

AFTER TWO YEARS OF RECONSTRUCTION

East Nepal In Shadow

Despite the distribution of the first installment of the earthquake reconstruction cash grants for private houses, the shortage of construction materials and hike in the price are creating obstructions in the process rebuilding homes in Bhojpur and Dhankuta of the eastern region.

Mahendra Bahadur Ghimire, 77 of Dhankuta 3, Syawle, has been in a dilemma as to whether to start the reconstruction of his house or not. His simple rural house was totally damaged by the 2015 earthquake. He is still waiting for the technicians to come to his residence for consultation so he can rebuild his house.

Ghimire has been staying in the adjacent cowshed. He has already spent more than two years, along with his five family members, in the cowshed. The cows have been shifted to an open space. He said, "I have been living in this cowshed for more than two years. Still, I am not sure when and how to build my house."

After the earthquake, no one could stay in his house. He got 20 kilograms of rice and Rs. 15,000.00 from the government as a quick relief in the early days. He had nothing to eat at the time so, this was a great help for him. After two years since the earthquake, he got Rs. 50,000.00 (US\$500) last month as the first installment under the reconstruction cash grants from NRA.

Built over twenty six years, his property worth more than six lakh rupees was lost to the quake. He thinks the house that he had earlier would cost no less than one million rupees now. Ghimire, 64, lost his wife recently. With tears in his eyes, he said, "What can I do with that fifty thousand rupees when the market prices of reconstruction materials have gone so high and there is a shortage of construction



BY UMA KANTA KHANAL

materials."

The earthquake victims have been suffering from the attacks of wild animals too. They say they feel insecure from monkeys, snakes and leopards. They have requested to the government to provide the total relief as soon as possible so that they can rebuild their houses.

Ghimire said, "The government should have given at least Rs. 150,000.00 (US\$1500) to initiate the construction of our houses."

Mekh Bahadur Rai of Dhankuta 3 has become an elected local body member of his village ward. He is also an earthquake victim. Even though he is a local representative, he is unable to rebuild his house which was destroyed in the 2015 earthquake. He has been living in a small hut near where his old house was.

He said that there was continuous tremor of earthquake so he had to stay in another hut in which he is still living with six

family members. More than two dozens of houses were destroyed in his locality by that temblor.

As Ghimire did, he secured the first installment Rs. 50,000.00 but he has not been able to start building his new house. Rai said, "What can we do with this little amount? Given the high labor cost, the money is not even enough to clear the debris."

The earthquake victims of Dhankuta got the first installment of relief after the local elections in the district. They are not aware when they will get the rest of the relief fund.

Dhankuta Municipality has decided that the earthquake victims should not pay for the approval of design of the new houses. The first meeting of the municipal board decided the earthquake victims should not pay for the approval of their new house designs. In Dhankuta district, 4491 were surveyed and 2796 are in the beneficiaries are in the list. Out of them 2089 households have already signed the grant agreement and received the first installment.

According to the municipality, there are at least four hundred and fifty houses completely destroyed throughout the district due to the earthquake. The chief of the municipality, Chintan Tamang, said that the amount of the approval will not be taken by the municipality. For the approval of design of the houses, the city dwellers have to pay from three thousand rupees to more than six thousand rupees.



Trucks loaded with Clinker at Kakadvitta customs yard

After two years of the earthquake, the municipality has signed the agreement with the earthquake victims for the relief funds, when the victims of other districts started to get the second installment.

Dhankuta Municipality will provide 300,000.00 rupees for each damaged house in three installments. The city dwellers have started to receive the first installment as per the agreement. After having the solar power in the new house, the victims will get twenty five thousand rupees as the fourth or the last installment.

Out of registered names of 4491, 2796 are listed in the beneficiaries list. According to the Dhankuta District Development Coordination Committee, the government will invest 130 million rupees in the first installment of the relief in the district. Out of them 2089 households have signed the grant agreement and they received the first installment.

