



## IMPACT OF COVID-19 ON BUDGET IMPLEMENTATION AT GAINDAKOT MUNICIPALITY, NEPAL

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### Abstract:

After the outbreak of COVID-19 pandemic from china in 17<sup>th</sup> November 2019, whole world is affected and most countries adopted complete lockdown for its prevention. Nepal government also announced complete lockdown from 24<sup>th</sup> March 2020 up to 14<sup>th</sup> June 2020 with partial lockdown extending up to 21<sup>st</sup> July 2020. This study was carried out to explore the effect of lockdown on capital budget expenditure in Gaidakot Municipality, a central municipal of country. Data were collected from Gaidakot Municipality and trends were analyzed to assess the financial expenditure of Budget. Only 42.98 million rupees was expended during lockdown period for the capital works, which is 41.57% less than the expenditure of 73.57 million on previous fiscal year for same period. Out of 3.17 million budget allocated for forest and environment protection, none of the programs were executed and no budget was expended. Similar case was seen for agricultural and animal programs too. Similarly only 50000 was expended in water supply scheme out of 1.74 million budget. River training and irrigation works was carried out expending only 7.33 million out of yearly budget of 34.3 million. The result of study showed that there is great disturbance in development activities due to coronavirus pandemic and expenditure on capitalized budget for different sectors was decreased. We can expect the impact on whole country to be worse looking on scenario of single municipality thus promoting economic activities with adapting control mechanism for corona virus.

**Key Words:** COVID-19, Lockdown, Budget Expenditure & Control

### Introduction:

Human being have observed various pandemics throughout the history causing disaster to the mankind. Nowadays mankind is fighting against invisible enemy the novel COVID-19 coronavirus originated from Wuhan, China. The World Health Organization (WHO) declared the outbreak a public health emergency of international concern on 30 January, and a pandemic on 11 March, 2020 (WHO, 2020). As of 30<sup>th</sup> July 2020, there are 216 affected countries with more than 17 million cases and 682 thousand deaths (Worldometer, 2020). Nepal also couldn't protect itself from this pandemic. As of 30<sup>th</sup> July, there are 19771 cases with 56 deaths with new cases increasing day by day (MoHP, 2020).

