ASCEND
Accelerating Sustainable Control and Elimination of Neglected Tropical Diseases

ASCEND LEARNING BRIEF

Assessment of Subnational Conditional Health Grants as a mechanism for financing Neglected Tropical Disease programmes in Nepal

We gratefully acknowledge the financial support provided by the UK Foreign Commonwealth and Development Office (FCDO) and the Ascend programme.

1. Introduction

This learning presents a summary of the assessment of subnational conditional health grants (SCG) as a mechanism for financing Neglected Tropical Disease (NTD) programmes in Nepal. A full report is available upon request from Crown Agents through Ascend_Enquiries@ascend.crownagents.com.

2. Purpose of this assessment

With the adoption of federalism in Nepal, provincial and local governments have assumed the primary responsibility for NTD programmes. Yet provinces and local governments have limited own source revenue and are heavily reliant on conditional grants from federal government for financing their activities.

This assessment reviews the effectiveness of the federal Government of Nepal's conditional grant mechanism for the funding of Lymphatic filariasis (LF) and Visceral leishmaniasis (VL) programming at subnational level. Where possible, it seeks to identify deficiencies within the mechanism and offers suggestions on how these may be addressed. This paper can be used to:

- inform budget and funding levels for provincial and local governments for the implementation of VL and LF programmes;
- consider what steps may be appropriate to improve the targeting of conditional grants to jurisdictions in which VL and LF are endemic.

The lens for this review is not merely that of an accounting exercise. Instead, the assessment starts to draw together the critical link between health funding (via the conditional grant mechanism) and the service delivery ambitions of Government in the area of NTDs. The review introduces an analytical quadrant to help consider the strengths and opportunities for improvement in health financing for LF and VL:

Responsibility Matrix (aligning function and funding)	**Resource Flows** (existing funding streams)
Cost Profiles (elimination and post phases)	**Key Metrics** (tracking performance)

- a *responsibility matrix* that identifies which level of the government system is responsible for delivering particular LF and VL activities;
- *resource flows* – the core dedicated recurrent funding streams for LF and VL activities;
- a *table of key costs* with profiles for the elimination and post-elimination phases; and
- *a set of key metrics* to monitor funding for particular aspects of the LF and VL programme.

The findings of the review draw on the quantitative analytical work detailed in the full report (chapter 6) together with the qualitative nuance provided by a series of interviews conducted with all levels of the governance and service delivery system (chapter 7). The full report is available upon request.

3. Summary of key findings

2.1 Observations on the amount of funding allocated to support NTDs

Health conditional grants (HCG) are the most visible and significant source of discrete funding to support and enable NTD programmes in Nepal. With that said, it is also important to note that many aspects of the NTD programme routinely draw upon the wider health system and the other budgets that support it (budgets for health facilities, nurses, drugs, etc.). In this sense the NTD funding under the HCGs can be viewed as additional enabling funding to meet particular NTD activity costs that are not otherwise funded under the wider health system.

Overall, the 2020/21 budget provided health conditional grants totalling NPR 209.5 million (GBP 1.4 million) to support subnational government in Nepal in their VL and LF programmes. The LF programme typically attracts more funding than the VL programme which reflects, amongst other things, the high cost of conducting MDA and the wider prevalence of LF in Nepal (LF 93% v VL 7%). In addition to the SNG health conditional grants we observed NTD related budget allocations of NPR 7.6 million (approx. £45,900) for Central Hospitals, Institutions & Establishments; and a further NPR 21 million (approx. £126,800) for LF-related drugs.

The vertical allocation of the conditional grants between the provincial and local levels is approximately one-third provincial government (34%) and two-thirds local government (66%).

We noted that the location of funding to support the specific LF and VL diseases varied. Much of the funding for VL activities appeared to stay at the provincial level whilst, in contrast, the funding for LF is split between the provincial level and the local governments – with about three quarters allocated to local governments.

We received a variety of responses from respondents on the quantum of HCG funding and its adequacy for supporting NTD programme implementation. Some respondents expressed a level of satisfaction, others had concerns that the funding was insufficient to support particular areas. As an example, some respondents suggested the funding is adequate for the curative aspects of VL and LF, and others suggested the funding for outreach and community engagement was lacking. Importantly, the Ministry of Finance expressed its support and acknowledged the importance of the NTD programme, and said it is up to the MoHP to identify the need for additional funding and put forward the case.

