
HEPR GRANT NUMBER TF0C0795

*Health Emergency Preparedness and
Response Multi-Donor Trust Fund*
Grant Agreement

(Nepal Quality Health Systems Program)

between

NEPAL

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

(Acting as administrator of Health Emergency Preparedness and Response Multi-
Donor Trust Fund)

HEPR GRANT NUMBER TF0C0795

HEPR GRANT AGREEMENT

AGREEMENT dated as of the Signature Date between NEPAL (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Bank”), acting as administrator of Health Emergency Preparedness and Response Multi-Donor Trust Fund.

The Recipient and the Bank hereby agree as follows:

**Article I
Standard Conditions; Definitions**

- 1.01. The Standard Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in the Appendix to this Agreement.

**Article II
The Program**

- 2.01. The Recipient declares its commitment to the objectives of the program described in Schedule 1 to this Agreement (“Program”). To this end, the Recipient shall carry out the Program in accordance with the provisions of Article II of the Standard Conditions and Schedule 2 to this Agreement.

**Article III
The Grant**

- 3.01. The Bank agrees to extend to the Recipient a grant in an amount not to exceed three million eight hundred forty thousand Dollars (USD 3,840,000) (“Grant”) to assist in financing the Program.
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.
- 3.03. The Grant is funded out of the abovementioned trust fund for which the Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors

under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Recipient's Representative; Addresses

4.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Secretary, Ministry of Finance, or its Joint Secretary of the International Economic Cooperation Coordination Division, Ministry of Finance.

4.02. For purposes of Section 7.01 of the Standard Conditions:

(a) the Recipient's address is:

Ministry of Finance
Government of Nepal
Singha Durbar
Kathmandu
Nepal; and

(b) the Recipient's Electronic Address is:

Facsimile: E-mail:

(977-1) 4211-720 secretary@mof.gov.np

4.03. For purposes of Section 7.01 of the Standard Conditions:

(a) the Bank's address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) the Bank's Electronic Address is:

Telex: Facsimile:

248423 (MCI) or 1-202-477-6391
64145 (MCI)

AGREED as of the Signature Date.

NEPAL

By



Authorized Representative

Krishna Hari Pushkar

Name: _____

Title: FS

Date: 27-oct-2023

INTERNATIONAL DEVELOPMENT
ASSOCIATION

acting as administrator of *Health Emergency Preparedness and
Response Multi-Donor Trust Fund*

By



Authorized Representative

Name: Faris H. Hadad-Zervos

Title: Country Director

Date: 05-oct-2023

SCHEDULE 1

Program Description

The objectives of the Program are to improve quality of healthcare, enhance health insurance coverage for poor, and strengthen health emergency preparedness in the Selected Provinces.

The Program consists of the following activities:

Results Area 1: Improving Readiness of Healthcare Delivery System and Quality of Care

- (a) Supporting public sector health facilities to ensure minimum service standards are in place for provision of quality services.
- (b) Establishing biomedical equipment repair and maintenance system and/or laboratories in Selected Provinces.
- (c) Supporting health facilities to establish functional health care waste management system.
- (d) Supporting mechanism for purchase of essential medicines by MoHP from Nepal Drugs Limited.
- (e) Supporting implementation and/or expansion of social audits.
- (f) Designing, developing and implementing EMR system in public hospitals in Selected Provinces.

Results Area 2: Improving Health Insurance Coverage and Effectiveness

- (a) Supporting policy reforms for increased and sustained identification and enrolment of the poor and vulnerable populations in the health insurance program, including development of health finance strategy and standard framework to be deployed by Local Levels in Selected Provinces.
- (b) Implementing targeting mechanisms, and communication and mobilization strategies to identify and enroll poor and vulnerable households into the health insurance program.
- (c) Building capacity of HIB to enhance its organizational capacity.
- (d) Digitizing health insurance claim management system.

- (e) Strengthening insurance management system and linking it with EMR system.
- (f) Training health insurance staff and mobilizers for effective operations, including enrolment, claim review, data handling and client motivation.
- (g) Supporting advocacy and communication interventions to incentivize beneficiaries to enroll in the health insurance program.

Results Area 3: Enhancing Health Emergency Preparedness and Response Capacity at Province and Local Levels

- (a) Building capacity of Selected Provinces and Selected LLs to develop, implement and monitor health preparedness plans.
- (b) Establishing and expanding integrated climate-sensitive prioritized disease surveillance systems in Selected Provinces and Selected LLs.

SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. Program Institutions

1. The Recipient shall vest the overall responsibility for the implementation of the Program activities in the MoHP, which will implement the Program with assistance from HIB, DoHS, PGs and LLs. To this end:
 - (a) The Recipient shall establish, within two (2) months from the Effective Date, and thereafter maintain throughout the period of implementation of the Program, a Program Management Unit, comprising, *inter alia*, representatives of relevant divisions and centers of MoHP, HIB and Selected Provinces, assisted by competent staff, all with experience, qualification, and terms of reference satisfactory to the Association, for ensuring day-to-day oversight, implementation and monitoring of results.
 - (b) The Recipient shall establish, within two (2) months from the Effective Date, and thereafter maintain throughout the period of implementation of the Program, a Program Steering Committee, chaired by the Secretary of Health and comprising high-level officials from MoHP, including from its Policy, Planning and Monitoring Division, Health Coordination Division, Administration Division and DoHS, and HIB, assisted by competent staff, all with experience, qualification and terms of reference satisfactory to the Association, for supervising and guiding the Program Management Unit in Program implementation.
2. The Recipient, through appropriate procedures and transaction mechanisms with PGs and LLs, shall ensure that the PGs and/or the LLs are responsible for management and basic functions of financial management, procurement and environmental and social management associated with their respective activities under the Program. To that end, the Recipient shall: (a) prepare, adopt, and issue the Operating Guidelines within three (3) months from the Effective Date, and include in the Operating Guidelines, appropriate provisions to ensure that the terms of this Agreement are passed down to all PGs and LLs as special conditions for their respective Conditional Grants; (b) ensure that all PGs and LLs receive all relevant documents describing in detail their responsibilities in relation to the implementation of their respective activities under the Program in accordance with this Agreement; and (c) include in the Operating Guidelines the protocol for the application of the Anti-corruption Guidelines and procedures for the collection,

storage, usage, and/or processing of Personal Data, in accordance with the provisions set forth in Section V of this Schedule.

B. Program Action Plan

1. The Recipient shall, and shall cause the PGs and LLs to:
 - (a) implement the Program Action Plan agreed with the Association, in a manner and substance satisfactory to the Association; and
 - (b) refrain from amending, revising, waiving, voiding, suspending, or abrogating, any provision of the Program Action Plan, whether in whole or in part, without the prior written concurrence of the Association.
2. In the event of any inconsistency between the provision of the Program Action Plan and those of this Agreement, the provision of this Agreement shall govern.

C. Program Fiduciary, Environmental and Social Systems

Without limitation upon the generality of Part A of this Section I, the Recipient shall carry out the Program in accordance with financial management, procurement and environmental and social management systems acceptable to the Association (“Program Fiduciary, Environmental and Social Systems”) which are designed to ensure that:

- (a) the Financing proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and
- (b) the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

Section II. Excluded Activities

The Recipient shall ensure that the Program excludes any activities which:

- A. in the opinion of the Association, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or
- B. involve the procurement of: (1) works, estimated to cost USD 75,000,000 equivalent or more per contract; (2) goods, estimated to cost USD 50,000,000 equivalent or more per contract; (3) non-consulting services, estimated to cost USD 50,000,000 equivalent or more per contract; or (4)

consulting services, estimated to cost USD 20,000,000 equivalent or more per contract.

Section III. Program Monitoring, Reporting and Evaluation

A. Program Reports

1. The Recipient shall furnish to the Association each Program Report not later than sixty (60) days after the end of each six-month period, covering the six-month period.
2. Except as may otherwise be explicitly required or permitted under this Agreement, or as may be explicitly requested by the Association, in sharing any information, report or document related to the activities described in Schedule 1 to this Agreement, the Recipient shall ensure that such information, report or document does not include Personal Data.

B. Independent Verification Agent

1. The Recipient shall appoint, within six (6) months from the Effective Date, and thereafter maintain, throughout the period of implementation of the Program, the Independent Verification Agent in accordance with the terms of the MoU between the MoHP and the Independent Verification Agent.
2. The Recipient shall furnish to the Independent Verification Agent and the Association any information and/or documentation that the Independent Verification Agent and/or the Association shall reasonably require for the monitoring, audit, analysis, and/or verification of the achievement/fulfillment of the DLRs set out in Schedule 4 to this Agreement.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of Article III of the Standard Conditions, this Section, and such additional instructions as the Bank may specify from time to time by notice to the Recipient to finance Program Expenditures (inclusive of Taxes), on the basis of the results (“Disbursement Linked Results” or “DLRs”) achieved by the Recipient, as measured against specific indicators (“Disbursement Linked Indicators” or “DLIs”); all as set forth in the table in paragraph 2 of this Part A and the table in Schedule 3 to this Agreement.
2. The following table specifies each category of withdrawal of the proceeds of the Grant (including the Disbursement Linked Indicators as applicable) (“Category”),

the Disbursement Linked Results for each Category (as applicable), and the allocation of the amounts of the Grant to each Category:

Category (including Disbursement Linked Indicator as applicable)	Amount of the Grant Allocated (expressed in USD)
(1) DLI# 6: Climate sensitive prioritized disease surveillance system established	3,840,000
TOTAL AMOUNT	3,840,000

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) on the basis of DLRs achieved prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed USD 960,000 may be made on the basis of DLRs achieved prior to this date but on or after July 15, 2022; or/and
 - (b) for any DLR under Category (1), until and unless the Recipient has furnished evidence satisfactory to the Bank that said DLR has been achieved.

