Program Information Documents (PID)

Appraisal Stage | Date Prepared/Updated: 21-Apr-2021 | Report No: PIDA246930

BASIC INFORMATION

A. Basic Program Data

Country	Project ID	Program Name	Parent Project ID (if any)
Nepal	P176694	Additional Financing for Nepal Health Sector Management Reform Program for Results	P160207
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
SOUTH ASIA	28-Apr-2021	14-Jun-2021	Health, Nutrition & Population
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Program-for-Results Financing	Ministry of Finance	Ministry of Health and Population	

Program Development Objective(s)

The Program Development Objective is to improve efficiency in public resource management systems of the health sector in Nepal.

COST & FINANCING

SUMMARY (USD Millions)

Government program Cost	299.00
Total Operation Cost	50.00
Total Program Cost	50.00
Total Financing	50.00
Financing Gap	0.00

FINANCING (USD Millions)

Total World Bank Group Financing	50.00
World Bank Lending	50.00

B. Introduction and Context

Country Context

1. Nepal has delivered significant achievements on its ambitious agenda for human development in the last two decades. Despite protracted political instability, absolute poverty decreased from 42 percent in 1995 to 25 percent in 2010 and further to 21.6 percent in 2015[1]. Concomitant improvements in health and education indicators resulted in improvement of the Human Capital Index (measure of future productivity of a Nepalese child born today), from 0.49 in 2017 to 0.505 in 2020[2]. Impressive gains have been made on child survival and maternal health—Under 5 mortality reduced by 62 percent[3] and maternal mortality by 66 percent[4]. Leprosy is eliminated and Nepal has achieved polio free status and measles mortality reduction goal. The country is on track to eliminate trachoma, kala azar, lymphatic filariasis and become malaria free by 2025. Treatment rates for tuberculosis have remained above 90 percent since 2010, while HIV prevalence in populations 15-49 years has been maintained at 0.1 percent since 2016.

2. The COVID-19 pandemic has severely tested the efficiency and effectiveness of Nepal's health system and seriously threatens to reverse Nepal's hard-won human development achievements. Nepal responded expeditiously to the unprecedented challenges posed by the pandemic, when the first case was detected in January 2020. Public health and social measures, including a nation-wide lockdown and targeted prohibitory orders in hot-spots were put in place to minimize the spread of COVID-19. The government strategized four-monthly costed, rapid action plans, approved by the Cabinet, to adapt and respond to the crisis. The World Bank, as a partner of choice, approved US$29 million in April 2020 to support the launch of a robust public health response with testing, tracing and treatment through a strengthened health system; risk communications and community engagement; and implementation management and monitoring and evaluation. With the availability of new therapies to prevent the infection, the World Bank has also approved an additional financing in the amount of US$75 million, to purchase, supply and distribute safe and effective COVID-19 vaccines and to augment the ongoing health response in the country. With a second wave of COVID-19 is sweeping Nepal, as of April 18, 2021, the Ministry of Health and Population has reported 284,673 confirmed COVID-19 cases, of which 96.7 percent have recovered and 3,083 have died. Men are disproportionately affected (65 percent) as also those aged 55 years and above. Nepal has supplemented its public health response to the pandemic with expedited implementation of its National Deployment and Vaccination Plan. With timely procurement of vaccines using domestic resources and grant vaccines available from COVAX, India and Republic of China, over 1.9 million citizens have received their first dose of vaccines towards Nepal's ambitious goal of vaccinating 72 percent of its citizens to achieve population level immunity.

3. In addition to the devastating impact of the pandemic, challenges abound for Nepal with burgeoning non-communicable diseases, equitable coverage of health services, quality of care and financing for health, especially in the newly federated context. Modeling estimates using the Lives Saved Tool (LiST) model show that COVID-19-related disruptions could leave many women and children without access to essential services and result in increased maternal and child morbidity and mortality, thereby compromising Nepal's progress towards achievement of universal health coverage.

