An assessment of capacity building for health systems strengthening and the delivery of the NHSP 2 results framework
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### Abbreviations and acronyms

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<th>Description</th>
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<tbody>
<tr>
<td>AWPB</td>
<td>Annual Work Planning and Budgeting</td>
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<td>ASIP</td>
<td>Annual Strategic Implementation Plan</td>
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<td>CBHI</td>
<td>Community Based Health Insurance</td>
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<td>CFO</td>
<td>Chief Financial Officer</td>
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<td>CHIP</td>
<td>Country Health Intelligence Portal</td>
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<td>COA</td>
<td>Comprehensive Chart of Account</td>
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<tr>
<td>DALY</td>
<td>Disability Adjusted Life Year</td>
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<tr>
<td>DFID</td>
<td>Department for International Development</td>
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<tr>
<td>DoHS</td>
<td>Department of Health Services</td>
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<td>D(P)HO</td>
<td>District (Public) Health Office®</td>
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<tr>
<td>e-AWPB</td>
<td>Electronic Annual Planning and Budgeting</td>
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<td>EDP</td>
<td>External Development Partner</td>
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<td>EHCS</td>
<td>Essential Health Care Services</td>
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<td>FAR</td>
<td>Financial Accounting Regulations</td>
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<td>FCGO</td>
<td>Financial Comptroller’s General Office</td>
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<td>GFS</td>
<td>General Financial Statistics</td>
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<td>FHD</td>
<td>Family Health Division</td>
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<td>FMIS</td>
<td>Financial Management Information System</td>
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<td>FMR</td>
<td>Financial Monitoring Report</td>
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<td>GoN</td>
<td>Government of Nepal</td>
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<td>HEFU</td>
<td>Health Economics ands Financing Unit</td>
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<td>HMIS</td>
<td>Health Management Information System</td>
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<td>HSR-SP</td>
<td>Health Sector Reform Support Programme</td>
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<td>HSRU</td>
<td>Health Sector Reform Unit</td>
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<td>MoF</td>
<td>Ministry of Finance</td>
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<td>MoHP</td>
<td>Ministry of Health and Population</td>
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<td>NHA</td>
<td>National Health Accounts</td>
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<td>NHEA</td>
<td>Nepal Health Economics Association</td>
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<td>NHSP</td>
<td>Nepal Health Sector Programme</td>
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<td>NHSSP</td>
<td>Nepal Health Sector Support Programme</td>
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<td>NPC</td>
<td>National Planning Commission</td>
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<td>PEFA</td>
<td>Public Expenditure and Financial Accountability</td>
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<td>PER</td>
<td>Public Expenditure Review</td>
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<td>PETS</td>
<td>Public Expenditure Tracking Study</td>
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<td>PPICD</td>
<td>Policy, Planning and International Cooperation Division</td>
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<td>RTI</td>
<td>Research Triangle International</td>
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<td>SSMP</td>
<td>Support to the Safe Motherhood Programme</td>
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<td>SOE</td>
<td>State Owned Enterprise</td>
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<td>SPA</td>
<td>Service Provision Assessment</td>
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<td>TA</td>
<td>Technical Assistance</td>
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<td>UNICEF</td>
<td>United Nations Children’s Fund</td>
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Acknowledgements

We are grateful to all respondents listed in Annex 3 for giving their time to discuss this work.
Executive Summary

Background

During NHSP-1 substantial technical support was provided on health financing and financial management by the Health Sector Reform Support Programme (HSR-SP), managed by RTI. The technical quality of the support was highly valued but needs further reinforcement through institutional capacity building. Support to financial management was particularly appreciated by the finance sections although not all products have yet been fully implemented.

According to the MoHP organogram, responsibility for health financing lies with the Health Economics and Financing Unit (HEFU), which is part of the Human Resource and Financial Resource Management Division. It was originally established jointly by the Planning and Finance Divisions, since it was noted that a similar unit in Bangladesh appeared to be less effective in policy development because of its separation from both the planning and finance departments. However, one issue with this arrangement is that the function is easily mistaken for one of financial management rather than health financing and economics.

Capacity Development Strategy

Capacity in health financing within the MoHP and DoHS suffers from a shortage of technically qualified staff. HEFU, the main unit within MoHP with responsibility for health financing currently has no technical staff. A creative approach is therefore required to engage with stakeholders and build capacity within the health sector.

Technical assistance will need to focus on a combination of inputs to meet immediate priorities of Government and ensure long term engagement with the development of a health financing strategy.

Recently MoHP appointed one administrative officer to HEFU. It is important to ensure at least one person with responsibility for health financing and economics within HEFU. Capacity development in health financing will focus on promoting appreciation of its importance and supporting capability building through cluster group engagement and training, inputs into staff college training and inputs into regional review meetings.

Core Strategic Focus of HR Technical Assistance

We recommend that technical assistance in health financing and economics should include:

1. Continued assessment of free essential care policy and related programmes. This will build on the assessments undertaken during NHSP-1 and streamline the instruments to ensure they provide consolidated analysis of demand side financing
2. Support for the National Health Financing Strategy including:
- primary data on public expenditure tracking, based on the facility surveys that can be used to support a fiscal space study
- Review of purchasing function of MoHP

3. Support for capacity building in health financing at district and regional levels, including district based public expenditure and productivity analysis
4. Capacity building in health financing through a cluster group approach and conduct of technical work in the sector.

Enhancing financial management requires both the introduction of new systems and ensuring compliance with existing financial management systems at MoHP. Technical assistance in financial management should include:

1. Implementing output based budget preparation and reporting and monitoring systems at MoHP
2. Enhancing/introducing and implementing technology based financial management systems for budget preparation, execution (funds release mechanisms), accounting and reporting and monitoring processes
3. Developing human resource capacity in the areas of financial management and strategic planning and use of technology based solutions. This will require investment in financial and human resources
4. Developing a system/ culture of compliance and accountability to ensure the systems are used
5. Design and implementation of evaluation mechanisms (Social and Performance Audits, Evaluation Reports).

Proposed Technical Assistance

- Health Financing Adviser placed in the MoHP to support technical products that are important in developing health financing and financial management strategies underpinning NHSP-2.
- Demand Side Health Financing Adviser (short term national position) to replace but also extend the Aama Adviser position
- Short term national and international periodic inputs for a range of tasks in health financing and PFM short term TA supporting the technical focus outlined above. Where possible using the same consultancy inputs to ensure consistency and coherence of TA, skills transfer and reduce transaction costs for MoHP.
- Technical assistance will also be provided in the form of mentoring and desk based support by a UK based Health Financing Adviser.
## Way Forward Recommendations for Financial Management

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<tr>
<th>Serial</th>
<th>Recommendation for Technical Assistance</th>
<th>Specific Proposals</th>
<th>Milestone Year 1</th>
<th>Milestone Year 2</th>
<th>Milestone Year 3</th>
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<tr>
<td>1</td>
<td>Implement Output Based budget preparation and reporting and monitoring systems at MoHP</td>
<td>After receiving medium-term budgetary ceilings (for operational and capital expenditure) from the central agencies, MoHP will; 1) Form a Strategic Team comprising senior management professionals of MoHP from planning and budgeting sections 2) The Strategic Team will articulate medium-term policy priorities (in collaboration with NPC) and present MoHP goals, outcomes, outputs and link this with medium-term ceilings 3) The Strategic Team will present performance indicators and targets of outputs based on budgetary allocations 4) Based on outputs (services to be delivered) MoHP will allocate medium-term ceilings to subordinate offices 5) The subordinate</td>
<td>Preparation of Output Based Budgeting guidelines and data collection/production formats. Creation of ToRs of Strategic Team and its formation The NHSP-IP2 presents Mission, Vision and Strategies for Health Sector – study on how to link these with operational and capital budgets. Pilot preparation of output based budget and presentation to central agencies. MoHP Organisational structure review. First year of preparation of Output Based Budget. Linkage with enhanced e-AWPB. Areas of responsibilities clear with linkages with org structure and outputs. Presentation of output based budget to Health Parliamentary Committees. Capacity building / creation of monitoring cells in MoHP – data gathering processes linked with enhanced e-AWPB.</td>
<td>First year of preparation of Output Based Budget. Linkage with enhanced e-AWPB. Areas of responsibilities clear with linkages with org structure and outputs. Presentation of output based budget to Health Parliamentary Committees. Capacity building / creation of monitoring cells in MoHP – data gathering processes linked with enhanced e-AWPB.</td>
<td>Second year of preparation of output based budget. Preparation of monitoring guidelines. To monitor the Key Performance Indicators and Targets. Data collection and linkage with enhanced e-AWPB. First monitoring report submitted to the MoHP in collaboration with NPC to the Parliamentary Committees.</td>
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<td>2</td>
<td>Enhance/introduce and implement technology based financial management systems in the areas of budget preparation, execution (funds release mechanisms), accounting and reporting and monitoring processes</td>
<td>The technological solutions available will include; 1) Further enhancement of functionality of e-AWPB, which will aid budget preparation, release management and consolidation of accounting information for provision of various reports and establishment of management control. This system will be implemented at the MoHP and DoHS and its Divisions, 2) Development of ‘Financial Management System’ – this will need to be developed to be implemented at D(P)HOs and Spending Units. This will replace the</td>
<td>System of classification of budgeting and accounts clarified. This can be as per GFS classification including outputs / programmes classification required by PM / EDPs. Consultation with Ministry of Finance, Terms of Reference for hiring of ‘Technical Consultant’ for development of functional specifications document Development of functional specifications document for enhanced e-AWPB and</td>
<td>Further improvements in enhanced e-AWPB and ‘Financial Management System’ as per the user feedback, Implementation and regular usage of enhanced e-AWPB. Implementation of ‘Financial Management System’ at 10 Districts and 10 Spending Units, Budget prepared using enhanced e-AWPB, 10 pilot districts provide regular expenditure and non-financial info reports using the Financial Management</td>
<td>Budget prepared using enhanced e-AWPB. System complete roll-out. Regular – Trimester – FMR and SOEs are produced. Non-financial Key Performance Indicator data – regularly produced through enhanced e-AWPB.</td>
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<td>3</td>
<td>Develop human resource capacity in the areas of financial management and strategic planning and usage of technology based solutions. This will require investment in financial and human resources</td>
<td>Two specific recommendations are; 1) Creation of the Office of the Financial Controller / CFO at MoHP. Will require design of an organisational structure, duties, roles and responsibilities in liaison with the Office of the Financial Controller / CFO designed. Study includes embedding the role in regular civil services. Also system of</td>
<td>'Financial Mgt System’ to be approved by MOHP, MOF (including FCGO/DTCO) and NPC, ToR and Hiring of Technical Consultants to develop the software, Development of software, Operational Acceptance testing of the developed software by the end users, e-AWPB 2.0 and 'Financial Management System’ developed, Procurement of software (licenses) and hardware for roll-out</td>
<td>System Production of trimester FMR and SOEs through Financial Management System and consolidation in enhanced e-AWPB.</td>
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3 | Develop human resource capacity in the areas of financial management and strategic planning and usage of technology based solutions. This will require investment in financial and human resources | Two specific recommendations are; 1) Creation of the Office of the Financial Controller / CFO at MoHP. Will require design of an organisational structure, duties, roles and responsibilities in liaison with the Office of the Financial Controller / CFO designed. Study includes embedding the role in regular civil services. Also system of | ‘Financial Mgt System’ to be approved by MOHP, MOF (including FCGO/DTCO) and NPC, ToR and Hiring of Technical Consultants to develop the software, Development of software, Operational Acceptance testing of the developed software by the end users, e-AWPB 2.0 and ‘Financial Management System’ developed, Procurement of software (licenses) and hardware for roll-out | System Production of trimester FMR and SOEs through Financial Management System and consolidation in enhanced e-AWPB. | |
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<td></td>
<td>to enhance capacity</td>
<td>Ministry of Finance.</td>
<td>delegation of financial powers studied with MoF.</td>
<td>ensuring compliance of monthly reporting – FMR and SOEs,</td>
<td>reporting and monitoring.</td>
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<td>2) Regular training of the existing financial management resources at DOHS, Divisions, Districts and Spending Units. This will require study tours of the existing financial management resources to update them on the roles and responsibilities of similar staff members in other countries and regular training programmes in financial management to be organised by the Office of the Financial Controller / CFO.</td>
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<td>4</td>
<td>Develop a system / culture of compliance and accountability to ensure that the systems are used</td>
<td>The Minister / Secretary of MoHP will need to establish together with support from central agencies a system of compliance and accountability across the organisation. This will also require voluntary submission of accounts / non-financial</td>
<td>Organisational structure review to link outputs with specific organisational heads. Policy of reward and penalty on compliance</td>
<td>Monthly meetings of Strategic Teams on compliance. Penalties being imposed by Strategic Teams. Personnel of spending units complying for the past 12</td>
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<td>Serial</td>
<td>Recommendation for Technical Assistance</td>
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| 5      | Design and implementation of evaluation mechanisms (e.g. Social and Performance Audits, Evaluation Reports etc.) | The evaluation procedures can include the following;  
As a first step – output based Key Performance Indicators and Targets will need to be monitored. The monitoring capacity in the MOHP should be enhanced and output monitoring cell should be established.  
As a second step – independent (perhaps EDPs supported) evaluations will need to be undertaken – to create a feedback loop.  
Also Expenditure reviews can be undertaken – (initially supported by EDPs) can be undertaken.  
As a third step – discussions with NPC to | Performance auditing framework agreed with Auditor General. | Output evaluation and expenditure reviews conducted by independent consultants with help from Strategic Teams and office of the CFO.  
Reliance on data provided by e-AWPB 2.0 – financial and non-financial.  
Establishment of output monitoring cell in MoHP | Output evaluation and expenditure reviews conducted by team of MOHP with support from independent consultants.  
Strengthening of output monitoring cell  
Outcome review processes discussed with NPC. |
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<td></td>
<td>establish Outcome monitoring mechanism will need to be established</td>
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<td>output monitoring cell) in MoHP, DoHS and D(P)HOs.</td>
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1. Background

