

Analysis of Allocation and Utilization of Health Sector Budget for COVID-19 Response and Management in Nepal

Background

The Nepalese health system has learned many policies, systems, and implementation lessons related to the prevention and control of the COVID-19 pandemic. Since the outbreak of COVID-19, the Government of Nepal (GoN) has formulated various policies, legal frameworks, and directives to contain the pandemic. Based on the changing nature of the pandemic, some of these documents need to be contextualised while some are still relevant¹. This specific policy analysis would support the federal Ministry of Health and Population (FMoHP) to make the relevant policy decisions. All three spheres of the Government allocated a total of 64.3 billion through the Red Book to address the COVID-19 response and management. The Subnational Governments (SNGs) have also utilised their local resources in COVID-19 containment. Resources from various external development partners (EDPs) were also received in the form of financial support, in-kind support, and technical assistance. Evidence on budget allocation and utilisation against the COVID-19 response is essential for all spheres of government in the budget formulation process, management of virement, and assurance of additional budget required.

Objectives

The objective of the COVID-19 budget analysis is to support policy makers, programme planners, and EDPs by providing policy analytics and disaggregated information on allocations and expenditures of budget for COVID-19 (FY 2019/20 – 2020/21). This analysis also helps policy makers to understand the budget allocation and expenditure patterns by the response pillars of COVID-19.

Methodology

Relevant COVID-19 policies, legal frameworks, response plans, and amendments of existing financial laws were reviewed to identify major interventions prescribed in those documents. Additionally, COVID-19 related health sector budgets and expenditures related information

were compiled from three provinces (Province 2, Lumbini Province and Sudurpashchim Provinces) and selected Local Levels. The major sources for the budget data were Red Book, line ministry budget information system (LMBIS), and Sub-National Treasury Regulatory Application (SuTRA).

Policy Framework

A total of 77 COVID-19 related documents mainly policy, plan, guidelines and protocols were traced, which were developed by the GoN until November 2021. At the provincial level, the concerned ministry responsible for the health sector along with Provincial Health Directorates (PHD) have developed additional guidelines aligning with the federal ones and accordingly prioritised the preventive and control measures. Local Governments have been following the

¹ Analysis of Allocation and Utilization of Health Sector Budget for COVID-19 Response and Management in Nepal, MoHP (2021)

the frameworks provided by the federal and provincial governments for the implementation of preparedness and response activities². The importance of ensuring logical flow of various documents, with hierarchy (policy, guideline, protocol, procedures, Terms of Reference (ToR) and Scope of Work (SoW)), and their dissemination through FMOHP website were highlighted by the many of the respondents.

COVID-19 Planning and Budgeting

During the first wave of the COVID-19 cases, planning and budgeting for COVID-19 management was done on an ad-hoc basis as the pandemic was announced towards the end of the fiscal year. Later in 2020/21, planning became more structured and responsive to the evolving needs and challenges. In the annual plan, Federal Government allocated budget for each level whereas provinces and local levels topped up the budget from their internal resources. In FY 2021/22, more reactive planning was reported which was mainly due to the changing nature of COVID-19 pandemic. Local levels had utilised the budget under the heading of 'disaster management fund' while responding to the pandemic. The majority of respondents from local levels stated that they allocated a sufficient amount of budget for COVID-19 response in the areas based on the learnings from the first wave. Majority of the local levels also made a provision of lump sum budget under 'COVID-19 fund'.

"We struggled a lot to convince the planners to allocate adequate budget for COVID-19 response in FY 2020/21 and succeeded; however, the cases decreased towards the mid of the year and we could not utilise the budget much. As a result, the budget was transferred to other headings. Later, the cases surged and budget was insufficient." –Key Informant Interview, LG26

COVID-19 Budget Utilization

The national budget decreased in FY 2020/21 in comparison to FY 2019/20 and again increased in the FY 2021/22 while the health sector budget has increased in three consecutive years. To be specific, the FMOHP budget (including health sector conditional grants for provincial and local levels) increased from NPR 68.77 billion in FY 2019/20, to NPR 90.69 billion in FY 2020/21, and then to NPR 138.01 billion in FY 2021/22. Within the health sector, COVID-19 budget increased from NPR 11.61 billion in FY 2019/20, to NPR 29.82 billion in FY 2020/21, and then to NPR 64.29 billion in FY 2021/22. However, utilisation rate of FMOHP budget has been lower in 2020/21 as compared to previous year including for the COVID-19 specific budget. Among the three levels, the highest utilisation of COVID-19 budget was at the federal level (76.5%) in FY 2020/21 followed by provincial level (72.3%) and local level (67.9%). Details included in enclosed table.

Among three provinces that the study focused, Province 2 allocated NPR 593.4 million In FY

Total budget and expenditure for COVID-19 response at all levels (Amount in NPR Million)

Budget heading	FY 2019/20		FY 2020/21		FY 2021/22
	Allocation	Exp. (%)	Allocation	Exp. (%)	Allocation
National budget	1,532,967.1	71.2	1,474,645.4	85.9	1,647,576.7
Health sector budget	85,459.1	78.0	115,062.0	70.1	156,772.7
FMOHP budget	68,779.1	76.8	90,690.1	70.7	138,010.2
COVID-19 budget	11,618.0	79.9	29,822.85	72.3	64,298.27
Federal	5,932.8	80.9	14,021.7	76.5	47,186.1
Provincial	-	-	6,033.75	72.3	7,868.07
Local*	5,685.2	78.8	9,767.4	67.9	9,244.1

Source: LMBIS, PLMBIS and SuTRA, FY 2019/20-FY 2021/22

² Response to COVID-19: Health Sector Preparedness, Response and Lesson Learnt. Ministry of Health and Population (2021)

2020/21, and that was reduced to NPR 398.4 million in FY 2021/22. Similarly, each of the local levels covered in the study had allocated budget for COVID-19 in FY 2020/21. In the same year, Gaur Municipality was the local level with the highest utilization rate (99%) COVID-19 budget while three of the Local Levels spent less than half of the allocated amount, with the lowest utilization in Rajbiraj Municipality (20%)³. Lock down and other restrictive measures were among the main factors contributing for low utilization of the allocated budget as reported by the respondents.

