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## **Economic Impact of COVID-19 on Employment, Migration, Remittance and Poverty in Nepal: Policy Responses**

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## 1. INTRODUCTION

The world economy was functioning smoothly till December 2019. World output per annum grew by 3.0 percent while the GDP of emerging economies such as China and India grew by 6.1 percent each by that time. It was projected by IMF that the world's GDP would grow by 3.4 percent in 2020 (Bank, 2019). A novel coronavirus that originated from Wuhan, a city of 11.3 million people in Central Hubei province, spread to all the provinces in mainland China and rapidly reached overseas. There were 31,490,644 coronavirus cases throughout the world till September 22, 2020, while the death toll climbed to 969,367 and around 23,120,798 people recovered. Countries like the USA, Brazil, India, Russia, China, the UK, etc., were among the countries with maximum cases. The World Health Organization (WHO) declared the situation "a pandemic". Along with the intense spread of COVID-19, the world economy began to decelerate too. The intensification of this virus got elongated from the eastern to western continents of the world. The leading economies of the world then revised the growth of the world economy forecast, which was said to be about 3.0 percent, to 2.4 percent for 2020. It was projected that most major economies will lose at least 2.4 percent of the value of their GDP during the year 2020 (Duffin, 2020).



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The rapid transmission of the virus is linked to the globalization of the world economy and the advent of global travel. It has triggered a public health emergency and an unexpected economic shock. Stock markets across Asia have tumbled, and China-centered global supply chains are collapsing. Travel bans and lockdowns have disturbed life on a daily basis. Similarly, unemployment and income inequalities are also rising along with it (Wignaraja, 2020). COVID-19 is disrupting tourism and travel, supply chains and labor supply the most. Uncertainty is driving negative statements here, which will ultimately also affect economy's trade, investment, output and growth (Menon, 2020).

South Asia shares similar institutional roots but the economy is vastly diverse in sizes and complexities. If we talk about India for instance, it is a very diverse country when it comes to its population of 1.35 billion people; Maldives is an archipelago of an 1,200 islands with less than half a million people; Bhutan and Nepal are landlocked nations with 0.7 million and 29.4 million populations respectively; Sri-Lanka is an island of 21 million people; Bangladesh is the largest delta with over 700 rivers and 165 million people. Thus, South Asia becomes the most densely populated region in Asia (Goretti, Kihara, & al, 2019). Given its size, population, market, GDP and location at center of SAARC, India plays a critical role when it comes to regional development. India is the world's sixth largest economy eyeing for a GDP of \$5-6 trillion by 2020 (Perera, 2019). The World Bank opines that the prospects of South Asian regions are better than they seem. Globalization has been good for development and trade has been crucial for poverty reduction (Hasan, 2019). South Asia is least integrated in terms of trade and connectivity as compared to the rest of the world. Associations like the EU, NAFTA, and BRICS are extensively successful when it comes to trade within the member countries. However, the platform of SAARC which was developed by South Asian countries is still not effective in developing trade relations within the region as only 7 percent of the exports are within South Asia (Ahmed, Javaed, & al, 2019).

**Table 1.**  
**Selected Asian Countries' GDP Growth, Inflation and Current Account Balance**

Country	Real GDP Growth (Annual Percentage Change)				Inflation (% Change in Consumer Price)				Current Account Balance (% of GDP)			
	Actual		Projec- tions		Actual		Projec- tions		Actual		Projec- tions	
	'18	'19	'20	'21	'18	'19	'20	'21	'18	'19	'20	'21
<b>Afghanistan</b>	1.8	2.9	-5.5	1.0	0.6	2.3	4.7	4.5	13.0	8.6	4.9	5.8
<b>Bangladesh</b>	7.9	8.2	1.6	1.0	5.6	5.7	5.5	5.6	-2.6	-2.7	-2.2	-0.8
<b>Bhutan</b>	3.8	3.9	1.5	1.8	2.7	2.6	3.1	3.5	-19.5	-23.1	-21.3	-20.2
<b>China</b>	6.6	6.1	1.0	6.9	2.1	2.9	3.0	2.6	0.4	1.0	0.5	1.0
<b>India</b>	6.1	4.2	-3.2	3.1	3.4	4.5	3.3	3.6	-2.1	-1.1	-0.6	-1.4
<b>Myanmar</b>	6.8	6.3	1.5	6.0	5.9	8.6	6.2	6.3	-4.2	-2.0	-4.7	-3.9
<b>Nepal</b>	6.7	7.0	1.8	2.1	4.1	4.6	6.7	6.7	-8.1	-7.7	-6.5	-6.2
<b>Pakistan</b>	5.5	1.9	-2.6	-0.2	3.9	6.7	11.1	8.0	-6.3	-5.0	-1.7	-2.4