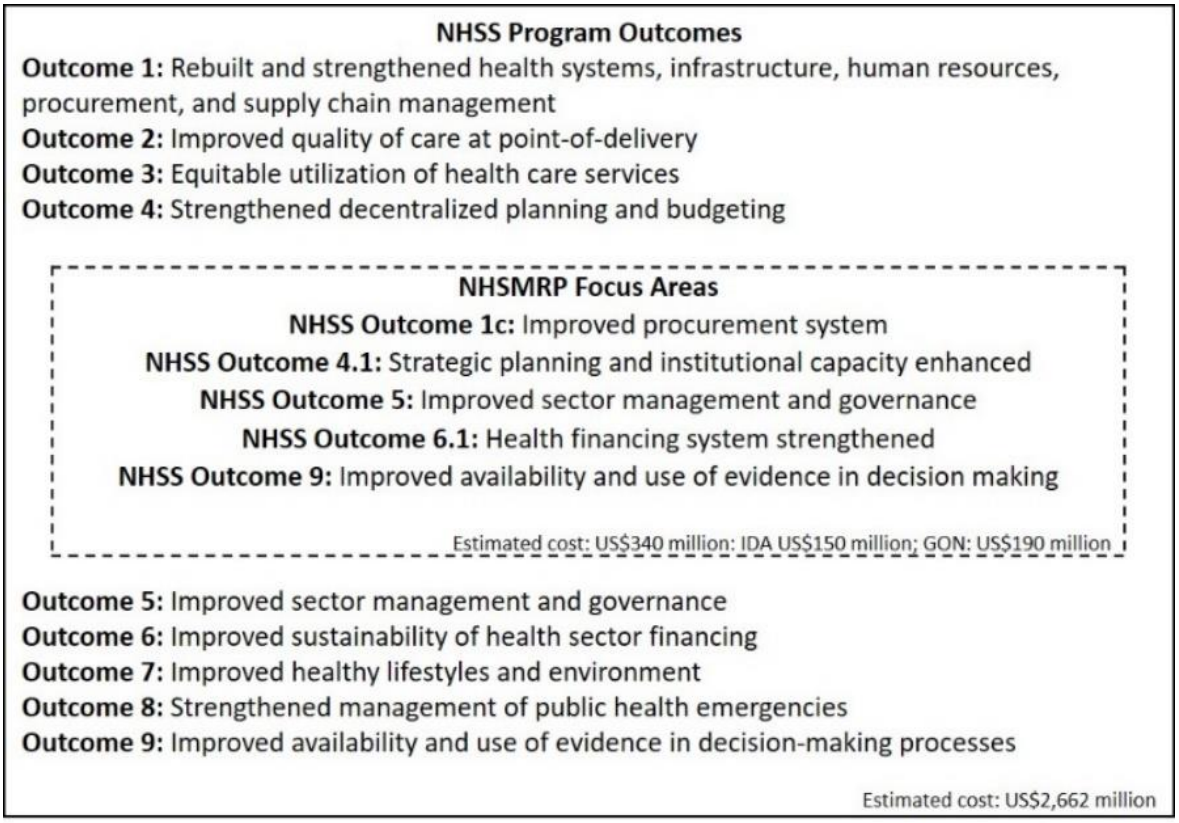
[1] Nepal National Planning Commission, 2016
[2] https://data.worldbank.org/indicator/HD.HCI.OVRL?end=2020&locations=NP&start=2017&view=chart
[3] UN Inter-agency Group for Child Mortality Estimation (UNICEF, WHO, World Bank, UN DESA Population Division)
[4] WHO, UNICEF, UNFPA, World Bank Group, and the United Nations Population Division; Trends in Maternal Mortality: 2000 to 2017

4. The pandemic has imposed both a supply and a demand shock on Nepal's economy, which is adversely affecting growth. GDP growth is expected to go down to 0.2 percent in FY20 from 7 percent the year before. The poor are expected to be disproportionally affected by the crisis. Government revenues contracted by 51 percent between March and May 2020 compared to the same period in the previous year. The Government of Nepal has responded to the crisis through fiscal and monetary measures aimed at relief, restricting and resilient recovery through immediate measures to prevent, treat and manage the health impact; reduce the impact on livelihoods; and provide economic support to firms in severely affected sectors. The World Bank Group (WBG) has reconfigured its Country Partnership Framework (CPF) for Nepal to prioritize a COVID-19 response program2 aligned with the WBGs Approach Paper "Saving Lives, Scaling Up Impact and Getting Back on Track" that specifically emphasizes (i) emergency support to health interventions for saving lives threatened by the virus, and (ii) strengthening policies, institutions and investments for resilient, inclusive and sustainable recovery for rebuilding better.

