Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 15-Nov-2021 | Report No: PIDA33090

BASIC INFORMATION

A. Basic Project Data

Country	Project ID	Project Name	Parent Project ID (if any)
Nepal	P178205	Second Additional Financing to Nepal COVID-19 Emergency Response and Health Systems Preparedness Project	P173760
Parent Project Name	**Region**	**Estimated Appraisal Date**	**Estimated Board Date**
Nepal: COVID-19 Emergency Response and Health Systems Preparedness Project	SOUTH ASIA	22-Nov-2021	21-Dec-2021
Practice Area (Lead)	**Financing Instrument**	**Borrower(s)**	**Implementing Agency**
Health, Nutrition & Population	Investment Project Financing	Government of Nepal	Ministry of Health and Population

Proposed Development Objective(s) Parent

The project development objective is to prevent, detect and respond to the threat posed by COVID-19 and to strengthen national systems for public health preparedness in Nepal.

Components

1. Emergency COVID-19 Response
2. Community Engagement and Risk Communication
3. Implementation Management and Monitoring and Evaluation
4. Contingency Emergency Response Component

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	18.00
Total Financing	18.00
of which IBRD/IDA	18.00
Financing Gap	0.00

DETAILS

World Bank Group Financing	
International Development Association (IDA)	18.00
IDA Credit	18.00

Environmental and Social Risk Classification

Substantial

Other Decision (as needed)

Pre-appraisal Project Information Document (PID)

B. Introduction and Context

Country Context

1. **Over the past decade, Nepal's economy demonstrated impressive growth and resilience when faced with a wide variety of economic shocks.** Unfortunately, the COVID-19 pandemic overwhelmed the country's growth drivers and contributed to the country's first economic contraction since 1983. A gradual recovery is underway, supported by vaccine rollouts and border openings.

2. **Over the period FY2012-19, Nepal's economy performed reasonably well despite being hit by three large exogenous shocks in 2015 (earthquake), 2016 (trade disruptions), and 2017 (floods).** Real gross domestic product (GDP) growth averaged 5 percent (at market prices) over FY2012-19. Although declining as a share in the economy, agriculture continued to play a large role, contributing around 21.6 percent of GDP in FY2019. The service sector also grew in importance, with its share in GDP increasing by 4 percentage points to 52 percent in FY2019. Industry sector grew at the annual average rate of 11.6 percent during FY2017-19, significantly higher than the 2.5 percent growth recorded during FY2012-2016 in response to earthquake-led reconstruction activities, but their share in GDP remained low at 13 percent in FY2019. Similarly, imports continued to outweigh exports during FY2012-19, the former being fueled by remittances and earthquake-led reconstruction activities. Remittances remained stable between FY2012 and FY2019, equivalent to around 23 percent of GDP supported by increased international migration and increased transfer of funds through formal channels. Inflation largely remained in the single digits, with the peg of the Nepalese rupee to the Indian rupee providing a nominal anchor. Fiscal balances turned into deficit for the first time since FY2012 in FY2017, as expenditure growth outpaced revenue growth, and remained above 5 percent of GDP in FY2018 and FY2019. Expenditure grew due in part to earthquake-led reconstruction spending and a shift from a centralized government to a three-tier federal structure, which led the annual average expenditure growth rate over the FY2016-19 to nearly double the FY2012-15 average. As a part of the recent reforms linked to federalism, the federal government began sharing revenue and transferring grants to provincial and local governments in FY2019 and FY2018, respectively. The proportion of households living in extreme poverty is estimated to have fallen from 15 percent in 2010 to 8 percent in 2019.

