Health Sector Budget Analysis of Lumbini Province and Local Levels

Nepal Health Sector Support Programme
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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 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 have also been 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 budget analysis report is the first attempt for the sub-national BA.

The Health Sector BA report of Lumbini Province and Local levels (LLs) intends to enable the Ministry of Health (MoH), Provincial Health Directorate (PHD), LLs, policy makers, planners, programme managers and External Development Partners (EDPs) to understand the trend of budget allocation for three-year period from Fiscal Year (FY) 2019/20 to FY 2021/22. The expenditure has been reported for the 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 from 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 Computerised Government Accounting System (CGAS) while 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 years and the initial budget has been used for allocation in the current fiscal year. Hence, minor changes in budget might be observed when compared with the federal BA report from 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 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 Lumbini Province, it increased from 0.4% of GDP in FY 2017/18 to 1.3% in FY 2020/21 though it is far less of a progressive result towards Universal Health Coverage (UHC) than what is recommended by the Chatham House Report, 2014[1]. Similarly, per capita expenditures on health in the province show increasing trends, with almost a four-fold increase between FY 2017/18 and FY 2020/21, when they peaked at NPR 1,839. However, there has always been a huge gap in per capita expenditures between the provincial and national level. The trend in the health sector budget allocation as a share of the total budget from the province shows that there has been a constant increase until FY 2020/21 (11.7%) since FY 2017/18 (1.6%). Although, this has slightly decreased in FY 2021/22 (10.2%).

[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.

Lumbini Province receives the budget from the FG and also has its own revenue sources. It allocates its budget to LLs in the forms of conditional, equalisation, matching and special grants. Though federal conditional grants was a major source of the health sector budget for the province in FY 2019/20, the province has since increased its investment in health in the recent years, and over half of the health sector budget was funded by their own revenue sources in the last two fiscal years (60% in FY 2020/21 and 61% in FY 2021/22). The provincial health budget, excluding the budget allocated by the LLs within the province, has increased by almost 1.7 times in FY 2020/21 indicating that the increased budgetary requirements for COVID-19 prevention, treatment and management are the leading reasons. The total absorption of the health sector budget has not changed much in the last two years. It reached 80% in FY 2020/21 from 83% in FY 2019/20.

At the LL, the federal grant remains the major source for the health sector budget. Less than 3% of the total health budget of the LLs has been financed by the province in the last three consecutive years. Similarly, the share of the total health budget from internal revenues increased from 14% in FY 2019/20 to 20% in FY 2020/21. However, it decreased to around 17% in FY 2021/22. The budget absorption has increased from 73% in FY 2019/20 to 77% in FY 2020/21, with the lowest absorption of provincial grant (62% in FY 2019/20 and 74% in FY 2020/21). The initial analysis suggests potential reasons for low absorption could include delays in the funds' flow, release of budget utilisation guidelines and a lack of skilled human resources at the LLs. However, further studies to understand the reasons and actions to address them would be necessary for better absorption of the budget and delivery of health services to ensure health is upheld as a fundamental right for citizens as mandated by the Constitution of Nepal. Health policy and strategy at 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 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 PG and LLs capacity to record and report budget and expenditure related data and information needs.

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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
MoF	Ministry of Finance
MoH	Ministry of Health
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
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 methodology used for the sub-national BA.

1.1 Background

Health has been declared a fundamental right by the Constitution of Nepal, 2015 (GoN, 2015). The National Health Policy (2019), which comes under the constitution's overarching framework, aims to implement this right by ensuring equitable access to quality health care services are given to 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 PG as well as 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 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 hold a greater fiscal space through the improvement of resource allocation from all spheres of governments.

Federal, provincial as well as local government, collectively and continuously aim to improve their financial management through timely planning and budgeting of their plans and programmes and disbursement of funds to their respective Spending Units. Attempts are also being made to strengthen the budgetary recording and reporting system to ensure the public accountability of funds. This provides a foundation for effective, efficient, and quality service delivery. 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 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 LLs. Since FY 2013/14, the Health Sector Budget Analysis of the FG is being conducted every year analysing the flow of grants from FG to Sub-national Government (SNGs), resource allocation and absorption gaps and providing policy recommendations. However, such attempts have not been made at the provincial level. In absence of credible evidence, it would not be possible for PGs to request for an increased proportion of an unconditional grant and reduced 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 within the province. Additionally, the COVID-19 pandemic has placed health in the centre of public debate raising concerns around resource allocation for all spheres of government.

This BA report is the first attempt for a sub-national budget analysis and primarily aims to provide a format to the SNG to analyse their budget by capturing the information related to health budget channelled to Ministry of Health (MoH) of Lumbini Province and its spending units from different sources. In addition, the conditional grants provided by FG to LLs within

Lumbini Province have been reported. Efforts have also been made in the report to analyse the health budget allocated to and from Lumbini Province and LLs through different fiscal modalities including internal sources.

1.2 Objectives of the Analysis

The purpose of this BA is to support the MoH, 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-FY 2021/22. It also aims to provide the reader with a synthesis of the main features of budget allocations and draw comparisons with the actual spending of the last two fiscal years by source, programme, and disbursement level.

The specific objectives of the BA are as follows:

1. Analyse the trend of macro-indicators in health from FY 2017/18 to FY 2021/22.
2. 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.
3. 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.
4. Analyse the health sector budget allocation and expenditure by Nepal Health Sector Strategy (NHSS) indicators (outcome level indicators) to and from Lumbini Province and LLs within the Province since FY 2019/20 till FY 2021/22.
5. 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 has been reported starting from FY 2017/18. The main sources of information were the federal, provincial, and local government budget books. The task was performed in three phases:

- Collect, review, organise and analyse budget and expenditure data.
- Validate data through workshop.
- Finalise the report.