Sectoral and Institutional Context

5. Nepal Health Sector Strategy (NHSS, 2015-2021) defines the roadmap for achievement of Universal Health Coverage (UHC) through (a) equitable access to health services; (b) quality health services; (c) health systems reform; and (d) a multi-sectoral approach. An estimated budget of US$ 2,662 million was earmarked to implement the NHSS and deliver nine specified program outcomes (see Figure 1).

Figure 1: NHSS Program Outcomes and NHSMRP Focus Areas



6. The implementation period of NHSS, though approved by the Cabinet for 2016-2021, is extended by the Ministry of Health and Population (MOHP) by a year till July 15, 2022, at an estimated six-year cost of US$3,344.29 million. The COVID-19 pandemic has stretched the MOHP, first in deploying a nationwide emergency health response and thereafter in late 2020 in developing and deploying Nepal's National Deployment and Vaccination Plan. Lockdowns, mobility restrictions and requirements of social distancing have constrained MOHP to consultatively develop the next NHSS, justifying deferment of its development, approval and implementation to 2022. The sluggish growth (down from 7 percent in 2019 to 0.2 percent in 2020) and significantly decreased government revenues (0.2 percent in 2020, lowest in two decades) in the pandemic year have constrained fiscal space and sectoral allocations for the transitional year. Although the Government has also requested financial support from other Development Partners, the funds for extended year would not be sufficient. IDA being one of the major co-financiers of the NHSS 2016-2021, the request for IDA to continue co-financing the five program outcomes supported through the Nepal Health Sector Management Reform Program for Results (NHSMRP4R) in the extension phase is logical, particularly to buttress an efficient and accountable public health management system that is critical to a sustained and effective health response to ongoing COVID-19 pandemic. The Additional Financing (AF) provides an opportunity to further entrench the public management reforms initiated by the NHSMRP4R and achieve more ambitious results in the extension year, thereby (a) providing timely and adequate liquidity to the Government of Nepal (GON) to robustly address the pandemic, its harsher subsequent waves as well as other health sector programs in a constrained fiscal environment, (b) priming the public health system to rise to the challenges of a new COVID-sensitive NHSS (2022-2027), and (c) enhancing budgetary allocations for a strong deployment of the new COVID-sensitive NHSS (2022-2027).

PforR Program Scope

7. There are no changes to the NHSS 2015-2021 proposed in the extension year, therefore, the structure, scope and outcomes of the government's program are maintained. The proposed AF will continue to support the five program outcomes (indicated in Figure 1 above), to address supply- and demand-side constraints in the efficient institutional performance of the public health sector, through a strengthened fiduciary system (both public procurement and financial management) and evidence-based decision making for greater accountability and transparency. The eleven Disbursement Linked Indicators (DLIs) identified for the parent Program will continue to be supported through the AF, and hence, the program boundary for the NHSMRP4R with the AF will not change.

8. The eleven DLIs supported by the NHSMRP4R and its AF include:

i. **DLI 1:** Percentage of contracts managed by the MD through the PPMO's online procurement portal
ii. **DLI 2:** Establishment and functioning of web-based grievance redressal mechanism.
iii. **DLI 3:** Percentage of procurements done by Management Division (MD) using standard specifications.
iv. **DLI 4:** Central medical stores and medical stores of Provinces report through eLMIS.
v. **DLI 5:** Percentage reduction of less than minimum stocks (understock) of tracer health commodities in sub-provincial medical stores
vi. **DLI 6:** Percentage improvement in EVM Score over 2014 baseline.
vii. **DLI 7:** Percentage of the MoHP spending entities submitting annual plan and budget using eAWPB.
viii. **DLI 8:** Percentage of the MoHP's annual spending captured by the TABUCS.

ix. **DLI 9:** Percentage of audited spending units responding to the OAG's primary audit queries within 35 days.
x. **DLI 10:** Health facilities reporting annual disaggregated data using District Health Information System (DHIS 2) in a timely manner.
xi. **DLI 11:** MoHP to provide guidance and support to the subnational governments on citizen engagement mechanism

C. Program Development Objective(s)

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The Program Development Objective is to improve efficiency in public resource management systems of the health sector in Nepal.

9. The Project Development Objective (PDO), PDO indicators and intermediate results indicators tracking implementation progress of the parent program are maintained in the Additional Financing phase as well. The results framework, which mirrors the DLI results is revised to include enhanced Year 6 targets for existing PDO and intermediate indicators.