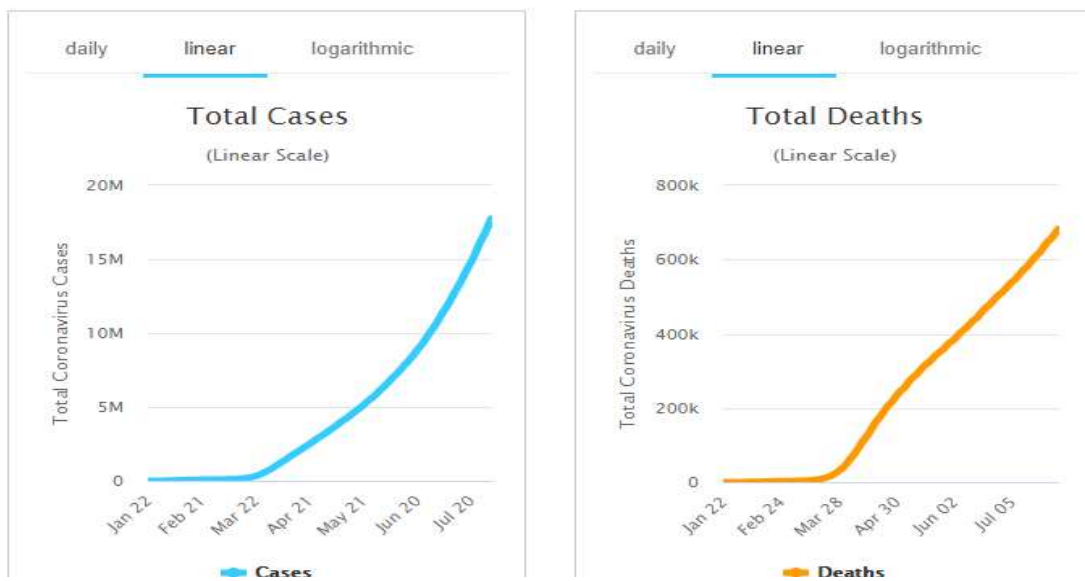


Figure 0.1: Cases and deaths in world due to COVID -19 pandemic

As per WHO guidelines, personal hygiene and social distancing (about 1 meters) is the suggested solution to prevent the disease from transmitting. Complete lockdown is one of the solution adopted by majority of countries all around the world. Nepal government also announced complete lockdown from 24<sup>th</sup> March 2020 up to 14<sup>th</sup> June 2020 with partial lockdown extending up to 21<sup>st</sup> July 2020 sealing its country boundary and

stopping all its international flights. This had led to the complete stoppage of economic activities within the country. This has created a great negative effect on budget implementation of all central, provincial and local government. As per latest projection of World Bank the GDP growth of Nepal will be limited to 1.5 to 2.8 percent due to the impact of lockdown against the estimated growth of 7.1 percent before pandemic (The World Bank, 2020). About 5 billion rupees was surrendered by different ministry (The Kathmandu Post, 2020) and the Federal Contractor Association of Nepal has requested Nepal Government to cancel all the procurement process within this lockdown period.

**Problem Statement:**

As per Financial Comptroller General Office (FCGO) of Nepal only 53.26 % of target revenue was collected and only 26% of allocated capitalized budget was expended on development activities up to 9 months of fiscal year 2019/2020 (Nepalisansar, 2020) and there will be no progress in expenditure as all economic activities were disturbed due to COVID-19 pandemic and lockdown. No any research have been made in context of any local government about their expenditure of capitalized budget. Gaidakot Municipality is one of 753 local government locating central part of country. It has also been affected by the pandemic and the office functioning was closed during lockdown period affecting the development activities and budget expenditure. The purpose of this study was to find out the impact of pandemic and lockdown on development activities and budget expenditure relative to previous fiscal year.

**Research Objectives:**

The general objective of this study was to assess the impact of COVID-19 pandemic on capitalized budget implementation at Gaidakot Municipality of Nepal.

**1. Literature Review:**

COVID-19 is a disease caused by severe acute respiratory syndrome coronavirus 2. Common symptoms are cough, fever, fatigue, shortness of breath and loss of sense of smell with complications may include pneumonia and acute respiratory distress syndrome (Centers for Disease Control and Prevention, 2020). The transmission of this disease is very efficient between peoples through droplets produced during coughing, sneezing and talking. Moreover this virus is found to remain alive in surfaces of various materials ranging from 4 hrs to 7 days (Healthline, 2020). There is no any antiviral medicine or vaccine developed till this date to cure this disease so WHO had advised several self-hygienic and isolation activities to prevent the spread of COVID-19 disease.

To prevent the transmission of disease majority of countries completely lockdown their countries restricting travel, transportation and social contact with people. This lead to the complete shutdown of all economic activities. The industries were closed. Markets were shut down. Travel was restricted. This caused major economic losses to all countries. Income and productivity was decreased. The lower level people was even loss their life due to hunger too.

As per World Economic Forum (WEF) 40 to 60 million people were pushed into extremely poverty, global commodity prices dropped by 20.4% in the month of March 2020, global trade is forecasted to drop by 27% and tourism by 58 to 78 %. International Monetary Fund (IMF) warned to cause sharp negative economic growth and great economic crisis since Great Depression of 1930s as 81% of the world's workforce of 3.3 billion people had had their place of work fully or partly closed because of the outbreak. Nepal is a landlocked country with majority of items were imported. Due to complete lockdown all the economic activities were closed creating shortage of even essential grocery items too. Impact on tourism, trade, production linkages, supply and health have been surfaced. Visit Nepal 2020 and Everest expedition was cancelled with tourist arrival rate declined to below 10%. Remittance from migrant's labor have decreased to 10% compared to previous year's growth of 16.5% (The Rising Nepal, 2020). The annual budget was decreased and capitalized budget was reduced to 26%, 7% less compare to previous year.