The situation of Bhojpur is also bleak. Out of 9242 surveyed, 5749 are listed in the beneficiaries list. Among them 1754 signed the grant agreement and 1537 have already received the first installment.

In Sankhuwasabha district, 1953 are listed as beneficiaries and out of them 1583 have signed the grant agreement and 1201 received the first installment. Solukhumbu is one of the badly damaged districts in eastern Nepal with 11979 in the

beneficiaries list. Out of 8095 who signed the grant agreement, merely 514 received the first installment.

Shortage of Construction of Materials

Although the import of the construction materials has been rapidly increasing day by day since the 2015 earthquake, there are shortages of the construction materials, including sand, aggregate, brick, cement and boulder. As a result, the reconstruction process has not continued as per the need of the victims. This picture of eastern Nepal shows that the government has failed to provide cash grants for the private houses.

The victims have been waiting for the proper guidance to reconstruct their houses. In some villages of Dhankuta and Bhojpur,

the earthquake victims are still waiting for the technicians to give them instructions to rebuild their house infrastructure. The District Coordination Committee and municipalities of the district are unable to send the technicians in the villages.

Two years have passed since the 2015 earthquake, yet thousands of people remain socially and economically vulnerable, suffering from the manifold effects of the nature-induced disaster in eastern Nepal.

According to the data from the Nepal Reconstruction Authority (NRA) published in September, 765618 quake-affected families have been listed as eligible to receive reconstruction aid. Of them, 640,020 families have since signed the private housing grant agreement



Mekh Bahadur Rai

with the NRA in various districts.

However, only 609,023 families have received the first installment of the housing grant, merely 78435 families have received the second tranche, and only 7459 families have received the third installment.

Unlike the other parts, thousands of victims have remained homeless and are living in makeshift shelters, struggling to resume activities that would enable them to generate a living in eastern region.

"While the government has already generated considerable criticism for its slow pace of reconstruction efforts in the hill regions following the earthquake, it is essential for the government to assume a proactive role and make good on its claims for reconstruction," said Chintan Tamang, newly elected mayor of Dhankuta Municipality.

"Given the present pace of reconstruction, it will take decades for people to move in their own home," said Tamang. "The municipality is considering providing additional support to those who are living in our areas. We are also discussing with local administration to smoothen the supply of construction materials."

What obstruction is there in reconstruction?

Two years after the devastating earthquakes that struck Nepal, the country is struggling to bounce back. Nearly 70% of the affected people still live in temporary shelters, and it is common to see damaged houses, temples without roofs, and earthquake debris lying here and there in many eastern cities of eastern region and Dhankuta is not an exception.

The recovery is painfully slow, and many families who lost their loved ones continue to live in traumatic conditions. Although the two earthquakes that struck on April 26 and May 12, 2015, did not cause a large number of deaths, many houses were damaged in the eastern region.

Although relief and rescue work began swiftly, with local volunteers working with the army and international aid workers in

central and western region, it took a year to feel the damage of eastern Nepal. Even after two years, the

recovery effort has slowed to a crawl in Dhankuta and Bhojpur.

As other parts of the region, political bickering, a lack of accountability and poor management of funds have all hampered efforts to rebuild. After two years, the people in eastern region see the situation is a "failure".

Following the local elections, many believed that the situation would change. However, the damage caused by more than a decade of political vacuum is huge. The loss of political accountability to local people is one of the key factors of the failure of disaster recovery in Nepal.

In several locations, it is found that unaffected local elites, included in the list of victims, are receiving financial support. Without local democratic leadership, people cannot voice their concerns, mobilize community resources, or scrutinize projects.

Some local leaders have worked with their communities to build infrastructure, small roads, schools



Mahendra Bahadur Ghimire

and hospitals. Nevertheless, these individual efforts are no substitute for strong and democratic local government.

The blockade and political wrangling following the promulgation of new constitution disrupted supplies. As a landlocked country, Nepal has historically relied on India for its basic supplies. The blockade led to an almost total paralysis of not only the recovery work, but the entire economy.