Virement Status

The FMoHP managed the budgetary deficit for COVID-19 response and management through virement from different programme headings with expected surplus in budget. Two types of virement were performed. The first type was internal virement within the FMoHP where the budget was transferred from one programme or line item to another category. The second type was external in which additional budget was provided by the Ministry of Finance (MoF) to address the budget deficit. Expecting the resource constraint due to pandemic, the MoF issued a circular in April 2020 to halt the budget spending under 14 different line items which was also applicable for the health sector. In FY 2020/21, FMoHP faced a net positive virement of 2.78% with NPR 62.36 billion budget against from the initial allocation of NPR 60.67 billion. Against the initial allocation, the recurrent budget increased by 3.98% while the capital budget declined slightly by 0.63%. In the same year, FMoHP had substantial increased in COVID-19 related budget through virement of 134% from initial allocation of NPR 6 billion to NPR 14.21 billion⁴.

Audit Observation

In light of the COVID-19 pandemic, the Office of Auditor General (OAG) published a special Audit Report on COVID-19 management in FY

2019/20. The major areas of audit observations included addition of temporary mechanisms like COVID-19 Crisis Management Centre, higher fees for COVID-19 treatment at private hospitals, poor monitoring of the fee structure for RT-PCR testing in private laboratories, and COVID-19 related procurement. Department of Health Services (DoHS) procured logistics at an average of 30.88% less than the estimated cost. It also procured 51 types of health items worth NPR 48.5 million directly based on rates prepared by other hospitals without approving the cost estimate⁵. At the local level, the major audit observations were related to expenditure without action plan, expenses of budget in headings other than the planned ones, no internal audits, and no settlement of advance. The highest expenditure without action plan was observed in Province 2.

Challenges

GoN has put significant efforts in developing COVID-19 related policies, allocating budget, and mobilizing the resources. However, the learnings is that better coordination and continuous communication among the 'whole of the government' in major decision making could have helped programme implementation. In FY 2019/20, some level of duplication was observed in managing quarantine centers and allocating budget to procure medicines and supplies. Due to unclarity on budget implementation, many spending units slowed down the spending and also received audit observations. There is a room for improvement in terms of mobilising the support of development partners in more harmonized manner across the country. There was tendency among the development partners to focus their inputs in their geographical focus.

Conclusions and Way Forward

The FMoHP developed a large number of policies, directives, guidelines, and standards in a short span of time in response to COVID-19. However, as the COVID-19 is evolving, the

³ GoN (2019/20, 2020/21 and 2021/22). Red-Book.

⁴ MoHP (2019/20, 2020/21 and 2021/22). AWBP of the MoHP FY 2020/21.

⁵ OAG (2020). Report of the Office of Auditor General FY 2019/20.

relevancy and accuracy of some documents have changed. Establishment of a policy lab within the FMOHP may be considered to refine COVID-19 policy documents and making them available to the institutions and individuals involved in the containment.

A clear guideline on the 'budget preparation and implementation' tailoring to the specific needs for prevention and control of pandemic could be prepared to facilitate timely implementation and minimize audit queries in future. Internal control mechanisms including clear line of 'decision tree', internal audit, and audit clearance guidelines would help in improving the quality of the spending. This would also contribute in motivating the chief of spending units across all spheres of government to take timely actions during the pandemic. A revision of the internal control guidelines tailoring to the learnings from COVID-19 can also be helpful to improve the financial management.

The commitment of the SNGs in allocating financial resources and mobilising human resources has made significant contribution in combating COVID-19 in Nepal. The resource allocations by local and provincial governments in community mobilisation, risk communication, quarantine management, and other public health measures were reported to highly effective to address immediate needs. In such context, development of an Act focusing on health emergencies would facilitate the implementation of major interventions along with management of resources across three levels of government.

The timely preparation, endorsement, and implementation of technical specifications of medicine, equipment, and supplies contribute in combating the COVID-19 pandemic. The existing COVID-19 specification bank needs to be improved and make it electronically available to all spending units. A projection and quantification also need to be carried out on a regular basis as the FMOHP is doing through Rapid Action Plans.

This analysis has revealed that 111 partners have offered their support to GoN in the COVID-19 response. The FMOHP strengthened Health Emergency Operation Centres (HEOCs), established Incident Command Systems and practiced regular meetings of the health cluster with development partners. An umbrella policy on Health Emergency Operation Centers at federal, provincial and local levels would help in prioritising the resource needs, reducing duplication in support, and assuring the transparency in distribution of supplies and medicine.

Finally, assuring the resources from the public purse is very important in managing the pandemic. The development of the COVID-19 rapid response plan was instrumental in securing resources and facilitating implementation of the response activities. MoHP's COVID-19 response plan could serve as a guiding document to prepare a national framework in developing subsequent rapid action plans. Such practices should be documented and accordingly institutionalised to facilitate timely decision making and smooth implementation.

For further details, contact:

Dr. Guna Nidhi Sharma (drgunish@gmail.com) and Ms. Hema Bhatt (hema@nhssp.org.np)