**Research Gap:**

According to Koirala and Suman (2020), the economic and social cost of isolation will be higher and impact will be seen till next 5 years. In context to this, in Nepal few research have been carried out on impacts of COVID-19 pandemic on local governments. Hence, this study was to present the real scenario of budget expenditure on Gaidakot Municipality.

**2. Methodology:**

**Study Area:**

This was an assessment research with the aim of exploring the impact of COVID-19 on budget implementation at Gaidakot Municipality. The location of study area is shown in Figure 3.1. Similarly population and sampling for research is shown in Figure 3.3.



Figure 0.2: Map of Nepal showing study district and Municipality

**Research Methodology Summary:**

Objectives	Data Collection	Analysis of Data	Expected Output
Impact on budget expenditure due to COVID-19 Pandemic	Capitalized budget expenditure for FY 2017/18, FY 2018/19 and FY 2019/20	Trend Analysis using graphs, bar diagrams and line chart	There is disturbance in construction and other economic activities and capitalized budget expenditure is decreased.
	Total expenditure up to end of Falgun (March 13) of each fiscal year.		
	Expenditure on month of Chaitra (March), Baihak (April) & Jestha (May) of each fiscal year.		
	Sector wise expenditure of budget on FY 2018/19 and FY 2019/20		

**3. Result and Discussion:**

**Capitalized Budget and Expenditure:**

The total capital budget for 3 consecutive F/Y was presented in Figure 4.1. This shows that there is decrease in capital budget for second F/Y. It was due to political reformation of country that increased current (Chalu) expenditure.