Given the persistent seismic risks in the Himalayas, there is a need to create a coherent regional structure for disaster recovery. Yet internal tensions appear to have prevented the Nepal government from promoting serious international cooperation.

Import of Reconstruction Materials

Cement import from India has surged exponentially in the last fiscal year, as domestic production was insufficient to fulfill the local demand. Import of cement has doubled in the last fiscal compared to the previous fiscal year,



Dhankuta Buspark

NEW SPOTLIGHT INVESTIGATION

according to the Department of Customs.

As per cement manufacturers, cement plants with their own clinker producing facility have utilized around 70 to 75 per cent of their capacity and those that import clinker have utilized 60 per cent of their capacity. According to Cement Manufacturers Association of Nepal, of the total 48 cement factories in operation, 14 with their own clinker production plants have cement production

by a large volume. The volume of the last two months of the current fiscal shows that how large the import rate is. The import of cement and clinker was of NRs. 4,24,03,22,000. Among the principal items in reconstruction, the import of iron oxides was 5, 285 kilogram from India and 32, 200 kilogram from China.

The custom officers in the various parts of the country say that the import volumes of these materials have increased after the 2015 earthquake. The custom officer

Bhairawa, the import of the same product is half of this quantity in the first two months of the present fiscal year in Kakarbhitta and Biratnagar.

In Shrawan and Bhadra (July and August) of the present fiscal year, the import of clinker is 6 94 42 030 kilogram. In the same way the import of iron is also the half of the last year's import in the first two months of the present fiscal year.

As many crushers and stone quarries are shut down, there is a scarcity of aggregate and sand. As the floods washed out many brick



Yard of customs office, Kakarvitta

capacity of eight million metric tons, or around 160 million sacks per annum.

Nepal's import of iron and steel jumped by a whopping one hundred percent in the last fiscal year. This is because of the rapid acceleration of construction works across the country. Domestic steel and rod manufacturers have said that this significant surge in import of steel and rod is due to sudden boom in the construction sector in Nepal.

When the reconstruction phase of damaged infrastructure was started, import of construction materials increased

of Mechi Custom Office, Kakarvitta, Jhapa, Ganapati Kadel says that the country is going to be self-dependent in producing cement and other construction materials. "Five years ago, Nepal used to import cement from India but now the import of clinker has become widespread. This shows Nepal has been producing more than before," Kadel said.

The custom office of eastern border point, Kakarvitta has record of 15 27 95 155 kilogram of clinker import from India in the last fiscal year. In general the imports of these products are getting higher in other custom points including Birjung and

factories in terai, there is also a scarcity of bricks in these areas.

Being declared affected by the earthquake in a year, the eastern districts of Bhojpur, Dhankuta and Sankhuwasabha are seeing their reconstruction happen at a snail's pace as several confusions over the distribution of cash grants, in the absence of proper mechanism for communication, prevail.

Reporting from Bhojpur, Dhankuta and Jhapa

This publication has been supported by The Asia Foundation. The contents of this publication reflect the views of the author(s), researcher(s), and contributing editor(s) and do not necessarily reflect the views of The Asia Foundation. ■

EARTHQUAKE RECONSTRUCTION

Short Of Materials

The demand and supply gap has escalated the prices of construction materials, including the locally available products like sand, brick, stone, and aggregate, forcing the rural poor to face an additional burden. The number of sand quarries and crusher industries has increased. The import of construction materials has drastically gone up. Now what has led to the increase in price and scarcity?

BY A CORRESPONDENT

Keshab Prasad Ghimire, 62, a resident of formerly Gotikhel Village Development Committee, which is now Ward No 3, Gotikhel, of



Keshab Prasad Ghimire

Mahakal Village Municipality, is living in an area where more than two dozen crushers break and grind stones. Ghimire, an earthquake victim, who has started the reconstruction of his house, however, faces the shortage of the construction materials in the market.