Dr Tim Ensor and Dr Suresh Tiwari undertook an initial assessment of the existing institutional capacity in health financing and the Technical Assistance (TA) required under the new Nepal Health Sector Support Programme (NHSSP) to NHSP-2. The assessment was conducted between the 21st and 28th September with follow-up work between 14th and 19th November. Rana Asad Amin undertook an assessment of financial management between the 14th and 27th November.

Health financing refers to the way in which resources are generated, allocated and used in health systems. Considerable emphasis is placed on the extent to which mechanisms promote utilisation based on need and the effects of incentive effects on service productivity and efficiency.

Financial management refers to the capability to plan in accordance with national policy and fiscal framework, prepare budgets and ensure their timely release, provide transparent and timely accounting of spending and follow up auditing of financial expenditure and value for money.

There is a close overlap between these two areas. In particular, timely disbursement and control of funds will improve the implementation of health financing mechanisms. Conversely, the incentives inherent in health financing mechanisms can induce different levels of financial management effectiveness.
2. Institutional Assessment

2.1 Health Financing

According to the Ministry of Health and Population (MoHP) organogram, responsibility for health financing lies in the Health Economics and Financing Unit (HEFU), which is part of the Human Resource and Financial Resource Management Division. It was originally established jointly by the Planning and Finance Divisions since it was noted that a similar unit in Bangladesh appeared to be less effective in policy development because of its separation from both the planning and finance departments. One issue with this arrangement is that the function is easily mistaken for one of financial management rather than health financing and economics.

HEFU was established in 2002, staffed by two health economists (by training, although the positions were administrative officer and statistical officer) on deputation, and statistical and administrative officers. Close working with the Finance Section meant that staff were able to utilise information provided through the Financial Management Information System (FMIS) of the Financial Comptroller General’s Office (FCGO) facilitated by an electronic link. This enabled the preparation of public expenditure and other analyses. The unit received support from DFID through the District Health Strengthening Project to undertake studies (facility surveys, data collection from External Development Partners (EDP)), although long term TA was never provided. Core products initiated by HEFU were a regular Health Public Expenditure Review (HPER) and National Health Accounts (NHA). An NHA framework was produced in 2003 and 2004 and the first NHA in 2005.1234

Emphasis was placed on contracting out studies; it was never anticipated that the MoHP would have capacity to undertake large scale studies, but that it would be equipped with the technical skills to contract effectively and undertake smaller scale policy related work using existing data. Some of the support received was channelled to the Nepal Health Economics Association - for example for the Facility Efficiency Study5, which was designed as a stand alone product as well as contributing to the NHA. Some studies were contracted out to private companies. Whilst this generated timely data, experience shows that such contracts can be difficult to monitor. Procurement limits at the time meant that a number of

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small studies were contracted, which considerably increased the workload of HEFU staff in monitoring the final products.

As with other technical areas, frequent transfer of staff is an important issue. It was suggested by one respondent that any capacity development should be aimed at health sector staff (public health officers and statisticians, as there is currently no position for health economist/economist in the MoHP) rather than civil servants. Even if they are transferred they will at least remain in the health sector, whereas civil servants may be transferred to other sectors and their expertise lost to the health sector.

A second issue is the lack of permanent positions for technical staff of the required capability within HEFU or elsewhere in the Ministry. When staff deputed to HEFU in 2002 were transferred, the unit no longer had the skills for its function. Currently sanctioned posts in the unit are for a section officer and statistical officer and the unit is effectively closed. There is no-one with health financing or health economics expertise in the MoHP or Department of Health Services (DoHS).

During NHSP-1, technical support in health financing was provided by the Health Sector Reform Support Programme (HSR-SP) managed by RTI. One of the original health economists deputed to HEFU led much of the technical work. A large number of studies were conducted, mostly published by HSR-SP, with the Ministry providing coordination. However, lack of capacity prevented it participating in the technical work.

Assessment of the support provided by HSR-SP during NHSP-1, much of which was in the financing area, suggests the responsiveness and flexibility of TA was much appreciated. The TA tackled key issues of concern to Government including problems with financial management and disbursement of funds (bottlenecks), equity and the costs of the maternal incentives and free essential care policies. However, the assessment also suggested that capacity building was impeded by a lack of suitable counterparts in key technical areas.

Within DoHS, interest in health financing has until recently focused mainly on the various incentive programmes, particularly Aama within the Family Health Division. The recently created Revitalising Primary Health Care Division has been assigned responsibility for the free health care policy, social health insurance and protection and environmental and urban health (with a section devoted to each). It is intended to have a staff complement of 22, although currently only a few have been assigned. There are clear health financing interests within this division both for free care and health insurance. Capacity building in health financing should therefore include representatives from both these divisions.

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6 Lessons for NHSP 2 from the Health Sector Reform Support Programme, Carol Barker, 2010.
7 RTI International (2008). Bottleneck Study for the Timely Disbursement of Funds: Research Triangle Park, NC, USA.
Our assessment suggests that whilst there is a general acceptance of the importance of health financing, there is relatively little informed demand for the products. There is frequent confusion between health financing and financial management. Informants at the Ministry of Finance (MoF) and National Planning Commission (NPC) were, for example, unaware of the MoHP’s involvement in the production of National Health Accounts (NHA) or Public Expenditure Review (PER), despite the direct relevance of this work to the financing and planning process.

### 2.2 Financial Management

In contrast to health financing, counterparts in the finance sections of the MoHP and DoHS can be clearly identified. They have well developed ideas about the problems of financial management which appear to be consistent with other informants.

Financial management staff members are part of the FCGO organisation. Due to centralisation of financial management at the MoF, there is limited financial management capacity in Accounts Sections of MoHP and DoHS for the budgeting and accounting processes.

The financial management staff at MoHP include one Chief Account Officer (Under Secretary), one Budget Officer and two Accounts Officers with Financial Management qualifications (Masters in Commerce, Bachelors in Commerce or similar). The financial management staff at DoHS includes a Chief Accountant Officer (Under Secretary), five Accounts Officers (for seven divisions) and five Accounts Officers (for five centres). The Finance Section at DoHS is responsible for supporting implementation of the majority of public health service programmes (around 80% of funding for public facilities go through DoHS).

In organisations where systems are in their early stages, institutional memory depends on personnel. However, in MoHP the frequent staff turnover removes this potential and hinders enhancement of financial management capacity at various levels of the organisation. Also since financial management staff report to FCGO, there is reliance on FCGO’s ability to hire and train relevant personnel and post them to MoHP and its subordinate offices.

The MoHP does not currently have a senior financial management officer (Financial Controller or Chief Financial Officer) responsible for overall financial management, including budgeting, accounting, internal control, internal audit, performance review of the MoHP and its subordinate offices.

A number of overarching systemic issues also affect the performance of the staff and organisation. These include lack of staff with the required qualifications and training, ineffective reward and penalty system, and lack of proper equipment and tools.
Respondents from the MoF, MoHP and DoHS identified similar issues, although their perspectives on the reasons are necessarily different. MoF point to the slow submission of EDP spending plans during the development of the annual budget, particularly for non-pooled funding. It was suggested that submission has become slower than previously. MoHP also often submit delayed audited reports of expenditure and claims for reimbursement that are required for the release of GoN funds under pool financing arrangements.

Discussions in the MoHP and DoHS suggest that financial management problems identified during NHSP-1 still persist including:

- Delays in EDP reporting of planned expenditure delaying the annual budget process
- Slow reporting of Government and EDP spending from district to central level caused by the large number of programmes and paper-postal system for sending reports
- Financial and physical progress reporting that uses different systems that are hard to reconcile.

Reporting is impeded by two factors: i) the large number of programmes and activities operating at the district level and the inability of the current FCGO coding system to properly separate programme spending; ii) A paper-postal system of district reporting which means that routine reports often arrive late, delaying consolidated reporting. The limited financial management capability of district health offices also delays accurate and timely reporting. Although D(P)HOs should have accounting officers, often accountants (bookkeepers) are upgraded to these positions without proper training.

Both MoHP and DoHS suggested that expenditure reporting problems could be alleviated by introducing an electronic reporting system that permits easy classification of expenditure by programme code and speedy onward transmission to Kathmandu. The shortfalls of the MoHP accounting systems are also alluded to in the NHSP-2 Implementation Plan, in particular the lack of an appropriate system makes it difficult to separate out priority programme spending.

TA to the MoHP Financial Administration Section was provided by RTI during NHSP-1, including support for an electronic system designed to facilitate development of annual plans and budgets (eAWPB)\(^\text{10}\), guidelines on procurement (bidding) and a fund flow tracking action plan. All of these appear to be valued outputs, but are not fully implemented. RTI also provided a short term expert in financial management but this was considered less useful.