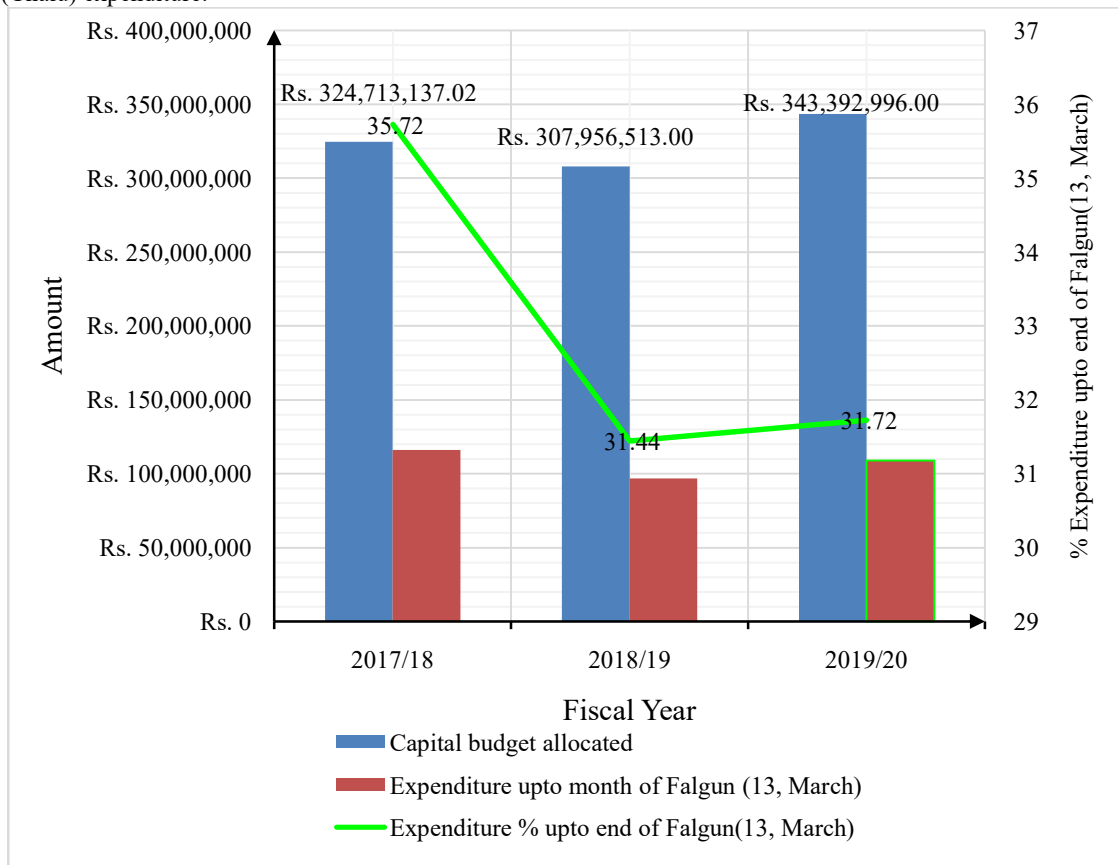


Figure 0.3: Capitalized budget and expenditure

The expenditure up to end of 8th month of each F/Y (Falgun, 13<sup>th</sup> March) is found to be similar for all three F/Y even though the expenditure is only 32.96% of budget in average. This showed that the mechanism of expending the capitalized budget in early period of fiscal year was poor.

**Capitalized Budget Allocation in Different Development Sector:**

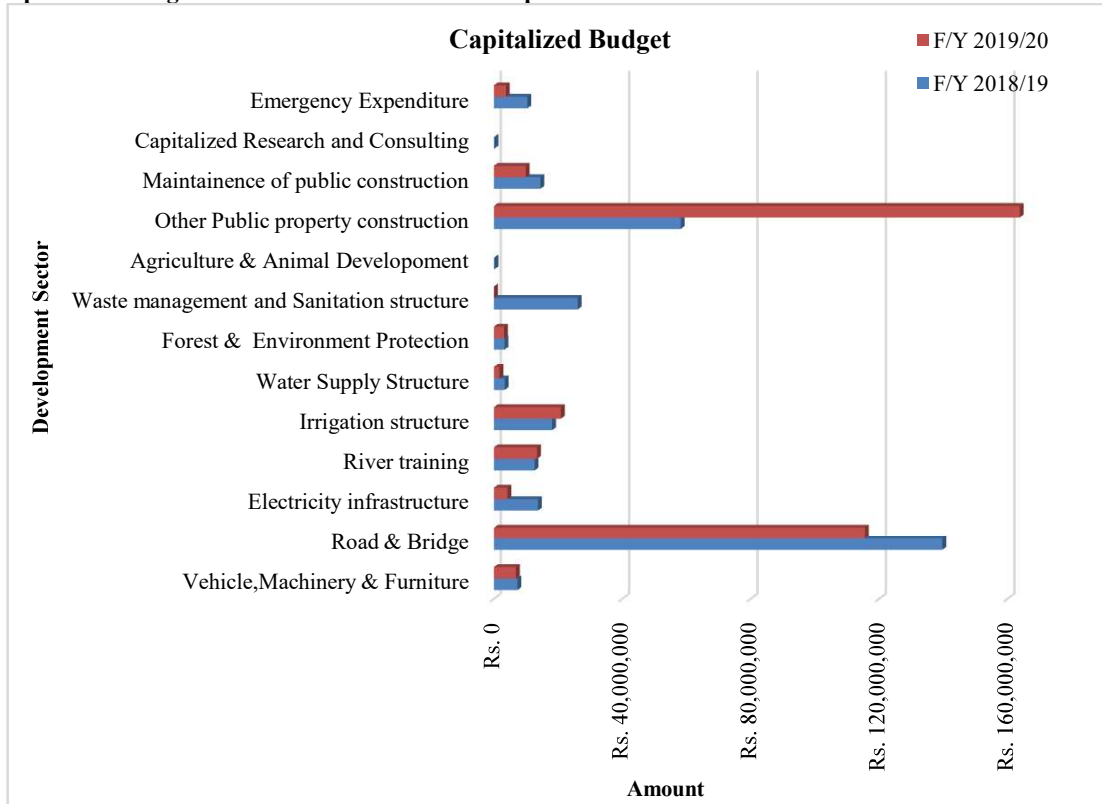


Figure 0.4: Capitalized budget allocation for F/Y 2018/19 & 2019/20

The graphs in Figure 4.2 shows maximum budget was allocated for road and public properties like buildings etc. The budget was decreased in F/Y 2019/20 in every sector compared to previous F/Y except for other public property construction. The research and consulting budget was negligible. No productive budget was found in Gaidakot Municipality for this two consecutive fiscal years.