This BA has attempted to analyse the budget provided to the health sector using different sources at all spheres of government. Adjusted budgets of the past fiscal years have been used to reflect the final expenditures. Some minor changes in amount are possible when readers refer to the previous BA reports of the Federal Government. 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 at the province was prepared based on the information collected from PLMBIS and CGAS whereas the LL was prepared based on data from SuTRA. The data was compiled into standard templates, which then provided the platform for analysis. Discussions with the MoH, PHD, Provincial Health Logistics Management Centre (PHLMC), Provincial Public Health Laboratory (PPHL), Health Office (HO) and financial officials also provided useful commentary, which has been incorporated into this report. For the purpose of this analysis, the total budget and health budget of the federal government, Lumbini Province and LLs within the Province has been analysed.

However, the field work for the preparation of this report suggested a few errors in recording and reporting the budget at all three spheres of government and 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 support the province to improve their budgeting pattern, recording and reporting system and also develop their own BA report.

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.

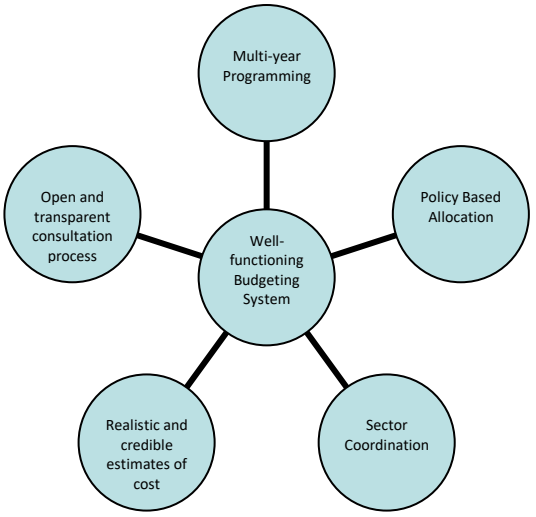
2.1 Fiscal Federalism in Nepal

Fiscal federalism started in Nepal in FY 2017/18. Equalisation funds and conditional grants were the initial forms of fiscal transfers made by the Government of Nepal (GoN). By FY 2018/19, all other forms of fiscal transfers including 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 spending units 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 the 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 the 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 programmes has a direct impact on actual spending and ultimately the performance of the health sector. Health budgets are formulated and executed based on goal-oriented programmes (rather than a list of inputs) and helps to build better alignment between budget allocations, sectoral priorities, and reform indicators.



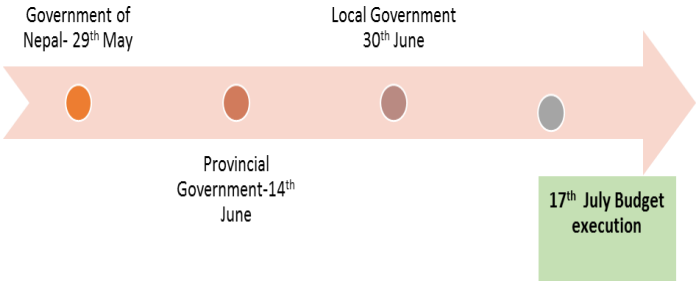
From the perspective of public financial management (PFM), robust public budgeting serves several important functions including setting expenditure ceilings, promoting fiscal discipline and financial accountability, and enhancing efficiency in public spending. The key features of a well-functioning budgeting system typically include multi-year programming,

policy-based allocation definition, sector coordination for budget formulation, realistic and credible cost estimates, 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 increased resources for the health sector will not help achieve the UHC and SDG without having well-functioning planning and budgeting systems.

2.3 Budget Preparation Process in FY 2021/22

2.3.1 Planning in FY 2021/22 at Provincial Government

In FY 2021/22, Lumbini Province was provided NPR 950.1 million as a conditional grant through the Redbook channelled through the MoFAGA. The PG budget included in the Redbook does not need further authorisation. PGs have to announce 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 budget as per the Redbook irrespective of the type of grant (equalisation or conditional grants). MoEAP at the provincial level prepares social sector budgets including the health budget. Hence, the health budget for PGs can include different types of fiscal transfers (revenue transfer, equalization, conditional, special, and matching fund) from the FG and their own revenue and foreign sources. Their budget should be executed by the 17th of July (1st Shrawan).



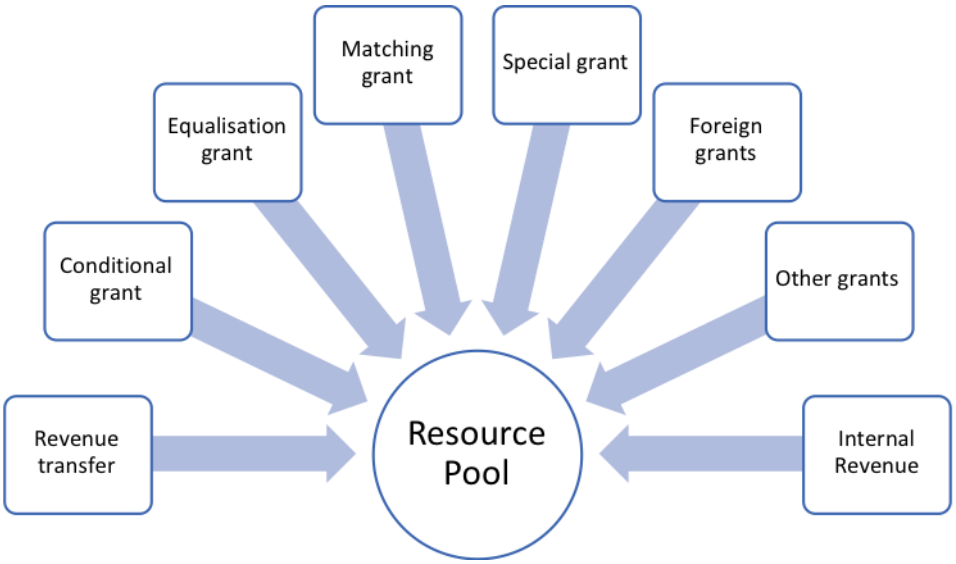
2.3.2 Planning in FY 2021/22 at Local Level

In FY 2021/22, LLs within Lumbini Province were provided NPR 4 billion as conditional grants channelled through the 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 of the budget as per the Redbook, irrespective of the type of grant. Therefore, the health budget for LL can include different types of fiscal transfers (viz. Revenue transfer, equalisation, conditional, special, and matching fund) from the FG. In addition, they can also receive provincial grant 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.