Analysis of existing financial management IT systems

In order to automate various financial management processes, the MoHP, as part of the NHSP-1, developed and implemented an IT based system called e-AWPB 1.0. The manual of e-AWPB\(^\text{11}\) states; ‘Electronic Annual Work Planning and Budgeting (e-AWPB 1.0) is a bilingual (English and Nepali), simple, interactive database developed in Microsoft Access 2003. It is designed for use by the Ministry of Health and Population (MOHP) to facilitate the Annual Work Planning and Budgeting (AWPB) process. It also generates analytical tables in a systematic way from different perspectives.’

The e-AWPB is an important innovation for automating budget and other preparation processes at MoHP and subordinate offices. The software is currently being partly used at the Finance and Planning sections of the MoHP and some centres as well as divisions at DoHS. It is not being used by the D(P)HOs and spending units.

The e-AWPB 1.0 was programmed in 2009 and implemented at MoHP. During a visit to the Account section of the Health Education Centre, it was revealed that the e-AWPB 1.0 is used for budget planning and considered user friendly, but the entire system functionality is not utilised.

The MoHP is currently working on finalising e-AWPB 2.0 with enhanced features, access and reporting capabilities. A separate consultancy is being discussed for supporting this. Key improvements include;

1. Better filters for report extraction: 1) Non-salary recurrent budgets and expenditures, 2) Detailed activity and budget by specific range of budget, and 3) EDP contribution at activity level
2. Improved user friendliness, including online help,
3. Activity standardisation: 47 clusters and 42 sub-clusters contain more than 4,000 standardised MoHP activities,
4. Clearer annual programming: Besides the NPC format, 'Annual Programme' also contains budget by line item,
5. Better budget and trend analysis, export features and input features

The MoHP and DoHS are currently partially implementing the e-AWPB 2.0.

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3. Technical Assessment

3.1 Health Financing

The main official framework document describing policy directions remains the 1991 Health Policy\textsuperscript{12}. In health care financing, the policy focuses on resource mobilisation through alternative mechanisms, including health insurance, user charges and revolving drug schemes. All these mechanisms have been tested over the last 20 years.

The overriding vision for health financing in the sector, as articulated in the NHSP-2 document, is to scale up the current free essential care policy of government to achieve universal coverage. The results framework establishes clear targets for improved coverage of priority services and priority groups (many indicators are to be broken down by wealth quintiles and some by gender, age and ethnic group). Targets are also set for the use of community based emergency funds by the poor and financial targets for the proportion of the MoHHP budget spent (absorption) and proportion of the budget allocated to Essential Health care Services (EHCS) (efficiency of spending).

Policy is less clear on how universal coverage will be achieved. Much of the discussion is about scaling up the various financing interventions introduced during and before NHSP-1. These include the free essential care policy itself, Aama, Community Based Health Insurance (CBHI), uterine prolapse and abortion schemes, and there are many more, with respondents estimating anything from 15 to 20 different schemes aimed at improving access on the supply or demand side of care (often both). Most of these schemes primarily focus on the reduction of financial barriers to accessing essential services, particularly for the poor in rural areas.

Each of the financing initiatives has been established as a logical (sometimes evidence based) attempt to address financial barriers. Although internally consistent, they have sometimes led to policy contradictions. It is suggested, for example, that the free essential care policy has undermined demand for community based health insurance. Policies also do not always deliver what they promise. For example, the free essential care policy provides a limited list of essential drugs free of charge, which should, in principle, do away with the need for the drugs supported by the community drugs programme. It appears, however, that not all drugs on the community drugs programme list are covered by free essential care. More substantially, the free essential care policy has so far focused largely on provision of medicines and has not addressed the extra demands placed on human resources and facility running costs resulting from additional utilisation.

The sector has a track record of evidence based policy development. A recent institutional and political economy analysis of the sector, found “there is significant continuing use of

Evidence and research to inform policy choices”\textsuperscript{13}. The original essential health services package prioritised during NHSP-1 was based on international evidence on cost effectiveness. The NHSP-2 document presents a table summarising global evidence on cost effectiveness (cost per DALY) for each part of the package. It is suggested, however, that programme implementation is not scrutinised sufficiently. New, cost effective components are added without changing or withdrawing existing components, which leads to increasing complexity at planning level, in the number of sub-programmes to be monitored and financed. This issue would merit further examination as part of the support to planning and finance.

Evidence on the impact of mechanisms to deliver and ensure access to essential services is fragmented. Considerable effort has been put into monitoring and evaluating some mechanisms, such as the Aama programme, while others, such as CBHI, have been less closely examined, although there have been descriptive reviews (HEFU contracted out a qualitative review of Community Based Health Insurance in six districts). There is a concern that Government sometimes scales up initiatives without full evaluation of pilots.

The need to develop a consistent policy approach to extending coverage is recognised by EDPs and most senior government officials. The results framework specifies the preparation of a comprehensive health finance strategy by 2012. Recently GTZ and World Bank facilitated a series of consultations on policy with officials in the MoHP, NPC, MoF and other concerned ministries. This was partly intended to reconcile different opinions on the way to extend coverage. The NHSP-2 document clearly articulates the extension of services based on tax funding: “tax-based financing of EHCS is likely to remain the basis for the system for the foreseeable future” (NHSP-IP II, page 93). The document hints at a minor role for voluntary private insurance for the urban, formal sector (NHSP-2, page 94). A role for community based health insurance is also mentioned, although it is recognised that the free essential care policy has reduced the incentive to join such schemes. At the same time, however, there is a movement in the MoHP and across Government to promote the development of social insurance, starting with civil servants. These discussions have a long history of at least ten years. Related to this are draft proposals to develop a social security authority to administer pensions, sickness, maternity and accident benefit, facilitated by the International Labour Organisation.

The objective of the current consultation process is to inform policy on financing of universal coverage, attempting to avoid a polarisation of universal entitlement based on residency/service (basis of the free essential care policy) versus entitlement based on

contribution (a social or community insurance approach). Initial meetings have resulted in the drafting of a report that presents six options for the way forward:

1. Providing value for money through optimal use of the budget, developing purchasing capability and providing greater management autonomy to public providers.
2. Combining option 1 with CBHI pilots, with other methods for addressing local needs.
3. Expanding CBHI by supporting local communities to establish or scale up schemes.
4. Triple Financing System which begins to develop a contribution based insurance system for the informal sector in parallel with schemes for civil servants and the formal private sector.
5. Covering the Kathmandu poor via a private insurer subsidised by government funding.
6. Establishing a health insurance system for migrant workers and their dependents.

It is expected that these options will be discussed at a stakeholder workshop after the Joint Annual Review in early 2011. The consultation has also resulted in expressed need for a number of products that would support any of the options proposed and would be required in the development of a financing strategy. These are:

1. Out of pocket payments, reduction of which is seen as a key part of the extension of universal coverage. Figures included in the National Health Accounts are thought to be underestimated.
2. CBHI schemes: description and evaluation (supported by GTZ)
3. Extent to which poor and very poor benefit from public spending (Benefits Incidence Analysis)
4. Purchasing function of the MoHP
5. Fiscal space, including examination of resources available and extent to which funding can be freed up from inefficient or corrupt practices
6. Budget execution and flow of funds review

The process is largely guided by EDPs with the objective of ensuring that the Government is guided towards realistic options.

EDP capacity building is currently focusing on high level engagement on the strategy for the sector. This has included the consultations for the MoHP/ GTZ paper and participation in the regional workshop on health financing held in the Maldives during June. WHO has supported a number of study visits of senior officials to Thailand, Indonesia and Vietnam. Such visits can be a very valuable way of exposing decision makers to new ideas although the problem of bias is difficult to avoid, and it is possible that the latest (positive) experience

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will automatically be championed as a solution for the country. This concern was articulated by one EDP representative during the consultation.

3.2 Financial Management

In order to support NHSP-2 targets, the implementation plan suggests:

‘During NHSP-2, the Ministry will focus on timely distribution of grants to health facilities; alternative assurance arrangements such as social and performance audits; implementation of transparency and disclosure measures; capacity development supported by technical assistance; and general systems development and integration at central, district and facility levels.’

These objectives are clearly vital to support the overall programme. They need to be placed in the context of an intention to better link financial management with the physical planning process, in line with international best practice which increasingly suggests integration of strategic management and financial management processes in order to permit performance management of the system. This development requires a number of adjustments to the financial and policy management process (Figure 1) including:

1) Ensuring alignment between various processes. In this case the focus is on achievement of results, meaning the strategy thrust is common to all processes

2) Presentation of results in a relationship, including clearly defined goal, impact, outcome (effect of services delivered), outputs (services delivered), activities and inputs (resources and monies)

3) Results as the focus of responsibility and accountability. The organisational structure clearly states the relationship between results achievement and job descriptions, with the reward mechanism for staff designed around achievement of results
4) Close coordination between central agencies (MoF and NPC) and the Ministries/Divisions/Agencies and their subordinate offices, achieved through focusing on results.

5) Feedback mechanisms in the policy design and execution processes.

The processes above are used to provide a benchmark for this study. A number of issues relating to the current system of financial management are apparent at different stages (detailed in Annex 4) of the financial management/policy cycle.

1. MoHP Policies / Strategic Plans

1.1. Financial Accounting Regulations prescribe a ‘bottom-up’ approach to planning, but central agencies (finance, planning) play a dominant role in resource allocation and programming screening.

1.2. Under the bottom-up approach, a list of planning activities is compiled by districts and consolidated at DoHS, but without linking with the budget.

1.3. Project selection is largely based on central agencies (MoF, NPC) and political inputs, rather than studies such as economic return.

1.4. Due to centralisation, capacity in project preparation, implementation, design and monitoring, has not been developed at the MoHP.

1.5. The strategic planning process is not focused on results or outcomes and outputs, but is more project based. While the programmes identify specific results to be achieved over lifetime, there is lack of overall strategic planning aimed at achieving certain level of service delivery using both the government and EDP resources.

1.6. As there is no standard format for the Annual Strategic Implementation Plan, few districts provide information such as their goals/objectives, activities, budgets and action plans, thus strategic planning and budgeting processes in districts need to be improved. The consolidated ASIP prepared at Ministry level could also be improved.

2. Budget Preparation

2.1. The budget preparation process is bottom-up and not tied closely with the planning processes except in 14 districts with devolution.

2.2. While the central agencies provide guidance on resource availability (ceilings) to MoHP in the early stages of budget preparation process, the final amount is not known to MoHP till the beginning of the financial year. Once the final budget of MoHP is known (July/August), deciding allocations to subordinate offices creates further delays.

2.3. In addition, the following important points were raised in the earlier studies:
2.3.1. Financial accounting policies and procedures (FAR, accounting formats by Auditor General, guidelines by MoF/FCGO) are adequate; compliance is the issue

2.3.2. Budget preparation guidelines are good but not followed. MoHP presents more than the required budget anticipating cuts by MoF and NPC, but these are ad hoc

2.3.3. Insufficient coordination between the Planning and the Finance and Budget Sections responsible for coordinating budget preparation and reporting

2.3.4. Procurement of goods and services based on budget estimates made without preparing cost estimates and revised several times after receipt of bids

2.3.5. Inaccurate forecasting of foreign aid, which leaves budget planners with incomplete knowledge of the resources available

2.3.6. Civil works budgets can be allocated without design, estimates and identification of the location, but these steps are required before construction can begin.