**Expenditure on month of March, April & May for each F/Y:**

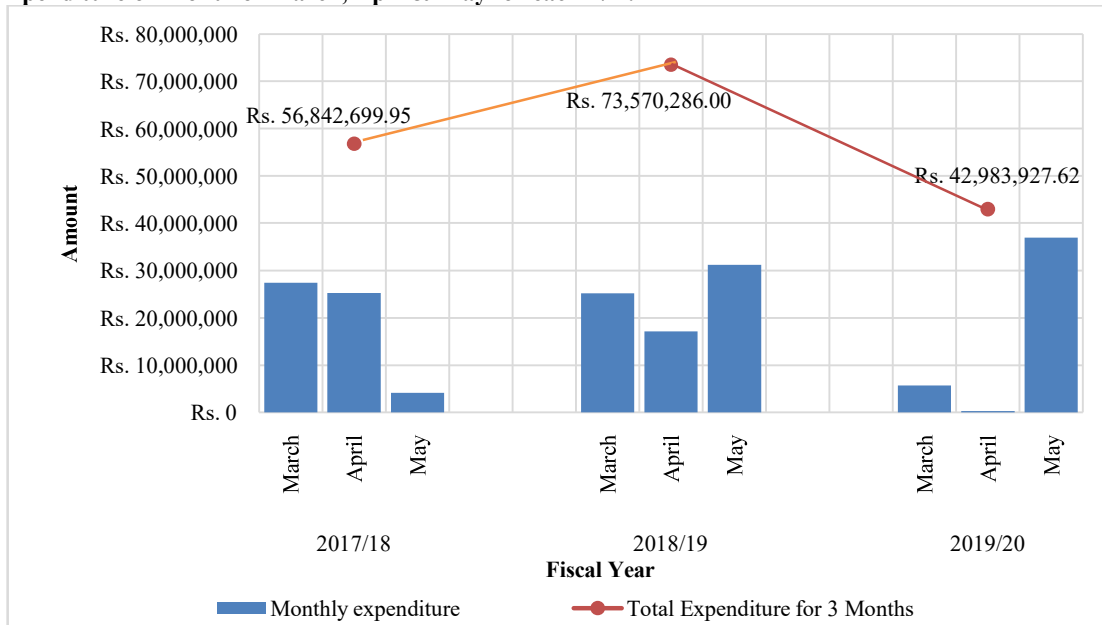


Figure 0.5: Month wise expenditure for 3 F/Y

The expenditure of capital budget for the month of lockdown period for 3 consecutive F/Y is presented in Figure 4.3. The expenditure during lockdown period was only 42 million which was about 41% less than 73 million in previous F/Y of same period. It shows that the expenditure for the month of March and April in F/Y 2019/20 is totally disturbed due to lockdown to prevent coronavirus pandemic.