Health equity and the elimination of NTDs across the country is a priority for MoHP and the Government of Nepal. This invites the inquiry as to whether the funding for NTDs is equitable. Whilst this is undoubtedly important, it is difficult to ascertain in this short exercise given the incremental nature of the rollout strategy to eliminate NTDs, and the reality that not all locales need support or the same amount of support. With that said, from our early analysis the picture is mixed – sometimes provinces and local governments simply get the same amount for particular activities (which may not be optimum), and in other areas the amounts seem more unique (suggesting an allocation calculation has been used). As an example, all districts are allocated NPR 100,000 (GBP 653) for VL treatment – which seems unlikely to reflect the significant variations in expenditure need – due to differing catchment population and local disease burden. Efforts to promote transparency will help promote health equity and confidence in the allocation system. These will likely include transparency around NTD implementation plans, the basis for HFG allocations, and budget guidelines.

Further support to MoHP and SNGs is required to ensure that health conditional grant funding is allocated in a transparent and equitable manner to achieve maximum impact. Multi-year planning, and reporting against the plan, will help ensure priority is afforded to areas most afflicted by NTDs. It may also be helpful to develop funding guidelines – for provinces and local governments – with allocations identified to support the elimination and post-elimination phases. The notion of elimination and post-elimination phases is particularly relevant with NTDs, with higher levels of funding support necessary in areas where NTDs are endemic and that require the costs involved with campaigns of mass drug administration.

2.2 Critical areas that require additional funding

As part of the review, the assessment identified key areas that merit additional funding support through the conditional grant budget. More broadly, we ask the question whether additional funding is required to meet the country's elimination targets, and/or to fast track progress toward elimination? We also acknowledge the role played by development partners and the need for longer-term sustainability.

The assessment identified two important areas that will benefit from additional funding – these are (i) operational funding for DPHOs, and (ii) funding to support outreach and community engagement activities related to the LF and VL programmes. There is an opportunity in advance of the next budget round for the Ministry of Health and Population to discuss, prepare and submit a request for additional funding for these important areas in the next budget submission to the Ministry of Finance.

The assessment noted on many occasions that coordination and backstopping is a major issue. In this regard, the role of the DPHO is critical in working at the intersection of the various levels and among participants. This is particularly relevant with the introduction of the federal system and the very real risk of greater fragmentation emerging across the health system. Someone needs to act as a glue to promote system cohesion. The DPHO is uniquely well-positioned to act in this regard and can fulfill this critical function as it did before federalisation. However, for this to happen, the role of the DPHO needs to be acknowledged, elevated, and adequately funded.

A repeated concern from respondents related to the social embarrassment and hidden nature of the LF and VL diseases, and the critical role that outreach and community engagement has to play in overcoming the

stigma associated with the diseases, identifying cases, promoting treatment, and ultimately achieving success in elimination and control. These socialisation activities require additional targeted funding.

More broadly, at the national/federal level there are important questions to consider around the timing of the country's elimination and control programme. Is it desirable, and feasible, to fast-track progress? And if so, would additional funding be effective in achieving this aim?

Development partners continue to play an important role in supporting the control and elimination of NTDs in Nepal. Whilst this support is welcome and highly valued, the Ministry of Health and Population will need to identify any critical recurrent activities that are currently supported by development partners and implement a transition plan to ensure the gains in elimination and control are sustained.

MoHP and SNGs require support to ensure that DPHOs and NTD socialisation activities receive more funding through the health conditional grant funding mechanism and where appropriate from development partners. Both areas merit further review and consultation. The support and backstopping role of the DPHO appears to be at critical risk – and impacts not only the NTD programme but the wider health system. Targeted effort in this regard appears to be fundamental to the well-being and effectiveness of the entire sector. The critical role that outreach and community engagement plays in fighting NTDs is more specifically an NTD issue, and further work will be required to ensure a set of outreach, community engagement and socialisation activities are designed to fit the differing geographic and cultural settings across Nepal. There may also be the need for a development partner to provide support to the MoHP in developing a transition plan whereby the sector incrementally migrates from development partner support to sustainability.