3. Budget Execution (including Funds Release)

3.1. Replenishment by donors to the MoHP/DoHS is made according to FMRs, but these are not produced on time by MoHP, resulting in delayed replenishment, which in turn delays the programme activities at the spending units

3.2. The MoHP does not create FMRs on time because the SOEs do not arrive on time. There is no system of consolidation available at the MoHP. Around 1,800 activities are defined at the MoHP/DoHS level and around 500 for each district. Preparation and consolidation of performance information on these activities requires considerable time and effort, exacerbated by lack of a technology based solution for recording and monitoring of activities at the spending units

3.3. For the purposes of replenishment of funds, MoHP cannot rely on budget vs. actual reports prepared by FCGO/DTCO, because these do not contain sub-head (programme wise) information due to limitations in the system of classification. Furthermore, FCGO monthly and first two trimester reports contain actual expenditures only up to 15-20%, which does not give a true picture for donor FMRs. Efforts are made for the third trimester only

3.4. After approval of the budget, planning for projects and allocation/release of funds by MoHP/DoHS to subordinate offices normally takes another quarter. However, the government funds can be transferred to subordinate offices in advance (without requiring SOEs) for the first trimester by the FCGO/DTCO. For the second trimester, the subordinate offices request for replenishment based on SOEs. However, the SOEs are not consolidated at DoHS for internal decision making purposes,

3.5. DHOs prepare SOEs only when imprest/advance money is consumed. Moreover DoHS does not require reports from D(P)HOs on monthly basis
3.6. Under the decentralisation scheme, funds are routed to spending units through the District Development Committee in 14 pilot districts. This route does not add any value but creates further delays. Spending units have their own challenges in implementing programmes (technical capacity, staff motivation, frequent transfers)

3.7. Civil works: According to the FAR the bidding process should be completed by February to ensure timely fund release. As this is not the case, delays occur in utilisation of budget

3.8. External resources: Donors often delay making firm commitments and disbursing committed funds because of their own internal compliance requirements.

4. Accounting

4.1. The accounts of MoHP and its subordinate offices are maintained by FCGO/DTCO, but the monthly reconciliation of accounts between FCGO/DTCO’s reports and records maintained with sub-ordinates office is often late

4.2. Coverage of the general government transaction is incomplete. Some key data, especially on liabilities, are not captured adequately. There is no comprehensive chart of accounts, which hinders standardised capture and classification of all transactions. The move towards a full system of General Financial Statistics (GFS) has not fully evolved (Public Expenditure and Financial Accountability (PEFA) Report 2007, Indicator PI.5). There are also some methodological issues for quality data

4.3. The final accounts are not prepared on time, often nearly a year after the end of the relevant fiscal year.

5. Auditing

Internal Audit

5.1. The internal audit is conducted by FCGO/DTCO each trimester (quarter), but the reports are issued annually, thus defeating the purpose of quarterly review. In addition, the MoF has highlighted weaknesses in internal control mechanisms and recently directed FCGO to make improvements

5.2. The devolution process does not require DTCO to conduct internal audits for devolved districts, and recommends internal audit by independent auditors; copy of which is required to be sent to DTCO. However, most of these districts have not conducted internal audit for the past two years

5.3. The internal audit reports are required to be consolidated and analysed for follow up procedures at the DoHS level on a quarterly and annual basis, but this process is not followed because of lack of relevant staff at DoHS.
**External Audit**

5.4. The Auditor General conducts two types of external audit: compliance and performance. Performance audit is conducted regularly on selected programmes in selected districts, whereas the compliance audit is conducted for 100% of all district transactions. This results in:

5.4.1. Consumption of substantial time and effort on behalf of MoHP to facilitate the Auditor General in transactional audits, yet a detailed internal audit has already been performed by FCGO/DTCO

5.4.2. Reduced focus on performance audit, as most of the resources are spent on transactional auditing

5.4.3. Difficulty in follow up procedures on audit paras raised by the Auditor General as these can be very large in number when all transaction based audits are conducted. The DoHS does not have staff capacity to follow a large number of internal audit and external audit paras on time. In addition, the Irregularities Monitoring and Evaluation Committee of the MoF requires each Ministry to reduce its irregularities by 45% every year. The MoHP was only able to produce an 8% reduction per annum for the above reasons

5.5. Due to the above issues, the audit paras up to 2008/09 have a cumulative effect of 2.37 billion Nepali Rupees, 60% of which relate to non-adjustment of advances resulting in decreased donor replenishment or investment in MoHP activities.

**6. Reporting and Monitoring**

6.1. Budget monitoring guidelines are adequate, but spending units do not send timely analysis of budget vs. actual spending (as required by FAR). Also MoHP does not have any technology based solution to compiling/consolidating budget vs. actual spending reports and performance based reports of spending units

6.2. For the purposes of monitoring, the FCGO periodically provides budget vs. actual spending reports to MoHP. However, these are based on particular heads of accounts (such as transportation) and are not broken down by programmes / projects, mainly because the Classification system in place at FCGO does not capture programme/ project based information of each account head. This leads to an increased reliance of MoHP on FMRs and SOEs to be produced periodically for internal decision making and external reporting (to donors)

6.3. Since the results based system of budget preparation linked with key performance indicators of outputs is not in place, the monitoring mechanism at MoHP is largely focused on budget vs. actual spending reports, rather than monitoring of results or impacts of those results (outcomes) on target populations.
4. Capacity Development Strategy

A concern arising from this initial assessment is the lack of counterparts in MoHP and DoHS for TA provided in health financing. While there are a number of high level staff (Health Secretaries, Head of PPICD and Head of HSRU) who understand the issues, engage in financing matters and are very knowledgeable, their responsibility for many areas of policy precludes their active and continuous engagement in health financing matters and acting as counterparts.

Interventions to develop organisational capacity in health financing and economics in health ministries in a number of countries in the region, including Nepal, have acknowledged that it is unrealistic to expect a ministry unit to undertake substantive technical pieces of work without considerable external assistance. Research departments able to conduct studies are generally not feasible in countries facing severe resource constraints. Even in much richer countries, government departments still contract out much of the work.

Counterparts can be identified for the work on financial management, although the common government wide problem of frequent staff transfer is a constraint, and sections are often over-stretched and unable to give time to capacity development and active engagement with technical advisers. At district and regional levels there may also be particular issues with the ability of staff to benefit from technical support.

A number of approaches may be required to develop relationships with potential counterparts for the TA:

1. Opportunistic: Identifying individuals with a professional interest in particular pieces of work and providing mentoring and assistance. These could be from the HMIS section, Revitalising PHC Division and Family Health Division (FHD) (all in DoHS) and those with an existing interest in planning and finance in the Ministry.

   A small key group could be offered ‘cluster training’ with regular informal meetings during which technical experts could discuss health financing and economics topics of policy relevance. Cluster training would aim to present applied topics in a way that stimulates discussion of health financing as it impacts on the health system.

2. Identifying counterparts outside the MoHP: Although the focus of the support is primarily on the MoHP, it is important to widen the network of potential collaborators. This is consistent with a long term view of the MoHP as an informed purchaser of technical advice.

3. Specialist positions: The MoHP should be encouraged to create at least one position for a health financing specialist, not as part of the civil service cadre but as a
technical (public health) position. Early discussions with the Ministry will be required to impress on them the importance of such positions.
5. Risk assessment and risk mitigation strategy

Initial assessment based on the current status of the ministry and past experience of TA support suggests a high risk that interventions in these areas may not result in sustainable development of capabilities and capacity. Mitigation of risk requires a portfolio approach, combining quick wins with longer term development and capacity development across a wide range of stakeholders, not only those in the Ministry. Quick wins include contracting a demand side health financing adviser and providing assistance in preparation of the FMRs. Capacity development should involve DoHS, NHEA, Staff College and other relevant organisations. The aim should be to increase awareness of the importance of financial and economic analysis as a way of improving the planning and understanding of resources.

There is a danger, particularly with the quick wins, that TA will substitute for functions that should be undertaken within the MoHP. Any proposals for such assistance should include plans for passing on the capabilities so that the tasks can be completed in house in the future.
6. Recommendations

6.1 Health Financing

i) Demand side health financing advisor: SSMP supported an Aama adviser who worked with FHD in DoHS\(^\text{15}\) and was responsible for assisting with reporting, monitoring of the programme and initiating or contracting evaluations. Monitoring and evaluation activities helped to highlight implementation problems and support modification of the strategy in response. The role was much valued by both FHD and DFID. Aama is a politically important programme and reports must be submitted to the Office of the Prime Minister each month.

DoHS is also responsible for other demand side mechanisms, including ANC4, neonatal care and uterine prolapse programmes, all of which have many features in common with Aama. Indeed one of the criticisms of policy in this area is the existence of many fragmented programmes addressing similar access barriers.

We propose the creation of a demand side health financing adviser position, initially contracted for one year. This would be a national position with a remit similar to that of the Aama adviser but with responsibility across all demand programmes. Currently there is no system of integrated planning, reporting and monitoring at DoHS level, and this long term TA would help institutionalise these activities. The adviser would also work closely with advisers examining the free essential care policy (see below).

ii) Assessment of free essential care policy and related programmes

Support should be provided to continuing assessment of the free essential care policy. This will build on the RTI commissioned surveys of the operation of free essential care at facility and household level. During NHSP, six types of study were used to monitor and evaluate Aama and free health care, as shown in Table 1 below.

\(^{15}\) The high financial cost of delivery is an important barrier to accessing skilled attendance at birth in Nepal. To help mitigate this barrier, the government put in place a policy, known as the Maternity Incentive Scheme (MIS), to provide financial assistance to women seeking skilled delivery care. The scheme officially started nationwide from the 1\(^{st}\) July 2005 and its name was changed to Aama in 2008. Early in 2009, this scheme was expanded to include free delivery services.
Table 1: Studies monitoring and evaluating Aama and free care during NHSP-1