"There is a scarcity of cement, sand, aggregate and brick. Even the minimum daily wages of unskilled labor is Rs.1000.00 to 1200.00. The cost of 100 cubic foot of sand and aggregate is 10,000.00 and transport cost is between Rs.7000.00-8,000.00. Thousand bricks cost 2500.00 plus VAT. The price of OPC 53 grade cement is Rs. 950.00," said Ghimire, whose village is just 40 kilometers south of the capital.

"The prices of the construction

materials have increased drastically. I think Rs.300,000.00 will not be enough to purchase half of the materials," said Ghimire. "If I

cannot purchase the local materials like sand, aggregate and bricks, how can I purchase other products imported from outside the country."

Kale Sarki, who sees over hundreds loaded trucks with sand and aggregate passing through his own municipality towards

Kathmandu, had to wait for a

week to purchase 50 cubic foot (CFT) of aggregate and sand. Sarki, a resident of Mundan Deupur Municipality, Ward No. 8 of Kavre, paid almost double the price to transport the materials.

"I have already spent Rs.500,000. to purchase the aggregate, brick, sand, cement, iron rods and woods. I have yet to buy galvanized sheet for roof," said Sarki. "For a small three room house, I expect that I need to spend more than 700,000 rupees."

Even the chief district coordinator of Dolakha District accepts the fact that there are shortages of locally available construction materials.

"As many earthquake victims

are in the process of receiving the second installment under the private housing grant, the scarcity of the locally available construction materials is likely to delay the process of reconstruction," said Sagar Acharya, the National Reconstruction Authority's district coordinator of Dolakha. "After consultations with experts, the government is planning to open three more stone and sand quarries in the district."

The cost of transporting construction materials is very high in Kavreplanchwok. "With support from the District Administration, we have been making every effort to maintain the supply of construction materials and prices," said Dhruba Gaida, coordinator of National Reconstruction Authority's Kavrepalanchwok district coordinator.

The price of all construction materials, brick, cement, steel, Corrugated Galvanized Iron (CGI) sheet, aggregate, wood and sand has jumped in all the districts from east to west.

Along with Lalitpur and Kavre, the construction materials are in short supply all over earthquake affected districts.

According to an estimate, the construction cost of a standard three-room house, with 431 square feet, is around Rs.608,931. Similarly, a house of two rooms, 313 square feet, costs Rs.537,000. and small two rooms, 232.88 square feet, cost Rs.412,000.

For three rooms, out the total amount, Rs.235893.000 is required to purchase local materials like brick,



Kale Sarki

aggregate, sand, stone, brick and wood. The 185,000,000 is for skill and unskilled labors. It means half of the money for the reconstruction of private house circulates in the local market.

Similarly, Rs.188,038 will be for non-local materials, including 53 grade OPC cement, which costs Rs. 68,250 and 12 mm f steel, 10 mm f steel and 7 mm f steel 348 KGs. This will cost about Rs.23,000. The current price of steel is around Rs. 85 to 12 mm and 95 to 4 mm f. per bundle CGI Sheet of 12 feet cost Rs.6500.00 and plain GI Sheet per rim is 350.00.

Demand supply

According to a study conducted by Practical Action Regional office, titled Supply Chain of Construction Materials in Earthquake Affected Districts and Assessment in Nuwakot and Rasuwa, the change in peoples' preference of building types following the earthquake increased the demand of construction materials.

Before the earthquake, more than 80 per cent of the buildings were stone masonry in mud mortar. However, in accessible areas, majority of houses (52%) are likely to be brick masonry in cement mortar. On the other hand, inaccessible areas, more (79%) are likely to be stone masonry in mud mortar. Corrugated Galvanized Iron (CGI) sheet is the most popular roofing material, irrespective of the areas with 81 per cent of households preferring it.

With the change of building construction, the high price of non-local materials is the primary cause of concern.

"On the top of it, the transaction

cost is huge. A bag of cement, which costs NPR 630 at the factory in Birgunj, is sold at NPR 890 at rural VDC of Nuwakot. The exorbitant transportation fare is the major contributor for the transaction cost," said the report.

