Health Sector Budget Analysis of Sudurpashchim Province and Local Levels

Nepal Health Sector Support Programme
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July 2022

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Study team
July 2022

EXECUTIVE SUMMARY

The Health Sector Budget Analysis (BA) has been conducted at the federal level every year since FY 2013/14. The analysis of the flow of grants from the Federal Government (FG) to the Sub-national Governments (SNGs) identification of gaps in resource allocation and absorption and policy recommendations developed from the analysis have helped the FG in evidence-based planning. After federalism, SNGs were also formed with their own revenue sources that can be allocated to the health sector. However, the extent of their contribution in the health sector budget has not been calculated. Furthermore, the lack of detailed analysis of the budget has made it difficult to identify the actual budgetary needs in the province. Hence, this BA report is the first attempt for the sub-national BA.

The Health Sector BA report of Sudurpashchim Province and Local Levels (LLs) intends to enable the Ministry of Social Development (MoSD), Provincial Health Directorate (PHD), LLs, policymakers, planners, programme managers and External Development Partners (EDPs) to understand the trend of budget allocation for the three-year period from FY 2019/20 to FY 2021/22. The expenditure has been reported for two fiscal years, FY 2019/20, and FY 2020/21. The expenditure for FY 2021/22 has not been included in the analysis. For comparability purposes, macro-level indicators since FY 2017/18 has been reported. For this analysis, the budget-related data at the provincial level has been captured from Provincial Line-Ministry Budget and Information System (PLMBIS) and expenditure from the Computerised Government Accounting System (CGAS) while the Sub-national Treasury Regulatory Application (SuTRA) has been used to capture both allocation and expenditure at the LLs. The adjusted budget has been used to capture final expenditure in the former fiscal years and the initial budget has been used for allocation in the current fiscal year. Therefore, minor changes in the budget might be observed when compared with the federal BA report of previous years. Additionally, the field work suggested a few errors in the recording and reporting of the budget at all three spheres of government indicating that the actual budget could be slightly different than the figures presented in this report. However, this report provides a format to SNGs to analyse their budget by capturing the information related to the budget channelled to health.

Findings

Government spending on health as a percentage of Gross Domestic Product (GDP) has improved at both the national and provincial level. In Sudurpashchim Province, it increased from 0.7% of GDP in FY 2017/18 to 2.2% in FY 2020/21 though it is far less progress than expected towards the Universal Health Coverage (UHC) than what is recommended by the 2014 Chatham House Report[1]. Similarly, per capita expenditures on health in the province show increasing trends with almost a five-folds increase between FY 2017/18 and FY 2020/21, when they peaked at NPR 2,941. The trend in the health sector budget allocation as a percentage of the total budget shows that Sudurpashchim Province started allocating budget in the health sector in FY 2018/19 (5.4%) which was increased by 12.6% in FY 2019/20 and has since been decreasing. In the current fiscal year (FY 2021/22), it has allocated 11% of its total budget for the health sector.

[1] Mcintyre D., Meheus F., & J.A Rottingen. (2017) 'What Level of Domestic Government Health Expenditure Should we Aspire to for Universal Health Coverage?', *Health Economics, Policy and Law 12* (2),125-137.

Sudurpashchim Province receives the budget from the Federal Government (FG) and has its own revenue sources. It also allocates its budget to the LLs in the form of conditional, equalisation, matching and special grants. In FY 2019/20, almost three quarters of the health sector budget (73%) in the province was contributed from the internal sources followed by the federal conditional grant (17%). The highest contribution in the health budget was made from internal sources in both FY 2020/21 and FY 2021/22 but the amount of allocation decreased in the latter year. Excluding the budget allocated by the LLs within the province, the provincial health budget has increased by almost NPR 1 billion in the FY 2020/21 but decreased in the next fiscal year indicating that this could be a result of lower revenue generation in the province due to COVID-19. Additionally, lower budget allocation to the health sector might be due to less priority for COVID-19 testing and management. The total health expenditure increased from 69% in FY 2019/20 to 75% in FY 2020/21.

At the LL, the federal grant remains as a major source of the health sector budget. Only 2% of the total health budget of the LLs has been financed by the province in FY 2021/22 in the form of grants other than conditional. The budget from internal resources was the highest in FY 2019/20 (11.1%) but decreased in the subsequent years and reached 9% in FY 2021/22. The budget absorption has increased from 80% in FY 2019/20 to 84% in FY 2020/21 with the lowest absorption of provincial conditional grants. The initial analysis suggests that this could be due to a delay in fund flow, the release of budget utilisation guidelines and a lack of skilled human resources at the LLs. However, doing further studies to understand the reasons and actions and subsequently address these challenges would be necessary for better absorption of the budget and delivery of health services to ensure health is maintained as a fundamental right for citizens as mandated by the Constitution of Nepal. Health policy and strategy in the three spheres of the government needs to be aligned with an umbrella policy and strategy. A costed Health Financing (HF) strategy needs to be formulated, enabling the GoN to secure at least USD 86 per capita for improving access to primary care and encourage Provincial Governments (PGs) and LLs to increase their investment in health.

The PGs and LLs receive their budgets from the FG under grant headings which need to be converted into corresponding economic headings in the respective financial management systems. As this has not been done for some of the programmes, a huge volume of the budget remains under 'inter-governmental fiscal transfer' heading. Hence, mechanisms need to be developed to recode these activities to ensure public accountability of funds and enhance the capacity of the PG and LLs to record and report their budget and expenditure-related data and information. Discussion around a conditional grant transition plan for the province should also be initiated.

Table of Content

Acknowledgements i
Executive Summary ii
List of tables v
List of figures vi
Acronyms vii
CHAPTER 1: INTRODUCTION 1
1.1 Background 1
1.2 Objectives of the Analysis 2
1.3 Methodology 2
CHAPTER 2: PLANNING, BUDGETING AND EXPENDITURE PATTERN 4
2.1 Fiscal Federalism in Nepal 4
2.2 Budget Characteristics 4
2.3 Budget Preparation Process in FY 2021/22 5
2.4 Resource Pool at PGs and LLs from Fiscal Transfers 5
2.5 Budgeting and Reporting Mechanism in FY 2021/22 6
CHAPTER 3: ANALYSIS OF MACRO INDICATORS FOR HEALTH SECTOR 8
3.1 Trends in Health Sector Spending of Sudurpashchim Province as a Percentage of GDP 8
3.2 Per capita Provincial Spending on Health 9
3.3 Share of Health Sector Budget out of Total Budget 9
CHAPTER 4: ANALYSIS OF HEALTH SECTOR BUDGET OF PROVINCE 11
4.1 Health Sector Budget of Sudurpashchim Province by Organisational Level 11
4.2 Health Sector Budget of Sudurpashchim Province by Capital and Recurrent Headings 11
4.3 Health Sector Budget of Sudurpashchim Province by Programme and Administrative Headings 12
4.4 Health Sector Budget of Sudurpashchim Province by Source of Fund 12
4.5 Health Sector Budget of Sudurpashchim Province by Chart of Account 13
4.6 Health Sector Budget of Sudurpashchim Province by Chart of Activities 14
4.7 Health Sector Budget of Sudurpashchim Province by NHSS Outcome Indicators 15
CHAPTER 5: HEALTH BUDGET ANALYSIS OF LOCAL LEVELS 17
5.1 Health Sector Budget by Types of Local Levels 17
5.2 Health Sector Budget of LLs by Revenue Sources 17
5.3 Health Sector Budget of LLs by Capital and Recurrent Headings 18
5.4 Health Sector Budget of LLs by Administrative and Programme Headings 19
5.5 Health Sector Budget of LLs by Chart of Account 19
5.6 Health Sector Budget of LLs by Chart of Activities 20
5.7 Health Sector Budget of LLs by NHSS Outcome Indicators 21
CHAPTER 6: CONCLUSION AND WAY FORWARD 23
6.1 Conclusion 23
6.2 Way Forward 25
References 26

LIST OF TABLES

Table 4.1: Health sector budget and percentage expenditure by organisations 11
Table 4.2: Health sector budget and percentage expenditure by capital and recurrent headings 12
Table 4.3: Health sector budget and percentage expenditure by programme and administrative headings 12
Table 4.4: Health sector budget and percentage expenditure by source of fund 13
Table 4.5: Health sector budget and percentage expenditure by chart of account............... 13
Table 4.6: Health sector budget and percentage expenditure by chart of activities 14
Table 4.7: Health sector budget and percentage expenditure by NHSS outcome indicators 15
Table 5.1: Health sector budget allocation against total budget by types of local levels 17
Table 5.2: Health sector budget and percentage expenditure of LLs by revenue sources ... 18
Table 5.3: Health sector budget and percentage expenditure of LLs by capital and recurrent headings 18
Table 5.4: Health sector budget and percentage expenditure of LLs by administrative and programme headings 19
Table 5.5: Health sector budget and percentage expenditure of LLs by chart of account 19
Table 5.6: Health sector budget and percentage expenditure of LLs by chart of activities... 20
Table 5.7: Health sector budget and percentage expenditure of LLs by NHSS outcome indicators 21