D. Environmental and Social Effects

10. The Environment and Social Systems Assessment (ESSA) for the health sector carried out in 2016 under the parent program, following the WB's Policy/Directive for P4R Financing, included legal, regulatory, and institutional framework to address potential environmental and social impacts of the NHSMRP4R. The risks and impacts of the program activities were identified for mitigation, including mechanisms to strengthen systems and build capacity to deliver the program in a sustainable manner. The ESSA found the parent program focused on strengthening the upstream systems and was not expected to have adverse environmental or social impacts. Rather the program provided an opportunity to strengthen and mainstream environmental and social issues within the health system. Based on stakeholder consultations, the ESSA determined the applicability of the three out of the six Core Principles of the Policy; Core Principle 1: General Principle of Environmental and Social Management; Core Principle 3: Public and Worker Safety, Core Principle 5: Indigenous Peoples and Vulnerable Groups.

11. Based on the analysis, the ESSA identified the main areas of action to align Program interventions with the Core Principles 1, 3, and 5 of the Policy for improved environmental and social due diligence. The key areas for action were (a) improve infection control and heath care waste management practices, (b) healthcare workers to adopt good operating practices for provision of clean and safe health services, and (c) ensure vulnerable and marginalized groups, including indigenous people, are included in the planning, implementation and monitoring processes of program activities. The following actions were integrated in the project design to address the associated risks (a) development of a system for environmental management including MoHP to develop an Integrated Infection Control and Health Care Waste Management (HCWM) Strategy; revise existing HCWM Regulations which will mandate institutional, implementation and enforcement responsibilities related to infection control and waste treatment and disposal; revise HCWM Guidelines to standardize procedures, processes and implementation arrangements for infection control and waste treatment and disposal demarcate roles and responsibilities of primary agencies including enforcement, multi-agency coordination and budgetary requirements; (b) expand the scope of Gender Equity and Social Inclusion (GESI) strategy and improve the

Operational Guidelines to include disability, mental disabilities, geriatrics and rehabilitation of victims of Gender-Based Violence (GBV) and ensure inter-ministerial collaboration and coordination with civil societies and strengthen one stop crisis centers; (c) develop systems for information disclosure and stakeholder consultation with the focus on establishing Grievance Redressal Mechanism, developing, and piloting citizen engagement mechanisms and operationalizing a pilot citizen feedback mechanism and system to improve voice, inclusion and social accountability.

12. Limited progress was achieved on the action plan for environment in the first two years of program implementation. The recently endorsed Public Health Act 2018 and associated public health regulations address majority of the health care waste management concerns, infection control and occupational health and safety, and unsatisfactory infectious waste management which poses a risk of spread of infectious diseases. The recently endorsed National HCWM Standards and Operating Procedures 2020 address health care waste management risks.

13. The AF will provide an opportunity to further strengthen the implementation, monitoring and the roll out of Public Health Service Regulations and National HCWM work plan towards a functional and sustainable system for waste management. Towards strengthening the capacity of the three tiers of Government for effective implementation of National HCWM standards and operating procedures, MOHP has organized various capacity building programs. These include trainings for representatives of Ministry of Social Development, Provincial Health Directorate and other divisions, provincial health laboratories as well as deep dive trainings for provincial hospitals and on-site trainings to demonstrate safe HCWM at central and provincial hospitals. Towards roll out of Public Health Service Regulations 2020, Standards of HCWM and Water, Sanitation and Hygiene (WASH) have been prepared and are is in process of securing approval. Three-year work plan has been prepared and dedicated budget lines for HCWM have been created for smooth implementation. Learning resource package for Environmental Health, Health care waste management and WASH modules have been prepared with plans to deploy the Training of Trainers in May 2021.

14. The MOHP has revised the GESI operational guideline and is currently awaiting approval from the Cabinet for mainstreaming GESI. Several other guidelines that are part of the GESI strategy have been consultatively developed, approved and deployed.[5] However, GESI mainstreaming within the MOHP and its institutions is yet to be programmed and made functional due to the challenges of COVID-19, resource constraints for capacity building and lack of technical assistance. The AF provides an opportunity to approve, operationalize and capacitate the federal, provincial, and local structure under the MOHP on the provisions of the GESI strategy.