Source: (ICIMOD, 2020)

The World Bank has projected that the growth of developing countries in South Asia will decline to 1.3 percent in the baseline and to negative 2.8 percent in the lower- scenario in 2020 from the estimated 4.7 percent in 2019 (BS, 2019). Selected Asian countries' annual GDP growth was promising in 2019. For example; Bangladesh, Nepal, Myanmar, India, China, etc., recorded 8.2 percent, 7.0 percent, 6.3 percent 6.1 and 4.2 percent growth of GDP in 2019. Due to COVID-19, these countries' annual GDP growth (projected) will shrink and will remain at 1.6 percent, 1.8 percent, 1.0 percent and -3.2 percent respectively in 2020. However, Asian countries such as China, Myanmar and India will likely recover from the COVID-19 affected economy and the GDP figure will stand at 6.9 percent, 6.0 percent and 3.1 percent respectively in 2021 (See Table No. 1).

The ongoing novel coronavirus outbreak will have a significant impact on developing Asia's (including the South Asian economy) economies through numerous channels; including a sharp decline in domestic demand; lower business and tourism, travel, trade and production linkage; supply disruptions and health effects (MD, 2020). Traditional service sectors such

as tourism, retail, hospitality and civil aviation, and some labor-intensive and supply-chain-based manufacturing are facing an immediate hit, resulting in increased layoffs and unemployment (ESCAP, 2020).

The vast majority of workers in South Asia earn their livelihood through the informal economy, often depending on daily wages. ILO has assumed that the informal sector accounts for 80 percent of total employment in South Asia. They include street vendors, sanitation workers, cleaners, tea plantation workers, cooks, fisherfolk, porters, and domestic workers, many of whom are internal as well as external migrant workers and live far away from their families (AI, 2020). For the majority of South Asian countries with large numbers of overseas workers, remittances would slow down due to layoffs and delay in salary payments abroad. Lower overall domestic consumer demand will have a negative impact on production and employment as well.

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## **2. COVID-19: Its Impact on the Nepalese Economy; Focus on Employment, Migration, Remittances and Poverty**

### **2.1. COVID-19: Nepalese Economy and Growth**

Nepal is a primarily agricultural country, with agriculture providing employment for more than two thirds of its population and contributing to one third of its GDP. Agriculture represents the large sector of the economy and provides a principal livelihood for more than 60 percent of working adults. The industrial sector's stake on Nepal's GDP is hardly 16 percent, where most of the industries are clustered in Terai, and inner Terai regions. Nepal has industries like food processing, assembly, cotton, iron, soap, shoe, liquor, garment, handicraft, ceramic, etc. Of the total labor available in the market the industrial sector is accumulating fewer labors annually. With the growth of tourism in Nepal, the tourism business has flourished gradually within the last decades. This sector is also employing some portion of labor available in the market annually. Additionally, foreign-invested enterprises are also recruiting some portion of labor in construction, energy-based,

IT, services, mining and so on. Nepal witnessed a rapid urbanization trend from 2000 onwards. As a result, more unemployed youth as well as adults migrated to various cities to engage themselves in construction work. Thus, construction, transport and allied service sectors also accumulated an increased labor force in Nepal. The opening up of travel agencies, private offices, schools, hospitals, recreation centers, parlors/spas, etc., have further digested a few portions of unemployed youths.

**Table 2.**  
**Economic Impact of COVID-19 Pandemic on Nepal (Constant Price NRs Million)**

S.N	Sector	Scenario I	Scenario II	Scenario III
1.	Agriculture	1069.8	1663.7	2733.5
	Loss as percentage of sector GDP	0.4	0.6	1.0
2.	Industry	1721.4	3552.2	4234.5
	Loss as percentage of sector GDP	1.3	2.6	3.1
3.	Service	5763.9	8640.1	9982.0
	Loss as percentage of sector GDP	1.2	1.8	2.1
4.	Total Loss	8555.1	13856.0	16950.1
5.	Total Loss as percentage of GDP	1.0	1.6	2.0

Source: (ADB, 2020)