LIST OF FIGURES

Figure 2.1 Resource Pool for Provincial and Local Government 6
Figure 2.2 Budgeting and Reporting Mechanism for FY 2021/22 6
Figure 3.1: Trend in health sector spending as a percentage of GDP 8
Figure 3.2: Per capita spending on health (in real terms) 9
Figure 3.3: Trend in the health sector budget allocation as a percentage of total budget 9

ACRONYMS

AWPB	Annual Work Plan and Budget
BA	Budget Analysis
CG	Conditional Grant
CGAS	Computerised Government Accounting System
DTCO	District Treasury Comptroller Office
e-AWPB	Electronic Annual Work Plan and Budget
EDP	External Development Partners
FCGO	Financial Comptroller General Office
FG	Federal Government
FMoHP	Federal Ministry of Health and Population
FY	Fiscal Year
GoN	Government of Nepal
HF	Health Financing
HO	Health Office
LL	Local Level
LMBIS	Line Ministry Budget Information System
MoEAP	Ministry of Economic Affairs and Planning
MoF	Ministry of Finance
MoSD	Ministry of Social Development
NHSS	Nepal Health Sector Strategy
NHSSP	Nepal Health Sector Support Programme
NNRFC	National Natural Resource and Fiscal Commission
NPR	Nepalese Rupees
PG	Provincial Government
PHD	Provincial Health Directorate
PHLMC	Provincial Health Logistics Management Centre
PLMBIS	Provincial Line Ministry Budget Information System
PPHL	Provincial Public Health Laboratory
PTCO	Provincial Treasury Comptroller Office
RMNCAH	Reproductive, Maternal, Newborn, Child and Adolescent Health
SDG	Sustainable Development Goals
SuTRA	Sub-national Treasury Regulatory Application
SU	Spending Unit
SNG	Sub-national Government
UHC	Universal Health Coverage

CHAPTER 1: INTRODUCTION

This chapter provides a brief background that sets the current context of the health systems, and outlines the objective of the Budget Analysis (BA) and the methodology used for the sub-national BA.

1.1 Background

Health has been declared as a fundamental right by the Constitution of Nepal, 2015 (GoN, 2015). The National Health Policy (2019) comes under the constitution's overarching framework, with the aim to implement this right by ensuring equitable access to quality health care services is provided for all (GoN, 2019). Similarly, the Nepal Health Sector Strategy (NHSS, 2016-2021) lays out the strategic direction and specific roadmap to implement the constitutional mandate (GoN, 2016). The Federal Ministry of Health and Population (FMoHP) has endorsed the NHSS implementation plan, which provides the budgetary framework to ensure Nepal's commitment in achieving Universal Health Coverage (UHC) and Sustainable Development Goals (SDGs) by 2030. Since FY 2017/18, the Provincial Government (PG), as well as the Local Levels (LLs), have started preparing their own Redbook and Annual Work Plan and Budget (AWPB) reflecting their policy and resource allocation decisions determining the programmes, activities, and services to be implemented through the Provincial Ministries and the health section of the LLs. They have also formulated their own policies outlining their needs and priorities in the health sector. In this context, Nepal's health sector has an opportunity to have a greater fiscal space through resource allocation from all spheres of governments.

The federal, provincial as well as local governments, collectively and continuously aim to improve their financial management through timely planning and budgeting of their plans, programmes and disbursement of funds to their respective Spending Units (SU). Attempts are also being made to strengthen the budgetary recording and reporting system to ensure public accountability of funds. This provides a foundation for effective, efficient, and quality service delivery. The Provincial Line Ministry Budget Information System (PLMBIS) is being used for planning at the provincial level. In FY 2020/21, the Federal Government (FG) made it mandatory to use the Computerised Government Accounting System (CGAS) for expenditure tracking at the provincial level and Sub-national Treasury Regulatory Application (SuTRA) for both planning and expenditure tracking at the LLs. Since FY 2013/14, the Health Sector Budget Analysis of the FG is being conducted every year analysing the flow of grants from the FG to Sub-national Governments (SNGs), resource allocation and absorption gaps and provide policy recommendations. However, such attempts had not been made at the provincial level. In absence of credible evidence, it would not be possible for the PGs to request for an increased proportion of unconditional grants and reduce control through conditional grants from the FG. Furthermore, it would also not be possible to determine the sufficiency of budget allocation in the health sector in the province. Additionally, the COVID-19 pandemic has placed health at the centre of public debate raising concerns around resource allocation to all spheres of government.

This budget analysis report is the first attempt in showcasing the sub-national budget analysis and primarily aims to provide a format to the SNG to analyse their budget by capturing the information related to the health budget channelled through to the health

section of the Ministry of Social Development (MoSD) of Sudurpashchim Province and its SUs from different sources. In addition, the conditional grants provided by the FG to LLs within Sudurpashchim Province has been reported. Efforts has also been made in the report to analyse the allocated health budget to and from Sudurpashchim Province and LLs through different fiscal modalities including the internal sources.

1.2 Objectives of the Analysis

The purpose of this BA is to enable the MoSD, Provincial Health Directorate (PHD), LLs, External Development Partner (EDP)s, policy makers, and planners in evidence-based decision making by providing disaggregated information on the health sector budget from FY 2019/20 to FY2021/22. It also aims to provide the reader with a synthesis of the main features of budget allocations and comparisons with actual spending of the last two fiscal years by source, programme, and disbursement level.

The specific objectives of BA are as follows:

a. Analyse the trend of macro-indicators in health from FY 2017/18 to FY 2021/22.
b. Analyse the provincial health sector budget allocation and expenditure including the budget of LLs within the province from FY 2019/20 to FY 2021/22.
c. Analyse the health sector budget allocation and expenditure from FY 2019/20 to FY 2021/22 by organisational level, source of fund, chart of account and chart of activity.
d. Analyse the health sector budget allocation, and expenditure by Nepal Health Sector Strategy (NHSS) indicators (outcome level indicators) to and from Sudurpashchim Province and LLs within the Province since FY 2019/20 till FY 2021/22.
e. Provide policy recommendations to programme planners.

1.3 Methodology

The analysis of secondary data using the Redbook, PLMBIS, eAWPB, CGAS and SuTRA from FY 2019/20, FY 2020/21 and FY 2021/22 has been carried out. For comparability purposes, macro-level indicators have been reported since FY 2017/18. The main sources of information were the federal, provincial, and local government budget books. The task was performed in three phases:

a) Collect, review, organise and analyse budget and expenditure data.
b) Validate data through workshop.
c) Finalise the report.

This BA has attempted to analyse the budget provided to the health sector using different sources from all spheres of government. Adjusted budgets for the past fiscal years have been used to reflect the final expenditure. Some minor changes in the amount could be evident when readers refer to the previous BA reports of the FG. However, the total budget remains the same. For FY 2021/22, the initial budget is used in the analysis. The chapter on analysis of the budget on the province was prepared based on the information collected from PLMBIS and CGAS while that at the local level was prepared based on SuTRA. The data was compiled into standard templates, which then provided the platform for analysis. Discussions with the MoSD, PHD, Provincial Health Logistics Management Centre (PHLMC), Provincial Public Health Laboratory (PPHL), Health Office (HO) and financial officials provided useful commentary, which have also been incorporated into this report. For the purpose of this analysis, the total budget and health budget of the FG, Sudurpashchim Province and LLs within the Province has been analysed.

However, the field work for the preparation of this report suggested a few errors in the recording and reporting of the budget at all three spheres of government indicating that the actual budget could be slightly different than the figures presented in this report. Yet, this report highlights the major observations in the provincial budget and expenditure, their break-down, key challenges and policy recommendations which could prove to be helpful to the province to improve their budgeting pattern, recording and reporting system and also develop their BA report on their own.

CHAPTER 2: PLANNING, BUDGETING AND EXPENDITURE PATTERN

This chapter provides some theoretical background on fiscal federalism, budget characteristics, budget planning and preparation process at the provincial and local level, and the budget and expenditure reporting mechanism.