**Comparison on Budget Expenditure for Period of Lockdown with Previous F/Y:**

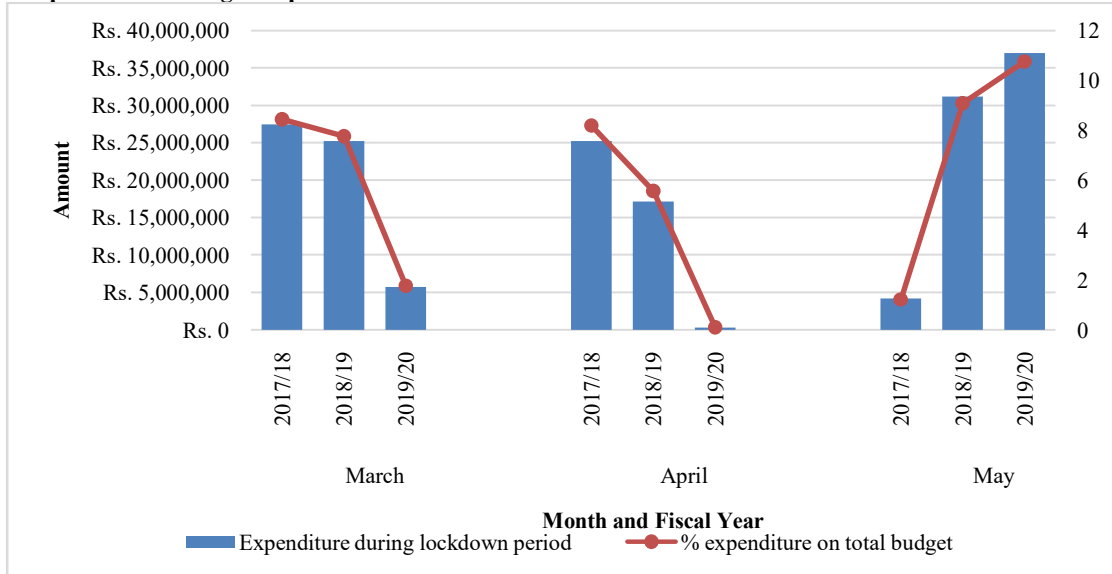


Figure 0.6: Expenditure on period of lockdown for 3 F/Y

From Figure 4.4 it was revealed that there is drastic decrease in expenditure of capital budget for the month of March and April compared to previous year. The expenditure was dropped to even less than 1% for the month of April. There is increase in expenditure for month of May as the lockdown was loosened at end of month increasing the development activities. Similarly increase in expenditure in month of May shows the problem of expending budget at end of each fiscal year.