It was projected earlier that the Nepalese economy will grow by 7 percent plus in 2020. Nepal has been severely hit by COVID-19; thus projected economic growth will not be fetched by the end of 2020. It is expected that Nepal will witness the loss in its total GDP from 1.0 percent to 2.0 percent (Scenario I to III) due to the coronavirus outrage. Under scenario I (general condition), the agriculture, industry and service sectors are expected to record a loss of 0.4 percent, 1.3 percent and 1.2 percent in GDP respectively. Similarly, under scenario II (moderate condition) Nepal may lose 0.6 percent, 2.6 percent and 1.8 percent of the agriculture, industry and service sectors' GDP. Likewise, under scenario III (worst case) Nepal may lose 1.0 percent, 3.1 percent and 2.1 percent of the agriculture, industry and service sectors' GDP as projected by ADB. Thus, it is projected that

these sectors' GDP will fall from 0.4 percent to 3.1 percent of GDP in the case of general, moderate and worst-case scenarios (See Table No. 2). ADB has thus forecast that GDP will drop by -0.463 percent (US \$42.2 billion loss) in the worst-case scenario of COVID-19 in 2020 for the majority of developing countries in Asia. This may be applicable to Nepal as well. Thus, the Nepalese economy will hardly grow by 2.5 percent in 2020 due to COVID-19. The Central Bank of Nepal mentions that Nepal will record a loss of NRs 168 billion worth of GDP due to the COVID-19 pandemic (NRB, 2020).

**Table 3.**  
**Post COVID-19 vs. Nepal's Economic Indicators (NRs in Billion)**

Particulars	2019 (Mid-month)			2020 (Mid-month)			
	March /April	April /May	Ma /June	February /March	March /April	April /May	May /June
<b>Inflation</b>	4.4	5.3	6.2	6.7	6.7	5.9	4.5
<b>Exports</b>	8.6	8.7	9.3	9.9	3.9	3.3	5.9
<b>Imports</b>	112.5	116.5	121.7	120.6	58.3	42.6	75.7
<b>Tourism Income</b>	7.1	9.1	5.4	5.1	1.7	0.9	1.3
<b>Remittance Inflow</b>	71.0	72.1	73.7	79.2	34.5	53.9	94.0

Source: (NRB, 2020)

In March/April 2019 Nepal recorded 4.4 percent inflation; this figure increased up to 6.7 percent by March/April 2020 due to COVID-19. An increase in food item prices in the market was the main cause of such trend of inflation. Nepal's export to India and overseas countries was NRs 9.3 billion (US\$ 79.4 million) in May/ June 2019, which rose to NRs 9.9 billion (the highest) (US\$ 84.5 million) in February/ March 2020. Due to the COVID-19 effect (lockdown, closure of border, halt in international flights, etc.), the export of Nepal to India and overseas countries dropped to NRs 3.3 billion (US\$ 22.8 million) in April/May 2020. Similarly, Nepal's import figure from India and overseas countries was the highest, i.e. NRs 121.7 billion (US\$ 1.1 billion) in May/June 2019; due to the COVID effect the import figure dropped sharply to NRs 42.6 billion (US\$ 363.7 million) in April/May 2020.

Due to continuous lockdowns, export as well as import figures also decreased to NRs 3.3 billion (US\$ 28.2 million) and NRs 42.6 billion (US\$ 363.7 million) respectively in April/May 2020, whereas this figure was NRs 8.7 billion (US\$ 72.3 million) and 116.5 billion (US\$ 994.7 million) respectively for the same months of 2019. Similarly, income from tourism and remittances inflow remained low in March, April and May 2020 due to COVID-19 in Nepal. For example, tourism income stood at NRs 0.9 billion (US\$ 7.7 million) in April/May 2020 while remittance inflow remained the lowest, i.e. NRs 34.5 billion (US\$ 294.6 million) in March/April 2020 due to the COVID-19 effect (See, Table No. 3).

Continuous lockdowns created havoc especially among producers due to supply side hurdles. Nepalese farmers and entrepreneurs were discouraged from producing everyday goods such as vegetables, milk, meat, poultry, fish, etc. If these shutdowns don't find an alternate way for the produced goods to be supplied in the market, an additional job loss among the people involved will create an impact on the economy itself. One can also expect rampant rural un-employment and frustration especially among rural entrepreneurs and farming families. Thus, the level of income may degrade and poverty may rise again in Nepal.

## 2.2. COVID-19: Impact on Employment

Economic sub-sectors like agriculture, forestry, fishing, wholesale, retail, internal trade, repairs of vehicle and motorcycle; manufacturing; construction, etc., employs more workable Nepali manpower in Nepal. Other socio-economic sub-sectors such as education, accommodation, food and services, human health and social work activities accommodate less manpower. In Nepal, some 21.5 percent workers are engaged in agriculture, forestry and fishing followed by wholesale, retail and internal trade, which has 17.5 percent workers and manufacturing has 15.1 percent workers. Other sectors such as education; accommodation, food and service; human health and social works accommodate 7.9 percent, 5.2 percent and 2.4 percent labor forces in Nepal respectively (See Table No. 4).