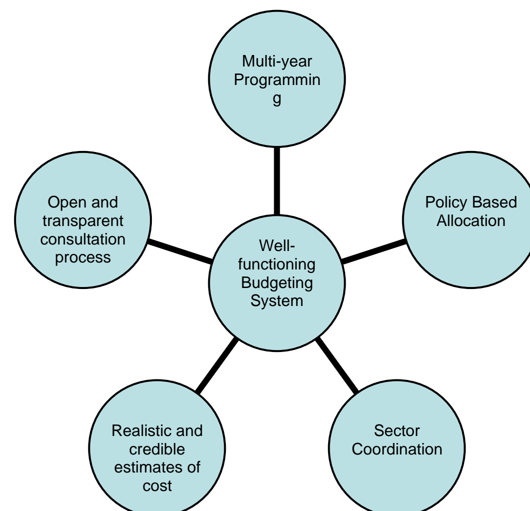
2.1 Fiscal Federalism in Nepal

Fiscal federalism started in Nepal in FY 2017/18. Equalisation funds and conditional grants were the initial forms of fiscal transfers made by the GoN. By FY 2018/19, all other forms of fiscal transfers viz revenue transfer, special and complementary/matching funds came into practice. Planning, budgeting, expenditure, and reporting mechanisms have been evolving and improving over time. The PGs have also started sending conditional and unconditional grants to their SUs including LLs by mobilising the resources received from the FG and their own internal sources. Additionally, LLs have been generating their revenues and utilising them to meet the local needs and priorities.

The National Natural Resource and Fiscal Commission (NNRFC) at the federal level plays a key role in estimating fiscal resources and determining the basis for their distribution (Devkota, 2021). As per the recommendations of NNRFC, the Ministry of Finance (MoF) executes the fiscal transfer of the federal budget. The Ministry of Economic Affairs and Planning (MoEAP) at the provincial level is the main institution responsible for planning and budgeting. Along with the economic analysis, revenue-sharing and fiscal management, MoEAP also executes fiscal transfers from PG to provincial entities and LLs. Similarly, LLs formulate their own plans and programmes.

2.2 Budget Characteristics

In the public sector, the budget is a primary instrument for strategic resource allocation. The way budget allocations are organised, classified, and presented in policy and programme has a direct impact on the actual spending and ultimately on the performance of the health sector. Health budgets are formulated and executed based on goal-oriented programmes rather than a list of inputs and help to build better alignment between budget allocations, sectoral priorities, and reform indicators.



From the perspective of Public Financial Management (PFM), robust public budgeting serves several important functions like setting expenditure ceilings, promoting fiscal discipline and financial accountability, and enhancing efficiency in public spending. The key features of a well-functioning budgeting system typically include multi-year programming, policy-based allocation definition, sector coordination for budget formulation, realistic and credible estimates of costs, and an open

and transparent consultation process. As Nepal's commitments in achieving UHC and SDGs by 2030 largely depend on a dominant share of public funds, it is important to note that even increased resources for the health sector will not help to achieve the UHC and SDG without having a well-functioning planning and budgeting system.

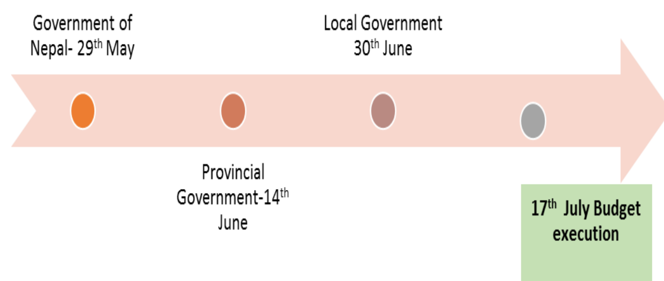
2.3 Budget Preparation Process in FY 2021/22

2.3.1 Planning in FY 2021/22 at Provincial Government

In FY 2021/22, Sudurpashchim Province was provided NPR 798.4 million as a conditional grant through the Redbook which gets channelled through MoFAGA. The PG budget included in the Redbook does not need further authorisation. PGs have to announce their budget by 14th June, (31st Jestha). From the federal level, the MoF sends a circular through its website to all District Treasury Controller Office (DTCO) to release the first quarter of the budget as per the Redbook irrespective of the type of grant (equalisation or conditional grants). MoEAP at the provincial level prepares the social sector budget including the health budget. Hence, the health budget for PGs can include different types of fiscal transfers (revenue transfer, equalisation, conditional, special, and matching fund) from FG and their own revenue and foreign sources. Their budget should be executed by the 17th of July (1st Shrawan).

2.3.2 Planning in FY 2021/22 at Local Level

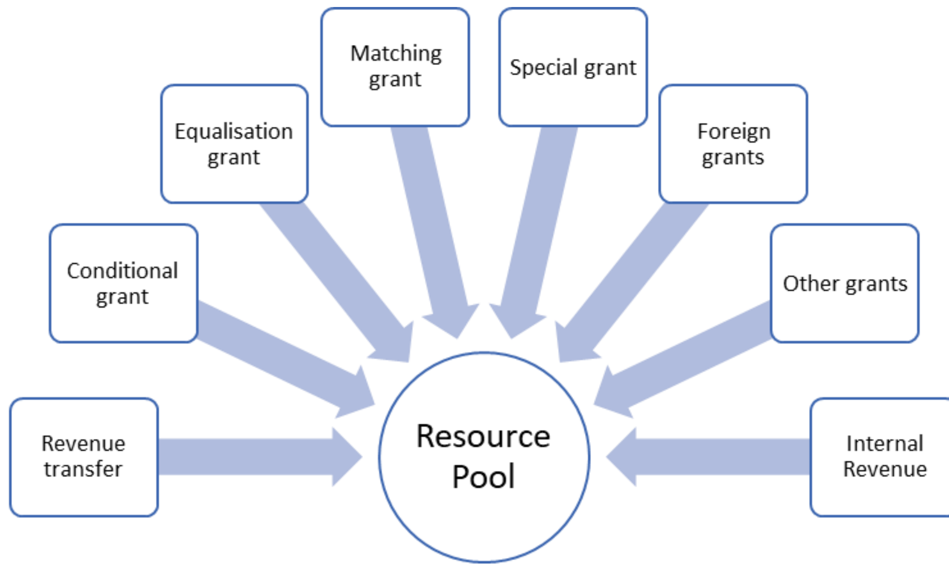
In FY 2021/22, LLs within Sudurpashchim were provided NPR 2.7 billion as a conditional grant from the FG channelled through Redbook. Similar to the conditional grants sent to PGs, the LL budget included in the Redbook does not need further authorisation. The MoF sends a circular through its website to all DTCOs to release the first quarter budget as per the Redbook, irrespective of the type of grant. Therefore, the health budget for the LL can include different types of fiscal transfers (viz. Revenue transfer, equalisation, conditional, special, and matching funds) from the FG. In addition, they can also receive provincial grants through the above-mentioned fiscal transfer modalities and have their own revenue and foreign sources. The LLs should finalise their budget by mid-July (end of Ashad) and budget execution should start from the 17th of July (1st Shrawan).



2.4 Resource Pool at PGs and LLs from Fiscal Transfers

Resource pool at SNGs can be broadly categorised as internal and external sources. Internal sources consist of revenue collected/generated from tax levy by SNGs. External sources consist of different forms of inter-governmental fiscal transfers, funds from EDPs and philanthropy. In addition to the conditional grant for health, PGs and LLs can allocate resources to the health sector from the following resource pool.

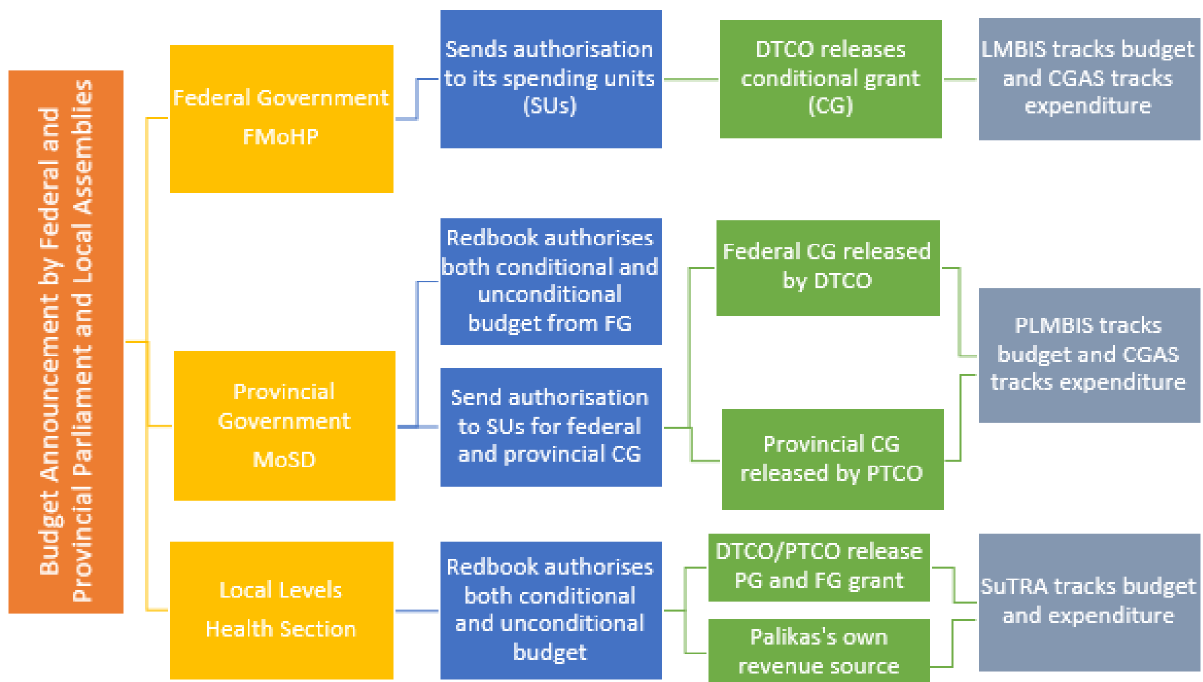
Figure 2.1 Resource Pool for Provincial and Local Government