The study has shown that there is a demand of 9.78 billion pieces of brick. But the current capacity is 3.08 billion bricks with installed capacity 3.08 bricks. Similarly, CGI sheet's total demand is of 0.30 metric tons, current supply capacity is 0.35 and installed capacity 0.37.

The total demand of iron is 0.99 million metric tons and current capacity is 0.76 with installed capacity 1.13. Demand of cement is 7.26 million metric ton with installed capacity 6.97 and current capacity 4.20.

The demand of stone is 21.91 million metric tons and supply is 15.66 million metric tons. The demand of sand is 6.43 million metric tons and supply is 2.28 million metric tons. Similarly, aggregate demand is 2.43 million metric tons and supply is 0.58 million metric tons. The demand of wood is 4.46 metric tons and supply is 2.56 metric tons.

"Nepal has vast quantities of river boulders and pebbles and sand are mined as construction materials. These are adequate inside the country. I don't think there is any reason for the short supply," said professor Dr. Ranjan Kumar Dahal, Engineering Geologist and Geotechnical Engineer.

With the growing demands of iron, cement, CGI and wood, there will be increase in imports. According to Department of Customs, in the last two months, Nepal imported iron worth of 18.19

billion rupees in the last two months against import of the worth of iron 16.5 billion rupees same period last year. In the year 2015, Nepal imported 11.73 billion rupees worth of iron in the two months.

The imports of the products like coal, cement, iron ore, zinc and other raw materials have increased. According to the Department of Customs, the imports of steel and iron ore jumped from Rs.70 billion to 93 billion in the past one year. Nepal imported 93.715 billion rupees in the fiscal year 2016.017. Imports will likely double the next year given the last two months of the data. Nepal imported woods worth Rs. 4 billion in the same period.

Nepal imported iron and steel worth of 68.933 billion rupees in 2015/016 and iron and articles of iron and steel worth of 9.119 billion rupees. Nepal imported the wood merely 2.574 billion rupees in the year

According to Nepal Foreign Trade Statistics for Fiscal year 2016/017, Nepal imported Rs.9.973 billion worth of iron or steel articles. Similarly, the cement and raw materials for cement industries continues to increase. Similarly, the import of zinc also increased.

"The import of iron, wood and iron related products and other items used in construction has drastically increased," said Shova Kanta Paudyal, Deputy Director General of Department of Custom.

What Went Wrong Then

The government blames crusher industries for having created a market scarcity of local products and industrialists for the short supply of iron and cement. Crusher industries see the government's frequent interventions and rampant shutdown of the industries by local administrations as responsible for the present crisis.

"Despite the increase in the import, we are facing difficulty to meet the demand of the market," said Kiran Sakha, senior vice president of Nepal Rolling Mill Association. "All 16 rolling mills are operating in their full capacity. As our industry depends on the imported products from third countries, the fluctuation of prices depends upon the dollar strength and the international market price."

As most of the crusher owners



Crusher Plant

are either MPs, local political leaders or local industrialists, there is a big nexus of politicians, administrators and the market players. A field observation shows that this nexus is responsible in creating the scarcity of the locally available construction materials.

With the lack of coordination among the ministries responsible to regulate the crusher industry, the country is facing an unnatural shortage of sand, boulders and stones.

The Ministry of Federal Affairs and Local Development, the Ministry of Industries and the Ministry of Forests and Soil Conservation are responsible for checking the exploitation of natural resources from rivers, forests and national parks. However, the Ministry of Environment is responsible to devise measures and guidelines to strike a balance between developmental work and environment.

At present, some 700 crusher plants are estimated to be processing construction materials throughout the country.

All these three ministries have their own interests. Forest Ministry officials accuse the DDCs of aiding contractors in mining natural resources without considering the

environmental impact as their only concern is revenue from the sand and boulders. For the local level, levies on the trade in the construction materials have been an important source of income.

Crusher Industry Entrepreneurs' Association has its own argument. In recent months, more than two dozen crusher industries along the BP Highway and Prithvi Highway in Dhading and Lele of Lalitpur were shut.