**Table 4.**  
**Employment by Economic Sector**

<b>Sector</b>	<b>Number of Employed (In Thousands)</b>	<b>Employed percentage</b>	<b>Average weekly work hours</b>
<b>Agriculture, Forestry and Fishing</b>	1523	21.5	36
<b>Manufacturing</b>	1872	15.1	45
<b>Construction</b>	978	13.8	50
<b>Wholesale, retail and Internal Trade, repair of vehicles and motor cycles</b>	1240	17.5	46
<b>Accommodation, food and services</b>	371	5.2	53
<b>Education</b>	358	7.9	40
<b>Human health and social work activities</b>	171	2.4	46

Source: (Koirala, 2020)

Almost all the sectors of Nepal's economy have been badly hit by COVID-19. A slump in the economy affects employment. According to a study by the National Planning Commission of Nepal, it is estimated that more than six million people will be unemployed because of this ongoing pandemic (Bhatta, 2020). Data from the Central Bank of Nepal (Nepal Rastra Bank) suggests that during the lockdown that lasted three months (March-May), four percent of industries were in full operation, 35 percent were partially operational, and 61 percent were closed. During this period, there was a 22.4 percent layoff in industries and businesses in Nepal. Two thirds of manpower hired as temporary staff or on a contract basis lost their jobs. The sectors of hotels, restaurants, transport and education suffered the most from the COVID-19 pandemic (NRB, 2020).

In Nepal, about 55 percent of the population of 10 years and above is economically active, which holds 17.3 million as the workable population in 2019 based on ILO estimations (DTUDA, 2019). There are nearly 3.7 million workers earning their livelihoods in the economic sectors deemed most at risk to experience a significant (medium to high) reduction in output as a result of COVID-19. Nearly four in every five workers are

the most vulnerable to disruption and are engaged in the construction, manufacturing and trade sub-sectors. It is estimated that between 1.6 and 2.0 million jobs are likely to be disrupted in Nepal in the current crisis either with complete job loss or reduced working hours and decreased wages (ILO, 2020).

In Nepal's case, a nationwide lockdown, from 24th of March till the end of July, placed large restrictions on the movement of people and goods throughout the country. This led to work stoppages and income losses for Nepalese labor migrants to India. The economic shock created by COVID-19 and lockdown is touching a highly exposed population. The majority of Nepal's labor force of 62 percent or 4.4 million people work in informal sectors and 59 percent of enterprise laborers are in micro-enterprises, often with low or non-existent social insurance coverage (WFP, 2020). It was revealed that the majority of informal sector workers lost their jobs; they had to return to their villages due to the continuous lockdown. If we take the case of some 1.7 million construction sector workers; up to 95 percent of them lost their jobs (TAF, 2020). Likewise, low production from agriculture will distort its contribution to generate more GDP, which in turn would also retard the whole GDP growth process in Nepal. The self-employed manpower involved in crop cultivation, horticulture, pasturing, and animal husbandry business will also be adversely hit by the continuous closure. Also, most of the hotels and restaurants will be closed for a longer time and will ultimately force people to either quit jobs or employers to fire staff. Farmers will be frustrated and discouraged to produce agro-products needed for daily consumption. Thus, production of agro-goods may drop in coming years; this will result in further unemployment, magnification of poverty and food insecurity in Nepal.

### **2.3. COVID-19: Impact on Migration and Remittances**

While physical remoteness, less concentrated economic activities, low population density and low level of urbanization provide source protection against the spread of the virus, many Least Developed Countries (LLDCs) are still vulnerable- Lao ADR, Kyrgyzstan, Nepal, Republic of Moldova and Tajikistan, among others, as sizeable shares of their populations (up to 45 percent in some cases) live and work abroad. As migrant workers are often compelled to live in congested, squalid quarters in the host country and as many of them have been returning to their home countries in the past couple of months, larger outbreaks in these LLDCs remain a distinct (UN, 2020).

**Table 5.**  
**Major Destination Countries of Nepali Migrating for Work (2019)**

<b>Destination Country</b>	<b>Number of Workers</b>	<b>Percentages</b>
<b>India</b>	969,113	34.5
<b>Malaysia</b>	468,556	16.7
<b>Qatar</b>	436,387	15.5
<b>Saudi Arabia</b>	352,135	12.5
<b>United Arab Emirates</b>	227,242	8.1
<b>Kuwait</b>	82,630	2.9
<b>South Korea</b>	50,483	1.8
<b>Japan</b>	34,055	1.2
<b>Bahrain</b>	27,873	1.0
<b>Australia</b>	15,579	0.6
<b>Oman</b>	8,520	0.3
<b>Israel</b>	3,665	0.1
<b>Lebanon</b>	861	0.0
<b>Other countries</b>	135,140	4.8
<b>Total</b>	2,812,289	100.0