2.5 Budgeting and Reporting Mechanism in FY 2021/22

At the federal level, the planning and budgeting process starts at the beginning of January while that at the provincial and local level processes start in mid-January. The constitution makes it obligatory for both the PGs and LLs to prepare their AWPB through a standard process. In this fiscal year, PGs and LLs organised planning and budgeting meetings, which have been endorsed by their parliaments and assemblies. The following flow chart shows the budgeting and reporting mechanism for FY 2021/22 at the provincial and local levels.

Figure 2.2 Budgeting and Reporting Mechanism for FY 2021/22



The budget mobilisation begins after the budget is announced by the Federal and Provincial Parliament and Local Assemblies. The FG sends the budget authorisation to its spending units and DTCO releases the conditional grant. The budget at FMoHP and its spending units is tracked with the help of LMBIS while expenditure is tracked using CGAS. The MoF also sends a circular to DTCO to release the conditional as well as unconditional grants to PGs and LLs. As the PGs also formulate their own plans and budget, they send authorisation to their spending units for both federal and provincial conditional grants. The federal conditional grant is released through DTCO while the provincial conditional grant is released through PTCO. Here, PLMBIS is used for recording the budget related data and expenditure is tracked with the help of CGAS. Similarly, SuTRA is used at the LLs to track both budget and expenditure-related data. Financial reports in all spheres of government are prepared in the forms and formats prescribed by the Financial Comptroller General Office (FCGO) as they are mandated to comply with the existing financial rules and regulations to maintain financial discipline within their jurisdiction.

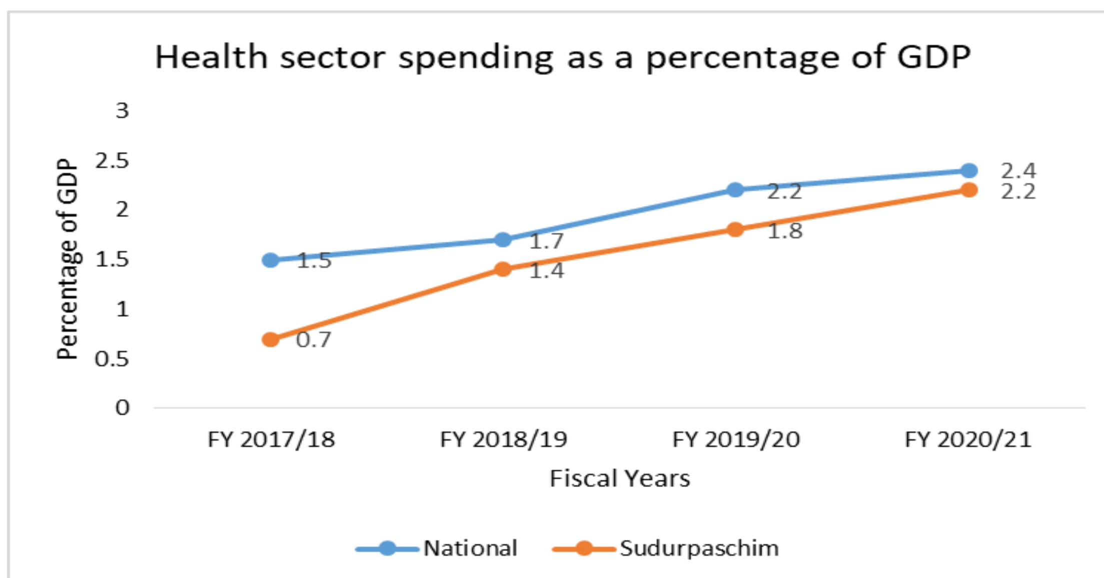
CHAPTER 3: ANALYSIS OF MACRO INDICATORS FOR HEALTH SECTOR

This chapter provides a snapshot of Sudurpashchim Province's macroeconomic status and investment in the health sector through the analysis of the share of GDP in health, per capita health expenditure and percentage of allocation in the health sector out of the total budget. For clarity purposes, the health sector budget is defined as the health budget allocated to the health section of the MoSD, other line ministries, provincial health entities and LLs. The following analysis does not provide definitive reasons for trends but does try to elucidate potential reasons for some of the findings.

3.1 Trends in Health Sector Spending of Sudurpashchim Province as a Percentage of GDP

Figure 3.1 shows the health sector spending of Sudurpashchim Province and national level as a percentage of GDP from FY 2017/18 to FY 2020/21. The provincial health budget includes the budget from the FG and province's internal resources. The health sector spending of the province is an increasing trend since FY 2017/18 and has reached 2.2% of GDP in FY 2020/21. Though there was a huge gap between national spending and provincial spending in FY 2017/18, in which the province almost allocated an equal percentage of GDP in the health sector as the national level in FY 2020/21. The 2010 World Health Report stated that 6% of public spending of GDP on health would prevent catastrophic expenditure in the form of out-of-pocket payments (WHO, 2010). Similarly, the Chatham House report issued in 2014 recommended that countries should strive to spend 5% of their GDP to progress towards UHC (Mcintyre D., 2014). The national spending of 2.4% of GDP and similar allocation at the provincial level shows that Nepal has been investing far less in health as a share of GDP to achieve UHC and the increment would not be possible without increasing the allocation at the provincial level.

Figure 3.1: Trend in health sector spending as a percentage of GDP

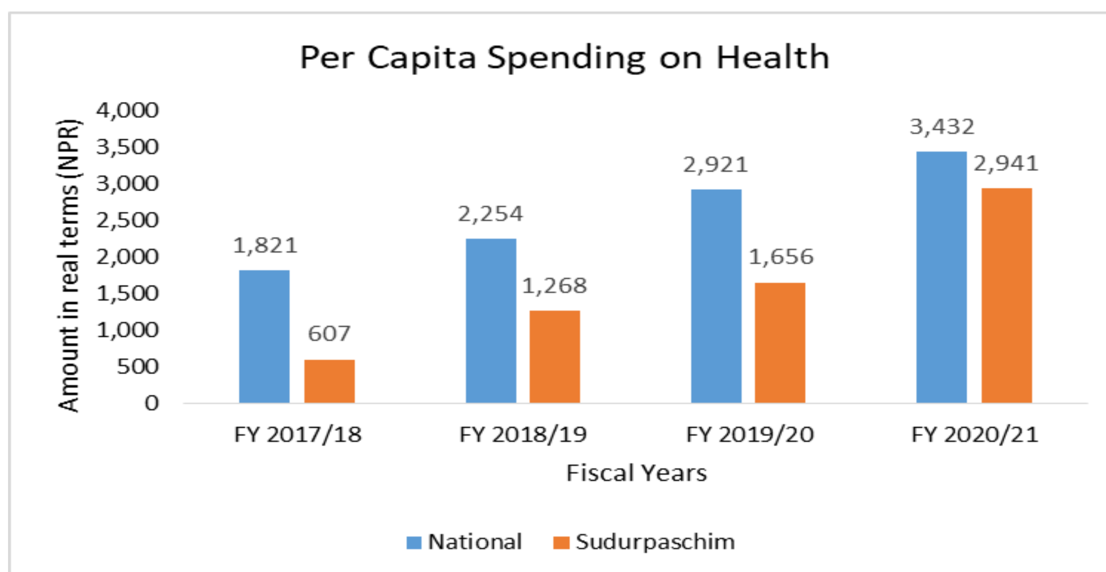


Source: *GDP for FY 2017/18 from Authors' estimate based on National GDP and for FY 2018/19-FY 2020/21 from Central Bureau of Statistics*

3.2 Per capita Provincial Spending on Health

The per capita spending of Sudurpashchim Province on health was only NPR 607 in FY 2017/18 which almost doubled in the next fiscal year (NPR 1,268). There has been an increasing trend in the spending. In FY 2020/21, Sudurpashchim spent NPR 2,941 per capita on health which exceeded national spending in FY 2019/20 (NPR 2,921).