15. A Grievance Redressal Mechanism is established and functional and supports Information disclosure and stakeholder consultation. Towards operationalizing a pilot citizen feedback mechanism, the Social Accountability (SA) guidelines for health sector in Nepal are approved at the Ministerial level. The orientation to the SA guidelines at the provincial level are ongoing.[6] Similarly, a three year action plan has been proposed for extending the SA mechanisms at sub-national level, which includes the development of a manual for social audit, TOTs followed by training at provincial and local government for administering SA at health facilities. These actions are yet to be initiated and may not be achieved by July 15, 2021. The AF will provide MOHP the opportunity to extend

[5] Disability Inclusive National Service Guidelines for health care providers, Mental Health Strategy and Action Plan, Crisis management center guidelines for GBV for one stop crisis management centers (OCMC)

[6] Orientations for Provinces 3, 4, 5, 6 and 7 are successfully completed and the orientation for Provinces 1 and 2 are being proposed to complete this FY.

the SA at the sub-national government level in a phased manner, with the extension allowing the results to be sustained.

16. Communities and individuals who believe that they are adversely affected as a result of a Bank supported PforR operation, as defined by the applicable policy and procedures, may submit complaints to the existing program grievance redress mechanism or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit http://www.worldbank.org/GRS. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

E. Financing

17. The Government's Health Sector Program (NHSS, 2015-2021), the program boundary of the P4R remains unchanged. The estimated six-year cost of outcomes and outputs of the NHSS (2015-2021) is increased to US$3,344.29 million (fifth year cost adjusted for 6.5 percent inflation, 10 percent contingency and 10 percent Nepal Rupee depreciation for the sixth year estimated cost). The estimated five-year cost of the Program (five program outcomes) is US$340 million with an estimated cost of US$74 million in the fifth year of implementation. A budget reconciliation exercise for budget codes contributing to the program expenditure framework, with audited financial reports for the years 2016-17, 2017-2018 and 2018-2019 as well as interim unaudited financial reports for 2019-2020 and two quardrimesters of 2020-2021, indicate a program expenditure of US$290 million. The reduced program expenditure reflects two realities: (i) reduction in federal budget on account of reappropriation to sub-national governments through fiscal transfers with Nepal transitioning to the Federal Republic of Nepal in 2018; and (ii) budget execution reducing from a high of 85 percent in 2016-17 to 59 percent in 2019-2020 on account of COVID-19, on account of national lockdown and mobility restrictions (expenditures were significantly decreased in service and production budget head that caters to mobility for monitoring and supervision of programs) and transfer of resources for launching a strong COVID-19 related health response and social assistance.

18. The program expenditure framework will be revised to accommodate the US$50 million AF. Adjusting the Year five cost estimate of US$74 million for 6.5 percent inflation in 2020, contingency of 10 percent and Nepali Rupee depreciation of 10 percent, the Year 6 cost estimated for the ongoing program is estimated to be US$79 million. While, for the parent program, the IDA contribution was 44.1 percent of total Program cost, for the AF phase, the IDA contribution is enhanced to 63 percent (US$50 million of US$79 million Program cost) on account of (i) higher costs for achievements of results (6.5 percent inflation and NPR depreciation) and (ii) fiscal-space constraints in the COVID context.

19. Several development partners (DPs) support the implementation of NHSS through budget support, results-based and parallel financing and technical assistance (TA) in an estimated amount of US$450 million. UK Aid (erstwhile DFID) supports parallel financing and TA for reform of procurement systems and jointly with the World Health Organization (WHO), data for improved programming as well as the District Health Information System 2 (DHIS 2) platform. The Global Vaccine Alliance (GAVI) and United Nations Children's Fund (UNICEF) support effective vaccine supply chain management. The US Agency for International Development (USAID)

supports the supply chain management system including the logistics management information system. These partners, together with the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), German Agency for International Cooperation (GIZ), KfW, United National Population Fund (UNFPA), Korea International Cooperation Agency and the Joint United Nations Program on HIV/AIDS (UNAIDS) have agreed on a coordinated TA plan for NHSS with clear implementation timelines for effective implementation.

Program Financing (Template)

Financing Source	Original Progra	Actual P4R	AF Program	Total	% of Total
BORROWER/RECIPIENT	$190.00	$70.00	$29.00	$99.00	33%
IBRD/IDA	$150.00	$150.00	$50.00	$200.00	67%
TOTAL	**$340.00**	**$220.00**	**$79.00**	**$299.00**	**100%**

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