Source: (CSLM, 2020)

Foreign labor migration has been an ultimate dream for thousands of youths across the nation. As of now, more than five million work permits for foreign employment have been issued, with the most popular destinations being Malaysia and Gulf countries like Qatar, UAE and Saudi Arabia. In these countries, 16.7 percent, 15.5 percent and 12.5 percent Nepali labor are working. Besides, 8.1 percent, 2.9 percent, 1.8 percent and 1.0 percent Nepali migrant youths are working in the United Arab Emirates, Kuwait, South Korea and Japan (See Table No. 5). Since the introduction of the Employment Permit System, there has been a growing trend and competition to travel to South Korea for work among the Nepali workable youths. A significant number of migrant workers are also working in Japan and more than 100 destinations around the world (Bhattarai & Senchurey, 2020).

Although there is no official record in terms of the number of Nepali migrants residing in India for employment, it is estimated that there are an estimated 15,00,000 Nepali migrants in India, most of whom are engaged in service sectors. The majority are represented in informal and seasonal works. Thousands of Nepalese working in Indian cities and the countryside have travelled back long distances with a hope to return to Nepal, only to find themselves stranded on the India-Nepal border without any further notice due to the travel restrictions placed by the Government of Nepal soon after the outbreak of the coronavirus. While efforts have been made to solve this issue, thousands remained stranded on the border without adequate food or shelter (TKP, 2020).

In 2018, Nepal received US\$ 2,227 million remittance from Qatar followed by Saudi Arabia (US\$ 2,039 million), India (US\$ 1,337 million), the UAE (US\$ 136 million), Kuwait (US\$ 301 million), Malaysia (US\$ 745 million), South Korea (US\$ 45 million) and Bahrain (US\$ 16 million), respectively (See Bar Diagram ).

**Figure 1.**  
**Remittances Received from Major Destination Countries for Nepal (in us dollar million)**



Source: (TWB, 2018/19).

The country's Central Bank, Nepal Rastra Bank reported that Nepal received US\$ 7.2 billion worth remittances in 2018/19; this figure was US\$ 5.1 billion in the first nine months of fiscal year 2019 (i.e., Mid-July 2019 to Mid-April 2020) (NRB, 2020). The National Account Statistics published by the Central Bureau of Statistics on April 29, 2020, estimates that the share of remittances in Nepal's GDP will fall sharply to 19.01 percent in the current fiscal year due to COVID-19. As per the World Bank's preliminary estimates, remittances to

Nepal are projected to fall by 14 percent in 2020 (IIDS, 2020).

In Nepal, like external migration, internal migration also contributes significantly to households, as many rural poor populations migrate to urban centers for their livelihood. The COVID-19 pandemic has placed many internal migrant workers in dire conditions; many have lost their jobs since both formal and informal work has been impacted and many have been unable to return home due to disruptions in public transport services. It is estimated that more than a million informal sector workers have lost their jobs temporarily or permanently (Awasthi, 2020). FAO argues that “as the COVID-19 spreads across regions with large informal economies (sub-Saharan Africa, South and Southeast Asia and Latin America), it is therefore expected that more informal workers will lose their jobs and face extreme poverty and food insecurity (FAO, 2020).”

## 2.4. COVID-19: Impact on Poverty

Nepalese living below the poverty line are highly vulnerable to idiosyncratic shocks. When we use a higher threshold of US\$ 2 a day as a measure of poverty, a measure internationally benchmarked for moderate poverty, Nepal's poverty incidence more than doubles. For example, in 2010/11, the poverty rate (when measured using the poverty line of US\$ 1.25 per day) stood at 24.8 percent, but when the threshold is increased to US\$ 2 per day, the poverty rate expands to 57.3 percent (UNDP, 2020). This means that any kind of shock - natural, political, economic, health or any combination of these (such as the COVID pandemic) is likely to push a large proportion of Nepalese towards poverty.

Nepal's poverty is partly related to the large segment of the population employed in the informal sectors. Informal sector employment accounts for 84.6% of total employment. Such workers are not entitled to sick pay or health insurance and are ineligible for social security benefits too. The lockdown brought by the pandemic has affected the welfare of the poor who are vulnerable through several channels. First, the most obvious, is through the loss of income and jobs of working adults. The poor often rely on labor income and live hand to mouth. However, halt of businesses, pay cuts and job losses increased the probability of falling back into poverty. As the economy is currently stagnant, it will take several months or even years before business or internal economic activities return to normal. Secondly, with income cuts and job losses, the poor are likely to sell assets to cope with

shocks. It is obvious that Least Developed Countries (LDCs) have limited capacity and preparedness to handle the economic fallout due to a crisis like COVID-19 and are likely to face significant hardships. Initial estimates suggest that these disruptions could potentially contribute to increased global poverty, with the number of poor and hungry people rising by two percent (Tembo & Adhikari, 2020).