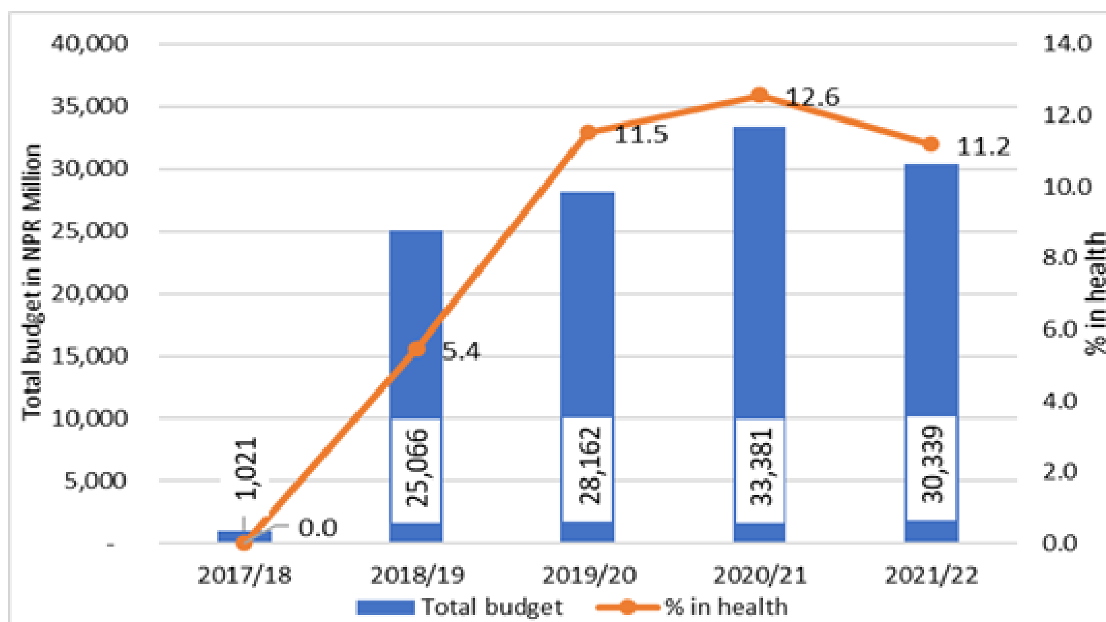
Figure 3.2: Per capita spending on health (in real terms)



Source: Red book FY 2017/18-FY 2020/21

3.3 Share of Health Sector Budget out of Total Budget

Figure 3.3: Trend in the health sector budget allocation as a percentage of total budget



Source: Redbook FY 2017/18-FY 2021/22

The trend in percentage of budget allocation in the health sector highlights a fluctuation in budget allocation in the province. No budget was allocated to health in FY 2017/18, because provinces were formed only towards the end of the fiscal year. The share of the health budget started increasing from FY 2018/19 (5.4%) until FY 2019/20 (12.6%). It is the highest increase in the share of the health sector budget recorded in Sudurpashchim Province in the first five years of federalism. This could be due to budget revisions in FY 2019/20 to manage COVID-19 as the share and has been constantly decreasing ever since.

CHAPTER 4: ANALYSIS OF HEALTH SECTOR BUDGET OF PROVINCE

This chapter starts with an analysis of the total health budget allocation and expenditure in Sudurpashchim Province in FY 2019/20 and FY 2020/21 and allocation in FY 2021/22. The following analysis does not provide definitive reasons for trends but does try to elucidate potential reasons for some of the findings.

4.1 Health Sector Budget of Sudurpashchim Province by Organisational Level

At the provincial level, the highest amount of budget has been allocated to MoSD (NPR 1,071 million) in FY 2019/20 which covered almost one third of the total health budget, followed by hospitals and health offices. Budget allocation for Ayurveda has also been increasing over the years. In FY 2020/21, the MoSD budget decreased by more than five times while almost half of the total health budget (44%) was provided to hospitals. This could be due to an increased budgetary need for hospitals for COVID-19 treatment and management. No budget was allocated to LLs in FY 2019/20. Hospitals also received the highest budget allocation in FY 2021/22 though the amount has slightly decreased. In all of the years, PHD has received only 4-6% of the total health budget though it is the major health programmes' implementing entity at the provincial level. However, in FY 2020/21, it could only spend 57% of their total allocated budget. Similarly, LLs received 61.2 million in FY 2020/21 which decreased by ten million in FY 2021/22. The overall expenditure slightly increased from 69% of the allocated budget in FY 2019/20 to 75% in FY 2020/21.

Table 4.1: Health sector budget and percentage expenditure by organisations

Amount in NPR Million

Organisations	FY 2019/20		FY 2020/21		FY 2021/22
	Budget	% Exp.	Budget	% Exp.	Budget
MoSD	1,071	85	246.4	63	498.7
PHD	141.3	26	224.5	57	206.9
PHLMC	138.4	49	482.9	95	257.1
PHTC	49.4	54	83.1	72	68.6
PPHL	16.5	98	75.1	76	45.8
Health Offices	816.1	55	978.3	79	730.7
Hospitals	926.8	71	1,884.4	70	1,327.6
Ayurveda	82.6	67	158.5	80	205.6
Local levels	-	-	61.2	96	51.8
Total	**3,242.2**	**69**	**4,194.3**	**75**	**3,392.8**

Source: PLMBIS, CGAS, Sudurpashchim Province, FY 2019/20-FY 2021/22

4.2 Health Sector Budget of Sudurpashchim Province by Capital and Recurrent Headings

The total health sector budget of Sudurpashchim Province comprises of conditional and unconditional grants from the FG and internal sources of the province. Details of the health conditional grant activities provided to PGs and LLs can be found at www.mofaga.gov.np. In FY 2019/20, around 80% of the total health budget had been allocated in recurrent headings. It is important to note that conditional grants allocated to SNGs is recorded as recurrent expenses in the Redbook. The amount of allocation in the recurrent heading remained almost unchanged throughout the years while the capital budget largely increased in FY

2020/21. This could have resulted from the increased budget allocation to PHLMC and hospitals for procurement of logistics related to the COVID-19 response and oxygen/equipment management. However, the budget decreased back and became consistent with the budget allocated in FY 2019/20. There was minimal difference observed in the utilisation of the budget for both capital and recurrent headings in FY 2019/20 while absorption of the recurrent heading (77%) was slightly higher than in the capital heading (70%) in FY 2020/21.

Table 4.2: Health sector budget and percentage expenditure by capital and recurrent headings

Amount in NPR Million

Budget Type	FY 2019/20		FY 2020/21		FY 2021/22
	Budget	% Exp.	Budget	% Exp.	Budget
Recurrent	2,667.4	68	2,642.2	77	2,820.1
Capital	574.8	71	1,552.1	70	572.7
Total	**3,242.2**	**69**	**4,194.3**	**75**	**3,392.8**

Source: PLMBIS, CGAS, Sudurpashchim Province, FY 2019/20-FY 2021/22

4.3 Health Sector Budget of Sudurpashchim Province by Programme and Administrative Headings

Table 4.3: Health sector budget and percentage expenditure by programme and administrative headings

Amount in NPR Million

Budget Type	FY 2019/20		FY 2020/21		FY 2021/22
	Budget	% Exp.	Budget	% Exp.	Budget
Administrative	609.5	85	777.7	80	906.4
Programme	2,632.7	65	3,416.5	74	2,486.4
Total	**3,242.2**	**69**	**4,194.3**	**75**	**3,392.8**

Source: PLMBIS, CGAS, Sudurpashchim Province, FY 2019/20-FY 2021/22

As shown in Table 4.3, the administrative budget is increasing in trend while there is inconsistency in budget allocation in programme headings. The absorption of the health sector budget was higher in the administrative heading in both FY 2019/20 (85%) and FY 2020/21 (80%) while more than a quarter of the allocated budget remained unspent in both the years in the programme headings.

4.4 Health Sector Budget of Sudurpashchim Province by Source of Fund

The PG receives budget from FG and has its own revenue sources. Additionally, Sudurpashchim Province also sends its budget to the LLs. In FY 2019/20, almost three quarters of the health sector budget (73%) was contributed by internal sources, followed by the federal conditional grant (17%). The highest contribution in the health budget was made from internal sources in FY 2020/21 and FY 2021/22 but the amount of allocation decreased in the latter year. The highest absorption of the health sector budget was for the federal grant (88%) and the lowest absorption was for the province's own sources (61%) in FY 2019/20. However, this changed in FY 2020/21 where the highest absorption was for foreign grants

(88%) and the lowest was for the federal grant (62%). This could be due to a delay in the release of funds and guidelines from the FG.