<table>
<thead>
<tr>
<th>Study</th>
<th>Main Focus</th>
<th>Objective</th>
<th>Implementer</th>
<th>Type</th>
<th>Sampling</th>
<th>Frequency</th>
<th>Sample size</th>
</tr>
</thead>
<tbody>
<tr>
<td>NFHP mid-term survey: Mini DHS</td>
<td>Care utilisation</td>
<td>Provide nationally accurate information on key utilisation variables such as facility based delivery care in between full DHS</td>
<td>New Era</td>
<td>Quantitative</td>
<td>Nationally representative cluster sampling with urban/rural stratification</td>
<td>Every 2 years</td>
<td>Around 15,000, 256 clusters in 13 districts</td>
</tr>
<tr>
<td>Facility study</td>
<td>Free Care</td>
<td>Assess the availability and provision of services under the free care and free delivery mechanisms</td>
<td>RTI/ Care</td>
<td>Quantitative</td>
<td>Purposive, following 13 clusters of DHS</td>
<td>Every trimester (6 rounds)</td>
<td>13 districts, 15 PHCC, 47 HPs, 91 SHPs</td>
</tr>
<tr>
<td>Household survey</td>
<td>Free care</td>
<td>Assess awareness of free care, health seeking behaviour, payment for health care and satisfaction with care</td>
<td>RTI/ Care</td>
<td>Quantitative, with some open questions</td>
<td>Used DHS sampling methods</td>
<td>One off; 2010</td>
<td>13 districts</td>
</tr>
</tbody>
</table>
| Four inter-related studies on free care          | Free care           | - Cost of scaling up options  
- Operation of free care at DHs  
- Operation at HP/SHPs  
- Interaction of providers and communities | Nepal Health Research Council | Quantitative and qualitative – observation, KII, exit interviews | Purposive and limited in scale                 | One-off (2009-10)     | Varied (6 DHs; 3 ZHs and 1 central hospital in one study; two districts in interaction study etc.) |
| Rapid assessment of free care and payments per patient | Free care           | Collected cost and utilisation data from facilities; also short survey of patients and focus group discussions | GTZ             | Mixed             | Purposive and focussed on Mid-Western Region | One off study, 2009 | 12 facilities in 3 districts (1 DH, 1 PHCC, 1 HP, 1 SHP per district)   |
| SDIP/Aama household survey                       | SDIP, then Aama     | Evaluate awareness and uptake of SDIP and Aama programme                  | SSMP            | Quantitative      | 2 districts per ecological zone; 30 PSU per district, selected with probability proportionate to size; 30 interviews per PSU | Twice: 2008 (SDIP); repeated 2010 (Aama) | 6 districts; 10,493 deliveries in total (over 2 years)                     |
As part of RTI assistance, a facilities survey (implemented by CARE) was undertaken to assess the ability of facilities to deliver free care, and a household survey assessed the impact of the policy on household use of services and uptake of benefits. The household survey methodology was based on the Demographic and Health Survey (DHS), so that it was nationally representative and used a similar cluster sampling strategy with urban-rural stratification.

For Aama, monitoring activities included:

1. Regular social auditing to provide a citizen assessment of the Aama programme with i) a citizen score card for recently delivered women; ii) a review of facility records to identify and follow up women who have received services; iii) a ‘Grand Event’ at which women and other key stakeholders (teachers, social workers, women’s leaders) assess the
results of the score cards and develop a list of actions; iv) follow up of identified issues by a local NGO.

2. A household survey to assess uptake of Aama provisions and the experiences of women, based on cluster sampling but representative at district level.

3. A series of rapid assessment studies largely focused on identifying implementation issues and including qualitative surveys of providers and small exit surveys.

4. A one off study to examine the impact of Aama on health facilities.

These studies have all been important in helping to understand the impact of the various financing strategies. There is now an opportunity to review how studies might be used to jointly monitor the progress of implementation of various demand side financing strategies, regarding which a number of concerns need to be taken into consideration:

- Motivation of women to bypass lower level facilities and go directly to higher level facilities, which also offer free service of a (perceived) higher quality. This may lead to swamping of referral facilities with normal deliveries, compromising the quality of care for complicated and emergency cases
- Recording of fraudulent (non-existent) patients to boost facility income
- Unsustainable numbers of patients attracted by the promise of free drugs to facilities that lack the staffing, equipment and resources to provide proper care
- Delayed release of funds, an ongoing issue affecting implementation intermittently over a number of years, particularly this year, given the delays in national budget approval
- Use of drugs in ways not reflective of a cost effective attempt to reduce disease burden.

A thorough assessment of how the policy was monitored during NHSP-1 and development of proposals for future assessment will be undertaken in December 2010. This will focus on the objectives of monitoring and the types of study required, and will also take into account the needs of the PETS analysis, in order to combine instruments where possible. Assessments will aim to cover other demand side financing mechanisms, such as ANC4, in addition to free care and Aama. It is likely that assessment will include the following elements:

1. Routine management information on utilisation of the mechanisms and financial flows, with examination of how routine monitoring can be merged or linked more closely with HMIS
2. Facility survey, including resource tracking, assessment of readiness to provide services, record review of patient utilisation and inventory of women receiving delivery care
3. Survey of recently delivered women that can later be linked to facility records, permitting verification of receipt of services and financial assistance. This could be

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16 It should be noted that there are clear and important links and potential overlaps here with the M&E workstream which provides support to studies and administrative data systems. These links are acknowledged within the team.
extended to a sample of free care patients if records are adequate for tracking\textsuperscript{17}. The sample frame should also include women delivering in the community.

4. Rapid assessment of facility capacity and readiness to provide services under the various demand side mechanisms

5. Social audit of schemes including at least Aama and free care.

The overall objective of these studies is twofold: i) to provide regular monitoring information, supplementing data from administrative systems to enable refinement and reporting on the demand side mechanisms; ii) to provide evaluative evidence on effect of these mechanisms on service uptake and ultimately help understand whether these systems represent good value for money.

It is important to be clear at the outset on the level of evidence likely to be possible. The most common way to examine impact is by comparing changes in the variables of interest in intervention areas before and after treatment, after controlling for what would have happened in the absence of the intervention. The use of control areas where there is no intervention but which are, in other respects, similar to the intervention area is a well-accepted methodology. However, as most of the demand side mechanisms are being implemented country wide, there can be no control areas, making it difficult to assess for certain whether any change is the result of the intervention or related to a general trend. In these circumstances, evaluation must focus on a) associations between changes in trends in outputs of interest before and after intervention and b) examining differences in treated and non-treated groups or individuals within intervention areas, based on their reported exposure to the policy.

In addition to regular studies, there appears to be a need for a one-off study of all demand and supply side schemes providing financial aid in parallel to the regular government budget. A bewildering array of schemes (Aama, free-care, ANC4, vasectomy, MDR TB and uterine prolapse) provides patients/households with incentives to obtain services. The review would focus on describing each scheme in detail, referencing (but not assessing in detail) research undertaken on the impact of each scheme and examining potential issues resulting.

\textbf{iii) Contributions to public expenditure tracking studies}

A fiscal space study, suggested from the EDP-Government consultations, will be undertaken by the World Bank (by March 2011) to support the development of a financing strategy. This work will provide key information on resources available and extent to which efficiency improvements might improve service output. The work will include a study of the overall resource envelope, including sources of funding and potential to increase these resources,

\textsuperscript{17} This approach was adopted in the 2003 survey of household costs of delivery care (see (Borghi et al. 2006)). In that case the link enabled costs reported by households to be compared with facility financial records. In this case the primary purpose would be to ensure that services were provided properly to patients.
and also an efficiency analysis of use of current public funding. A Public Expenditure Tracking Study (PETS) will provide vital information to support this analysis. PETS focuses on the flow of resources from central to local facility level and then to recipients. It explores issues of resource leakage and timely disbursement. Two types of data are typically used: a) administrative data taken from the regular reporting systems at national and local level, including records kept by support agencies such as medical stores; b) data from surveys of facilities, district, regional and national bodies to assess resource availability. Subjects covered by PETS include:

- Finance: Monthly tracking of actual disbursement and expected expenditure allocations - late disbursement can have a profound impact on efficiency, delaying service delivery and leading to rapid utilisation of funding at the end of a financial year, which may be inefficient
- Drugs and Supplies: Availability of essential drugs across the year; comparison of stocks sent by medical stores and received by facilities; drug loss measured by comparing what is recorded as prescribed and actual receipt by patients
- Human Resources: Staff absenteeism (legitimately explained and unexplained); vacancy levels; timely payment of salaries
- Equipment and maintenance: Availability of essential equipment; state of equipment and maintenance routine; procurement and receipt of equipment.

PETS may also look at the incidence of services by incorporating patient exit or household surveys to assess the value of services received by different socio-economic and other groupings (ethnicity, age).

It is important to note that most PETS do not cover all areas in equal detail, but are more likely to identify most important areas of concern for major focus. In some countries regular (annual) PETS look specifically at different themes each year while also providing a common core of general analysis relating to financial flows.

An assessment is now required that identifies a) the most important themes to cover in the PETS; b) the extent to which the facility survey monitoring free care and free delivery can also be used to obtain PETS data; c) other instruments required to obtain the necessary information. Terms of reference, budget and work-plan will be developed in detail during December 2010.

iv) Review of household expenditure patterns and BIA

Two background reviews for the health financing strategy will be supported by NHSSP. The first will provide a more detailed description of the nature of out of pocket spending, examining the extent to which out of pocket spending might be made more effective and channelled into insurance-like or pre-payment schemes. This is a major concern of the health financing strategy. Analysis of current out of pocket payments will provide evidence
on the nature of payments, utilising the Nepal Living Standards Survey (NLSS) expected to be completed in early 2011 (data available around May 2011). Other sources of information may include the IMS on drug spending, which is also being utilised in the construction of the National Health Accounts.

A second related study, also utilising the NLSS, will provide an updated benefits incidence analysis of public spending, focusing on a valuation of benefits accruing to different groups by socio-economic level, age and locality.

v) Review of purchasing function of the Ministry

A review of the purchasing function of the Ministry was suggested by the consultation on the health financing strategy. The objective is to examine how the MoHP should adjust its structure and function in order to move towards being a purchaser and steward of the health system rather than a provider or micro-manager. This is also an opportunity to undertake a more general review of the functions and organisation of the Ministry, identifying the skills required in a reforming health system. Work might draw on experience in other ministries, such as the Ministry of Local Development, which has undertaken widespread restructuring of its organisation around eight outputs into which feed more detailed operational plans.

This is not a piece of work to be done in haste. Initial assessment of scoping of the work is suggested towards the end of the first quarter of 2011. It should be noted that GTZ is also undertaking some work on purchasing functions in the Ministry.

vi) Expenditure reviews and budget analysis

a. Analysis of annual budget

The HSR-SP (RTI) undertook an annual analysis of the health budget on behalf of MoHP, two months after the release of the National Budget. This was valued highly and is important to continue. We understand the review was largely carried out by RTI consultants, and initially we expect the process will be led by NHSSP with MoHP involvement, but it would be desirable for MoHP to eventually either undertake the review itself or take the initiative to contract it out to a local organisation.

b. District based public expenditure review and productivity analysis

HEFU and NHEA have produced at least three public expenditure reviews of the health sector. These reviews can provide vital analysis for planning, but in reality are under-utilised and largely used as an interim input for the preparation for NHA (which is itself under-used). One issue is that data are collected from units, but the analysis is rarely discussed with them. Issues of variation in productivity and accuracy of data are not followed up. We suggest a process is initiated that begins to track expenditures in more detail to the district
level and relate financial data (input) to service delivery (output). The intention will be to help managers at different levels of the system (district, DoHS, MoHP) to gain a better understanding of what the resources allocated are buying and how this compares with other similar units or over time. Close collaboration with the HMIS section in DoHS and regional and district level finance sections will be required. The work is closely related both to the capacity building suggested for district level finance departments and support provided to the financial reporting systems.

**Capacity development**

Capacity development will be undertaken alongside the technical support described above. The aim will be to involve staff in the technical assessments, communicate the results of technical support work and develop local capabilities to undertake this work in the future.

During the inception phase, the long term national adviser will develop a database of studies on health financing. We have noted during our assessment the danger of duplicating past studies or at least not using the results when updating analysis. We are examining how best to make the list of references and the studies themselves available. WHO has recently set up a country health systems sharing website CHIP (Country Health Intelligence Portal) which may be appropriate for this\(^\text{18}\). Other options will also be considered.