2. Notwithstanding the provisions of Part B.1(b) of this Section, if any of the DLR(s) under Category (1) has not been achieved by the date by which the said DLR is set to be achieved, the Association may, by notice to the Recipient:
 - (a) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Grant then allocated to said Category which, in the opinion of the Association, corresponds to the extent of achievement of said scalable DLR, said lesser amount to be calculated in accordance with the formula set out in table in Schedule 3 to this Agreement;
 - (b) reallocate all or a portion of the proceeds of the Grant then allocated to said DLR to any other DLR; and/or
 - (c) cancel all or a portion of the proceeds of the Grant then allocated to said DLR.

3. The Closing Date is July 16, 2026.

Section V. Other Undertakings

The Recipient, through MoHP, shall:

- (a) ensure that the Program activities involving collection, storage, usage, and/or processing (including transfers to third parties) of Personal Data shall be done in accordance with the best international practice, and ensure legitimate, appropriate, and proportionate treatment of such data;
- (b) in the event that, during the implementation of the Program, the approval of any new legislation regarding Personal Data protection may have an impact on the activities financed by the Program, ensure that a technical analysis of said impact is conducted, and that the necessary recommendations and adjustments, are implemented, as appropriate; and
- (c) except as may otherwise be explicitly required or permitted under this Agreement, or as may be explicitly requested by the Association, in sharing any information, report or document related to the activities described in Schedule 1 to this Agreement, ensure that such information, report or document does not include Personal Data.

SCHEDULE 3

Disbursement-Linked Indicators, Disbursement-Linked Results and Allocated Amount(s)*

Disbursement-Linked Indicators (DLIs)	Disbursement-Linked Results (DLRs)			
	Prior Results	Results to be Achieved in FY2023-24 (Year 1)	Results to be Achieved in FY2024-25 (Year 2)	Results to be Achieved in FY2025-26 (Year 3)
DLI# 6: Climate sensitive prioritized disease surveillance system established	DLR 6.0 Memorandum of understanding entered into between MoHP and Department of Hydrology and Meteorology for climate sensitive surveillance system		DLR 6.1(a) Climate sensitive prioritized disease surveillance system established in one site in one of the two Selected Provinces	DLR 6.1(b) Climate sensitive prioritized disease surveillance system established in one site in the other Selected Province
Allocated Amounts (USD)	\$960,000 Roll-over: No Scalability: No		\$1,440,000 Roll-over: Yes Scalability: No	\$1,440,000 Roll-over: No Scalability: No

* The periods (Fiscal Years) in which DLRs are expected to be achieved as per this Schedule are for indicative purposes except when Roll-over is expressly indicated as “No”. Achievement of DLRs can be obtained earlier or later than said periods up and until the Closing Date; provided that if any DLR is met prior to the period in which such DLR is indicated for, the Recipient may, with prior agreement of the Association, withdraw the amount corresponding to the extent of achievement of said DLR prior to that period indicated in this Schedule.

APPENDIX

Definitions

1. “Allocated Amount” means the amount allocated to each individual DLR, or determined for each DLR pursuant to the formula detailed in the table in Schedule 3 to this Agreement, as such amount might be increased, reallocated and/or cancelled (whether partially or in its entirety) by the Association, from time to time, as the case may be, in accordance with the provisions of Section IV.B.2 of Schedule 2 to this Agreement.
2. “Anti-Corruption Guidelines” means, for purposes of paragraph 2 of the Appendix to the Standard Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Program-for-Results Financing”, dated February 1, 2012, and revised July 10, 2015.
3. “Category” means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.
4. “Conditional Grants” means the fiscal transfers made to PGs and LLs under Section 9 of the Intergovernmental Fiscal Arrangement Act and pursuant to Article 251, Clause 1(c) of the Recipient’s Constitution, which are conditional upon the respective PGs and LLs abiding by certain specified terms and conditions.
5. “Constitution” means the Recipient’s Constitution promulgated on September 20, 2015 (2072.6.3).
6. “Department of Hydrology and Meteorology” means the Department of Hydrology and Meteorology under the Recipient’s Ministry of Energy, Water Resources and Irrigation, or any successor thereto.
7. “Disbursement Linked Indicator” or “DLI” means in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.2 of Schedule 2, and Schedule 3 to this Agreement.
8. “Disbursement Linked Result” or “DLR” means in respect of a given Category, the result under said Category as set forth in the table in Schedule 3 to this Agreement, on the basis of the achievement of which, the amount of the Grant allocated to said result may be withdrawn in accordance with the provisions of said Section IV of Schedule 2 to this Agreement.
9. “DoHS” means the Department of Health Services under the MoHP, or any successor thereto.
10. “EMR” means electronic medical record.