Table 4.4: Health sector budget and percentage expenditure by source of fund

Amount in NPR Million

Source of Fund	FY 2019/20		FY 2020/21		FY 2021/22
	Budget	% Exp.	Budget	% Exp.	Budget
Federal-total	866.6	88	1,453.6	62	1,457.9
Conditional	540.3	83	972.5	66	798.4
Unconditional	326.3	96	481.1	54	659.5
Provincial source	2,375.6	61	2,498.3	81	1,826.3
Foreign source	-	-	242.4	88	108.6
Total	**3,242.2**	**69**	**4,194.3**	**75**	**3,392.8**

Source: PLMBIS, CGAS, Sudurpashchim Province, FY 2019/20-FY 2021/22

4.5 Health Sector Budget of Sudurpashchim Province by Chart of Account

Table 4.5 summarises the disaggregation of the total health budget of Sudurpashchim Province by chart of account. In all three years, the highest percentage of budget has been allocated to programme activities. The amount of budget allocated to wages and salaries has increased by more than NPR 110 million in FY 2020/21 which could be due to the increase of human resources to manage COVID-19 hospitals in which this budget subsequently decreased in FY 2021/22. However, it has to be noted that the wages and salaries for health workers have not been separated into the system properly and the budget volume stated here might change if the total salaries and wages allocated to health workers are recorded and reported separately by the province.

The amount of budget allocated to the procurement of medicines is decreasing in trend. The subsidies for the public, financial, and non-financial institutions have been provided only in FY 2020/21. The absorption was highest for wages and salaries (90%) and lowest for inter-governmental fiscal transfer in FY 2019/20 while in FY 2020/21, the highest absorption was in inter-governmental fiscal transfer (96%) followed by procurement of medicines (95%) and lowest for subsidies provided for institutions (49%) in FY 2020/21. Though the amount of inter-governmental fiscal transfer is decreasing in trend, almost 52 million of the budget has not been re-coded into different economic headings after receiving the budget under the grant heading in the province in FY 2021/22.

Table 4.5: Health sector budget and percentage expenditure by chart of account

Amount in NPR Million

Line Item (Economic Code)	FY 2019/20		FY 2020/21		FY 2021/22
	Budget	% Exp.	Budget	% Exp.	Budget
Wages & Salaries	414.3	90	528.0	81	482.7
Support Services	195.2	74	249.7	77	423.7
Capacity Building	75.1	69	75.2	78	60.9
Program Activities	1,335.8	69	1,490.0	72	1,618.4
Medicine Purchases	141.8	58	95.5	95	73.3
Social Service Grants and Social Security	334.9	57	139.1	93	109.3
Subsidy for Institutions					

(Public, Financial, and Non-Financial)	-	-	3.4	49	-
Inter-governmental Fiscal Transfer	170.3	29	61.2	96	51.8
Capital-Construction	313.4	79	628.0	61	425.5
Capital Goods	261.5	61	924.1	77	147.2
Total	**3,242.2**	**69**	**4,194.3**	**75**	**3,392.8**

Source: PLMBIS, CGAS, Sudurpashchim Province, FY 2019/20-FY 2021/22

4.6 Health Sector Budget of Sudurpashchim Province by Chart of Activities

The following table shows the disaggregation of the health budget by chart of activities. In FY 2019/20, almost a third of the health budget (30%) was allocated in office operations and administrative expenses followed by Reproductive, Maternal, New born, Child and Adolescent Health (RMNCAH) services (25%). No budget allocation for eye health care and COVID-19 control was reported that year. This could be because virement had been done to make resources available for COVID-19 response when MoF halted the spending of budget under different headings, but they might not have been recorded. In FY 2020/21, the highest allocation was in drug related purchases, regulation, and supply (16%), followed by laboratory and diagnostic services (14.7%). Around NPR 546 million has been allocated to the province for COVID-19 management in FY 2020/21, out of which around three quarters of the budget was absorbed. This budget was reduced in FY 2021/22. However, it might increase if COVID-19 cases increase, and then the budget requires adjustment. In FY 2021/22, the highest allocation was for ayurveda and alternative medicine (19.7%) when it was just 2% in FY 2019/20 and 5.5% in FY 2020/21 which could be due to increased popularity of ayurvedic treatment for prevention and treatment of COVID-19. Less than half of the allocated budget was spent in FCHV and community health programme (37%) and communicable and infectious disease control including epidemics and disaster management (47%) in FY 2019/20. Additionally, less than 40% of the allocated budget was spent in health education, information, health research and surveys (32%) and eye health care (38%) in FY 2020/21.

Table 4.6: Health sector budget and percentage expenditure by chart of activities

Amount in NPR Million

Activities	FY 2019/20		FY 2020/21		FY 2021/22
	Budget	% Exp.	Budget	% Exp.	Budget
Office Operations & Administrative Expenses	953.3	85	451.8	75	531.6
Reproductive, maternal, neonatal, child and adolescent health (RMNCAH)	791.5	58	581.2	73	515.7
FCHV & community health programme	194.4	37	60.8	62	72.6
Communicable & Infectious Disease Control including epidemic and disaster management	111.1	47	111.8	67	109.4
Coronavirus Disease (COVID-19) Control	-	-	545.9	76	460.6

Non-Communicable Disease	86.4	74	154.0	57	78.8
Eye Health Care	-	-	0.9	38	16.1
Social Health Protection Services	91.1	84	74.9	91	68.5
Laboratory and Diagnostic Services	27.3	68	617.0	82	66.7
Health Education, Information, Research and Surveys	67.9	61	46.12	32	29.37
Ayurveda and Alternative Medicines	63.3	57	231.5	76	669.4
Drug related regulation, purchase & supply	414.8	62	684.6	80	147.2
Physical Infrastructure Development and Improvement	346.9	81	453.9	62	478.2
Other Health Services	1.6	78	5.1	75	10.5
Academy and Hospitals	92.5	60	174.9	89	138.3
Total	**3,242.2**	**69**	**4,194.3**	**75**	**3,392.8**

Source: PLMBIS, CGAS, Sudurpashchim Province, FY 2019/20-FY 2020/21

4.7 Health Sector Budget of Sudurpashchim Province by NHSS Outcome Indicators

The disaggregation of the health sector of Sudurpashchim Province showed that the highest amount of the budget was allocated to the improvement of quality of care at point-of-delivery followed by equitable utilisation of health care services in both FY 2019/20 and FY 2020/21. No budget was allocated for strengthening decentralised planning and budgeting in FY 2019/20 while the nominal budget was allocated in the later years. The budget absorption was highest in improving sustainability of health sector financing (95%) and lowest in improving sector management and governance (42%). In FY 2020/21, less than 1% of the total health budget was allocated to improve sustainability of health sector financing but the absorption rate was highest (97%). Yet, the budget decreased considerably in FY 2021/22. Almost half of the budget (47%) allocated to improve availability and use of evidence in decision making processes at all levels remained unspent in that year. However, it has to be noted that the NHSS indicators have not been localised yet and caution has to be taken before concluding the investment of Province in these indicators.

Table 4.7: Health sector budget and percentage expenditure by NHSS outcome indicators

Amount in NPR Million

NHSS Outcome Indicators	FY 2019/20		FY 2020/21		FY 2021/22
	Budget	% Exp.	Budget	% Exp.	Budget
Rebuilt and strengthened health systems: Infrastructure, HRH management, Procurement and Supply chain management	653.4	68	729.3	69	707.0
Improved quality of care at point-of-delivery	1,170.2	83	1,578.4	79	665.8
Equitable utilisation of health care services	996.1	59	894.6	73	1,145.6
Strengthened decentralised planning and budgeting	-	-	0.8	62	4.0
Improved sector management and governance	167.6	42	162.6	74	135.1

Improved sustainability of health sector financing	26.2	95	37.7	97	10.0
Improved healthy lifestyles and environment	146.4	53	163.3	76	181.9
Strengthened management of public health emergencies	26.9	57	564.0	75	484.5
Improved availability and use of evidence in decision-making processes at all levels	55.4	53	63.7	47	58.9
Total	**3,242.2**	**69**	**4,194.3**	**75**	**3,392.8**

Source: PLMBIS, CGAS, Sudurpashchim Province, FY 2019/20-FY 2021/22

To sum up, this analysis on fiscal transfer in health in Sudurpashchim shows that there is not a definite trend in budget allocation over the period of three fiscal years for the majority of the budget categories. The provincial health budget excluding the budget allocated by the LLs within the province has increased by almost NPR 1 billion in FY 2020/21 but decreased in the next fiscal year indicating that the increased budgetary requirement for COVID-19 prevention, treatment and management could be the major reason. Though the budget has decreased in the current fiscal year, there are possibilities for changes in the budget volume after adjustment towards the end of the fiscal year as the initial budget has been taken into consideration in this analysis.