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### 3. Policy Responses on COVID-19: Reference to Employment, Migration, Remittances and Poverty

The Government of Nepal announced a relief package to combat the effect of the COVID-19 pandemic. Selected measures under the relief package were (MOF, 2020):

- Employers will have to pay salaries of their workers during the period of lockdown. However, they can utilize welfare funds for such compensation.
- Worker's contributions to social security funds for Mid-March to Mid-April that were to be deposited by employees and employers will now be deposited by the government.
- Information regarding people who could not depart for foreign employment despite receiving permission will be collected. Individuals will be provided employment opportunities through local bodies. They will be registered at the Local Level Employment Service Center and be provided with employment opportunities through the Prime Minister Employment Program.
- The government has requested private house owners to waive off a month's home rent for workers residing in urban areas.
- An insurance package of NRs 2.5 million (US\$ 21.3 thousand) will be provided to health care and security personnel involved in treating and managing COVID-19 patients.

The Government of Nepal has responded to the COVID-19 crisis through both fiscal and monetary measures (TWB, 2020). Firstly, there are immediate health measures aimed at increasing access to testing for COVID-19 infections and establishment of quarantine facilities, as well as a waiver on

custom duties for medical items related to COVID-19 such as masks, sanitizers and surgical gloves. Secondly, to reduce the crisis impact on livelihood, the government has implemented food distribution programs, extended eligibility for the Prime Minister's Employment Programs, and provided discounts on utility (water, electricity, etc.) bills. Third, to provide economic support to firms, the government has deferred the payments of taxes and provided concessional loan facilities to the severely affected sectors. The cumulative cost of such a program is estimated at 5 percent of Nepalese GDP.

The Government of Nepal has also set a counter cyclical expenditure program of US\$ 1.26 billion for fiscal year 2020/21 (ADB, 2020): (i) US\$ 347 million for health and medical support, (ii) US\$ 359 million for social protection for the poor and vulnerable, and (iii) US\$ 555 million for economic support for affected sectors. The program's key objective is to control the pandemic and mitigate its adverse impact on livelihood and employment, especially for the poor and vulnerable including women. On March 1, 2020, the government formed the High-Level Coordination Committee for the Prevention and Control of COVID-19 (COVID-19 High-Level Committee), led by the Deputy Prime Minister and participated by the Ministers of (i) Home affairs; (ii) Cultural Tourism and Civil Aviation; (iii) Finance; and (iv) Health and Population. The key functions of the COVID-19 High Level Committee is to ensure, on behalf of the Cabinet, the implementation of the National Relief Program, provide oversight to Line Ministries on its implementation, and issue other policy decisions related to COVID-19 responses.

Similarly, the Central Bank of Nepal (Nepal Rastra Bank) also announced some policy initiatives in relation to COVID-19 (NRB, 2020):

- To inject liquidity into the economy, the cash reserve ratio for commercial banks, development banks and finance companies has been reduced by 100 basis points to 3.0%.
- Bank rate reduced by 100 basis points to 5%.
- Loans sought for the import, distribution, and sale of medical equipment approved by the Department of Health Services and essential items such as food shall be processed within 5 days of application.
- Workers who could not depart for foreign employment due to the pandemic despite receiving permission earlier shall be eligible for subsidized loans to initiate their own businesses. Once the pandemic ends, they can apply for loans that will be approved within 7 days of application.

Furthermore, the Central Bank of Nepal (Nepal Rastra Bank) has set the period and ceiling of the refinancing facilities to the business and industries affected by the COVID-19 pandemic. Bank and Financial Institutions can ask the Central Bank for as much as NRs 50 million (US\$ 427 thousand) refinancing per client and the amount should not exceed 70 percent of the total refinancing facility margins. The BFIs can lend up to NRs 200 million (US\$ 1.7 million) refinancing for each client. In its monetary policy for the current fiscal year 2020/21, the Central Bank has categorized the refinancing facilities under three topics: micro, cottage and small enterprise refinancing, special refinancing and general refinancing with 2 percent, 1 percent and 3 percent interest rates respectively. Thus, the measures taken by the Central Bank were aimed at providing liquidity support to banks and facilitating credit to the private sector.