3. **The COVID-19 pandemic derailed the strong growth trajectory established over the past three years**. GDP growth averaged 7.8 percent between FY2017 and FY2019. It contracted by 2.1 percent in FY2020, the first economic contraction since FY1983, as a nation-wide lockdown from March to July 2020 imposed to curtail the spread of the virus significantly impacted all sectors of the economy. Following the contraction in FY2020, the economy is estimated to have grown by 1.8 percent in FY2021 even though renewed containment measures were imposed in the fourth quarter of the fiscal year. Agriculture, contributing over one-fifth of nominal GDP, has been a bright spot registering 2.2 and 2.7 percent growth in FY2020 and FY2021, respectively, on the back of favorable summer monsoons. Industry and the services sectors were more severely impacted by the renewed containment measures. After contracting during FY2020, the industry and service sectors are estimated to have grown by only 0.9 and 1.6 percent in FY2021, respectively. The World Bank's 2020 SAR COVID-19 phone monitoring survey reports significant labor income shocks from the crisis in the latter half of 2020. Six months into the first national lockdown beginning March 2020, 25 percent of workers reported permanent job loss and 19 percent reported a prolonged work absence of 4.4 months on average (with a gap of 4 months since the last pay). In addition, 46 percent of employed workers reported earnings losses. With a negligible scale up of social assistance in response to these shocks in 2020, the risks of increased poverty and longer-term inequality remain high.

4. **Consumer price inflation fell to a record low in FY2021**. Average annual inflation dropped to 3.6 percent in FY2021, considerably below the central bank's ceiling of 7 percent, driven by a decline in both food and non-food inflation. Food inflation fell to 5 percent from 8.1 percent a year ago, mainly due to slower increase in vegetable prices in the absence of supply interruptions. Non-food inflation also decreased to 2.5 percent from 4.6 percent in FY2020, primarily due to a significant fall in housing and utility price inflation following the pandemic-led reverse migration from urban centers to rural areas. The Nepalese rupee (NPR) is pegged to the Indian rupee (INR) at the rate of 1.6 NPR to 1 INR. As a result, inflation in Nepal is closely tied to price developments in India.

5. **Economic growth is projected to recover gradually to 4.7 percent by FY2023.** The baseline projection assumes: (i) no return to nationwide lockdowns despite the rise in new COVID-19 cases; (ii) an effective vaccination rollout to the entire eligible population by mid-April 2022; (iii) a gradual increase in international migration and tourist arrivals as global vaccination rates rise thereby reaching pre-pandemic levels in FY2024; and iv) the gradual resumption of economic activities alongside social distancing and public-health measures. Above-normal rainfall during summer monsoons and the availability of chemical fertilizers should boost agricultural output in FY2022. Industrial and service sector activities are expected to expand with the vaccination rollout and are likely to reach pre-pandemic levels by FY2022.

Sectoral and Institutional Context

6. **Nepal has achieved significant improvements in health, though the outcomes are still not at satisfactory levels.** Between 1996 and 2016, maternal mortality ratio decreased from 543 to 259 per 100,000 live births, while under- five child mortality decreased from 118 to 39 per 1,000. The stunting rate among children under five declined from about 50 percent in 2006 to 36 percent in 2016. According to the Bank's Human Capital Index (HCI), a child born in Nepal today will be 49 percent as productive when she grows up as she could be if she enjoyed complete education and full health. Among the HCI Indicators and compared to neighbors and peers,

Nepal is farthest from the frontier in stunting and learning outcomes. There is also room for improvement particularly on maternal and neonatal mortality and risks from air pollution and road traffic accidents.

7. **Health is one of the most decentralized sectors in Nepal's new federal structure.** The provision of basic health services is now under the mandate of the 753 autonomous municipalities; and 7 provinces have responsibility over the delivery of basic hospital services. The federal government is responsible for overall sector policy, public health surveillance, disaster preparedness and delivery of specialized care through national hospitals and public health institutions. As this governance reform is still in its nascent stage of implementation, clarity of functions between the different governments has not yet been established and the capacity of the governing administration and in health service delivery units like hospitals and primary health care clinics is not yet developed. Even prior to the current governing transition, there were significant gaps in human resources for health. This appears to be exacerbated due to the civil servant adjustment process which is part of the federal transition.