**Budget Expenditure on 2 F/Y During Period of Lockdown:**

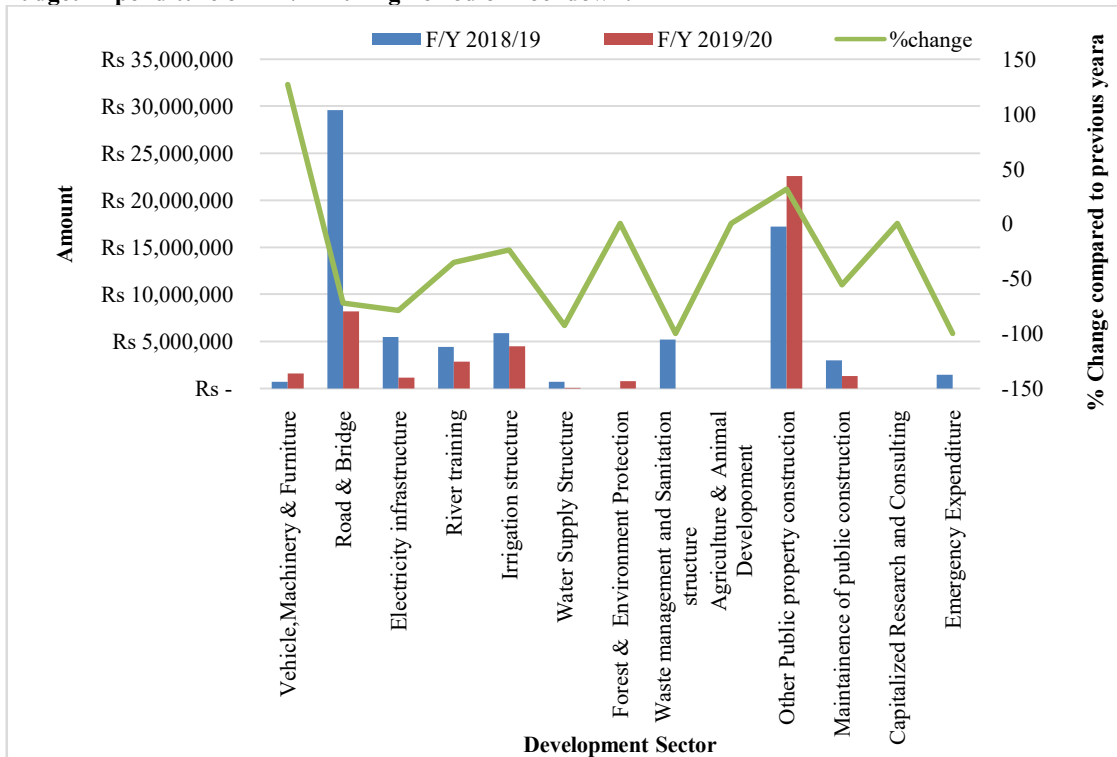


Figure 0.7: Expenditure during period of lockdown

The expenditure for each of development sectors during the period of lockdown for 2 consecutive fiscal year is shown in Figure 4.5. It was revealed that there is decrease in expenditure amount in all sectors except vehicle, machinery and other public property construction sector, revealing that lockdown create negative cash flow in public development works.

#### **Enhancing Economic Activities with Controlling Coronavirus:**

From previous result and discussion, we knew that coronavirus pandemic caused great disturbance on economic activities. We don't know when its vaccine will be invented, so we cannot stop our activities forever. We have to enhance our daily life with control mechanism as given in figure 4.6

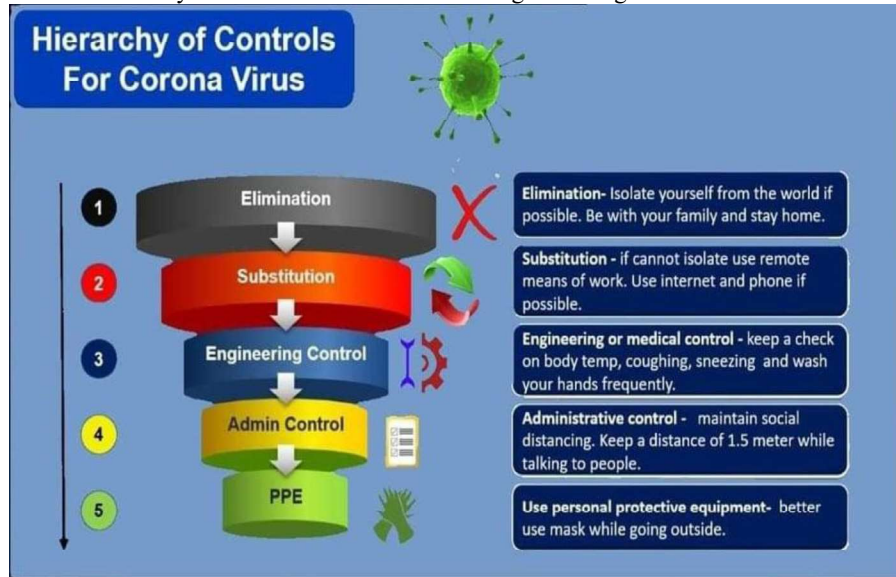


Figure 0.8: Mechanism of controlling coronavirus

#### **4. Conclusion and Recommendation:**

##### **Conclusion:**

This study gives understanding of the expenditure of capitalized budget in Gaundakot Municipality, Nepal. From the limited scope of present study the following conclusion can be drawn.

- The expenditure of capitalized budget was decreased by about 41% compared to previous year in 3 months of lockdown due to pandemic.
- The ratio percentage of expenditure of budget in different development sectors was decreased in F/Y 2020 during lockdown period.
- We have to enhance our economic activities with adaptation of control measures for coronavirus.

##### **5. Acknowledgements:**

I would like to express my deepest thanks to officials of Municipality for providing research data without which this work would not have been completed. This research is dedicated to all the people affected from COVID 19 and hope the world is going to come over this problem.

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