The World Bank had approved a fast-track US\$ 29 million COVID-19 Emergency Responses and Health Systems Preparedness Project to help Nepal prevent, detect, and respond to the COVID-19 pandemic and strengthen its public health preparedness. The agreement was signed on April 7, 2020, by the Ministry of Finance and the World Bank. The project will focus on immediate response and preparedness needed to fight the virus. The project provides emergency support to enhance Nepal's capacity to detect cases and ensure prompt contact tracing consistent with World Health Organization (WHO) guidelines and the Ministry of Health and Population, Nepal Protocol (MOF, 2020). Similarly, the IMF Executive Board had also approved the disbursement of US\$ 214 million in emergency financing to help Nepal address urgent balance of payment need created by COVID-19, which is having a severe impact on remittances, tourism and domestic economic activities (IMF, 2020).

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## 4. Policy Implications

Nepal induced a full lockdown since March 24, 2020, initially for 12 days and since then extended it for an additional four-week period and further until June 14, closely following the epidemiological patterns in and outside Nepal, particularly neighboring India. Although Nepal has already closed down its borders with India and China, the transnational migration of workers returning from India elevates the risk of disease transmission. Open borders with less surveillance on the part of government and the

penetration of Nepali and Indian labor along the border has become a major factor of transmission of the virus; it is threatening the rapid spread of the disease within the nation. Considering the risk of COVID-19 transmission, the government of Nepal has initiated various preventive measures. Several districts including Kathmandu are in lockdown where people are asked stay at home except for emergency reasons; dedicated health-desks have been set up at the international airport and on the border checkpoints with India and China. All foreign nationals and returnee migrant workers who enter Nepal must remain at quarantine facilities designated by the Government or self-quarantine at home for at least 14 days (Asim & al, 2020).

The mere formulation of policies either by the Government or by the Central Bank does not have a meaning until and unless there will be support and cooperation from people, political leaders, local government and the stakeholders involved to contain COVID-19. Despite a lockdown for months, Nepal witnessed a tremendous increment in the number of COVID-19 cases, with the death toll at 427 (till September 22, 2020) and transmission of the virus at the community level. The coronavirus death rate is 0.60 %; there are 65,276 (till September 22, 2020) affected COVID-19 patients; some are living in home isolation or are hospitalized while others are in various quarantine and isolation facilities designated by the Government. The Nepalese Government invested a huge amount for the management of quarantine, buying masks, sanitizers, gloves, and medicine, managing health personnel, buying of testing kits, expenses and security throughout the country. Besides the trans-border migration, returnee youth workers from abroad also transmitted the virus in cities, villages and even in the communities where they live. A poor tracking mechanism with weak security checks on the part of government were the main causes of the spread of the coronavirus in Nepal. As the majority of the rural poor population are less aware of wearing masks, using sanitizer or washing hands even with soap, this aided the increase of the coronavirus spread in rural areas. A lack of proper advocacy at grass-root levels further fueled the spread of the coronavirus at the community level in rural areas. Likewise, the reluctance of people towards maintaining social distance or using masks and sanitizers further increased the number of cases.

Managing such extraordinary challenges during the pandemic would also require equally extraordinary manpower and responses. These include large people-centered relief and stimulus programs, as well as community participation and society approaches to be effective. As the government

mobilizes resources for mounting the relief and stimulus packages, the objective should be not to go back to the status quo ante that prevailed in the pre-COVID-19 scenario but to build back better by directing the resources to inclusive, sustainable and resilience recovery (ESCAP, 2020). Nepal suffers from an unequal distribution of health care services which makes it hard to reach rural areas, especially in hills and mountainous regions. Most private health care institutions in Nepal are urban-centric, and seem reluctant to show any empathy and commitment to the people during the current crisis (Singh & al, 2020). The government policy responses to the COVID-19 crisis need to include migrants in all short, medium and long-term interventions. This should include supporting stranded migrants, regularizing remittance inflows, providing recovery support for migrant's families who have lost subsistence income and ensuring access to health, housing, education and nutrition (Lando, 2020). As the current situation is beyond the control of non-state stakeholders, it is important for the government to take the lead in terms of supporting migrant workers. The role of government has to be envisioned in several stages; support in destination countries, facilitating safe returns, immediate and long-term integration in Nepal as well as the long-term assurance of safe migration back to countries of destination.

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## 5. Conclusion

With the spread of COVID-19, almost all economies around the world have been affected. It is projected that the world's annual growth might retard and stand at a mere 2.4 percent. High levels of frustration and growing unemployment has been witnessed among the people and this has affected their mental health. It is expected that developing countries will be the ones to be most affected by COVID-19. Asian economies are expected to retard with the COVID-19 effect. Afghanistan, Pakistan and India's GDP growth will remain negative for 2020, with a fall in output, increase in unemployment and increased poverty. The majority of South Asian economies will witness a slowdown in the flow of remittances, which may obstruct their balance of payment position and thereby place stress on macro-economic fundamentals. Nepal's economy will also be affected by COVID-19. Its agriculture, industry and service sectors are expected to decrease by 1.0 percent to 2.0 percent of GDP in 2020. Nepal will record a loss of NRs 168 billion (US\$1.43 billion) worth GDP in 2020. With COVID-19, Nepal witnessed the lowest flow of remittances in March/

April 2020, i.e. NRs 34.5 billion (US\$ 294 million). Inflation remained high during this period and stood at 6.7 percent due to supply side bottlenecks caused by the continuous lockdown.