8. **Nepal is particularly vulnerable to climate change, natural disasters and disease outbreaks and has limited capacity to respond.** Nepal has a high frequency of hazards such as seasonal outbreaks of dengue, floods, landslides, avalanches, and earthquakes. Among 200 countries, Nepal ranks 11th and 30th with regards to its vulnerability to earthquake and floods respectively. Notably, the magnitude 7.8 earthquake in 2015 resulted in the loss of nearly 9,000 lives as well as damages and losses to health infrastructure and disruption in essential health care services delivery for which the country is still recovering. Nepal's risk for the COVID-19 outbreak is ranked as a Tier 1 (high) risk according the US Centers for Disease Control and Prevention due to its border with China and India, low health security capacity[6], and point-of-entry capacity. Areas of vulnerability include the ability to detect an outbreak with limitations on the epidemiological workforce, weaknesses in the real time surveillance and reporting system, the capacity and accessibility of health clinics and hospitals, socioeconomic resilience and prone to public health emergencies.

9. **The Ministry of Health and Population (MoHP) endorsed a National Pandemic Preparedness and Response Plan (NPPRP) in 2019.** The objective of the plan is to address emerging disease outbreaks of epidemic and pandemic potential. Unlike the previous plan which only covered influenza viruses, the NPPRP covers six groups of viruses, including influenza, which have potential for greater social and economic impact if they cause widespread outbreaks including epidemics and pandemics. New human pathogens have emerged such as pandemic influenza, Ebola and Zika viruses and Middle East respiratory syndrome (MERS), and the current SARS-COV2. Nepal is considered at high risk due to its location to the global "hotspots". Small rural and backyard poultry farming with mixed animal farming and seasonal migration of wild birds from affected countries and the significant number of Nepal's youth population working in various countries are two factors for easy transmission of the novel virus. The NPPRP defines the roles and responsibilities of the three tiers of the government and their coordinating mechanism in the evolving federal structure during emergency response to disease outbreaks. It establishes command and control mechanisms, risk assessments, surveillance, responses to different pandemic phases, communication strategies and, during outbreaks, the rapid deployment of emergency services including treatment and prevention of the spread of diseases, while continuing to provide essential health care services. The plan abides by the prevailing laws and code of ethics relating to emergency response.

10. **Nepal has responded expeditiously to the unprecedented challenges posed by the COVID-19 pandemic. Different committees and task teams are established to support and oversee preparedness and response to COVID-19.** These include:

(a) the High-Level COVID-19 Crisis Management Committee (CCMC) under the chairmanship of the Honorable Deputy Prime Minister and Minister of Defense leading overall oversight efforts;
(b) the Corona Crisis Management Center to coordinate operations, logistics, media, IT and security;
(c) Steering Committee led by the MoHP to coordinate the health response;
(d) Surveillance and Case Investigation and Contact Tracing Committee; Case Management Committee; and Logistics and Information Management Committee, each led by Senior Officials of the MoHP; and
(e) the incident command system for day-to-day management of the health sector response.

11. **Based on a request from Government of Nepal, the Nepal: COVID-19 Emergency Response and Health Systems Preparedness (CERHSP) Project in an amount of US$29 million equivalent, approved on April 3, 2020, was prepared under the Fast Track COVID-19 Facility (FTCF).** Additionally, Nepal requested for an Additional Financing in the amount of US$75 million on September 29, 2020, which was approved by the Board on April 6, 2021. The PDO of the CERHSP project is to prevent, detect and respond to the threat posed by COVID-19 and to strengthen national systems for public health preparedness in Nepal. The project comprised the following four components:

a. **Component 1: Emergency COVID-19 Response (US$98.50 million)** for capacitating the MoHP and its implementing bodies with technical and material assistance for sub-component 1.1: rapid case finding, contact-tracing and reporting as per MoHP protocols, sub-component 1.2: strengthening health systems at all levels of the federation, and sub-component 1.3: COVID-19 vaccine purchase.

