kits for the prevention and treatment of COVID-19. The President Women Upliftment Program aims to enhance the reproductive health of disadvantaged women in rural areas. However, the

⁹ https://www.npc.gov.np/images/category/The_Effect_of_COVID-19_Pandemic_on_Foreign_Employment_and_its_Impact_on_the_Economy_of_Nepal.pdf

According to the World Health Organization (WHO), a country should spend 5 per cent of its GDP on health care annually to ensure universal health-care access. Nepal's health-care spending reached a high of 2.5 per cent of GDP in FY 2021/22.

fiscal stimulus package does not specifically address the reproductive health issues faced by women in the context of COVID-19.

Even though there was a surge in reported cases of Gender-Based Violence (GBV) during the pandemic, Nepal's fiscal stimulus package does not specifically outline measures to facilitate women's reporting of domestic violence. To address this issue, the Ministry of Women, Children and Senior Citizens (MoWCSC), in collaboration with other development partners, conducted campaigns, implemented programmes and established hotlines to encourage people to report GBV incidents and provide support for those affected, including mental health counseling. This GBV intervention was not included as part of Nepal's original national response programme, however, and seemed to be driven by pressures from development partners.

Recommendations for Health

The Nepali health insurance system is not functioning well due to enormous challenges. A lack of awareness about the programme's benefits and enrollment procedures is a significant hurdle. Additionally, financial constraints hinder regular premium payments for individuals who are low income or have financial instability. The complex enrollment process and inadequate infrastructure, including limited access to health facilities and insurance offices, further complicate the enrollment process. Geographic barriers, such as Nepal's rugged terrain and remote areas, pose challenges for citizens looking to access and enroll in health insurance programmes. Moreover, concerns about service quality and trust in the programme deter some citizens from enrolling. Communication barriers, particularly in rural areas that have local dialects, exacerbate the difficulties in reaching and informing potential beneficiaries. Addressing these challenges is crucial to promote wider health insurance coverage and social protection in Nepal.

Health insurance in Nepal is contingent on being formally employed which translates to almost 90 percent of the population without a health insurance. The inadequate capacity of public hospitals forces many to go to private establishments where out-of-pocket costs of health care are exorbitant. Government should prioritise its commitment to universal health insurance.

Women make up the largest share of public facing "essential" workers. Monthly salary of nurses in most private hospitals in Nepal is below minimum wage with majority of nurses migrating for better opportunities. A study conducted by IIDS under UN Women-ILO joint programme show a gap of approximately 81,000 Doctors, Midwives and Nurses (DMN) to meet the SDG target of 4.45 DMN per 1000 population. If the working condition of nurses do not improve, this gap will only widen for Nepal making access to basic healthcare more challenging.

Food Security

Research suggests that food insecurity increased during the pandemic as a result of (a) income losses due to rising unemployment and declining economic activity and (b) school closures and the suspension of school-based feeding programmes. Agricultural production in Nepal was also impacted due to COVID-19, and small farmers were unable to continue production due to lack of inputs, as Nepal is highly dependent on imported fertilisers and seeds. The supply chain disruption due to the pandemic caused a scarcity of both these inputs, leading to increased prices. This further drove up food prices. **Since poor households spend a significant portion of their income on food, higher food prices increased food insecurity and pushed more people into poverty, reducing gains made in the decades prior to COVID-19.** Prevalence of food insecurity was the highest among households with pre-existing vulnerabilities, including poor households in the lowest wealth quintiles, households with low literacy levels and people with disabilities, rural households and those reliant on the informal sector as their main source of income.¹⁰

Many households are unable to afford basic nutrition, leading to adverse long-term effects on the physical and mental health of individuals. Socio-cultural

¹⁰ <https://reliefweb.int/report/nepal/impact-current-shocks-household-food-security-nepal-sixth-round-mvam-household-livelihoods-food-security-and-vulnerability-survey-june-2022>.

norms often delegate women in the back of the queue for nutrition needs and front of the queue for caregiver roles. Reduced incomes limit access to quality education, as households may not be able to afford to send their children to school or may pull them out to assist in household chores or income-generating activities. This can also impact gender inequality because **in Nepal, male children are prioritised over females in cases where households can only afford to send one child to school.**¹¹ In June 2022, Nepal recorded the highest inflation rate in the past five years at 8.56 per cent. To address this issue, the government has prioritised initiatives to expand agricultural production and output. Efforts have been made to support small-scale farmers and enhance the agriculture supply chain. Table 5 presents the GoN's intervention to tackle food insecurity.

