Public Disclosure Authorized

Program Information Document (PID)

Concept Stage | Date Prepared/Updated: 20-Jun-2022 | Report No: PIDC266620

BASIC INFORMATION

A. Basic Program Data

Country	Project ID	Parent Project ID (if any)	Program Name
Nepal	P177389		Nepal Quality Health Systems Program-for-Results
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Does this operation have an IPF component?**
SOUTH ASIA	15-Nov-2022	21-Feb-2023	No
Financing Instrument	**Borrower(s)**	**Implementing Agency**	**Practice Area (Lead)**
Program-for-Results Financing	Ministry of Finance	Ministry of Health and Population	Health, Nutrition & Population

Proposed Program Development Objective(s)

To improve quality of healthcare, enhance financial protection in health and strengthen health emergency preparedness in Nepal.

COST & FINANCING

SUMMARY (USD Millions)

Government program Cost	3,000.00
Total Operation Cost	1,000.00
Total Program Cost	1,000.00
Total Financing	104.00
Financing Gap	896.00

FINANCING (USD Millions)

Total World Bank Group Financing	100.00
World Bank Lending	100.00
Total Non-World Bank Group and Non-Client Government Financing	4.00

Trust Funds	4.00

Concept Review Decision

The review did authorize the preparation to continue

B. Introduction and Context

Country Context

1. **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), but a fourth shock, the COVID-19 pandemic, derailed the strong growth trajectory established over the previous three years.** Economic growth contracted by 2.1 percent in FY20, the first contraction since FY1983. Consumer price inflation fell significantly, reaching a record low of 3.4 percent in FY21 (from 6.3 percent in FY20), but has since increased to 5% in the first half of FY22. Economic growth is projected to recover gradually to 4.1 percent by FY23 and to 5.8 percent by FY24. While public debt has risen from 22.7 percent to 41.8 percent of GDP from FY17 to FY21, the risk of debt distress is currently assessed as low as per the Joint Bank-Fund Debt Sustainability Analysis of December 2021.

2. **Nepal is highly vulnerable to climate-related disasters that have major economic impacts**[1], particularly affecting housing, infrastructure, and agriculture sectors. Public health is one of the most vulnerable sectors to the negative effects of climate change. Epidemics relating, such as cholera, typhoid, kala-azar, malaria and dengue, are exacerbated with warmer temperatures and flooding during the monsoon season, as well as lack of clean water and sanitation.

Sectoral (or multi-sectoral) and Institutional Context of the Program

3. **Health is enshrined as a fundamental right in the Constitution of Nepal 2015** and ensuring access to basic healthcare, free of cost to users, is State's responsibility. Nepal's legal and policy framework for the health sector is geared towards fulfilling the constitutional provisions to ensure easy availability of and equal access to quality healthcare for all without financial hardship – and achieve Universal Health Coverage (UHC) – in line with the country's commitment to achieve Sustainable Development Goals by 2030. Under the new federal structure, health is a concurrent function between the three levels of government – federal, provincial and local.[2] Nepal's public sector healthcare delivery system has nearly 7,000 healthcare facilities[3] offering different levels of care, in addition to those in the non-public sector[4].

[1] Recent studies by the Asian Development Bank suggest Nepal faces losing 2.2 percent of annual GDP due to climate change by 2050.
[2] While delivering basic healthcare services is an exclusive function of the local governments, those such as setting national-level goals, policies and standards, and financing basic healthcare are under the jurisdiction of the federal government.
[3] 30 hospitals managed by federal government, 69 hospitals by provincial government, and 79 primary hospitals, 267 primary healthcare centers and 6,319 other types of primary healthcare facilities under the local governments. The number of primary hospitals and healthcare facilities is growing. (Annual Report 2019-20, Ministry of Health and Population / Department of Health Services, Nepal)
[4] There are 2,519 hospitals and healthcare facilities run by private entities, and communities and cooperatives. (Annual Report 2019-20)