b. **Component 2: Community Engagement and Risk Communication (US$3.00 million)** to ensure the Nepali populace is empowered with timely and correct information to prevent and manage COVID-19 infections as well as to promote health during the pandemic.

c. **Component 3: Implementation Management and Monitoring and Evaluation (US$2.50 million)** to strengthen the MoHP and its coordinating structure and implementation divisions for exercising requisite technical, fiduciary and safeguards due-diligence in the COVID-19 health sector response and knowledge, management and learning.

d. **Component 4: Contingency Emergency Response Component (CERC) (US$0 million)** to finance a national response, in face of an eligible emergency or crisis, if required.

12. **Nepal has gone through two devastating waves of COVID-19 in the last twenty months.** The first wave persisted from September to December 2020, while the more recent second wave peaked between April and June 2021 (attributable to the Delta variant). Over 275,000 persons tested positive in the first wave and 627,000 during the second wave with male populations more significantly affected in both waves (65 percent positive in wave 1 and 56 percent positive in wave 2). Since then, there has been a steady decline in COVID-19 cases, with weekly new confirmed cases decreasing by 94 percent, which could be on account of increased coverage of COVID-19 vaccines and reduced testing. The positivity rates have decreased from 44.7 percent at the peak of the second wave to 7 percent as of October 26, 2021. However, a recent uptick in cases, during the festive

season, indicates that continued prevention efforts are required amidst changing population behaviors and the emergence of new variants. Nepal deployed a strong health sector emergency response to COVID-19, despite the challenges of global recession, trade and travel restrictions, and market distortions exacerbated by the pandemic. Component-wise implementation progress is as follows:

13. **Component 1: COVID-19 Emergency Response:** MoHP operationalized its Health Sector Emergency Response, the National Deployment and Vaccination Plan as well as rolling four monthly rapid action plans to manage the pandemic. Towards the emergency COVID-19 response, Nepal significantly ramped up its (i) diagnostic capacity with 101 laboratories (59 public and 42 private) for conducting molecular testing, (ii) facility for Rapid Diagnostic Testing (Antigen) in all Palikas and Points of Entry (POE), (iii) isolation bed capacity (7,984 beds), intensive care unit capacities (2,944 beds) and high dependency unit capacities (3,234 beds) for treatment with supporting trainings, infrastructure and operational support health facilities,and (iv) adaptive, targeted vaccination of most-at-risk populations (8.6 million persons partially and 6.7 million persons fully vaccinated as of October 26, 2021) as per vaccine availability. With the increasing availability of safe and effective vaccines to prevent and minimize spread of the pandemic, Nepal has tenaciously developed a strong vaccine portfolio through bilateral diplomacy with friendly nations and neighbors, direct procurement from manufacturers using domestic resources and Credits, leveraging grant and cost-share allocations under the COVAX AMC facility. Over 20 million doses of vaccines[1] are already delivered to Nepal as of October 28, 2021 with a pipeline of approximately 35 million doses to be delivered before June 2022. As of October 26, 2021, 6.7 million (30.8 percent) population has been fully vaccinated and 8.6 million (39.7 percent) population is partially vaccinated. The IDA financing will be prioritized for procurement of safe and effectivevaccines for children 12-17 years as well as other vulnerable groups. MOHP has expressed interest in IDA financing for six million doses of Pfizer vaccines. The Bank has signed a non-disclosure agreement with Nepal to ensure a confidential, expedited prior review of the contract.