TABLE 5
Summary of food security indicators

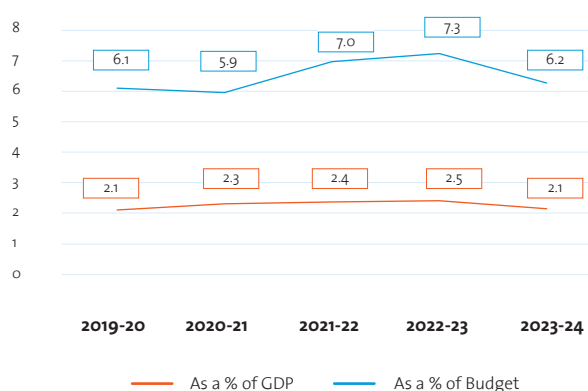
Food Security	
»	Budget for food security
»	Children and food security (substitute for school meal programmes)
»	Food security eligibility
»	Agricultural support
»	Loan to farmers
»	Women farmers' access to agricultural support

The GoN had allocated 7.52 billion NPR to expand the school meal programme nationwide in FY 2020/21. Aimed at improving student retention, the programme is being implemented for students up to grade five in public schools across 43 districts. However, during the pandemic, this programme was suspended due to the nationwide lockdown, and there is no mention in the fiscal stimulus package about alternatives, thus leaving many children who relied on the school meal programme without proper nutrition.

Although agriculture is declining in share as Nepal undergoes structural transformation, it still accounts for 23.9 per cent of GDP and one in five people are employed in the sector, with a larger share of women (33 per cent) employed in agriculture than men (14.7

per cent).¹² While not directly employed in agriculture, approximately 60 per cent of the population has some engagement with the sector. Nepal's budget over the past few years has accorded priority to the agriculture sector, with policies and programmes mainly focusing on livelihood improvement and employment generation through commercialisation and mechanisation of agriculture. However, the government's budget allocation for agriculture is not commensurate with the industry's significance and contribution to the country's GDP.

FIGURE 5
Agriculture budget allocation



The agriculture budget shows a gradual increase over the past five years. The allocated budget in FY 2019/20 was almost 35 billion NPR, and it increased to 41, 45 and 55 billion NPR in the respective fiscal years, with 59 billion NPR allocated in FY 2022/23. Over the past decade, the Ministry of Agriculture and Livestock Development (MoALD) has spent around 80 per cent of its annual budget allocation, one-third of which has been spent on buying chemical fertiliser.¹³ The fiscal budget of 2023/24 has earmarked 30 billion NPR to import chemical fertilisers to Nepal, which is double the amount allocated in the previous year. As per the import data from the Department of Customs, Nepal imported nearly 21 billion NPR worth of fertilisers in

Socio-cultural norms often delegate women in the back of the queue for nutrition needs and front of the queue for caregiver roles.

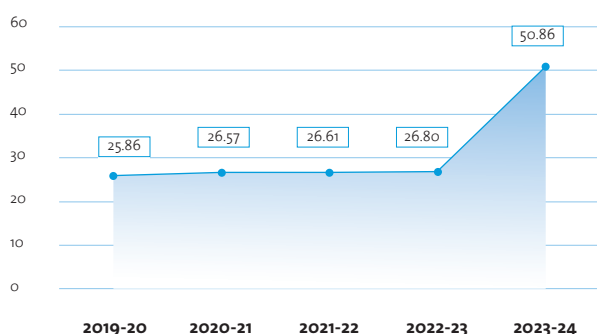
¹¹ <https://doi.org/10.2499/p15738coll2.136379>

¹² NLFS 2017/18

¹³ <https://tkpo.st/3zuMxGk>

FIGURE 6

Chemical fertilizers spending as % of agriculture budget



FY 2020/21, while the allocation was 11 billion NPR.¹⁴ Shortages of fertilisers have become a recurring problem over the past several years in Nepal, and the situation was worse during the pandemic due to steep rises in fertiliser prices. Considering that the price of fertilisers has more than doubled in the pandemic years, the allocation of 30 billion NPR in the current fiscal year is a step in the right direction.