4. **Nepal has made steady and significant progress in health outcomes over the past several decades**, despite political turmoil and historically weak economic growth.[5] Although significant progress is evident, challenges remain in access, equity, quality and affordability of healthcare making it increasingly difficult to sustain the gains in health outcomes.[6] Despite considerable expansion of healthcare delivery structures and increased availability of services in the past few decades, the quality of healthcare is poor due to weaknesses in the health system. Key factors contributing to sub-optimal quality are, among others: poor readiness of healthcare facilities; inadequate and inequitably distributed human resources; constraints in supplies and management of essential medicines, medical equipment and commodities; inadequate, inequitable and inefficient financing and resources mobilization; limited capacity for planning, execution and management at the service delivery levels; and fragmented data systems, and limited use of data. The COVID-19 pandemic exposed weaknesses in Nepal's health system, particularly in its readiness to mitigate the impact of the unprecedented health crisis. The Ministry of Health and Population (MOHP) is in the process of developing a medium-term Nepal Health Sector Strategic Plan (2022-2030), which recognizes the shortcomings in the system, and based on lessons learnt from the pandemic, among others, it strives to building a more resilient health system.

5. **The proposed operation aims to address these challenges through a results-based Program-for-Results (PforR) instrument by supporting Government of Nepal's (GON's) Nepal Health Sector Strategic Plan (NHS-SP; 2022-2030)[7].** The draft NHS-SP has the following strategic objectives: (i) To make the health system resilient, responsible and accountable, aligned to the federal structures; (ii) To address wider determinants of health; (iii) To reduce financial hardship associated with health service utilization; (iv) To ensure equity and access to quality healthcare services; and (v) To manage population; migration and increasing urbanization. The proposed PforR operation (the Program), will contribute to its three of them (i, iii and iv).

Relationship to CAS/CPF

6. **The proposed Program is aligned with the World Bank Group's Nepal Country Partnership Framework (CPF) 2019–2024[8] and the thematic shifts identified in the Program Learning Review (PLR; 2022),** particularly to (i) pivoting to Green, Inclusive and Resilient Development (GRID) approach, by boosting resilience through health systems strengthening and emergency preparedness, and by promoting inclusion of poor and vulnerable through increased financial protection while accessing healthcare; and (ii) harnessing digital development, by introducing and/or expanding digital solutions to strengthen health data systems, increase the use of data for decision-making, and institutionalize efficient management of essential medical equipment.

Rationale for Bank Engagement and Choice of Financing Instrument

[5] Life expectancy has steadily increased to 70 years in 2017, up from about 38 years in 1960; infant mortality rate also steadily declined from 216 to 27 per 1,000 live births between 1960 and 2018; and maternal mortality ratio decreased from 553 to 186 per 100,000 live births between 2000 and 2017, and fertility rate decreased from 5.2 per woman in 1990 to 1.8 in 2020 (World Bank 2020).

[6] Access to reproductive, maternal, neonatal, child health, and nutrition services has stagnated in recent decades. For example, contraceptive prevalence rate (modern methods) has remained between the 48 and 53 percent range since 2006, and prevalence of stunting in children under five remains high—at 32 percent as of 2019 – with the rates varying both by province and socio-economic group, reflecting inequitable access to healthcare (World Bank).

[7] NHS-SP is being formulated by MOHP aiming to have it endorsed by the Cabinet by the end of current Nepali FY (July 16, 2022).

[8] It will contribute directly to three CPF objectives under two focus areas: 'Strengthened institutions for public sector management and service delivery' (Objective 1.2) under the first focus area, Public Institutions, and 'Improved access to services and support for the well-being of the vulnerable groups' (Objective 3.2) and 'Increased resilience to health shocks, natural disasters, and climate change' (Objective 3.3) under the third focus area, Inclusion and Resilience.

7. **The World Bank has developed a strong partnership with GON in the health sector over the past two decades and, as one the largest financiers to the sector, has supported in their efforts to reform and strengthen health systems and promote good governance to improve health outcomes.** The Bank has supported GON's health sector reform programs since 2004[9] through a sector-wide approach (SWAp). In addition, the Bank has been at the forefront supporting GON in its health response to the COVID-19 pandemic to save lives through a dedicated operation. Further, the Bank has worked extensively in many other countries and supported their efforts to strengthen health systems and improve quality of healthcare services and has delivered lasting impacts. Lessons learned from its experience in Nepal and globally would provide valuable insights which would help design sustainable and impactful interventions.