"Nepal Reconstruction Authority (NRA) has already requested Ministry of Home Affairs to direct local administration to monitor the market. We are also proposing to hold a meeting with different government ministries, industrialists, including cement industries, as well as iron and steel. NRA has already requested Ministry of Home Affairs to facilitate the supply of local construction materials," said Yam Lal Bhoosal, spokesperson of NRA.



Yam Lal Bhoosal

"There Is A Shortage Of Materials"

As earthquake reconstruction is going on, **SAGARACHARYA**, the Unit Head of District Coordination Unit of Dolakha, spoke to **NEW SPOTLIGHT** on various issues. Excerpts:

What is the state of reconstruction in Dolakha?

The reconstruction is picking up in Dolakha district. I am expanding the settlement in Dolakha. I have been talking with donor agencies, including NGOs and INGOs. Just a few days ago, I talked with Christian Aid to build a model settlement in Alam Pur and Chikha village of Bigu Village Municipality. Christian Aid has agreed to work in these two villages. We have also resettled the displaced from Bosimpa Village. We have decided to resettle them in Panipokhari. We are in the process of redistribution of landowner certificates. Apart from providing masons, we also provide electricians, plumbers and carpenters.

How do you see the level of coordination?

We have been working in coordination with all the district level institutions, including the



According to National Reconstruction Housing Guidelines, the Chief District Officer is responsible to coordinate with various local agencies to maintain the supply and prices of construction materials.

In reality, the CDOs rarely summon such meetings. Following the elections of local levels, there is a greater anarchy as some have even imposed additional taxes on the aggregate, sands and bricks. Some local bodies have shut down the stone quarries and industries.

"We have to pay additional money from the top to bottom. We need to pay money for the top level authorities for license, for the local villagers, the district administration and the local police. How can you expect cheaper goods?" said a crusher entrepreneur on condition of anonymity. "Everyone is receiving benefit from our business."

In Gorkha, Dhading and Nuwakot, each Municipality and Village Municipality levies Rs.500 on each truck. If a truck passes three Village

Municipalities, it has to pay additional Rs.1500 Besides that there is also the cost paid to various state units.

"You cannot blame the industries. It is the district administrations and police responsible for the present state," said Ram Prasad Bidari, president of Dhading District Crusher Operators Association.

Out of 27 crusher factories of Dhading district, only half of them are operating now, producing sand and aggregates to various sales depots in Kathmandu, Dhading and other areas.

"The scarcity is not created by us but the government has to take full responsibility," said Purushottam Regmi, general secretary of the Federation of Nepalese Crusher and Mines Entrepreneurs' Association. He claimed that the policy of government and local level elected representative is responsible for present crisis.

"As Ministry of Population and Environment is yet to announce new guidelines, all the crusher industries are legally operational under an order

of July 2015," said Purushottam Nepal, under secretary and head of legal section of Ministry. "There are huge piles of stocks of sands, aggregate, stones."

Demands of Material

As per the Post Disaster Need Assessment (PDNA), the government is allocating Rs. 667 billion for reconstruction. It means there is a huge need of materials.

According to NRA, there is the need to reconstruct 750 heritage sites, 8680 school buildings, 1197 health posts and 484 damaged government office.

Since there is a massive reconstruction of irrigation, government offices, public houses, private houses, road, bridges under way, there is a huge demand of construction materials and equipment. The government neither has a specific fiscal policy and trade policy in all this.

"The present crisis is related to corruption and accountability," said Padmini Pradhananga, General Secretary at the Transparency

newly-elected representatives of the villages and municipalities. We have been holding meetings of the District Coordination unit regularly. We are settling all the problems faced by the people at local level. MOFAL are responsible to provide the money.

What is the state of reconstruction materials?

Frankly speaking, there is a shortage of materials, particularly the locally available materials like stone, wood, sand and aggregate. There are only two stone quarries, which are supplying materials for local construction. However, these two are unable to supply the materials at the present phase. We have already identified other seven quarries and the District Coordination Committee has agreed to open the tender. Tamakoshi River is the main source of sand and aggregate. However, the stone is available here and there. There are only two crushers run by private sector.