In Nepal, fiscal stimulus packages have expanded access to concessional credit to farmers, continued providing subsidies for fertilisers and allocated a budget to invest in agricultural infrastructure. These longer-term policy measures are important from a gender perspective, as women play a key role in agri-food systems. The ‘feminisation of agriculture’ is a reality in Nepal, as an increasing number of men from rural households out-migrate every year in search of better employment and opportunities.

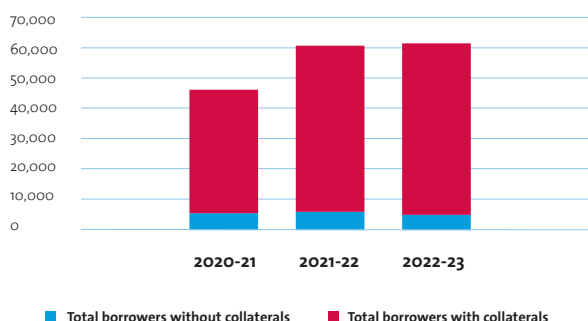
A loan of 3.6 billion NPR has been allocated to the Small Farmer Development Microfinance Financial Institution to facilitate a credit provision for agriculture and small businesses through 1,000 cooperative organisations. To support the agriculture sector, commercial banks are mandated to allocate at least 12 per cent of their total credit to agriculture by mid-July 2022. This requirement increases to 13 per cent by mid-July 2023, 14 per cent by mid-July 2024 and 15 per cent by mid-July 2025. As of February 2023, outstanding loans totaling 139.84 billion NPR have been provided to 60,618 borrowers engaged in agriculture and animal husbandry businesses, as shown in Figure 8 below. Furthermore, the budget statement includes

¹⁴ <https://ebrary.ifpri.org/utils/getfile/collection/p15738coll2/id/136379/filename/136590.pdf>

allocations for concessional loans to farmers through programmes, such as the Prime Minister’s Agriculture Modernization Project.

FIGURE 7

Collateralized vs non collateralized loans in agriculture



In 2022/23 out of 61,235 borrowers who availed of commercial agriculture and livestock loans, only 5,082 borrowers were able to access collateral free loans. In terms of value, out of the 165.6 billion concessional loans towards agriculture only 3 billion was collateral free. This shows how policies though well intended can systematically exclude those in need and can lead to moral hazard and misappropriation of resources.

Recommendations for Food Security

Food shortages have a multiplier effect on children as well as overall development dividends; therefore, food security during crises must be prioritised, with proper contingency planning in close coordination with feeding programmes.

Support the development of local, sustainable and resilient small-scale farming by providing farmers with access to resources. While targeted credit in agriculture exists and there are loan guarantees, it should be supplemented with awareness about the availability of such facilities and capacity to fulfill the necessary procedures to secure such loans. Women belonging to other marginalised groups, such as Dalits, indigenous people and people with disabilities, face major hurdles in accessing social services due to a lack of legal identity (e.g. citizenship cards, disability cards, etc.), as well as a lack of awareness of their rights and entitlements.

Nepal’s increasing dependence on imports for food, combined with the rising prices of chemical fertilisers, will likely have an adverse impact on production, exacerbating an already precarious situation for the rural poor. Nepal should invest in agriculture

to improve productivity and adopt measures to make the sector more resilient to shocks. This could include providing farmers with access to better seeds, fertilisers and irrigation and investing in agricultural research, good governance and development.