14. **Component 2: Community Engagement and Risk Communication.** The COVID-19 health response has leveraged a robust strategy for community engagement and risk communication, which are instrumental in strong vaccine acceptance and minimal hesitancy. The National Health Education Information Communication Center (NHEICC) with the technical support of UNICEF and WHO has intensely engaged with the community, leveraging social-, mass-, mid- and print-media as well as inter- personal risk communication in multiple languages. Campaigns for masking-up, testing, home isolation/quarantine and treatment were deployed nationally. Engagement with media, local government, community influencers, private sector and social sector workforce has been strengthened with deployment of tested FAQs, public service messages and technical information. Social listening, rumor tracking and prompt squashing through multiple Information, Education and Communication (IEC) channels has been an effective mechanism for tackling misinformation. Mobile technology has been used with SMS based mass messaging and toll-free helplines 1133 and 1115 with supporting call centers to address the COVID-19 information needs of Nepalis.

15. **Component 3: Implementation Management and Monitoring and Evaluation.** Data from extant information systems, surveys and supervision visits continually inform the health response including the vaccination strategy. Two seroprevalence studies have been conducted with technical assistance from WHO to inform nuanced health response to the pandemic. Joint supervision visits were conducted in July 2021 to each of the seven provinces to monitor the COVID-19 health response and impact on routine health services. The

[1] Astrazeneca: 5.48 million doses; Verocell: 12.92 million doses; Janssen: 1.53 million doses and Pfizer: 0.1 million doses

Integrated Health Information Management Section (IHMIS) of the Dept of Health Services (DOHS) and the Family Welfare Division (FWD) with the technical assistance from development partners is working towards an integrated data management system for COVID-19 management and vaccination.

16. **Component 4: Contingency Emergency Response Component (CERC) is not activated.**

C. Proposed Development Objective(s)

Original PDO

The project development objective is to prevent, detect and respond to the threat posed by COVID-19 and to strengthen national systems for public health preparedness in Nepal.

Current PDO

The project development objective is to prevent, detect and respond to the threat posed by COVID-19 and to strengthen national systems for public health preparedness in Nepal.

Key Results

17. The overall progress of the Second AF COVID-19 Emergency Response and Health Systems Preparedness Project will be measured by the following PDO and Intermediate results indicators of the Results Framework:

PDO Result Indicators:

(a) Proportion (%) of prioritized population fully vaccinated, as per protocol, disaggregated by gender
(b) Proportion (%) of female community health volunteers fully vaccinated, as per protocol
(c) Proportion (%) of vaccination sites/outreach with at least one female health care provider/volunteer
(d) Proportion of cold chain capacity gaps filled

Intermediate Results Indicators:

(a) Number of health staff trained in infection prevention and control per MoHP approved protocols
(b) Percentage of specimens submittedfor SARS-COV2 laboratory testingand confirmed within WHO stipulated standard time
(c) Number of acute healthcare facilities with triage capacity
(d) New/rehabilitated ICU beds established in the public hospitals for managing public health emergencies
(a) Nepal has activated its public Health Emergency Operations Centre or a coordination mechanism for COVID-19
(e) Nepal adopted personal and community non-pharmaceutical interventions (schools' closures, telework and remote meetings, reduce/cancel mass gatherings)
(f) Number of designated laboratories with staff trained to conductCOVID-19 diagnosis
(g) Number of acute healthcare facilities with isolation capacity
(h) Number of designated laboratories with COVID-19 diagnostic equipment, test kits, and reagents
(i) A National Deployment and Vaccination Plan (NDVP) is approved and adopted
(j) Number of symposium on surveillance, treatment and prophylaxis conducted

(k) Nepal has contextualized its risk communication and community engagement strategies
(l) Proportion (%) of callers to COVID-19 helplines satisfied with support/services provided
(m) Proportion (%) of SEA/SH calls received by COVID-19 helplines referred to one stop crisis management center (OCMC) or Women's Commission for appropriate support
(n) M&E system established to monitor COVID-19 preparedness and response plan
(o) Number of joint supervision and monitoringvisits conducted

D. Project Description

18. **The changes proposed for the second AF entail meeting the financing gap of US$18 million in the procurement of six million doses of Pfizer vaccines through the IDA financed CERHSP Project.** In view of the above, the allocation to the Sub-component 1.3: COVID-19 vaccine purchase (refer to Table 1) will be enhanced by US$18 million. Additionally, proposed deletion from the results framework of one PDO level indicator and an intermediate results indicator which are no longer feasible to measure and track on account of the widespread COVID-19 infection in Nepal. All other aspects of the CERHSP project will remain unchanged.