8. **PforR has been considered as the appropriate financing instrument for this operation** for the following reasons: (i) The Disbursement Linked Indicators (DLIs) of the Program can provide a stronger focus on accountability for results and outcomes, incentivize government's ownership, and accelerate implementation of critical reforms and policies in the health sector; (ii) PforR further strengthens the use of multi-level country systems supporting the operationalization of federalism; (iii) MOHP – executing agency for the Program – is already experienced with DLI-based operations funded by the Bank and other development partners (DPs); (iv) GON have a strong preference for a PforR operation; and (v) PforR provides several advantages over IPF instrument in terms of flexibility and efficiency in supporting a fairly large national program, which is built on the foundation of successful sector programs that the Bank has financed.

C. Program Development Objective(s) (PDO) and PDO Level Results Indicators

Program Development Objective(s)

9. **The Program Development Objectives (PDO)** are to improve quality of healthcare, enhance financial protection in health and strengthen health emergency preparedness in Nepal.

PDO Level Results Indicators

10. **Preliminary PDO indicators:** (i) Increase in the number of health facilities meeting minimum standards of quality of care at the point of delivery; (ii) Reduction in out-of-pocket expenditure on healthcare; and (iii) Increase in timely response to health emergency events by Rapid Response Teams (RRTs) and Emergency Medical Deployment Teams (EMDTs) as per the national guidelines.

D. Program Description

PforR Program Boundary

11. **The proposed Bank Operation (the Program) will finance the first five years (2023-2027) of the GON health sector program, NHS-SP[10], with an IDA concessional loan of US$ 100 million and a Trust Fund grant of US$4 million[11].**

[9] (i) Nepal Health Sector Strategy: An Agenda for Reform (NHSS, 2004-2009); (ii) Nepal Health Sector Strategy II (NHSS II, 2010-2015); and (iii) Nepal Health Sector Strategy III (NHSS III, 2016-2022).

[10] GON program will cover priority national public health programs financed by the federal level, including the national health insurance, and public sector healthcare services (ranging from basic healthcare delivered by local level to secondary and tertiary care through provincial hospitals and specialized care through federal hospitals) delivered by different levels and financed by one or more levels of government benefitting the entire population through the public healthcare network (comprises of 7,000+ health facilities and hospitals, 16,000+ outreach points, 25,000+ health workers and 50,000+ female community health volunteers).

[11] The grant has been secured from the Bank's Health Emergency Preparedness and Response Umbrella Trust Fund (HEPR) Program.

The Program will be positioned within the broader SWAp context, where its technical and provincial preferences and priorities will be coordinated with and complementary of GON's financing and other DPs' technical priorities, financing and provincial preferences. GON will finance the NHS-SP jointly with DPs, including the Bank, who are part of the Health SWAp, and complemented with financing by provincial and local governments for health sector activities under their jurisdiction. To deliver on the PDO, the Program will support selected components of health systems, not only to provide impetus to ongoing but slow-moving reforms from the current sector program, but also to introduce critical new reforms for stronger and more resilient healthcare system. The scope of the Program will be to support all federally funded and executed activities to be implemented directly by federal spending units and federally funded health conditional grants to provincial and local governments in two of the seven provinces of Nepal (Province 1 and Gandaki)[12] as far as they relate to the Program results areas. The Program will focus on three Results Areas in support of NHS-SP (described below).

Results Area 1: Improving readiness and efficiency of healthcare delivery system

12. **1.1 Minimum service standards:** This sub-result area will focus on expediting the reforms to improve health facility readiness for quality healthcare at all public sector health facilities initiated in the current sector program, but the pace of implementation of which is rather slow. This will include developing the capacity of provincial and local level stakeholders and health teams to assess and improve readiness and service provision at their hospitals and primary level facilities as per the minimum service standards (MSS) and ensuring flexible resources to the sub-national governments to implement change and fill identified gaps in the two selected provinces (linked to sub-result area 2.2). The digital database for MSS will be developed further and integrated with the national health information systems (linked to sub-result area 1.2).

13. **1.2 Data systems:** This sub-result area will build on the momentum of health data systems strengthening, mainly with regards to digitalizing health data to increase data quality and use, enhance efficiency of health systems, and improve quality of healthcare. While accelerating the coverage of digital entry of Health Management Information System (HMIS) data (on DHIS2[13] platform) to all service delivery points (from around 2,200 to over 7,000 public sector healthcare facilities) in the country, in line with GON's Digital Nepal Framework and 2017 eHealth Strategy and its Implementation Roadmap, this will go a step further to provide impetus to Nepali health system designing, developing and implementing an Electronic Medical and Health Records (EMR and EHR system), initially covering the network of primary and provincial hospitals in the two selected provinces. Customized and user-friendly data outputs and dashboards, coupled with capacity building measures (under sub-result area 2.2), will enable increased used of their own data in the local level health planning and programming.