Agriculture in Nepal is of subsistence nature. Agricultural innovation and technological adoption can improve agricultural productivity, sustainability, profitability and reduce drudgery. Some steps to transform subsistence agriculture to commercial agriculture are through high-yield varieties of crops, improved irrigation systems, storage and processing facilities.

There is, thus, a clear need to enhance the capacity of small-holder farmers in the policy design of fiscal stimulus packages. If managed properly, the recovery and strengthening of food systems can be a fundamental sector that drives medium- and longer-term economic recovery in many economies while also ensuring food security.

Public Infrastructure and Housing

Lessons from COVID-19 and Nepal’s 2015 earthquakes show that gender-responsive public infrastructure plays an even more important role during health and economic crises. Spending on public services, such as community halls, public transportation and water and sanitation, help governments cushion the blow of the economic effects of crises, as these expenditures stimulate employment and provide gender-friendly spaces for women.

Nepal’s public health infrastructure is already inadequate, making it especially inadequate during crisis situations when demands on health systems dramatically increase. During both the pandemic and post-earthquake periods, closures of schools and childcare centres increased care work at home. This was especially challenging for parents and caretakers who were unable to stop working (due to low earnings, because employers require them to come to work to retain their job, or because they are teleworking) – and this burden fell disproportionately on women.

In FY 2020/21, 12.27 billion NPR was allocated to establish 272 hospitals. This aligned with the government’s policy goal to establish basic hospitals with 5 to 15 beds in all municipalities to ensure access to basic and quality health services for all citizens. An additional 5.1 billion NPR was allocated to provide basic health services, including non-communicable disease testing in local-level health institutions. Government

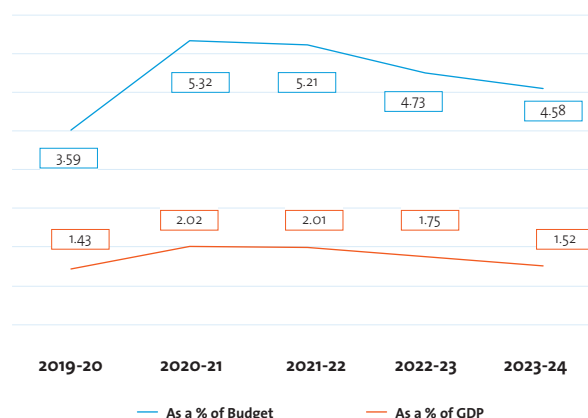
spending on health and hospitals is shown in Figure 8.

TABLE 6
Summary of public infrastructure and housing

	Public Infrastructure	Housing
	» School infrastructure » Public transportation spending	» Housing » Late payments » Rental supplements » Rent exemptions » Eviction and foreclosure moratoria
	» Safe transport » Hospitals and clinics » Water and sanitation spending » Safe water and sanitation access	» Temporary shelters

In FY 2020/21, an allocation of 6 billion NPR was made for the President Educational Reform Program, which aimed at enhancing educational infrastructure based on request and/or needs. Government spending on education is shown in figure 9.

FIGURE 8
Hospitals/clinics as % of budget and GDP



Women’s care obligations involve labour-intensive activities that take a toll on their bodies and also take away time that they could spend engaged in economically remunerative activities. The lack of drinkable water raises women’s care burden, forcing them to walk long distances to retrieve water and take care of ill family members due to waterborne diseases. The GoN increased spending on water and sanitation marginally and during the pandemic years, with allocations gradually coming down to pre-pandemic levels since 2021-22