What about other materials?

We don't have major problems for other materials, including brick, cement and iron. However, the prices have gone up particularly in iron and cement. We held a meeting with the district level unit of Federation of Chamber and Commerce and Industry about the price escalation. They said the price has increased not at local level.

Last year, we were able to build 15,000 houses. This

year we are expecting to complete 25000 to 30000 houses. If materials are available, we will meet the target. Last year there were 2000 masons. Now, we have 4000 trained mason. We need at least 8500 masons. More than 13000 have already secured second installments.

How do you see the role of INGOs and NGOs?

I don't know about other districts. However, Karyitas Nepal, a local NGO, is building about 1094 houses in two wards of Bigu Village Municipality. It has already completed sixty percent of the work. They will hand over all the houses by 2019. Similarly, Save the Children is in four wards of Chapra Village Municipality. They are building five hundred houses. Save the Children has already completed 400 houses. The Lutheran World Federation is building 350 houses in one ward of Jiri Municipality and one ward Gaurishanker Rural Municipality. The federation has already completed 315 houses. What I have to say is that NGOs and INGOs have been doing a very good work in Dolakha district.

What is the policy of NRA?

If they want to build more houses, we are ready to provide them the villages. We want work in covering a full ward of a particular village.

International. "Whatever the government says, very few houses have been reconstructed and there has been a shortage of labor and engineers and materials to carry out the reconstruction work."

As Nepal is spending over 667 billion rupees for reconstruction, it will have a greater fiscal impact at national level and local level as well. The government has allocated 135 billion rupees in budget for the earthquake reconstruction in the current fiscal year against 63 billion in the previous years.

"The government resource allocation for reconstruction has increased phenomenally in the past two years but the rate of expenditure is poor," said Kishor Maharjan, Assistant Professor, Faculty of Management, and Tribhuvan University. "The current state of expenditure will have significant impacts on fiscal policy and Nepal's foreign trade."

According to Asian Development Bank's economic report, acceleration of post-earthquake reconstruction and other construction activities are some of the key factors leading to

improved output of industrial sector.

However, the question remains as to who will control the uncontrolled



Murari Niraula, Member Secretary, Public Expenditure and Financial Accountability (PEFA) Secretariat under Ministry of Finance, said increased demands of construction materials indicate that the reconstruction is accelerating.

price rise and unjustified scarcity of the construction materials.

This publication has been supported by The Asia Foundation. The contents of this publication reflect the views of the author(s), researcher(s), and contributing editor(s) and do not necessarily reflect the views of The Asia Foundation. ■

Recovery And Reconstruction: A Look At The Reconstruction Expenditure

The massive destruction brought about by the earthquake of 2015 called for reconstruction of an equal magnitude. Aids and grants poured in from all over the world to support the reconstruction project. Almost two and a half years after the earthquake it is necessary to review the reconstruction process and its pace from the perspective of the funds being deployed and their utilization at the macro and micro level.

The painful memories of the devastating earthquakes of 2015 are still afresh in the minds of those who went through the experience, more so of those who suffered losses of life and property. As a least developed country with a GDP of about US\$ 21 billion, Nepal did not have sufficient domestic resources to undertake the required reconstruction activities. In just a few months after the two tremors shook Nepal to its core, an international conference was organized to call on the international community to support Nepal in its post-disaster reconstruction efforts. The international community expressed its solidarity towards Nepal's recovery by pledging US\$ 4.1 billion in aid, which was 60 percent of the initially identified recovery need of US\$ 6.7 billion.