CHAPTER 5: HEALTH BUDGET ANALYSIS OF LOCAL LEVELS

This chapter analyses the total health budget of the 88 LLs within Sudurpashchim Province in FY 2019/20, 2020/21 and FY 2021/22 comprising of conditional and unconditional grants allocated from the FG and PG and their own revenue sources. The total health budget includes all the budget headings that have been categorised as health programmes in SuTRA. However, some of the budget that might have been allocated for the COVID-19 response from various funds like disaster management fund has not been included in the study. SuTRA of LLs is the source of all budget and expenditure data. It gives both the macro and micro level analysis to provide a complete picture and detailed information on the health budget.

5.1 Health Sector Budget by Types of Local Levels

Table 5.1 shows the total percentage allocation of LLs within Sudurpashchim Province in the health sector. The overall percentage of budget allocation in the health sector has not changed much between FY 2019/20 and FY 2021/22. The lowest percentage of allocation in FY 2019/20 was in sub-metropolitan cities (2.8%) increasing by almost three folds in FY 2020/21 (7.1%) which could be due to increased resource allocation for COVID-19 response and management as it has decreased to 5.4% in FY 2021/22. In FY 2021/22, rural municipalities have allocated the highest proportion of their budget to health (8.8%).

Table 5.1: Health sector budget allocation against total budget by types of local levels

Amount in NPR Million

Local levels	FY 2019/20		FY 2020/21		FY 2021/22	
	Total	% In health	Total	% In health	Total	% In health
Sub-metropolitan Cities (n=1)	1,744.9	2.8	1,928.7	7.1	1,812.8	5.4
Municipalities (n=33)	21,551.3	7.3	23,818.1	8.2	21,945.6	7.7
Rural Municipalities (n=54)	22,289.9	7.8	25,585.1	7.6	22,991.2	8.8
Total	**45,586.1**	**7.3**	**51,331.9**	**7.8**	**46,749.6**	**8.2**

Source: SuTRA, FY 2019/20-2021/22

5.2 Health Sector Budget of LLs by Revenue Sources

The federal conditional grant remains the major source of the health budget at the LL contributing more than 85% in the total health budget while the PG has contributed the lowest. Less than 5% of the total health budget of LLs was financed by the PG in FY 2019/20 and FY 2020/21 while no budget has been allocated as a conditional grant by the province in FY 2021/22.

Table 5.2: Health sector budget and percentage expenditure of LLs by revenue sources

Amount in NPR Million

Revenue Sources	FY 2019/20		FY 2020/21		FY 2021/22
	Budget	% Exp.	Budget	% Exp.	Budget
Federal Grant	2,897.1	80	3549.2	86	3,390.4
Conditional	2,387.7	80	2943.1	86	2,736.1
Unconditional	509.5	81	606.1	86	654.3
Provincial Grant	79.1	79	119.8	70	72
Conditional	25.1	59	23	52	-
Unconditional	54.0	88	96.8	75	72
Internal Source	371.2	75	359.8	71	353
Total	**3,347.5**	**80**	**4028.8**	**84**	**3,815.4**

Source: SuTRA, FY 2019/20-FY 2021/22

The overall absorption of the health budget has increased from 80% in FY 2019/20 to 84% in FY 2020/21. The lowest absorption seems to be for provincial conditional grants as the LLs have been spending less than 60% of the allocated budget. This could have resulted from delays in the release of funds, guidelines, or financial rules of the province or a lack of skilled human resources at LLs hindering the utilisation of the budget which needs to be explored further. Also, it has to be noted that the volume of provincial grants recorded and reported in SuTRA as received from the province versus those that are recorded and reported by the province in PLMBIS and CGAS as provided to LLs don't match in this report. The initial analysis suggests coding errors or a budget adjustment towards the end of the fiscal year, but further studies are required to confirm the reasons and take necessary actions for correction in budget volume.

5.3 Health Sector Budget of LLs by Capital and Recurrent Headings

Table 5.3: Health sector budget and percentage expenditure of LLs by capital and recurrent headings

Amount in NPR Million

Budget Type	FY 2019/20		FY 2020/21		FY 2021/22
	Budget	% Exp.	Budget	% Exp.	Budget
Recurrent	2,685.4	82	3,298.8	87	3,505
Capital	662.1	69	730	73	310.4
Total	**3,347.5**	**80**	**4,028.8**	**84**	**3,815.4**

Source: SuTRA, FY 2019/20-FY 2021/22

The amount of budget allocated to the recurrent heading has continuously increased in FY 2020/21 and FY 2021/22 while the capital budget has increased in FY 2020/21 but decreased to almost a half in FY 2021/22 (NPR 310.4 million). This could be due to the LLs allocated capital budget for the construction and management of COVID-19 isolation and quarantine centres in the FY 2019/20 and FY 2020/21. As the infrastructures were already available, the amount of capital budget could have decreased in this fiscal year. The absorption of allocated budget has improved for both capital and recurrent headings.

5.4 Health Sector Budget of LLs by Administrative and Programme Headings

Table 5.4: Health sector budget and percentage expenditure of LLs by administrative and programme headings

Amount in NPR Million

Budget Type	FY 2019/20		FY 2020/21		FY 2021/22
	Budget	% Exp.	Budget	% Exp.	Budget
Administrative	1,327.4	88	1,587.9	89	2,006.3
Programme	2,020.1	74	2,440.9	81	1,809.1
Total	**3,347.5**	**80**	**4,028.8**	**84**	**3,815.4**

Source: SuTRA, FY 2019/20-FY 2021/22

The amount of budget allocated on programme headings has increased in FY 2020/21 but decreased in FY 2021/22. Whereas there has been a constant increase in administrative budget over the years. The percentage of absorption is higher for administrative headings in both FY 2019/20 and FY 2020/21.

5.5 Health Sector Budget of LLs by Chart of Account

Table 5.5 shows the distribution of the total health budget at local levels aggregated under major line-item headings. The highest percentage of the budget was allocated to wages and salaries in the three years followed by programme activities. Almost half of the health budget has been allocated to wages and salaries in FY 2021/22. Similar to the provincial level, the wages, and salaries for health workers at LLs had not been separated and therefore, the budget reported here might change if LLs calculate the budget under this heading separately. In FY 2019/20, the lowest budget absorption was in capacity building (63%) followed by capital construction (69%). In FY 2020/21, the absorption of capital construction budget increased to 74% and the highest absorption was for the purchase of medicines and inter-governmental fiscal transfer.

Table 5.5: Health sector budget and percentage expenditure of LLs by chart of account

Amount in NPR Million

Line Item	FY 2019/20		FY 2020/21		FY 2021/22
	Budget	% Exp.	Budget	% Exp.	Budget
Wages & Salaries	1,109.5	89	1,297	88	1,861.7
Support Services	218	80	290.9	92	144.7
Capacity Building	27.8	63	22.1	85	65.4
Programme Activities	847.1	73	1,195.3	82	874
Medicine Purchases	170.3	89	196.5	93	249.9
Social Service Grants and Social Security	100.8	85	89.3	85	254.6
Subsidy for Institutions (Public, Financial, and Non-Financial)	84.8	84	83.3	92	54.6
Inter-governmental Fiscal Transfer	127	82	124.4	93	-

Capital Construction	566.7	69	633.7	74	250.7
Capital Goods	95.4	71	96.3	65	59.7
Total	**3,347.5**	**80**	**4,028.8**	**84**	**3,815.4**

Source: SuTRA, FY 2019/20-FY 2021/22

The amount of inter-governmental fiscal transfer at the LLs has decreased drastically to zero in FY 2021/22 as this budget has been recoded into respective economic headings after receiving the budget as a grant from the FG and PG. This grant supports the public accountability of funds.

5.6 Health Sector Budget of LLs by Chart of Activities

The disaggregation of the budget of LLs by chart of activities shows that in FY 2019/20 and FY 2020/21, more than 42% of the budget was allocated for office operations and administrative expenses which increased to 53% in FY 2021/22. In FY 2020/21, the budget increased substantially for COVID-19 control, drug related regulation, purchase and supply and physical infrastructure development and improvement which could be for COVID-19 management. The absorption of the budget was highest for hospitals (95%) but the lowest percentage of the budget was allocated to them in FY 2020/21 and FY 2021/22. The budget allocated to ayurveda and alternative medicine was absorbed the most in FY 2020/21 (90%).