The organisational assessment reinforces the need to think about innovative ways of engaging with stakeholders and begin to develop capacity. During year one we propose the following initiatives, each of which will be reviewed for impact at regular intervals:

1. **Cluster group in health financing:** Regular meetings of 5-10 people with an interest in health financing from across the MoHP, DoHS and other ministries such as Finance and NPC. Selection of participants will take account of function and personal interest. We expect to include people from the Finance sections of the MoHP and DoHS, MoHP planning and DoHS HMIS, and to start meetings at two week intervals. Experts will be invited to introduce health financing and related topics for discussion.

2. **Civil Service Staff College:** Investigation of whether some health financing training could be offered to civil service staff at the Staff College. An opportunity is presented by the move of the current head of the MoHP finance section (who has received training in NHA and other financing topics) to Staff College in the next month.

3. **Input into regional level planning meetings:** Development of inputs to the twice yearly regional review meetings on financing and financial management. This activity will link closely to the development of district level expenditure reviews. The objective is to develop awareness of health financing at the peripheral level. The emphasis will be on practical areas of health financing, particularly demand side financing and free essential care.

\(^\text{18}\) [https://healthintelligenceportal.org/index.php/Health_Intelligence_Portal](https://healthintelligenceportal.org/index.php/Health_Intelligence_Portal)
6.2 Financial Management

The Action Plan has been prepared keeping in mind the areas identified for improvement during the performance management processes. These include introduction of new systems and ensuring compliance of existing systems at MoHP.

Output Based Budgeting is recommended in order to better link government strategic policy priorities with the medium term budget and improve efficiency and effectiveness in spending. The vision for modernising the budgetary process, which will take several years to implement, is oriented towards the following key objectives:

- Making the budget a flexible and responsive mechanism for carrying forward the policies, strategies and priorities of the government
- Introducing a progressive process of empowerment of the MoHP to manage its own budgetary cycles in an overall context which provides the maximum achievable level of predictability of resource flows.
- Examining the role of the central agencies (MoF and NPC) in budget management in a move away from micromanagement of transactions towards strategic management of the application of resources to achieve results.

While there are processes that require involvement of the MoF and NPC, other processes within the Output Based Budgeting system require steps to be introduced in the MoHP and its subordinate offices. The specific characteristics of first level steps include:

1. Making the performance element clear and linking with the budget (either outcomes/outputs (service delivery) or policy themes)
2. Establishment of some form of causality chain, as in a log-frame, for example inputs -> activities -> outputs -> outcomes -> impacts -> goals
3. Performance indicators and targets for service delivery
4. A top-down approach, so that MoHP prepares its plans within ceilings, and guides subordinate offices (including spending units) within their spending limits
5. Ceilings for MoHP imposed by central agencies
6. Periodic monitoring of outputs and budgets.

The specific characteristics of Output Based Budgeting as an advanced system include:

1. Clear linkages between national strategies (five-year plans, growth strategies) and MoHP strategic plans
2. Preparation of MoHP strategic plans, with oversight from NPC
3. Specific targets and budget allocations for spending units
4. Periodic monitoring of targets by NPC, reported to Cabinet / Parliament
5. Linking appropriation with the outcomes/outputs (can be called ‘Results’, ‘Programmes’, ‘Outcomes’ or cluster of outputs)
6. Examination of performance and amounts by Parliamentary Committees / PAC
7. System of evaluations and performance audits in place.

MoHP will be encouraged and supported to prepare its budget in a top-down process, in which its stated strategic priorities are used to determine the allocation of resources between departments, projects and spending units. Introduction of top-down budgetary preparation within MoHP will involve several important new steps in the budget process, especially at the start of the budget preparation process.

The system will lay foundations for a more results oriented reporting and monitoring system.

The areas of improvement in the existing systems suggested are:

1) Implement Output Based Budget preparation, reporting and monitoring at MoHP
2) Enhance/introduce and implement technology based financial management systems for budget preparation, execution (funds release mechanisms), accounting and reporting and monitoring
3) Develop human resource capacity in the areas of financial management and strategic planning and use of technology based solutions. This will require investment in financial and human resources to enhance capacity
4) Develop a system/ culture of compliance and accountability to ensure systems are used
5) Design and implement evaluation mechanisms (Social and Performance Audits, Evaluation Reports).

Specific proposals and milestones for each year are recommended for TA as follows:

1. Implement output based budget preparation reporting and monitoring systems at MoHP

Budget preparation needs to be linked with the strategic planning process, in order to understand the policy/plan for which MoHP intends to allocate resources, and how it plans to measure performance of policies/plans. The outputs/service delivery will identify key policy themes, linked with budgets, performance indicators and targets.

2. Enhance/introduce and implement technology based financial management systems in the areas of budget preparation, execution (funds release mechanisms), accounting and reporting and monitoring processes

The e-AWPB 1.0 is an important step towards enabling the MoHP and DoHS to improve financial management capacity and reporting. The recommendation is to further
enhance the system and introduce a new technology based solution in the spending units. Technological solutions available will include:

1) Enhancement of functionality of e-AWPB: This will be required to aid budget preparation, release management time and consolidate accounting information for provision of reports and establishment of management control. This system will be implemented at the MoHP and DoHS and its divisions

2) Development of Financial Management System: This will need to be implemented at D(P)HOs and spending units, replacing the existing Excel book-keeping systems

Enhancement of e-AWPB should include the following:

1. The budget preparation process should be defined to reflect the requirements of output based budgeting. This will require strategic top-down and bottom-up mechanisms to be programmed into e-AWPB,

2. Production of FMRs and SOEs in line with reporting requirements of donors, to aid timely release of funds. This will require a data consolidation module. The data can be collected from the Financial Management System (to be developed) for D(P)HOs and spending units

3. Information such as budget release and expenditures can be added

4. The budget and expenditure can be recorded in various elements of the GFS classification, including those required by the donors

5. Ownership of central agencies can be improved and linkages with their systems.

The new Financial Management System is recommended for the D(P)HOs and spending units. Identification of its main features will require study, but may include the following main modules:

1. Accounting
2. Funds Management
3. Inventory Management
4. Fixed Asset Register
5. Payroll
6. Reporting (including reports such as FMRs and SOEs)
7. Monitoring.
3. Develop human resource capacity in the areas of financial management and strategic planning and use of technology based solutions. This will require investment in financial and human resources to enhance capacity.

Capacity enhancement will require an enabling environment for the existing capacity and creation of new functions within the organisation. Three specific recommendations are:

1) Creation of a Financial Management ‘Cluster Group’ in the MoHP: Comprising senior management members of the MoHP/DoHS with backgrounds in planning, financial management, policy management, monitoring, service delivery. It is recommended that this Corporate Team meet on monthly basis to discuss issues related to planning, budgeting, monitoring and reporting.

2) Creation of the Office of the Financial Controller/ CFO at MoHP: This will require design of an organisational structure, duties, roles and responsibilities in collaboration with MoF. While the roles and responsibilities will require a detailed review, functions of this office can include ensuring compliance, maintaining the internal control system, liaising with MoF, helping management prepare output based budgets and execution reports, supporting subordinate offices in training/capacity building, working with subordinate offices and the corporate team to present monitoring reports to the Secretary/ Minister.

3) Regular training for existing financial management staff at DoHS, divisions, districts and spending units: This will entail study tours to update staff on the roles and
responsibilities of similar staff in other countries and regular training programmes in financial management to be organised by the Office of the Financial Controller/ CFO.

4. **Develop a system/culture of compliance and accountability to ensure systems are used**

The Minister/ Secretary of MoHP will need to establish a system of compliance and accountability across the organisation, with support from central agencies. Empowerment of the Office of the Financial Controller/ CFO to ensure compliance and Corporate Teams to regularly check reports and make decisions is also required. Policies for reward and penalty on compliance will need to be in place, with consent of the Minister, Secretary, central agencies (MoF, NPC, HR) and Health Parliamentary Committee. This will also require voluntary submission of accounts/ non-financial targets to the Parliamentary Committees on a six-monthly basis.

5. **Design and implement evaluation mechanisms (such as Social and Performance Audits, Evaluation Reports)**

Once the output based budgeting is in place, it is important to start output based monitoring. This will entail enhancement of the existing monitoring mechanisms in MoHP. It is recommended that an output monitoring cell reporting to the Corporate Team in MoHP be established. This cell will be responsible for gathering non-financial key performance indicators and will liaise with the Office of the Financial Controller/ CFO and Corporate Teams to form a six-monthly output monitoring mechanism.

As a first step, output based key performance indicators and targets will need to be monitored, as an internal exercise. As a second step, independent (perhaps EDP supported) evaluations will need to be undertaken to create a feedback loop. Expenditure reviews can also be undertaken, initially supported by EDPs.

These recommendations are further explained, with milestones planned for years 1, 2 and 3 of the project, in Annex 5.
7. Conclusions

Our approach to capacity development needs to be pragmatic given the prevailing challenges within the Ministry. We feel that priority must be given to developing a general awareness of health financing issues and introducing high quality technical products that are required to implement NHSP-2. At the same time the work aims to support technical products that are important in developing health financing and financial management strategies underpinning NHSP-2.
References


Annex 1: Draft TA

Details are provided in the accompanying spreadsheet.

The assessment suggests the need for a long term national adviser on demand side financing based at DoHS. A one year initial contract is suggested. TA from Tim Ensor is not included. Tim will provide overall technical support to the areas and will also contribute directly to a number of the studies.

Inception TA

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<tr>
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<tr>
<td>Sophie Witter</td>
<td>Scope out work on fiscal space and free care</td>
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</tr>
<tr>
<td>Rana Assad Amin</td>
<td>FM capacity assessment</td>
<td>14</td>
</tr>
<tr>
<td>Devi Prasai</td>
<td>Scope out work on fiscal space and free care</td>
<td>14</td>
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<tr>
<td>Consultant on FMR</td>
<td>Assist with FMR preparation</td>
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Remainder of first year

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<td>Analysis of Budget</td>
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<td>TBC</td>
<td>Support to Facility Survey</td>
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<td>TBC</td>
<td>Review of DSF schemes</td>
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<tr>
<td>TBC</td>
<td>PETS analysis</td>
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<tr>
<td>Subash Pokhrel &amp; National Consultant</td>
<td>Review of household expenditure</td>
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<tr>
<td>TBC</td>
<td>Analysis of Annual Budget</td>
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<tr>
<td>Devi Prasai</td>
<td>Support to 2011 JAR</td>
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Financial Management

| TBC                        | Output Based Budgeting                           | 10         |
| TBC                        | Electronic FM systems                            | 27         |

Split of days (year 1 to 3)

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Annex 2: Job descriptions for Health Financing Adviser and Demand Side Financing Adviser

Health Financing Adviser

**CONTRACTOR:** Oxford Policy Management

**REPORTING TO:** Technical Director (for technical issues) and Team Leader (for operational issues)

**DURATION:** Three years with annual review

**LOCATION:** Based in Kathmandu, although some travel is likely

**COUNTERPART:** Chief, Financial Administration Section, Human Resources and Financial Management Division, MoHP

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**Background**

The Government of Nepal is committed to improving the health status of Nepali citizens and has made impressive health gains despite conflict and other difficulties. The Nepal Health Sector Programme-1 (NHSP-1), the first health Sector-Wide Approach (SWAp), began in July 2004, and ended in mid-July 2010. NHSP-1 was a highly successful programme in achieving improvements in health outcomes. Building on its successes, the MOHP along with External Development Partners have designed the second phase of the Nepal Health Sector Programme named as NHSP-2, a 5 year programme, which will be implemented from mid-July 2010. The goal of NHSP-2 is to improve the health status of the people of Nepal, especially women, the poor and excluded. The purpose is to improve utilisation of essential health care and other services, especially by women, the poor and excluded. Options Consultancy Services Ltd (Options) and partners are providing technical support to the GoN to implement NHSP-2.