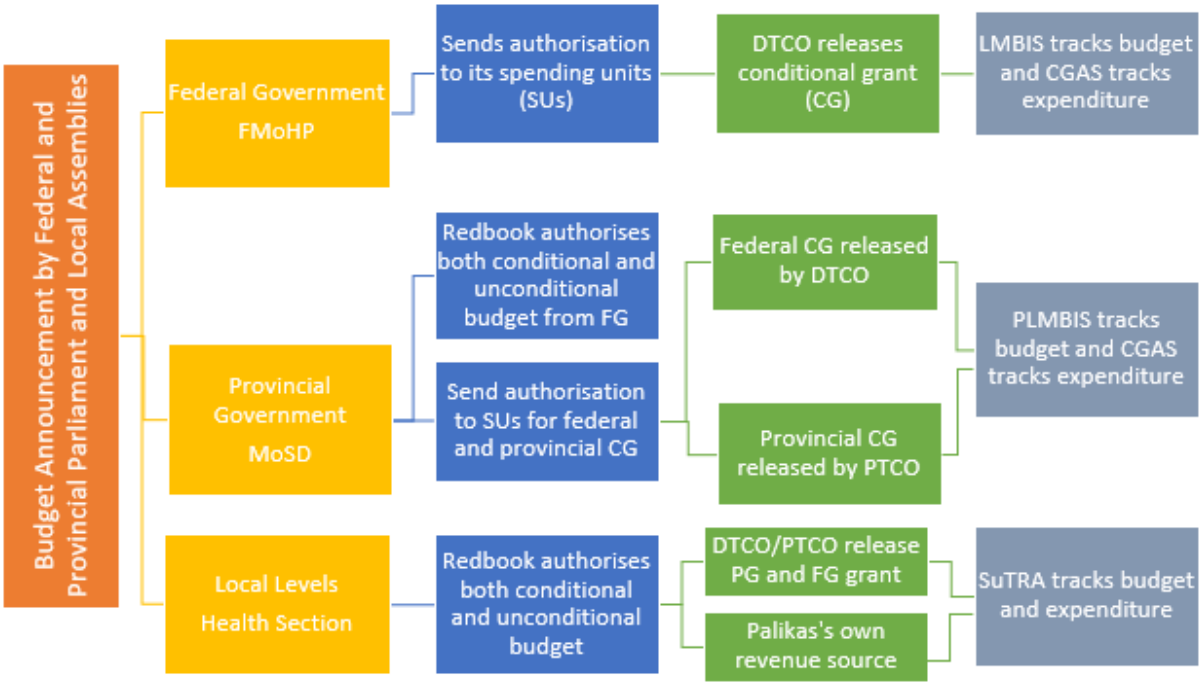
Figure 2.1 Resource Pool for Provincial and Local Government



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 the provincial and local level processes begin in mid-January. Both the PGs and LLs are obligated by the constitution 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 a 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 grants is released through PTCO. Here, PLMBIS is used for recording the budget related data and expenditure is tracked with the support of CGAS. Similarly, SuTRA is used at the LLs to track both budget and expenditure related data. Financial reports at 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.

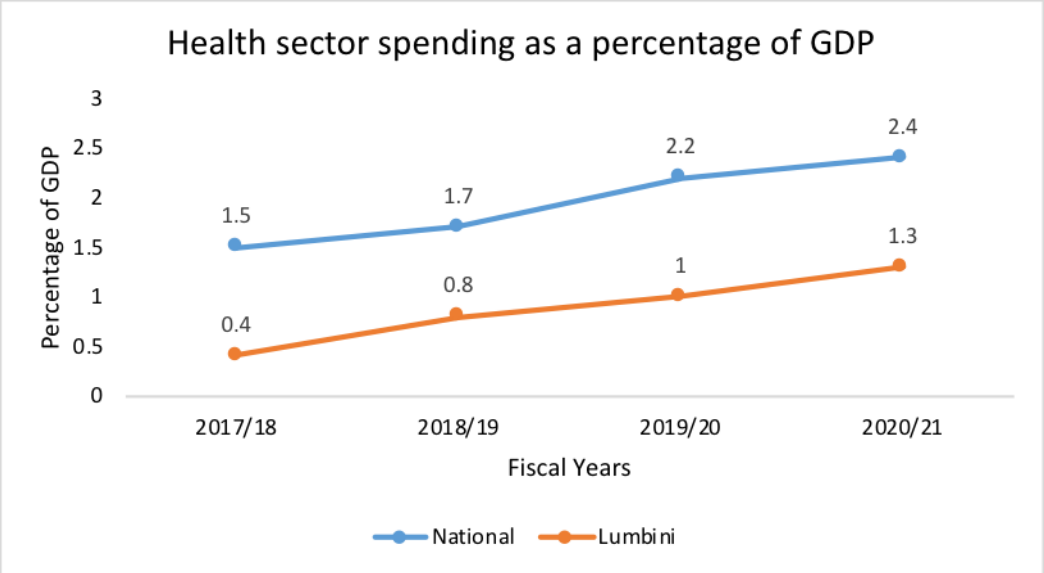
CHAPTER 3: ANALYSIS OF MACRO INDICATORS FOR THE HEALTH SECTOR

This chapter provides a snapshot of Lumbini 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 the percentage of allocation in the health sector out of the total budget. For clarity, the health sector budget is defined as health budget allocated to MoH, 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 Lumbini Province as a Percentage of GDP