Table 5.6: Health sector budget and percentage expenditure of LLs by chart of activities

Amount in NPR Million

Activities	FY 2019/20		FY 2020/21		FY 2021/22
	Budget	% Exp.	Budget	% Exp.	Budget
Office Operations & Administrative Expenses	1,546.4	87	1,710.9	87.8	2,029.9
Reproductive, maternal, neonatal, child and adolescent health (RMNCAH)	603.8	74	678.7	82.4	706.1
FCHV & community health programme	153.2	70	143.4	87.6	212.5
Communicable & Infectious Disease Control including epidemic and disaster management	79.6	78	52.6	69.8	78.8
Coronavirus Disease (COVID-19) Control	264	92	412.3	84.9	120.5
Non-Communicable Disease	16.2	65	10.9	73.9	46.2
Eye Health Care	1.8	60	3.2	64.7	5.9
Social Health Protection Services	15.5	68	15.1	76.1	24.3
Laboratory and Diagnostic Services	16.3	75	20.8	81.9	16.1
Health Education, Information, Research and Surveys	17	52	28.8	63	23.1
Ayurveda and Alternative Medicines	69.5	72	80.4	90.3	20.2
Drug related regulation, purchase & supply	156.2	78	309.4	86.4	381.2
Physical Infrastructure Development and Improvement	402.2	60	556.4	74.9	146.7

Other Health Services	4.2	74	5.5	70	3.3
Hospitals	1.6	95	0.4	21.1	0.6
Total	**3,347.5**	**80**	**4,028.8**	**84.2**	**3,815.4**

Source: SuTRA, FY 2019/20-FY 2021/22

5.7 Health Sector Budget of LLs by NHSS Outcome Indicators

At the LLs, no budget has been allocated for strengthening decentralised planning and budgeting and improving sustainability of the health sector financing in all three consecutive years. Almost 40% of the budget was allocated to improve quality of care at point-of-delivery in FY 2019/20 and FY 2020/21 which increased to more than half of the total health budget (53%) in FY 2021/22 with 87% absorption in the former year and 88% absorption in the later year. The absorption of the budget was the highest for improving availability and utilisation of evidence in decision making in FY 2019/20 which received the lowest amount of budget.

Table 5.7: Health sector budget and percentage expenditure of LLs by NHSS outcome indicators

Amount in NPR Million

NHSS Outcome Indicators	FY 2019/20		FY 2020/21		FY 2021/22
	Budget	% Exp.	Budget	% Exp.	Budget
Rebuilt and strengthened health systems: Infrastructure, HRH management, Procurement and Supply chain management	20.9	55	16.9	71	14.0
Improved quality of care at point-of-delivery	1,349.3	87	1,546.0	88	2,021.1
Equitable utilisation of health care services	446.5	70	307.5	82	468.6
Strengthened decentralised planning and budgeting	-	-	-	-	-
Improved sector management and governance	184.7	83	210.4	86	224.3
Improved sustainability of health sector financing	-	-	-	-	-
Improved healthy lifestyles and environment	134.6	74	318.4	82	250.1
Strengthened management of public health emergencies	1,210.3	75	1,318.1	81	806.9
Improved availability and use of evidence in decision-making processes at all levels	1.2	95	311.4	86	30.5
Total	**3,347.5**	**80**	**4,028.8**	**84**	**3,815.4**

Source: SuTRA, FY 2019/20-FY 2021/22

Therefore, this analysis shows that there has not been much change in the allocation of the budget in the health sector over the years. The federal grant still remains the major source of the health budget. The budget in different headings has changed slightly in FY 2020/21 but returned back to the volume similar to that in FY 2019/20 making it difficult to determine the

trend in budget allocation and expenditure, most probably due to the COVID-19 pandemic and actions taken for its prevention and management.

CHAPTER 6: CONCLUSION AND WAY FORWARD

This chapter provides a summary of the findings in the form of a conclusion and outlines the way forward. The way forward included in this chapter may require further discussions with the officials working at the local, provincial, and federal governments. This BA suggests that the priority of health is increasing at sub-national levels.

6.1 Conclusion

Recent evidence in UHC suggests that lower- and middle-income countries should spend at least five percent of their GDP on health which is around NPR 9,630 per-capita spending. This analysis confirms that the provincial government health spending as a share of GDP is very low (2.2% in FY 2020/21) as a result of the FG spending being far less (2.4% in FY 2020/21) than the desired level. However, the per capita health expenditure is an increasing trend. As compared to FY 2017/18, the per capita health expenditure has almost doubled at the national level in FY 2020/21 and increased by almost five folds in Sudurpashchim Province in the same time frame. A few of the key contributing factors for this could include the budget allocation for COVID-19 response and management since FY 2019/20 and the additional resource allocation at the sub-national level from their own internal sources in addition to their federal grant. However, the current investment in health is not sufficient to achieve UHC and SDGs by 2030.

The GoN provided NPR 798.4 million to Sudurpashchim Province and NPR 2.7 billion to LLs within the Province as a conditional grant through Redbook in FY 2021/22. The health sector budget allocation as a percentage of the total budget has increased in the province in FY 2019/20 (13%) after the COVID-19 outbreak but decreased afterwards which should have increased/remained the same to meet the potential increase in demand for financial resources to contain the pandemic. Among the provincial spending units, PHD has only received 4-6% of the total health budget throughout the years though it is the major health programmes' implementing entity at the provincial level. For the LLs within the province, the health sector budget allocation as a percentage of the total budget has not changed much over the years. Federal grants remains the major source of the health budget contributing to more than 85% of the total health budget.

The highest amount of the budget at the province has been allocated to programme activities throughout the years whilst the budget for wages and salaries has increased by more than NPR 110 million in FY 2020/21, probably due to an increased need for human resources to manage COVID-19 which decreased in the following year. The disaggregation of the provincial health budget by chart of activities shows that the allocation has been the highest in ayurveda and alternative medicine in FY 2021/22, possibly due to its increased popularity during the second wave of COVID-19 pandemic. Similarly, the highest budget allocation has been in wages and salaries at the LLs followed by programme activities since FY 2019/20. Disaggregation of the budget at LL by chart of activities showed that almost 40% of the health budget had been allocated for office operations and administrative expenses in FY 2019/20 and FY 2020/21 and it captured almost 50% of the budget in the current fiscal year. At the provincial level, the undivided budget under the heading inter-governmental fiscal transfer has been decreasing. Yet, 51.8 million remain undivided in FY 2021/22 while at the LLs, they have been distributed to different headings this year.

Only 69% of the total health budget was absorbed in the province in FY 2019/20 while almost three quarters was absorbed in FY 2020/21. The highest absorption was observed for their own resources in FY 2020/21. At LLs, the absorption increased from 80% in FY 2019/20 to 84% in FY 2020/21. It was the least for provincial conditional grants in both the years. The initial analysis suggests that this could be due to delays in the release of funds, guidelines, or financial rules of the province or a lack of skilled human resources at the LLs limiting the utilisation.

6.2 Way Forward

This analysis has brought up some important issues that need to be addressed by all three spheres of the government. The current challenge in the federalised context is to sustain the progress made in the health sector at the sub-national levels and improve the health-related indicators subsequently. Evidence-based AWPBs at FG, PG as well as LL need to be harmonised through a comprehensive policy framework that is acceptable for all tiers of government. This is particularly important due to constitutional provision of 'concurrent rights' for all governments. The following points comprise of some specific recommendations for the way forward:

a. Align the health polices and strategies at all spheres of government through an umbrella policy and strategic framework developed by the FG.
b. Ensure the coherence of legal provisions across all spheres of government.
c. Continue the allocation of at least 10% total budget in health sector every year.
d. The FG needs to formulate a costed health financing strategy applicable for all spheres of government. This would enable the GoN to develop a roadmap for securing at least USD 86 per capita for improving access to primary care or to secure 10% of the total budget for health sector and continue encouraging the PGs and LLs to increase their investment in health-PG needs to support the implementation.
e. Support the formulation of a national guideline to reduce the conditional grant and increase the health budget allocation through equalisation, matching, special grants ,and local revenue.
f. SNGs to be capacitated to prepare proposals to receive special and matching grants from the FG.
g. Initiate the discussion on a conditional grant transition plan for the province by FG and PG.
h. The PG should consider the fact that LLs can contribute additional resources for health from their revenue sources but not all LLs generate the same amount of revenues. Hence, it would be important for the province to plan and allocate the provincial grants to LLs accordingly.
i. Improve the capacity to record and report budgetary information at SNGs.
j. PG need to find out the definitive reasons for low absorption of provincial grants at the LLs and take necessary actions to address them.
k. The inter-governmental fiscal transfer needs to be disaggregated into defined budget headings for improving public transparency of funds at both PGs and LLs.

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