FIGURE 9

Education spending as % of budget and GDP

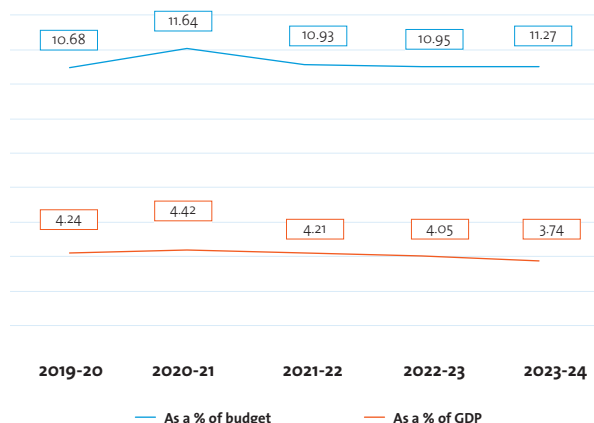


FIGURE 10

Water and sanitation spending as % of budget and GDP

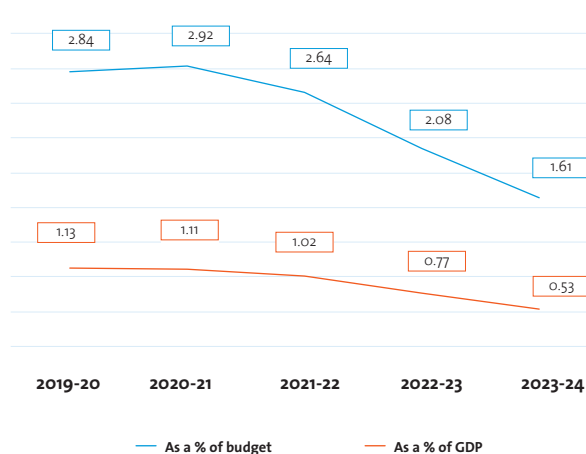
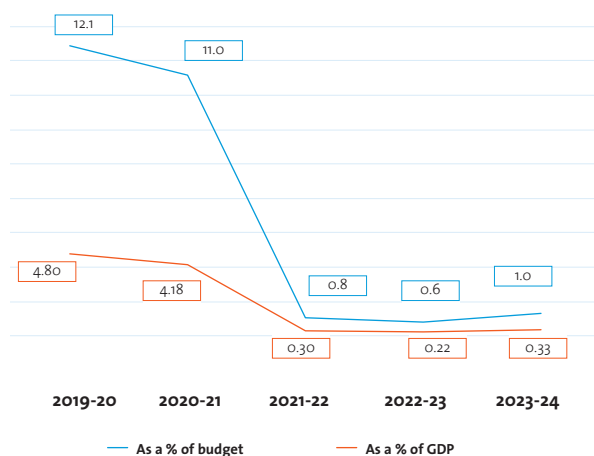


FIGURE 11

Transportation spending as % of budget and GDP



The COVID-19 Control and Management Center (CCMC) established guidelines for implementing effective control measures in public transport, such as maintaining social distance and using face masks and sanitisers to ensure safety. However, there was no spending to expand public transport, which has been outsourced to the private sector on contracts. The demand for safe public transport in Nepal far exceeds the supply, with passengers often standing in cramped buses, vans and other forms of public transport. The availability of safe, reliable public transport during crises can be gender equalising. Budget on transportation show a steep decline as seen in figure 11.

Because of the loss of income and inadequacy of income support, families are susceptible to losing

their housing if they are unable to pay rent. Since women tend to have no financial cushion, income loss is likely to affect them more than men. Despite this reality, Nepal’s fiscal stimulus package did not clearly mention measures regarding the prohibitions of evictions and foreclosure moratoria. The fiscal stimulus package did not explicitly address the issue of late payments and had inadequate provisions for rent waiver. The Kathmandu Metropolitan City (KMC) announced a one month’s rent waiver for tenants. Although this was applicable for both commercial and residential tenants, a month was not enough as the lockdown lasted longer.

Temporary, safe and gender-responsive housing is a necessity during pandemics and other crises. During the pandemic, quarantine centres had the capacity and resources to care for ill family members, a responsibility that almost always falls on women. While the fiscal budget mentioned quarantine centres in the beginning of pandemic, it did not provide a specific allocated budget for them; as a result, quarantine centres were built under the ADB-funded CARES programme. A total of 6,304 quarantine centres were established by July 2020, with a capacity for 205,003, accommodating approximately 200,000 individuals. Throughout the first and second waves of COVID-19, a total of 276,778 people utilised these facilities. Among the users, approximately 14.81 per cent were women, and efforts were made to provide separate toilet facilities for women in these centers.