Table 1: Project Cost and Financing

Project Components	Parent Project Cost (including AF already processed) US$ million	Parent + AF Cost (US$ million)	IBRD or IDA Financing
Component 1: Emergency COVID-19 Response	98.50	116.50	IDA
Sub-component 1.1: Case detection, Confirmation, Contact Tracing, Recording, Reporting.	16.50	16.50	IDA
Sub-component 1.2: Health System Strengthening	14.50	14.50	IDA
Sub-component 1.3: COVID-19 vaccine purchase	67.50	85.50	IDA
Component 2: Community Engagement and Risk Communication	3.00	3.00	IDA
Component 3: Implementation Management and Monitoring and Evaluation	2.50	2.50	IDA
Component 4: Contingency Emergency Response Component	0.00	0.00	IDA
Total Costs	**104.00**	**122.00**	

Legal Operational Policies

	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Assessment of Environmental and Social Risks and Impacts

19. **The anticipated overall environmental and social risks as in the parent project remain Substantial.** The measures to address social and environmental risks in the parent project remain relevant, including infection prevention and control improvements in health facilities, such as assessment and mitigation measures for medical waste risk management that will be expanded as inoculation sites expand. Experience with the vaccination campaign thus far indicates that substantial risk ratings for environment on account of sub-optimal collection, disinfection, storage, management and safe disposal of medical waste (syringes, vials and personal protective equipment), while the social risk has been well-managed and is assessed to be moderate in Nepal. The substantial environment risks will be managed in concert with development partners active in this space, to ensure availability of hardware and capacities at vaccination sites, along with functional oversight mechanisms, to effectively manage vaccine waste. The social risks were effectively mitigated through several measures to ensure vaccine delivery targets the most vulnerable and marginalized populations, particularly women, elderly, poor and minorities in accordance with criteria specified in this AF. The vaccination campaign has been strictly deployed in line with the National Deployment and Vaccination Plan, first targeting heath workers, other essential workers, and the most vulnerable populations, which will include a mix of the elderly, people with co-morbidities. Nepal with technical support from development partners developed and deployed, a contextually appropriate and engaging 360-degree communication campaign, leveraging interpersonal (community, political and faith leaders), print, mass, mobile and social media will be deployed to address myths, misconceptions, vaccine hesitancy and also manage vaccination expectations. The Bank will also continue to provide technical and implementation support to mitigate social risks associated with vaccinating adolescent populations. In addition, the grievance mechanisms required under the ESF will be strengthened to address community, worked, and/or individual grievances related to the vaccination campaign. This includes requirements related to being able to have GRMs in place to address labor and working conditions, and SEA/SH.

E. Implementation

Institutional and Implementation Arrangements

20. **There will be no change in the institutional or implementation arrangements for the AF.** The implementation of AF will be through the Ministry of Health and Population and its Department of Health Services (DoHS) and their institutional bodies. Specifically, the COVID-19 vaccination program, including planning and management and program delivery will be implemented through the Family Welfare Department of the DoHS with support from its other centers (Epidemiology and Disease Control Division and NHEICC). Procurement of vaccines and other commodities including logistics will be done by the Management Division of the DoHS. The AF will use existing staff and structures as much as possible for additional tasks that may be required to support the new activities.

21. **There will be no significant changes to the Fiduciary arrangements under the AF.** The Environment and Social Management Framework, the Environment and Social Commitment Plan, Stakeholder Engagement Plan of the first AF will be updated for the purposes of the second AF to address emerging risks in COVID-19 health response, consulted, disclosed and adopted. The Environmental and

Social Review Summary (ESRS) of the first AF is also updated to be relevant to the scope of the second AF.

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