14. **1.3 Medical equipment management:** This sub-result area will help introduce and scale-up an end-to-end digital system, processes and capacities to manage essential medical equipment not just to maximize their life and usage, but also to enhance the efficiency and effectiveness of healthcare. The system will entail the life-cycle management of essential medical equipment – from setting standards and specifications of equipment by level of healthcare facility, needs

[12] The selected provinces – Province 1 and Gandaki – are among the better performing provinces (above national average) when it comes to the economy as well as healthcare delivery and health systems performance. The nature of reforms proposed under this Program are relatively upstream but relevant in the context of Nepal graduating to a middle-income country over the program period. To demonstrate results swiftly and effectively, these reforms will require some basic level of functioning health system which these two provinces offer. The reforms when tested and implemented in these two provinces can be subsequently scaled-up to provinces which have lagged but are expected to catch up through extensive support from other DPs. The British Government's Foreign, Commonwealth and Development Office (FCDO), the United States Agency for International Development (USAID), and the United Nations (UN) agencies intend to concentrate their support in the less performing provinces (such as Madhesh, Karnali, and Sudoor Paschim) in the next sector program.

[13] District Health Information Software (DHIS2), used in more than 60 countries around the world, is an open-source software platform for reporting, analysis and dissemination of data for all health programs, developed by the Health Information Systems Program (www.dhis2.org)

projection and quantification, procurement and distribution, installation, inventory, and repair and maintenance to decommissioning and disposal of non-repairable or beyond-life equipment. This will entail designing and developing customized digital solution for medical equipment management interlinked with other procurement and supply chain management systems (linked to sub result area 1.2), setting up and expanding provincial/ sub-provincial hubs with bio-medical technical capacity to support hospitals with repair and maintenance, and developing structures, mechanisms, guidelines and tools required for the new system. The Program will support the design and development of the system, its piloting and roll out to all primary and provincial hospitals in the two selected provinces.

Results Area 2: Improving effectiveness and equity of healthcare financing

2.1 National health insurance: This sub-result area will focus on both demand and supply side interventions for increased and sustained coverage of health insurance particularly among poor and vulnerable population, while pursuing institutional and digital reforms to strengthen the insurance system. Targeting mechanisms and mobilization strategies to be deployed by local levels to identify and enroll poor and vulnerable households into the program will be defined and implemented in the interim until the identification of ultra-poor households by other GON ministries is completed fully. Use of evidence and scientific basis will be promoted in reformulating health insurance benefit package and its costing. Claim management system will be strengthened through adoption of digital solutions, including the use of Artificial Intelligence, to attract more providers in the scheme. The insurance information management system will be strengthened and, to boost its efficiency, interlinked with EHR where the latter is implemented (linked to sub result area 1.2).

15. **2.2 Local capacity for health planning, budgeting, execution and monitoring:** Under this sub-result area, local levels in the two selected provinces will be supported with measures to build their institutional capacity and leadership in prioritizing and developing their health sector plans using data and evidence (linked to sub result area 1.2). Flexible resources will be provided through conditional grants to leverage other discretional resources available to SNGs (such as equalization grants, revenue-sharing, and own revenue) more effectively allowing coherent, objective and evidence-based allocations for public health activities and basic healthcare delivery customized to local circumstances and needs. This will also, among others, help address gaps identified through MSS assessments to improve quality of healthcare (linked to sub result area 1.1) as well as to mobilize resources for deploying RRTs and EMDTs in case of health emergency events (linked to sub result areas 3.1 and 3.2). This will not only increase the efficiency of the local health system but can also enhance equity through more nuanced targeting of poor and vulnerable and out of reach populations.

Results Area 3: Enhancing health emergency preparedness and response capacity at sub-national levels

16. **3.1 Preparedness planning and surveillance:** This sub-result area will help strengthen health emergency preparedness at provincial and local levels in the two selected provinces. The sub-national governments will be enabled to develop, implement, monitor and periodically review their preparedness plans, encouraging them to allocate resources (linked to sub result area 2.2) and undertake prompt and contextualized response in the event of an outbreak/ health emergency in their jurisdiction minimizing the impact on lives and economy. Additionally, as a critical preparedness measure, events-based surveillance, which is largely limited to sentinel sites (hospitals and health offices), will be expanded to local and community levels for early detection of health events and outbreaks of epidemic potential.