11. “Fiscal Year” or “FY” means the Recipient’s fiscal year, which begins on July 16 of each calendar year and ends on July 15 of the next calendar year.
12. “HIB” means the Health Insurance Board of the government of Nepal, that aims to enable people to access quality health care services.
13. “Independent Verification Agent” means an independent institution which has been selected based on an established criteria set out in the terms of reference acceptable to the Association, and which verifies the achievement of the DLI and DLRs based on a detailed DLI verification protocol jointly endorsed by the MoHP and the Association.
14. “Intergovernmental Fiscal Arrangement Act” means the Recipient’s Intergovernmental Fiscal Arrangement Act (No. 21, dated October 13, 2017), providing the legal framework for resource allocation among the three levels of government.
15. “Local Level” or “LL” means a rural municipal executive or municipal executive, referred to in Article 214 (4) of the Constitution.
16. “MoHP” means the Recipient’s Ministry of Health and Population, or any successor thereto.
17. “MoU” means the memorandum of understanding between the MoHP and the Independent Verification Agent, setting out the terms of reference and operational modality of DLI and DLR verification.
18. “Nepal Drugs Limited” means the Nepal Aushadhi Limited, established under Nepal’s Company Act of 2021, for production of pharmaceuticals in Nepal.
19. “Operating Guidelines” means the annual budget implementation guidelines issued by the Recipient’s federal government for the implementation of Conditional Grants by the PGs and LLs under this Program, which, *inter alia*, describe the specific obligations applicable to the PGs and LLs participating in the Program in accordance with this Agreement.
20. “Personal Data” means any information relating to an identified or identifiable individual. An identifiable individual is one who can be identified by reasonable means, directly or indirectly, by reference to an attribute or combination of attributes within the data, or combination of the data with other available information. Attributes that can be used to identify an identifiable individual include, but are not limited to, name, identification number, location data, online identifier, biometric data, facial images, metadata, and factors specific to the physical, physiological, genetic, mental, economic, cultural, or social identity of an individual.

21. “Program Action Plan” means the Recipient’s plan dated March 31, 2023 and referred to in Section I.B of Schedule 2 to this Agreement, as may be amended from time to time with the agreement of the Association.
22. “Program Expenditures” means, for purposes of, *inter alia*, Sections 3.03 and 4.04 of the Standard Conditions, the payment for wages and salaries, capacity building, medicines and supplies, capital goods and maintenance, Conditional Grants and Program activities, made under the following budget items of the MoHP (and/or any other additional budget items for the same expenditures agreed in writing by the Association): 21111, 21112, 21121, 21122, 21131, 21132, 21123, 22511, 22512, 27213, 22213, 31123, 31161, 31134, 22522, 22529, 22611, 22612, 22311, 22313, 22314, 22315, 22411, 22412, 22413, 22111, 22112, 22211, 26332, and 26336.
23. “Program Management Unit” means the unit to be established and maintained in accordance with Section I.A.1(a) of Schedule 2 to this Agreement.
24. “Program Steering Committee” means the committee to be established and maintained in accordance with Section I.A.1(b) of Schedule 2 to this Agreement.
25. “Province” means one of the provinces of government, as described under Article 56 of the Constitution.
26. “Provincial Government” or “PG” means a provincial government referred to in Article 162 (3) read with Annex 6 of the Constitution.
27. “Selected LL” means an LL within any of the Selected Provinces.
28. “Selected Province” means either of the Recipient’s two Provinces of: Koshi and Gandaki.
29. “Signature Date” means the later of the two dates on which the Recipient and the Bank signed this Agreement and such definition applies to all references to “the date of the Grant Agreement” in the Standard Conditions.
30. “Standard Conditions” means the “International Bank for Reconstruction and Development and International Development Association Standard Conditions for Program-for-Results Financing Made by the Bank out of Trust Funds”, dated December 14, 2019.
31. “Year” means any of the Years 1 through 5 of Program implementation, as the context shall determine.
32. “Year 1” means the first year of implementation of Program activities, expected to take place from date of the Agreement to July 15, 2024.

33. “Year 2” means the second year of implementation of Program activities, expected to take place in Fiscal Year 2024-25.
34. “Year 3” means the third year of implementation of Program activities, expected to take place in Fiscal Year 2025-26.