Figure 3.1 shows the health sector spending of Lumbini 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 the province's internal resources. The health sector spending of the province has been an increasing trend since FY 2017/18 reaching 1.3% of GDP in FY 2020/21. A gap can be observed between the national and provincial health sector spending which has not narrowed over the years. The 2010 World Health Report stated that public spending of about 6% of GDP on health would prevent catastrophic expenditure of people from 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 lesser 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

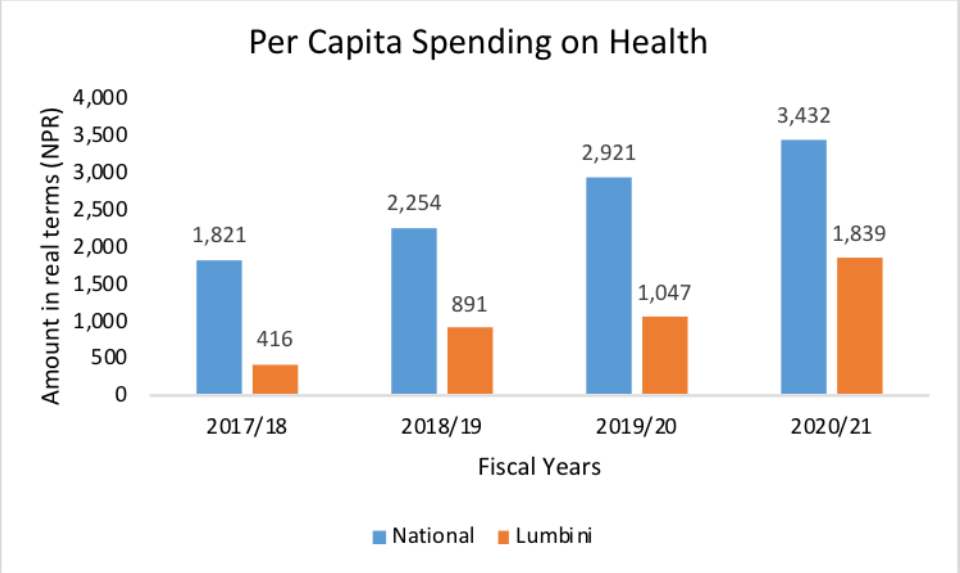


Source: *GDP for FY 2017/18 from Authors' estimate based on National GDP and for FY 2018/19 to FY 2020/21 from Central Bureau of Statistics*

3.2 Per capita Provincial Spending on Health

The per capita spending at Lumbini Province on health was only NPR 416 in FY 2017/18 which almost doubled in the next fiscal year (NPR 891) and has been increasing constantly. However, it is less than the national spending until the FY 2020/21 (NPR 1,839).

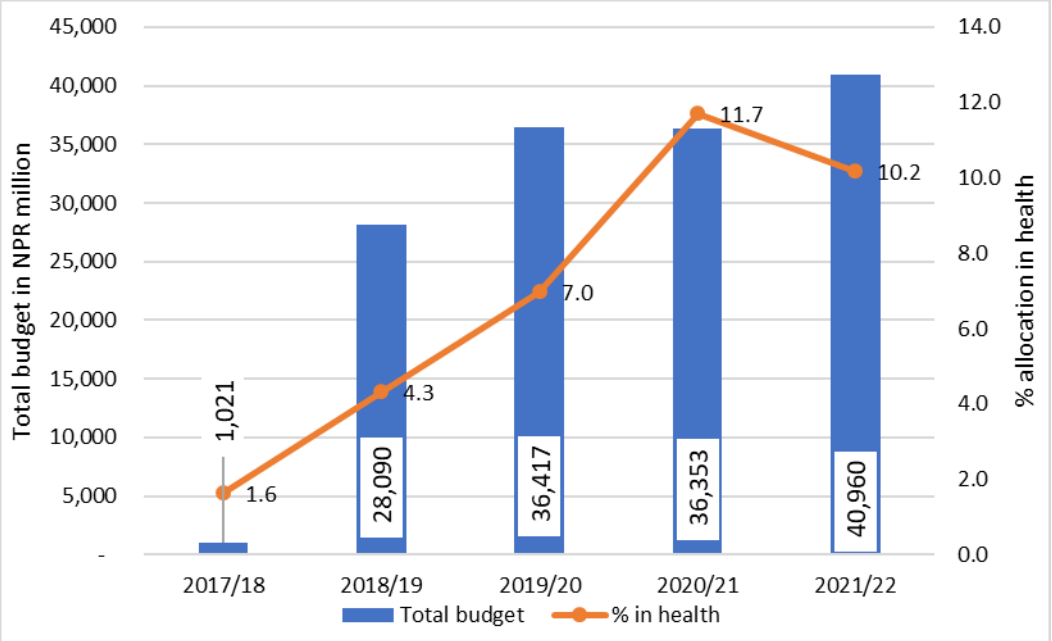
Figure 3.2: Per capita spending on health (in real terms)



Source: Redbook FY 2017/18-FY2020/21, population projection from HMIS

3.3 Share of Health Sector Budget out of Total Budget

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



Source: Redbook FY 2017/18-FY2021/22

Figure 3.3 shows the allocation of the budget in the health sector in Lumbini Province. It excludes the total budget and health budget allocated by the local level. This figure shows that Lumbini Province has been increasing its share of the health sector budget out of the total budget since the first year of federalism and became successful in allocating more than 10% of its budget in the health sector in the FY 2020/21 as aimed in its health policy. However, the allocation has slightly decreased in the FY 2021/22.