17. **3.2 Rapid response capacity:** This sub-result area will support systematic formation, capacity building, equipping and deployment of RRTs and EMDTs as per the new RRT and EMDT guidelines at provincial and local levels in the two selected provinces. This will be backed by pre-positioning of essential equipment, medical commodities and supplies for emergency mobilization in case of an event as well as regular simulation exercises to sustain the capacity built. These activities will ensure effective and sustainable structures and mechanisms for preparedness and response from the bottom of the pyramid.

18. **Corporate priorities – Climate and Gender:** The proposed Program will contribute to the GRID agenda in Nepal. The technical design offers potential opportunities for climate change actions at health systems level contributing to resilience. The sub-results areas on strengthened local level planning and on emergency health preparedness will incorporate climate considerations, for example: climate-informed local health plans; health preparedness and response capacities for climate-change induced natural disasters and disease outbreaks; surveillance systems for early detection of climate sensitive diseases. Similarly, the Program offers potential opportunities for addressing the disparities in access to health benefits. The sub-results area on health data systems, strengthened local level planning and emergency health preparedness will include gender and inclusion considerations, for example: disaggregation of data; addressing the needs of women, poor and vulnerable populations in planning/programming, and their access to services during emergencies.

19. **Implementation Arrangement:** The proposed Program will use the government system for program implementation, oversight, financial management, procurement, safeguards, monitoring and evaluation, and reporting arrangements. MOHP will serve as the executing agency with overall responsibility for providing policy guidance, ensuring an enabling environment, allocating adequate resources, overseeing implementation, and accountability to the Bank with regards to the Program. A dedicated team/secretariat, for example a Sector Program Coordination Unit, under the leadership of the Chief of Health Coordination Division will be assigned by MOHP to facilitate sector coordination and support (including for activities related to the Program and the Bank) and fulfill accountability requirements of DPs under the SWAp modality, guided by a Joint Financing Arrangement (JFA)[14] between MOHP and SWAp partners, including the Bank. The Program will be implemented by DOHS, HIB, and the provincial and local governments of the two selected provinces. The activities and budget required to deliver the Program and achieve DLIs, and other results will be incorporated in the annual workplan and budget of MOHP. This will also include conditional grant resources to the provincial and local governments in the two selected provinces which will follow the same budgeting, fund flow and reporting arrangements as with other health programs funded with conditional grants by MOHP. The fund transfers are authorized and disbursed through the Treasury system, and upward reporting done through the sub-national financial management information systems. Though not in practice currently, MOHP will establish procedures to ensure physical and financial progress reporting from the sub-national governments implementing the Program as part of its accountability to the Bank. For federal level implementing agencies, existing health and financial information management systems, structures and mechanisms will be used for physical and financial reporting. MOHP will submit annual audits[15] for agencies implementing the Program: the federal level agencies as well as the sub-national governments in the two selected provinces. The Bank task team will provide supervision and implementation support through regular engagement with MOHP and bi-annual implementation support and review missions. To the extent feasible, the review missions will be aligned to the joint consultative meetings and annual reviews between MOHP and DPs as part of the Health SWAp.

E. Initial Environmental and Social Screening

20. The Bank safeguards team will conduct Environmental and Social Systems Assessment (ESSA) for identifying and assessing current systemic gaps with regards to institutional mechanisms and arrangements; capacity to plan and implement effective measures for E&S risk management in the health system at federal, provincial, local level; budget allocation, coordination, monitoring; and capacity building. ESSA will give due consideration to promoting E&S sustainability in the Program design, avoiding, minimizing, or mitigating the Program's adverse impacts, and promoting equity and access to quality healthcare services to beneficiaries including the marginalized. Based on the findings of the

[14] JFA is an agreed strategic framework for harmonized implementation of the sector program, under Nepal's health SWAp, signed by the Secretaries of Ministry of Finance and MOHP, and heads of respective organizations.

[15] Audits of entities at all three levels of government and state funded organizations are carried out annually by the Office of the Auditor General.

assessment, a set of program action plan will be prepared and agreed with the client for addressing the impacts/risks and systematic gaps.

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