During the pandemic, schools, hotels and other public facilities were repurposed as quarantine centres

as well. These facilities were inadequate, however, especially along the border where returning migrant workers would often stay as they re-entered Nepal. In these cases, the conditions were often substandard, with inadequate facilities and a lack of separation between men and women. Unfortunately, there were instances of sexual assault reported in some centres as well.

Recommendations for Public Infrastructure and Housing

Policies that require a moratorium on evictions and foreclosures are needed. Expenditures on housing are also important for Nepal's post-pandemic recovery. If households are in arrears on their rent, they accumulate debt, slowing economic recovery.

Deficit financing targeted at Nepal's social sectors might have growth-inducing effects if it used strategically, investing in human and physical capital to improve long-run productivity. One of the key recommendations is thus to recognize, reduce and redistribute the unpaid care work of women, thus enabling their participation in the labor force.

Investment in safe public infrastructure can be useful during and beyond the pandemic, as it houses victims of GBV, trafficked migrant women and provides care services in the long run.

Monetary Policy

Nepal's monetary policy took an expansionary stance during the pandemic. To revive the economy, the policy was targeted at lowering interest rates, providing loan guarantees, assuring liquidity, extending the moratorium period and expanding credit on agriculture, energy, tourism and cottage industries as well as small- and medium- enterprises. In line with this outlook, the GoN took the following measures:

- » The concessional credit programme was restructured by widening coverage and simplifying the borrowing process to promote output, generate employment and develop entrepreneurship.
- » A provision for priority sector lending was revised.
- » Access to refinancing facilities were decentralised, and there was a provision to extend them up to five times using the available funds in order to enhance access to credit for COVID-19-affected professions, enterprises and businesses.

TABLE 7

Summary of indicators for monetary policy

Monetary Policy	
	<ul style="list-style-type: none"> » Limits on imports of luxury goods » Credit repayment holiday » Suspension of dividend payments » Targeted credit
	<ul style="list-style-type: none"> » Interest rates » Reserve requirements » Lending to MSMEs and Minority and Women Owned businesses » Loan guarantees

These concessional loans, along with refinancing facilities for MSMEs, were provided at a lowered annual interest rate of 5 per cent. Specific targets, both in terms of the number of loans and portion of the credit portfolio were given to Bank and Financial Institutions (BFIs) targeting priority sector lending. In terms of the budget, a fund of 50 billion NPR was assigned for business support (for wages, operations) in the form of subsidised loans at a 5 per cent interest rate and 100 billion NPR was set aside for refinancing facilities.

The GoN provided a 50 per cent subsidy for credit guarantees and business insurance premiums associated with concessional loans. An allocation of 13.59 billion NPR has been made for interest subsidies on concessional loans. Commercial banks aimed to provide loans to at least 10 individuals per branch, while development banks targeted five individuals per branch under the concessional loan programme facilitated by Bank and Financial Institutions (BFIs). As of 15 January 2022, the total contribution for interest subsidies on concessional lending to business entrepreneurs amounted to 11,506.64 million NPR (\$97.53 million USD).

Data released by the NRB suggests that post-pandemic, there has been uptick in loans and targeted credit towards women entrepreneurs.

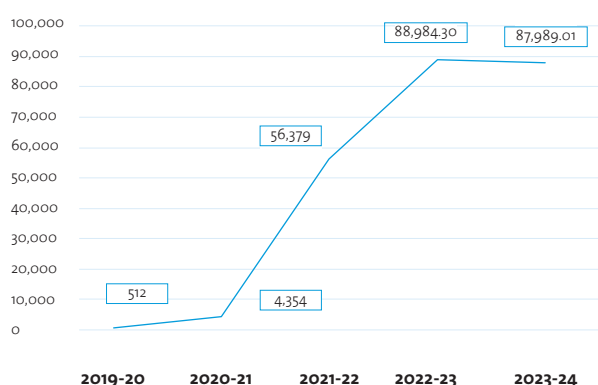
A total of 84,000 women entrepreneurs availed these