**Role Objective**

The Adviser will have primary responsibility for delivering advice on health system strengthening particularly in the area of health financing and financial management to the MOHP and to the Nepal Health Sector Support Programme (NHSP-2). The role includes direct technical advice, facilitating support from other consultants and colleagues and ensuring advice is consistent across the programme.

**Specific Areas of Responsibility**

The Adviser will be expected to develop and monitor an overall programme of work that will be implemented together with the health systems technical director and short term experts. Activities will include:
• Understanding the needs of Government and the project for short term technical input in these areas; this includes participation in the needs assessment undertaken during the inception period;
• Understanding training needs of the MOHP in the areas of health systems, financing and financial management;
• Providing mentoring to staff in MOHP to enhance their capabilities;
• Identifying counterparts in health financing inside and outside the MOHP;
• Help MOHP/DOHS to develop the capacity of district level financial officers and planners through the regional reviews;
• Develop short and medium term plans for the provision of assistance throughout the project;
• Develop TOR for short term inputs in Financial Management and Health Financing;
• Monitor the provision of short term inputs and assist the technical director to evaluate the outcome of short term inputs;
• Deliver specific technical inputs in the areas of health financing and planning to the project and MOHP including the Financial Management Unit, Health Economics and Financing Unit (HEFU) and Department of Health Services (DOHS); this will include, but not be limited to, advice on budget and expenditure analysis, public expenditure tracking and health financing strategy;
• Maintain oversight for support to the evaluation and monitoring of demand side schemes; most of the regular inputs will be provided by the Demand Side Financing Adviser based on DOHS;
• Provide advice to other team members on health system issues including participation in relevant government and project meetings;
• Lead the dissemination of the outputs of health system technical assistance produced by the project.

The Adviser will be expected to either provide advice directly on these areas or help source technical advice through the short term consultant.

The Technical Director will agree a detailed work-plan on a regular (3 monthly basis). The Adviser should provide a monthly update of activities to the technical director and team leader.

**Person Specification**

<table>
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<tr>
<th>Specification</th>
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<th>Desirable</th>
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<tbody>
<tr>
<td>Education and training</td>
<td>• Degree at Master’s or doctoral level, or other appropriate qualification, in public health, social science, economics, management studies or other related discipline from recognised university / institute.</td>
<td>• Knowledge of health policy and/or health economics and financing • Knowledge of the fields of poverty monitoring and social inclusion</td>
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<tr>
<td>Experience</td>
<td>• A sound appreciation of</td>
<td>• Previous work experience within</td>
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<td>Specification</td>
<td>Essential</td>
<td>Desirable</td>
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<td></td>
<td>Nepal’s development agenda</td>
<td>the Nepal Government Public Service, and knowledge of government financial systems</td>
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<td></td>
<td>• A commitment to participation by stakeholders, and the promotion of gender equality and voice within a Nepali context</td>
<td>• Previous work experience with international donor agencies or donor – funded projects or programmes</td>
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<td></td>
<td>• Some experience of the impact of conflict on access to and uptake of services</td>
<td>• Previous experience of dissemination to a wide and varied audience</td>
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<td></td>
<td>• Some experience of using consultants, preparing TORs and monitoring progress and outputs</td>
<td>• Experience of managing research</td>
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<td></td>
<td>• Significant research and/or monitoring and evaluation experience</td>
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<tr>
<td>Skills &amp; abilities</td>
<td>• Basic budgeting, logistics and computer skills</td>
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<td></td>
<td>• Excellent and demonstrable written and spoken English and Nepali</td>
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<td>• Demonstrated organisational skills</td>
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<td>• Report writing skills</td>
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<td>Special aptitudes</td>
<td>• Excellent interpersonal skills</td>
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<tr>
<td>Interests</td>
<td>• An understanding of the issues affecting women’s health and access to service in Nepal</td>
<td>• Familiarity with the concerns of maternal and neonatal health</td>
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<tr>
<td>Disposition</td>
<td>• Willing to work closely in a team</td>
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<tr>
<td>Circumstances</td>
<td>• Willing to travel to rural areas with Nepal</td>
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</table>
Demand Side Health Financing Adviser

CONTRACTOR: Oxford Policy Management

REPORTING TO: Quality Assurance Adviser (for operational issues) and Health Financing Adviser (for technical issues)

DURATION: Initially one year (subject to review)

LOCATION: Based in Kathmandu, although some travel within Nepal is likely

COUNTERPART: Deputy Director General, DoHS

Background

The Government of Nepal (GoN) is committed to improving the health status of Nepali citizens and has made impressive health gains despite conflict and other difficulties. The Nepal Health Sector Programme-1 (NHSP-1), the first health Sector-Wide Approach (SWAp), began in July 2004, and ended in mid-July 2010. NHSP-1 was a highly successful programme in achieving improvements in health outcomes. Building on its successes, the MOHP along with External Development Partners have designed the second phase of the Nepal Health Sector Programme named as NHSP-2, a 5 year programme, which will be implemented from mid-July 2010. The goal of NHSP-2 is to improve the health status of the people of Nepal, especially women, the poor and excluded. The purpose is to improve utilisation of essential health care and other services, especially by women, the poor and excluded. Options Consultancy Services Ltd (Options) and partners are providing technical support to the GoN to implement NHSP-2.

Role Objective

The overall purpose of this post is to provide practical support to the Family Health Division (FHD), and Revitalising Primary Health Care Division (RPHCD) of the Department of Health Services (DOHS). The Adviser will act as a focal person on the Aama programme and other demand-side initiatives for FHD, RPHCD, DFID and Nepal Health Sector Support Programme (NHSP-2). He/she will coordinate activities necessary to support the smooth implementation of the programme particularly with DOHS Finance Section; commission an independent evaluations of the schemes; help push through recommendations from evaluations and monitoring findings; help institutionalize the monitoring system through regional and district levels functions effectively and ensure reporting to FHD/concerned departments and DFID is timely.

Specific Areas of Responsibility

(a) Support to implementation, evaluation and monitoring of the Demand side financing programme

- Support DOHS to assure the financial management arrangements in order to ensure that mothers, practitioners, and service providing institutions are paid in time.
- Provide technical support for the monitoring and reporting system that is in process of rolling out across the country to operationalise the new guideline. Support DOHS/FHD to prepare
quarterly monitoring reports containing the new indicators proposed following the review of the monitoring system, and to submit these to FHD, and concerned departments. On the basis of this report, support FHD and concerned departments to prepare progress reports to be presented at regular DOHS and MOHP meetings of the Working Group and Joint Annual Review meetings of the MOHP.

- Liaise with the Monitoring and Evaluation Adviser to provide technical support to the staff of the Health Management Information System and the Management Division of the DOHS to ensure the effective analysis of socially disaggregated data, in order to identify the extent to which the poor and socially excluded are benefiting from the schemes.
- To drive forward the implementation of recommendations from evaluations and assessments to help improve the strength and integrity of the scheme.
- Advise awareness raising activities of the demand side financing schemes: including increasing demand through community awareness activities in liaison with the National Health Education Information and Communication Centre (NHEICC) who are responsible for design, production and dissemination of specific IEC materials for the programme.
- Provide strategic advice and guidance to the Working Group. Lead the development of regular issues briefings to ensure the members are aware of progress, challenges and key events.
- Provide strategic input to FHD to support the preparation of the annual work plan and budget for the programme.
- Other work assigned by the Technical Director, Family Health Division’s Director and NHSP-2 Team Leader regarding monitoring and support to implementation of the scheme.

(b) Independent Assessments

- Work with the Family Health Division and concerned divisions to develop guidelines as to the types of assessment and survey work that the divisions might commission as a contribution to the programme.
- For demand-side evaluations contracted by NHSP-2, take prime responsibility for coordination of activities, and liaison with the researchers and government entities.
- Support the demand side financing review/evaluation teams for fieldwork logistics and administration, and developing linkages between monitoring and evaluation.
- Support FHD and NHSP-2 in its work on demand-side schemes information dissemination, working in conjunction with the Communications Working Group to be responsible for this, and working collaboratively with other team members as appropriate.
- Consider how best to improve the existing access of DOHS and concerned divisions to global information regarding research evidence in relation to demand-side incentives schemes and to help share the lessons of the schemes in Nepal with a wider audience.
- Work in collaboration with contracted evaluators and NHSSP team members to utilise the findings of the monitoring and evaluation of the demand side financing schemes in sample districts, and on this basis develop a long – term approach to monitoring the programme.
- Other work assigned by the International Financing Adviser Tim Ensor and Senior Quality Assurance Adviser Greg Whiteside in relation to support for research around the demand side financing schemes.
- At the beginning of the contract, the Adviser, in consultation with DOHS counterparts and the Health Financing Adviser, will develop a time-bound programme of work that indicates what outputs will be provided on a month-by-month basis.

Person Specification
<table>
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<tr>
<th>Specification</th>
<th>Essential</th>
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<td>Education and training</td>
<td>● Degree at Master’s or doctoral level, in public health, economics, social science and management studies or other related discipline from recognized university / institute. Candidate should have at least 5 years progressive experience in public health and or health financing.</td>
<td>● Knowledge of health policy and/or health economics and financing</td>
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<td>● Knowledge of the fields of poverty monitoring and social inclusion</td>
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<tr>
<td>Experience</td>
<td>● Proficient in budgeting, handling software, analyzing data and logistics</td>
<td>● Previous work experience within the Nepal Government Public Service,</td>
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<td>● A sound appreciation of Nepal’s development agenda</td>
<td>● Previous work experience with international donor agencies or donor – funded projects or programmes</td>
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<td>● A commitment to participation by stakeholders, and the promotion of gender equality and voice within a Nepali context</td>
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<td>● Report writing skills</td>
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<td>● Knowledge of GON’s financial procedures/systems</td>
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Capacity Assessment, Health Financing and Financial Management 50
## Annex 3: Persons met

### Name of key informants

#### Health Financing

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<tr>
<td>Mr. Devi Prasai</td>
<td>Freelance- Health economist</td>
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<tr>
<td>Mr. Giriraj Subedi and Dr. Devendra Gyanwali</td>
<td>MoHP- previous HEFU staffs</td>
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<tr>
<td>Mr. Bhagawan Aryal</td>
<td>Meeting at NPC</td>
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<tr>
<td>Mr. Gopi Bhandari and Phadindra Sharma</td>
<td>DoHS- Finance section</td>
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<tr>
<td>Mr. Dhurba Raj Ghimire</td>
<td>HMIS section</td>
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<tr>
<td>Mr. Mohan B. Thapa, and Mr Rajan Adhikari</td>
<td>Finance section MOHP and PPICD</td>
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<tr>
<td>Mr. Tilak Man Singh Bhandari</td>
<td>MoF- Foreign Aid Division</td>
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<td>EDP meeting (USAID, GTZ, World Bank, WHO and UNICEF)</td>
<td>WB bank office</td>
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<tr>
<td>Mr. Basu Dev Neupane</td>
<td>Freelance</td>
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<tr>
<td>Mr. Yogendra Gauchan</td>
<td>Joint secretary, MoHP- Finance section</td>
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<tr>
<td>Dr. Badri Raj Pande, Mr. Babu Ram Shrestha, Dr. Shiva Adhikari and team</td>
<td>Office</td>
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<tr>
<td>Mr. Nirmal Hari Adhikari</td>
<td>Under Secretary, MoF Budget division</td>
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#### Financial Management