CHAPTER 4: ANALYSIS OF HEALTH SECTOR BUDGET OF PROVINCE

This chapter starts with an analysis of the total health budget allocation and expenditure in Lumbini 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 Lumbini Province by Organisational Level

The total budget of Lumbini Province has increased by almost 1.7 times in FY 2020/21 (NPR 4,254.4) from FY 2019/20 (NPR 2,539.4). This might have resulted from the budget being allocated to the COVID-19 response and management as hospitals have been allocated the highest amount of budget throughout the three fiscal years. The percentage of the expenditure remained above 80% in both years. FY 2019/20 and FY 2020/21 were transition periods where MoH was established in the province to manage the health sector independently. During this period, the budget of the MoH has decreased to just half a million in FY 2020/21 and increased considerably in the next fiscal year. Lumbini Province had sent a huge volume of budget to LLs in FY 2020/21 (NPR 690 million) despite no record of expenditure in FY 2019/20. This could again be due to the transition of MoSD to MoH as the budget sent to LLs decreased by more than nine times in FY 2021/22 (NPR 72.8 million) despite their expenditure being over 90% in the previous fiscal year. The health budget has also been financed by other sectors beyond health in the province which has been defined as ***beyond health*** in this report. The financing from beyond health is an increasing trend. The majority of the budget from beyond health has been allocated for health infrastructure development.

Table 4.1: Health budget and percentage expenditure of by organisations

Amount in NPR Million

Organisations	FY 2019/20		FY 2020/21		FY 2021/22
	Budget	% Exp.	Budget	% Exp.	Budget
MoSD/MoH	18.8	80	0.5	-	506.9
PHD	251.1	75	204.3	65	282.3
PHLMC	270.3	77	296.4	75	448.7
PHTC	83.8	79	66.4	72	125.3
PPHL	26.2	61	40.7	84	42.9
Health Offices (HO)	424.8	88	458.8	74	604.4
Hospitals	1,134.3	88	2,015.3	83	1,183.8
Ayurveda	120.9	94	185	85	186.7
Local Levels	30.5	-	690.2	93	72.8
Beyond Health	178.7	74	296.7	55	717.4
Total	**2,539.4**	**83**	**4,254.4**	**80**	**4,171.2**

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

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

The total health sector budget of Lumbini Province comprises of conditional and unconditional grants from the FG and internal sources of province. Details of the health conditional grant activities provided to PGs and LGs can be found at www.mofaga.gov.np. In the last three fiscal years, around three quarters of the health budget has been allocated in recurrent headings. It is important to note that the conditional grant allocated to SNGs is accounted as a recurrent expense in the Redbook. There has been a constant increase in the budget in both the capital and recurrent headings over the years.

The utilisation of the health sector budget in both FY 2019/20 and FY 2020/21 was greater for the recurrent budget. The utilisation was the lowest for the capital budget of 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	1,960.7	85	3,325.4	83	3,061.9
Capital	578.7	77	929.0	70	1,109.3
Total	**2,539.4**	**83**	**4,254.4**	**80**	**4,171.2**

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

4.3 Health Sector Budget of Lumbini 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	937.9	93	1,148.8	81	978.0
Programme	1,601.5	77	3,105.6	80	3,193.2
Total	**2,539.4**	**83**	**4,254.4**	**80**	**4,171.2**

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

As shown in Table 4.3, the programme budget has almost doubled between FY 2019/20 and FY 2020/21 which could be due to the additional programmes on COVID-19 response and management. The administrative budget on the other hand has increased going from NPR 937.9 million in FY 2019/20 to NPR 1,148.8 million in FY 2020/21 and slightly decreasing in the following year. The increase might have resulted from the increase in human resources in the province for the operation of COVID-19 specific hospitals. The absorption of budget was much lower for the programme heading (77%) than the administrative heading (93%) in FY 2019/20 while it was almost the same for both headings in FY 2020/21.

4.4 Health Sector Budget of Lumbini Province by Source of Fund

The PG receives budget from the FG and also has its own revenue sources. Additionally, Lumbini Province sends its budget to the LLs in the form of conditional, matching, and special grants. In FY 2019/20, the federal grant was the major source of the health budget. While the amount of the federal grant slightly increased in FY 2020/21, the allocation for PG on health from its internal sources increased by almost 2.5 times indicating the commitment of the Lumbini Province in the health sector. Here, the internal source comprises of internal revenue and revenue sharing. The province did not receive any foreign grants in FY 2019/20 and in FY 2020/21.

The highest absorption was seen in provincial's own source (90% in FY 2019/20 and 85% in FY 2020/21). Almost one quarter of the federal grant was not absorbed in FY 2020/21. This could be due to delays 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	1,525.6	78	1,712.2	73	1,503
Conditional	781.5	83	1,304.6	72	950.1
Unconditional	744.1	74	407.6	76	552.9
Provincial source	1,013.8	90	2,542.2	85	2,547.6
Foreign source	-	-	-	-	120.6
Total	**2,539.4**	**83**	**4,254.4**	**80**	**4,171.2**

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

4.5 Health Sector Budget of Lumbini Province by Chart of Account

Table 4.5 summarises the disaggregation of the total health budget of Lumbini Province by chart of account. The highest allocation of budget was in wages and salaries in FY 2019/20 while the programme activities occupied the greatest volume of budget in FY 2020/21 and FY 2021/22. However, it has to be noted that the wages and salaries for health workers has 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 budget in programme activities almost doubled between FY 2019/20 and FY 2020/21 and reached NPR 1,832.9 million in FY 2021/22. No subsidies were provided to the public, financial and non-financial institutions in FY 2019/20 but the expenditure was the highest for the same heading in FY 2020/21 (96%) followed by inter-governmental fiscal transfer (93%) in which no expenditure was reported in FY 2019/20. Inter-governmental fiscal transfer consists of the budget which has been sent by the FG under the grant heading and has to be recoded into corresponding economic codes into the financial management system of PG. Yet, this has not been done for NPR 72.8 million 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	767.4	94	808.6	80	764.3
Support Services	170.4	89	340.3	84	213.7
Capacity Building	26.6	77	28.0	81	52.8
Programme Activities	575.0	80	1,057.4	79	1,832.9
Medicine Purchases	159.0	79	131.5	64	85.3
Social Service Grants and Social Security	231.8	80	110.0	89	-
Subsidy for Institutions (Public, Financial, and Non-Financial)	-	-	159.4	96	40.0
Inter-governmental Fiscal Transfer	30.5	-	690.2	93	72.8
Capital-Construction	320.4	76	414.0	66	780.2
Capital Goods	258.3	79	514.9	73	329.1
Total	**2,539.4**	**83**	**4,254.4**	**80**	**4,171.2**