With the support of the international donor community the Nepal government embarked upon an arduous journey of recovery and reconstruction. The on-budget pledged aid would add to the government's own budget earmarked for reconstruction purpose. Over the past two years the post-disaster reconstruction and recovery has been a priority of the Nepal government, which has allocated budget for the activities based on the projection provided by the Post Disaster Reconstruction Framework (PDRF) for a period of five years. Unfortunately, the reconstruction expenditure also followed the dismal track pursued by government expenditures in most development programs. An overview and back-of-the-envelope calculations of the allocated budget for reconstruction and its utilization in the previous two fiscal years show a less than 50 percent utilization of the allocated budget by the National Reconstruction Authority. This rather low utilization of the annual budget adds to the public perception of slow pace of reconstruction and recovery. Most importantly, snail-paced expenditure has compelled the thousands of earthquake survivors to brave two harsh winters and monsoons sheltered under plastic tarps.

Having said this, it would be unfair not to look into the trends of budget allocation and utilization over the two fiscal years for the overall budget of the NRA and the individual headings in the budget line pertaining to reconstruction. The general trend is that the allocation of budget under the individual headings has increased. The utilization of the allocated budget also shows an increasing trend, more so under the heading for individual/institutional grants. This increase indicates that the NRA and other implementing agencies have been mobilizing their budget better compared to the preceding year, which has translated into an increase in the number of private houses, schools, classrooms, health centers, heritage sites, roads etc. completed or under construction. The slow pace of fund flow in the first year of the NRA could be attributed to the initial institutional hiccups faced by the NRA that took months to get the NRA Act ratified. The subsequent change in the leadership also played some part. But the fact remains that even after two years a large portion of budget still remains unutilized, which leads to an inference that the reconstruction process has yet to catch the pace it needs. The valuable resources that should be mobilized to



BY PRAGATI KOIRALA

build back better and to build resilient communities remain frozen in the metaphorical vault collecting dust while a large proportion of survivors remain homeless, and communities are left without schools and health care facilities.

There have been comparison between the performance of NGOs/INGOs and the National Reconstruction Authority which does not do much to improve the NRA's public image. This of course is an insufficient condition to judge the NRA's performance as there lies a significant difference between the scale of operation of NGOs/INGOs and the NRA. The cumbersome process that demands coordination between multiple ministries and departments and navigating layers of bureaucratic red tape has

definitely been responsible for delayed fund release. The NRA was set up to streamline the activities required to make reconstruction swifter but anecdotes and expenditure statistics show that the NRA has not succeeded in doing so. What the NRA should be judged on are issues like (but not limited to) how well it identifies recurring obstacles and how (fast) it overcomes those obstacles in order to complete its mandate as well as the knowledge base it creates and the precedent it set for future disaster management and recovery.

One way to identify the causes of delay and devise solutions to fast track the reconstruction could be to understand why there exists an immense gap between the number of first tranche receivers, second tranche receivers and third tranche receivers. The number of houses completed and under construction stands at only 30 percent of the households that received the first tranche. Therefore, it has become necessary to track the grant amount to determine how it was utilized by the recipients. It could provide an insight into why the beneficiaries have not started building their houses as well as if they intend to rebuild in the near future. This kind of analysis and tracking could also help the NRA and other implementing agencies to identify the necessary policy changes in order to make the reconstruction process more efficient and effective. Another positive outcome of this kind of tracking could be the identification of any kind of fraudulent activities that could have occurred during the distribution of the first tranche so as to minimize those activities during the distribution of the subsequent tranches.

Surveys conducted in some of the affected district show that the beneficiaries have used the cash grants for livelihood purposes, paying off debt, retrofitting their damaged houses etc. This varied use of the cash grant has been due to reasons like the insufficiency of the cash grants to build their houses, inflated cost of raw materials, lack of technical and skilled manpower, high transportation cost of raw materials etc. The reasons for the slow pace of reconstruction are numerous but the outcome is that a large percentage of survivors are still living the unimaginable hardship brought about by the earthquakes more than two years ago. There is no doubt that more efforts could be and should be made by the responsible agencies to reduce and ultimately eliminate the sufferings of those survivors, sooner rather than later.

Pragati Koirala is a Research Associate of South Asia Watch on Trade, Economics and Environment (SAWTEE). ■