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<thead>
<tr>
<th>Name</th>
<th>Position/Office</th>
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<tr>
<td>Mr. Surya Acharya</td>
<td>Joint Secretary- MoHP</td>
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<tr>
<td>Mr. Shiva Simkhada</td>
<td>Under secretary, MoHP</td>
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<tr>
<td>Mr. Rajan Adhikari</td>
<td>Planning Section, MoHP</td>
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<tr>
<td>Mr. Mohan B. Thapa</td>
<td>Finance section, MoHP</td>
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<tr>
<td>Mr. Krishna Paudel</td>
<td>Chief Accountant, DoHS</td>
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<tr>
<td>Mr. Gopi Bhandari</td>
<td>A.O DoHS</td>
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<tr>
<td>Mr. Lok Nath Gautam</td>
<td>Dy Controller General, FCGO</td>
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<td>Name of key informants</td>
<td>Position/Office</td>
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<tr>
<td>Mr. Yogendra Gauchan</td>
<td>Joint secretary-Finance, MOHP (transferred)</td>
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<tr>
<td>Mr. Lunja Lal Shakya</td>
<td>A.O, D(P)HO Rupandehi District</td>
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<tr>
<td>Mr. Om Prakash Gupta</td>
<td>Statistical officer, D(P)HO, Rupandehi</td>
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<tr>
<td>Mr. Homnath Devkota</td>
<td>DTCO, Rupandehi District</td>
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<tr>
<td>Mr. Shanka Gautam</td>
<td>HA, PHC, Lumbini</td>
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<tr>
<td>Dr Vesh Raj</td>
<td>DHO, Tamghas, Gulmee</td>
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<tr>
<td>Mr Sukadev Gynawali</td>
<td>Accountant, Tamghas</td>
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<tr>
<td>Mr Took Prasad Pokharel</td>
<td>Statistical Officer, Tamghas</td>
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<tr>
<td>Mr. Rajendra Acharya, Ramesh Gynawali, Kedar Ghimire,</td>
<td>DTCO, Gulmi</td>
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<tr>
<td>Dr. Chitra Prasad Sharma Wagle</td>
<td>DHO Arghakanchi</td>
</tr>
<tr>
<td>Mr. Ram Bahadur Thapa</td>
<td>Statistical Officer, Arghakanchi</td>
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<tr>
<td>Account Officer</td>
<td>DHO Arghakanchi</td>
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Annex 4: Details of Financial Management Processes

1. MoHP Policies / Strategic Plans

The MoHP follows a bottom-up planning process. The steps are:

1. Focal persons of each programme / projects are required to compile planned list
   of activities by January every year and submit to concerned DHO/DPHO,
2. The list of activities are discussed in the regional planning meetings of the DDC in
   March where all the plans are discussed within the District,
3. These activities, on approval, are sent to DOHS for consolidation and discussion
   with NPC.

2. Budget Preparation

National level budget preparation process (as presented in the Budget Formulation
Directive) is:

4. Medium Term Fiscal Forecasts
   a. MoF, NPC, Central Bank and Line Ministries prepare expenditure
      forecasts (aggregate budget envelop) – based on the macro economic
      situation, past budget expenditure, the performance of line ministries
      and government development policies and priorities
   b. MoF, NPC presents first draft sector wise ceilings to ‘Resource
      Committee’ (includes NPC, MoF, Central Bank, FCGO and chaired by the
      Vice-Chairman of the NPC)

5. Budget Guidelines and Ceilings
   a. NPC and MoF affix Ministry and Region wise budget
   b. MoF forwards Ministry and Region wise ceilings – and budget preparation
      guidelines to Line Ministries

6. Detailed Budget Preparation

   Budget Preparation:

   a. Line Ministries inform budgetary ceilings to subordinate offices
   b. Sub-ordinate offices prepare budget demands:
      i. District level office submits budget demands to concerned
         Department
      ii. Concerned Department consolidates budget demands of District
         level offices and includes its own demands and submits to
         concerned Ministry
   c. Ministry discusses Policy, Budget and programmes
d. Ministry submits budget demands (district level and central level project/offices, department and own budget of the Ministry) to NPC/MoF

**Budget Review / Finalisation:**

e. NPC, MoF review budget demands and undertake policy discussions (on central and district level programme – including operational and capital expenditure of programmes) with each Line Ministry

f. Line Ministries submit policy and programme of coming year to the Prime Minister’s office and Council of Ministers and own Minister with advice to NPC and MoF (April)

g. Detailed line item (on object classification of Chart of Accounts) review of Line Ministries budget – by MoF in presence of NPC

h. MF compiles preliminary budget,

i. Parliamentary Committee on Finance reviews budget, policy and programmes (May)

j. Review of budget by NPC, Council of Ministers and other designated authorities (something like NEC in Pakistan)

7. **Budget Presentation:**

   a. Finance Minister budget speech,

   b. Parliament appropriates

**Important points about this budget process are:**

1. Resource ceilings over medium-term are communicated to Ministries - for both operational and capital spending,

2. Policy discussions take place between NPC, Ministries and MoF,

3. Policy and Programme of coming year is presented to PM and Council of Ministers in April,

4. Parliamentary Committee on Finance reviews budget, policy and programmes in May.

**The budget preparation process at MoHP is:**

At MoHP the responsibility for budget preparation and monitoring lies with the Policy, Planning and International Cooperation Division (PPICD). The Planning Section and Finance and Budget Section of the Division coordinate budget preparation and reporting. The Planning Section deals with the policy and physical performance aspect of the budget, while financial figures are provided and monitored by the Finance and Budget Section.
1. DoHS provides guidance on the 3-year resources available (ceilings) and the components that should go into ASIP (annual strategic implementation plan) to D(P)HOs,
2. D(P)HOs in consultation with District Development Committee must finalises ASIP (there is no single format of ASIP), only few district provide info such as goals/objectives, activities, budgets and action plan,
3. Taking into consideration the district ASIPs, policies and strategies stipulated in the National Plan, the Sectoral Business Plan, MDGs and other project/programme documents, the DOHS/MOHP completes a three-year national ASIP,
4. The MoHP also compiles a national Annual Work Programme and Budget (AWPB) - the AWPB is also presented at the annual review meeting of donors in April to obtain commitments and determine their share of funding for the coming fiscal year for the total HSP programme,
5. After obtaining donor commitment, MoHP submits the budget proposal to the NPC and MoF for discussion,
6. The final budget is presented in the Parliament for appropriation.

The budget preparation process of Districts is:

1. In September, NPC requesting concerned ministry to prepare district level budget within ceiling for the coming year (forecast of three year’s expenditure),
2. Concerned ministry to submits the district level budget to the NPC,
3. NPC after discussion with the concerned ministries and finalising the district level budget submits the same to the Resource Committee,
4. Resource Committee determine the District Level budget size and ceiling,
5. NPC advises the ceiling and the guideline to the concerned ministry,
6. Advising District Development Committee the region wise action plan, project budget and ceiling,
7. District Development Committee submits approved district level programme and budget by District Council to the concerned ministry
8. Concerned Ministries submit approved district level programme and budget by concerned ministry to MOF and NPC.

3. Budget Execution (including Funds Release)

Release of funds from Government funding sources (in local currency):

1. After appropriation of the budget, the MoF issues authorisation for expenditure to the MoHP, with a copy to FCGO and OAG,
2. MoHP, in turn, releases expenditure authorisation to the DoHS, which is passed on to the spending units by end July to enable them to obtain funds from the respective DTCOs. A copy is also sent to FCGO and concerned DTCOs,
3. Reimbursement of expenditures incurred by GoN-funded programmes does not require a separate authorisation from the FCGO as DTCOs are automatically authorised to release funds against the submission of the claim (Statement of Expenditure), by the spending units.

**Release of funds from Government funding sources (in foreign currency):**

1. In case of budget allocated under Foreign Aid sources, the DTCOs receive authorisation from the FCGO to disburse funds to DoHS and other spending units. Spending units are not permitted to incur any programme expenditure until spending authorisation is received.

**Advance (first trimester):**

2. Pending receipt of authorisation, all spending units, including DoHS, receive an initial advance through DTCOs. This is equal to 1/6th of the previous year’s expenditures or 1/3rd of the project expenditure for the first trimester (for Priority 1 programmes), whichever is greater,
3. If advance is less than the approved trimester budget, spending units can claim the additional amount from the DTCO after receipt of spending authorisation.
4. The advance is adjusted when SOE (statement of expenditure) for the trimester is submitted.

**Subsequent trimesters:**

5. Funding is based on imprest system,
6. As expenditures are incurred, the spending units may request reimbursement from the respective DTCOs based on monthly SOEs.

**Release of funds from EDP funding sources:**

1. Funding from foreign aid also requires FCGO authorisation before reimbursement by DTCOs,
2. The FCGO checks whether all the necessary procedures have been completed, and whether disbursement has been received or requested from the External Development Partner (EDP),
3. The FCGO then issues an order to DTCO to release funds to all district offices in the project,
4. The DTCO checks for any irregularities in authorisation, work plan and bank balances before releasing funds,
5. If the source of funding falls in the direct payment category, the DoHS transfers funds directly to the relevant spending units, and does not require additional authorisation for expenditure,

6. After the expenditure of funds, the project submits a withdrawal application to the development partner, which reimburses the expense by sending a credit note to FCGO and the project,

7. To ensure that projects do not run out of funds between the request for reimbursement and receipt of the credit note, some development partners open a special dollar account operated by the concerned project/FCGO at Nepal Rastra Bank (NRB).

4. **Accounting**

   1. The bills are sent by Accounts Officers to the DTCO,
   2. The DTCO makes the payments,
   3. The FCGO’s database gets updated,
   4. The FCGO provides reports to various stakeholders.

5. **Reporting and Monitoring**

   At MoHP the responsibility for budget preparation and monitoring lies with the Policy, Planning and International Cooperation Division (PPICD). The Planning Section and Finance and Budget Section of the Division coordinate budget preparation and reporting. The Planning Section deals with the policy and physical performance aspect of the budget, while financial figures are provided and monitored by the Finance and Budget Section.

   1. The spending units are responsible for maintaining accounts (as per FAR provisions) by budget heads (budget heads are provided by MoF).
   
   2. The spending units submit monthly SOEs to DoHS and the respective DTCOs within seven days of the close of the month, prepared in a prescribed format,
   
   3. Expenditures incurred by spending units are consolidated by the FCGO. While it takes time for DOHS to receive monthly SOEs from subordinate offices, statements are promptly transmitted through network connectivity between DTCOs and the FCGO in 63 districts. The remaining 12 DTCOs which are not wired forward a soft copy of their SOEs to the nearest DTCO for forwarding electronically to the FCGO,
   
   4. To ensure timely production of financial reports, the FCGO provides DoHS with access to its Financial Management Information System (FMIS).