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

4.6 Health Sector Budget of Lumbini Province by Chart of Activities

In FY 2019/20, almost half of the total health budget (45.4%) had been allocated to office operations and administrative expenses. This budget decreased by almost three times for the next fiscal year and nearly resumed its previous state in FY 2021/22. The decrement could have resulted from the transition of the health section of MoSD to MoH. The budget allocated to laboratory and diagnostics drastically increased in FY 2020/21, most probably due to increased budget allocation for COVID-19 testing, treatment and management. This budget has again decreased in FY 2021/22. In the case of the budget for COVID-19 control, a huge volume has been allocated in FY 2020/21 while no budget has been reported in FY 2019/20. This could be the result of COVID-19 being declared a pandemic towards the end of the fiscal year and virement was done to manage it. The grant was also channelled from the FG to LLs directly in FY 2019/20. Ayurveda and alternative medicines seem to have gained popularity since FY 2020/21 as the budget allocation has increased to NPR 366.5 million from NPR 36.9 million in FY 2019/20. In FY 2019/20, Lumbini Province was able to spend 90% of the budget allocated to office operations and administrative expenses whilst the lowest absorption was for eye care, physical infrastructure development and other services (72% each). In contrast, more than 90% of the allocated budget was absorbed in eye health care (99%) in FY 2020/21. Similarly, the absorption in COVID-19 control was 93% and academy and hospitals came to 91% while the budget in health education, information, health research and surveys exhibited the least amount of absorption coming in at 56%.

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	1,153.9	90	418.3	83	1,231.3
Reproductive, maternal, neonatal, child and adolescent health (RMNCAH)	316.3	82	465	71	544.8
FCHV & community health programme	125.8	82	47	80	56.9
Communicable & Infectious Disease Control including epidemic and disaster management	85.7	80	48.9	63	107
Coronavirus Disease (COVID-19) Control	-	-	864.1	93	151.6
Non-Communicable Disease	28.3	78	105	79	262.8
Eye Health Care	24.5	72	9	99	18
Social Health Protection Services	56.7	77	62	84	124.7
Laboratory and Diagnostic Services	29.1	74	605.9	82	77.2
Health Education, Information, Research and Surveys	24.5	80	27	56	23.1
Ayurveda and Alternative Medicines	36.9	75	366.5	80	200.2
Drug related regulation, purchase & supply	323	76	586.5	73	405.5
Physical Infrastructure Development and Improvement	278.5	72	626.5	75	824
Other Health Services	2	72	0.5	90	8.6
Academy and Hospitals	54.2	81	22	91	135.6
Total	**2,539.4**	**83**	**4,254.4**	**80**	**4,171.2**

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

4.7 Health Sector Budget of Lumbini Province by NHSS Outcome Indicators

The disaggregation of the health sector budget of Lumbini Province showed that the highest amount of budget was allocated to improve quality of care at point-of-delivery followed by the rebuilding and strengthening of health systems in all three consecutive years. No budget was allocated for strengthening decentralised planning and budgeting in FY 2019/20 and FY 2021/22 while a nominal budget was allocated last year. Similarly, the budget did not show any allocation towards improving sustainability of health sector financing in FY 2019/20 however the allocation increased afterwards.

The absorption was highest for the improved delivery of care at point-of-delivery (87%) in FY 2019/20. It was the highest (92%) for improving availability and use of evidence in decision-making processes at all levels in FY 2020/21 whilst it scored the lowest for strengthening decentralised planning and budgeting (60%). However, it has to be noted that the NHSS indicators has not yet been localised and caution has to be taken before concluding the investment of the 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	447.1	74	839.7	74	1,089.0
Improved quality of care at point-of-delivery	1,427.0	87	1,561.1	80	1,557.0
Equitable utilisation of health care services	419.7	80	642.6	71	773.0
Strengthened decentralised planning and budgeting	-	-	0.8	60	-
Improved sector management and governance	108.9	82	178.1	90	227.7
Improved sustainability of health sector financing	-	-	19.3	89	30
Improved healthy lifestyles and environment	87.9	82	105.9	74	207.6
Strengthened management of public health emergencies	8.4	83	131.0	88	211.3
Improved availability and use of evidence in decision-making processes at all levels	40.3	83	775.9	92	75.6
Total	**2,539.4**	**83**	**4,254.4**	**80**	**4,171.2**

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

This analysis on fiscal transfer for health in Lumbini Province shows that the health sector budget excluding the budget allocated by the LLs within the Province has increased by 1.07 billion in FY 2020/21 but decreased slightly in the current fiscal year indicating that the increased budgetary requirement to prevent, treat and manage COVID-19 could have resulted in the sharp increase of the budget. Though the budget has decreased in the current fiscal year, there are possibilities for changes in the budget volume after adjustment happening 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 LEVEL

This chapter analyses the total health budget of 109 local levels within Lumbini Province in FY 2019/20, 2020/21 and FY 2021/22 comprising of conditional and unconditional grants allocated from the FGI 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 the 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 a 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 of allocation of LLs within Lumbini Province in the health sector. The total allocation of the budget in the health sector has increased slightly in FY 2020/21 (7%) from 6% in FY 2019/20. The lowest percentage of allocation in FY 2019/20 was in sub-metropolitan cities (5%) which doubled in FY 2020/21 (10%) which could be due to increased resource allocation to hospitals for the COVID-19 response and its management. However, it has since decreased to 6% in FY 2021/22.