Almost all sectors of the Nepalese economy have been hit by COVID-19. It is estimated that more than six million working people will be unemployed during and post COVID-19. ILO estimated that between 1.6 and 2.0 million jobs are likely to be disrupted by the pandemic either with complete job holders with reduced working hours or a decrease in monthly wages. The major proportion of the labor force working in informal sectors will be further unemployed with the loss of their jobs; some 95 percent of construction sector workers lost their jobs during the pandemic in Nepal. Labor migration and remittance inflow has also been affected by COVID-19. The Central Bureau of Statistics estimates that the share of remittances in Nepal's GDP will fall sharply to 19.01 percent in 2020 due to COVID-19, whereas the Central bank of Nepal assumes that remittance for Nepal could fall up to 20 percent in 2020. Nepal may face magnification of poverty levels due to unemployment in formal and informal economic sectors; the majority may face a state of poverty and food insecurity. With the income cuts and job loss; the poor working classes are likely to sell their assets to cope with shocks created by COVID-19. As the Least Developed Countries such as Nepal have limited capacity and preparedness to handle a crisis like COVID-19 and its economic fallout, the country is on the verge of facing a severe economic crisis in the year ahead.

To lessen the effect of COVID-19, the Government of Nepal and Central bank (Nepal Rastra Bank) addressed policies/regulations through their annual budget and monetary policy. Employers urged to pay salaries to workers, social security fund provision on behalf of workers, waiver of home rent for workers, opportunities for migrant workers to be employed at the local level, insurance packages for health workers, etc., were provisions set by the Government of Nepal on the front of containing COVID-19. Furthermore, the provision of access to testing for COVID-19, establishment of quarantine facilities, waiver of custom duties for importing COVID-19 related tools/medicines, etc., were also formulated by the Government of Nepal. A counter-cyclical expenditure program worth US\$ 1.26 billion for fiscal year 2020/21 was set by the Nepalese Government. Nepal had obtained US\$ 29 million and US\$ 214 million worth of assistance from the World Bank and IMF to fight against the coronavirus. The Central Bank of Nepal (Nepal Rastra Bank) announced policy initiatives reflecting

COVID-19. Injection of liquidity, lowering of bank rate on loans to import medical equipment and medicine, subsidized loans for stranded workers supposed to go abroad, provision of refinancing for industries and small and medium scale enterprises (SMEs) and liquidity support schemes were the major policy initiatives made by the Central Bank so as to contain the effect of COVID-19.

Despite the efforts on the part of the Government, the number of affected cases increased over the months and stood at 38,561 on the threshold of August. The death rate is fairly higher (0.6%) than the Maldives and Sri Lanka, while alarming death rates have been witnessed in other South Asian Countries such as Afghanistan, India and Pakistan. This indicates the Nepal Government's inefficiency despite having funds rendered by donors and contributions from Banks and Financial Institutions, Charities, INGOs, NGOs, etc., to the COVID-19 Fund created by the Government. A lack of governance and negligence on the part of the Government, Line Ministries/Departments, lagging of proper advocacy in rural areas by concerned Line Ministries/Departments, open border and penetration of migrant laborers from Nepal and India, cumbersome and costly methods of coronavirus testing for the general public, fickle management of returnee labors from abroad affected by the coronavirus, etc., were major causes of the rapid spread of the disease in Nepal. Besides, the reluctance of private health care institutions to show any empathy and commitment to the people and the unequal distribution of health care services were also causes for the magnification of the disease.

With the increment in COVID-19 cases throughout the world, many jobless youths from India and abroad desire to return to Nepal during this pandemic and want to work on nation-building. The Government could use such labor for agriculture extension, animal husbandry, horticulture, sericulture and expansion of infrastructure under the money and food for work program. This could be a boon on food security and the poverty-lowering drive, especially in rural areas. With a concrete road map on the use of abundant labor forces available in the country post COVID-19, Nepal could become a self-reliant economy possessing sustainable characteristics in itself.

**Note :** *- 1 US\$ = Nepalese Rupees 117.12*  
*-Nepalese Rupees 100 = 990.17 South Korean Won (As of September 18, 2020)*

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