The luxury import ban had repercussions on overall revenue generation, impacting spending in health and other social sectors. Such budget cuts adversely affect women and marginalised groups.

facilities, totaling nearly 71 billion NPR in loans. Similarly, 60,545 borrowers were able to secure agriculture loans of almost 139 billion NPR. The concessional loans were provided to targeted groups – MSMEs, women entrepreneurs, returnee migrants, potential migrants and agriculture sector entrepreneurs. Thus, the policy has been effective in introducing gender-inclusive policies. **One limitation is the difficulty in ascertaining if the loans were indeed used by the borrowers for the purpose intended.** In Nepal, as per social norms, women’s ownership of assets and finances, though changing, is still limited. Women could be leveraging the concessional loan facilities for male members of the household.

FIGURE 12

Women entrepreneur’s loan (in NPR, millions)



There are two ways expansionary monetary policy could adversely affect women and marginalised groups in the long run. First, the banking sector in Nepal offers collateralised loans, which is considered a formal channel for seeking loans. Most collaterals are land or buildings. Women in Nepal are less likely to own assets or have access to assets in their name. In addition to this, interviews with women entrepreneurs suggest that access to information and the knowledge and ability to follow formal banking processes to secure these loans and credit pose challenges for women. This leaves a large portion of the population – those without documentation, education or access to formal banking channels – without access to credit.

Recommendations for Monetary Policy

The relationship between credit growth and inflation in Nepal is significant. Over the past four decades, when credit expanded at an average annual rate of 21 per cent, GDP grew by 4.6 per cent per year and inflation by 8.4 per cent. The credit expansion,

particularly in response to the COVID-19 pandemic, has contributed to a notable increase in the general price level. This high inflation disproportionately affects the purchasing power of the poor, vulnerable groups and the working class.

Nepal has the highest household credit-to-GDP ratio in South Asia, standing at 33 per cent compared to 12.7 per cent in Sri Lanka, 12 per cent in India, 8 per cent in Bangladesh and 3.7 per cent in Pakistan. Given this situation, credit guidance and other measures are necessary to reallocate bank credit to the productive sectors of the economy. The NRB has implemented policies to gradually channel credit to sectors such as agriculture, energy, MSMEs, tourism and other priority sectors. However, it is important to assess the value addition and contribution of these measures to output growth.

Among South Asian countries, Nepal has the largest banking sector relative to its economy. The private sector credit-to-GDP ratio in Nepal is 84 per cent, while it is lower in other countries such as India, Sri Lanka, Bangladesh, Pakistan, Kenya and Uganda. If the current rate of credit growth continues, the size of Nepal’s banking sector measured by private sector credit will be double the size of the economy within the next 10 years. This exponential growth in the banking sector poses risks, as any disruption in the financial sector can have a massive impact on the overall economy. It also increases the concentration of risk in individual institutions, making each financial institution systemically important. While a financial crisis is detrimental for all people, it is particularly harsh to women and vulnerable groups.

Credit growth in Nepal reached 32 per cent in 2021, and commensurate with it was a surge in imports. As a result, Nepal’s authorities implemented a temporary ban on the import of luxury goods and provided limited currency exchange facilities for students studying abroad. The authorities urged banks to limit the issuance of letters of credit for imports and actively promoted stronger import substitution policies due to foreign reserve challenges. However, customs duty is a big source of Nepal’s revenue collection and

A mechanism should be designed to publish periodic unemployment rates so that Nepal’s monetary policy can strike a balance between addressing inflation and reducing unemployment.

the luxury import ban had repercussions on overall revenue generation, impacting spending in health and other social sectors. Such budget cuts adversely affect women and marginalised groups.

Lastly, an inclusive monetary policy should not merely focus on price stability; it must also prioritise decreasing unemployment. A mechanism should be designed to publish periodic unemployment rates so that Nepal's monetary policy can strike a balance between addressing inflation and reducing unemployment.

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