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=4)	9,442.3	5	8,519.7	10	9,080.2	6
Municipalities (n=32)	27,468.7	6	30,909.1	7	29,731.6	6
Rural Municipalities (n=73)	36,899.3	7	41,997.3	7	39,920.5	8
Total	**73,810.3**	**6**	**81,426.3**	**7**	**78,732.3**	**7**

Source: SuTRA, FY2019/20-FY2021/22

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 while the PG has contributed the lowest. In FY 2020/21, the LLs almost doubled their allocation to health from internal sources as compared to FY 2019/20 but could not continue or increase it in FY 2021/22. However, the health budget absorption, has improved slightly going from 73% in FY 2019/20 to FY 2020/21 77% as shown in Table 5.2. The absorption has improved the most in the case of the provincial conditional grant. While only half of the budget had been absorbed in FY 2019/20 (50%), and almost three quarters of the budget (76%) was absorbed in FY 2020/21.

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	3,906.7	74	4,443.1	77	4,685.3
Conditional	3,365.4	75	3,872.7	78	3,991.0
Unconditional	541.3	71	570.4	72	694.3
Provincial Grant	110.1	62	152.5	74	61.1
Conditional	29.2	50	76.8	76	4.0
Unconditional	80.9	67	75.7	72	57.1
Internal Source	640.7	66	1133.8	76	968.7
Total	**4657.5**	**73**	**5729.4**	**77**	**5715.2**

Source: SuTRA, FY2019/20-FY2021/22

However, it has to be noted that the volume of the provincial grant recorded and reported in SuTRA as received from the province and the recorded and reported grant by the province in PLMBIS and CGAS as provided to LLs do not align in this report. The initial analysis suggests coding errors or budget adjustment towards the end of the fiscal year could be the cause, 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	3,723.4	78	4,490.8	78	5,273.4
Capital	934.1	52	1,238.6	72	441.8
Total	**4,657.5**	**73**	**5,729.4**	**77**	**5,715.2**

Source: SuTRA, FY2019/20-FY2021/22

The amount of budget allocated to the recurrent heading has increased over the years while there is not a defined trend in the allocation of the capital budget. The capital budget increased from NPR 934.1 million in FY 2019/20 to NPR 1,238.6 million in FY 2020/21 and decreased by almost three times in FY 2021/22. The utilisation of the recurrent budget has remained stagnant in FY 2019/20 and FY 2020/21 at 78% while that of the capital budget has improved to 72% in FY 2020/21.

5.4 Health Sector Budget of LLs by Administrative and Programme Headings

Table 5.4: Health sector budget and percentage expenditure of LL 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	1,841.9	87	2,202.3	82	3,054.8
Programme	2,815.6	63	3,527.1	74	2,660.4
Total	**4,657.5**	**73**	**5,729.4**	**77**	**5,715.2**

Source: SuTRA, FY2019/20-FY2021/22

The amount of budget allocated on the programme heading has increased in FY 2020/21 but decreased in FY 2021/22 while there has been a constant increase in the administrative budget over the years. The percentage of absorption was higher for the administrative heading 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 (49.5%) 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 has not been separated and 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 capital construction (48%) followed by capacity building. However, the utilisation of capital construction budget improved (72%) in FY 2021/22 along with the increase in the amount of budget allocation which could be due to the construction of quarantine and isolation centres for COVID-19 management. However, the budget allocation in this heading has since decreased by more than three times in the current fiscal year.

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	1,625.4	89	1,886.4	83	2,830.4
Support Services	216.6	75	315.8	75	224.4
Capacity Building	33.8	51	27.3	64	93.8
Programme Activities	1,325.2	65	1,833.5	73	1,427
Medicine Purchases	193.8	84	211.0	83	305.3
Social Service Grants and Social Security	201.7	77	105.0	72	352.5
Subsidy for Institutions (Public,	99.5	75	106.4	86	37.4

Financial, and Non-Financial)					
Inter-governmental Fiscal Transfer	27.4	86	5.3	87	2.5
Capital Construction	705.2	48	1,081.1	72	344.5
Capital Goods	229	66	157.6	71	97.3
Total	**4,657.5**	**73**	**5,729.4**	**77**	**5,715.2**

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

As shown in the table above, NPR 2.5 million at LLs remain under the heading 'inter-governmental fiscal transfer' in FY 2021/22 though the allocation shows a decreasing trend. This is the budget received by LLs from FG and PG under grant heading which needs to be further recoded into corresponding economic headings by the LLs in their financial management system but is yet to be done.

5.6 Health Sector Budget of LLs by Chart of Activities

The disaggregation of budget of LLs by chart of activities shows that the highest amount of the health budget has been allocated for office operations and administrative expenses over the years. In FY 2020/21, the budget increased substantially for COVID-19 control and drug related regulation, purchase and supply which subsequently decreased in FY 2021/22. The budget allocated to Ayurveda and alternative medicine reduced by more than three times in FY 2021/22 despite its expenditure in the former years being 78% in FY 2019/20 and 85% in FY 2020/21. However, the budget of the current fiscal year might change towards the end of the year after adjustment.

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	2,136.7	85	2,446.7	82	3,099.0
RMNCAH Services	799.2	60	817.3	67	955.5
FCHV & community health programme	206.0	69	189.3	83	354.1
Communicable & Infectious Disease Control including epidemic and disaster management	120.3	68	92.8	74	129.8
Coronavirus Disease (COVID-19) Control	282.9	88	835.7	83	237.9
Non-Communicable Disease	21.2	37	19.5	58	91.5
Eye Health Care	8.2	48	18.2	47	19.8
Social Health Protection Services	36.5	67	40.2	73	48.5
Laboratory and Diagnostic Services	35.2	56	35.1	80	35.2
Health Education, Information,	26.77	35	41.84	64	49.37

Research and Surveys					
Ayurveda and Alternative Medicines	103.5	78	137.1	85	38.2
Drug related regulation, purchase & supply	183.2	69	376.6	81	479.5
Physical Infrastructure Development and Improvement	687.8	50	671.0	58	167.5
Other Health Services	9.1	44	6.9	50	8.5
Health care waste management	1.0	90	1.1	56	0.9
Total	**4,657.5**	**73**	**5,729.4**	**77**	**5,715.2**

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

5.7 Health Sector Budget of LLs by NHSS Outcome Indicators

At the LLs, no budget had been allocated for strengthening decentralised planning and budgeting and improving sustainability of 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 almost half (54%) in FY 2021/22 with 86% absorption in the former year and 82% absorption in the later year. The absorption of budget was highest for improving the availability and use of evidence in decision making in FY 2019/20 which received the lowest amount of budget. However, caution has to be taken while interpreting the findings of this table as NHSS indicators have not been localised yet and lower or higher budget allocation in any of the headings does not mean that some of the indicators have been valued more than at the LLs.

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	35.1	72	24.7	76	41.9
Improved quality of care at point-of-delivery	1,903.7	86	2,196.3	82	3,070.4
Equitable utilisation of health care services	526.9	55	365.7	69	548.3
Strengthened decentralised planning and budgeting	-	-	-	-	-
Improved sector management and governance	285.4	70	314.8	70	333.3
Improved sustainability of health sector financing	-	-	-	-	-
Improved healthy lifestyles and environment	214.2	68	360.2	73	457.2
Strengthened management of public health emergencies	1,689.8	64	1,778.6	71	1,228.8
Improved availability and use of evidence in decision-making processes	2.4	94	689.1	85	35.1

at all levels					
Total	**4,657.5**	**73**	**5,729.4**	**77**	**5,715.2**

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 COVID-19 pandemic and actions taken for its prevention and management. Yet, the budget volume in FY 2021/22 might change during budget adjustment in case of increased or decreased budgetary requirement at LLs.

CHAPTER 6: CONCLUSION AND WAY FORWARD

This chapter provides a summary of the findings in the form of a conclusion and ways to move 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 the sub-national levels.

6.1 Conclusion

Recent evidence in UHC suggests that lower- and middle-income countries should spend at least 5% 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 (1.3% in FY 2020/21) as a result of which the FG spending is 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 four folds in Lumbini Province in the same time frame. A few key contributing factors for this could be due to the budget allocation for the COVID-19 response and management since FY 2019/20 and additional resource allocation at the sub-national level from their own internal sources in addition to the federal grant. However, the current investment in health is not sufficient to achieve UHC and SDGs by 2030.

The GoN provided NPR 950.1 million to Lumbini Province and NPR 4 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 in the province has reached to 11.7% in FY 2020/21 as opposed to 1.6% in FY 2017/18. However, it has slightly decreased this year from the last one (10.2% in FY 2020/21). This could be the result of using an initial budget in the current year and the adjusted budgets in the previous years. The percentage of allocation might change towards the end of the year if an additional budget is required and virement is done to meet the needs created by COVID-19 or any other health-related emergencies. The budget of MoSD/MoH was low in FY 2019/20 and decreased further to half a million in FY 2020/21 which could be due to the transition of the health section of MoSD to MoH as its budget increased considerably in the next fiscal year. In the LLs within the province, the health sector budget allocation as a percentage of the total budget has not changed much over the years. The federal grant still remains the major source of health budget contributing more than 82% in the total health budget.

The highest amount of budget for the province has been allocated to wages and salaries in FY 2019/20 which increased further in FY 2020/21. The budget allocated to programme activities almost doubled in FY 2020/21 as compared to earlier fiscal year. The disaggregation of the provincial health budget by cluster shows that in FY 2019/20, almost half of the total health budget (45.4%) had been allocated to office operations and administrative expenses, which decreased by almost three halves in the next fiscal year and nearly resumed the previous state in FY 2021/22. This could also be the result of transition of MoH. There has also been a sharp increase in budget allocated to ayurveda and alternative medicine, possibly due to its increased popularity during the second wave of the COVID-19 pandemic. It increased from NPR 36.9 million in FY 2019/20 to NPR 366.5 million in FY 2020/21. 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 the

LL by chart of activities showed that almost 45% 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 54% of the budget in the current fiscal year. At both the provincial level and LLs within the province, the undivided budget under the heading inter-governmental fiscal transfer has been decreasing. Yet, NPR 72.8 million at the Provincial level and NPR 2.5 million at the LL remain undivided in FY 2021/22.

More than three quarters of the total health budget was absorbed by the province (83% in FY 2019/20 and 80% in FY 2020/21). The highest absorption was observed from their own resources. At the LLs, the absorption increased from 73% in FY 2019/20 to 77% in FY 2020/21. The lowest absorption amount was for the provincial conditional grant in both the years. The initial analysis suggests that this could be due to delay 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 the 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 the FG, PG as well as the LL need to be harmonised through a comprehensive policy framework that is acceptable for all tiers of government. This is particularly important due to the constitutional provision of 'concurrent rights' for all governments. The following points comprise of some specific recommendations for the way forward:

a. Continue the allocation of at least 10% of the total budget in the health sector every year as stated in the Provincial Health Policy.
b. 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.
c. Improve the capacity to record and report budgetary information at SNGs.
d. The PG needs to find out the definitive reasons for low absorption of provincial grants at the LLs and take necessary actions to address them.
e. Align the health polices and strategies at all spheres of government through an umbrella policy and strategic framework developed by the FG.
f. Ensure the coherence of legal provisions across all spheres of government.
g. Initiate the discussion on conditional grant transition plan for province by FG and PG.
h. The FG needs to formulate a costed health financing strategy applicable to 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 the health sector and encourage the PGs and LLs to increase their investment in health-PG needs to support the implementation.
i. 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-SNGs need to prepare proposals to receive special and matching grants from the FG.
j. 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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