2.3 Strengthening the effectiveness of the conditional grant regime

Our analysis indicates that the conditional grant mechanism is a workable mechanism for channelling routine funding support for VL and LF activities. Yet, these are early days in implementing the country's system of intergovernmental transfers and international experience suggests a process of adaption is likely to be required to improve its effectiveness to ensure the various levels of the health system can fulfill their service mandates.

An effective intergovernmental financing regime ensures the right amount of funding is allocated to the right level at the right time. **There is a need for greater clarity around the methodology used in calculating health conditional grant allocations for provinces and local governments.** Greater clarity will promote confidence in subnational users in the equitability of the system. The reverse is also true, a lack of information will promote doubt and mistrust. What is the underlying basis for HCG allocations? Is it per capita, expenditure need, service costing, or something else? And how does funding get allocated across health programmes? And how does funding get further divided within each programme at the activity level?

One of the most critical aspects of health financing is the **timeliness of disbursements**. Well-developed budgets can be undermined, and service delivery programmes derailed when the transfer of grants from the federal to the subnational levels is unpredictable and late. Some respondents in our fieldwork noted the timing of transfers can be problematic and disruptive in implementing NTD programmes.[1] The remedy for this includes a high level of transparency and monitoring. As an example, some countries in Africa and the Pacific publish their subnational transfers in the public domain to promote visibility and accountability.

Subnational respondents preferred greater levels of flexibility in budget-setting to align funding with local service-delivery needs. The authors note the system does appear to offer increased flexibility in budget-setting, yet inevitably there will need to be an effective process at the provincial and local levels to ensure the health budget is well-designed to meet the annual programmes. The NTD team needs to be involved in this process. Guidelines prepared by the federal level (EDCD) for the LF and VL programmes can help in guiding budget allocations for the provincial and local governments, acting as a form of 'independent evidence' for NTD officers involved in budget-setting. Budget-setting flexibility is best supported with effective reporting and monitoring – ensuring coordination is achieved across the entire health system.

[1] With cash disbursement, we understand the release of funds for the first trimester is typically on time as it is done in advance. The second and third trimesters are released by the Federal Government only after the submission of statements for the first trimester. Late grant transfers can be due to several reasons, including non-compliance by SNGs.

MoHP and SNGs require support to ensure that health conditional grant funding is allocated in a flexible manner that enables provincial and local governments to best align their funding with NTD service delivery programmes and achieve maximum impact. **Funding guidelines – for provinces and local governments** – can be helpful with allocations identified to support the elimination and post-elimination phases. Local NTD staff involved in the budget process at the SNG levels are then able to refer to the guidelines to inform their annual budget-setting process. DPHOs can also use the guidelines when giving support to local governments in their budget-setting process, and when DPHOs conduct their implementation monitoring activities.

2.4 No progress can be achieved and sustained without effective monitoring

The effectiveness of health funding in combating the diseases VL and LF in Nepal is contingent on a robust process of ongoing monitoring and reporting. The process of monitoring and reporting promotes sector direction, the efficient allocation of resources, and accountability across sector actors.

System strengthening in the area of monitoring and reporting is required in the area of NTDs – and as part of a wider drive for sector improvement. Ideally the NTD monitoring regime will link the financing and resourcing on the one hand, with the country's progress in addressing NTDs on the other. This will help ensure funding is well targeted, problems are identified, and accountability is promoted. The full version of the report describes 5 funding metrics that can help link funding levels to areas of performance. Effective monitoring will create an alignment between sector resourcing (including funding), implementation activities and outputs, and ultimately elimination outcomes.

4. Next steps

The table below outlines a list of possible next steps, actions and key outputs for consideration by MoHP and partners. The actions are grouped but are not necessarily sequential.

System strengthening	Actions
Promoting health equity	▪ NTD Plan and regular reporting of progress against the plan ▪ Regular reporting on burden of disease by area
Achieving elimination targets	▪ Review progress toward elimination targets and consider merits in fast-tracking /need for additional funding.
Achieving impact with funding	▪ Consider, if the Ministry of Finance were to allocate another 25% in HCG funding where would you allocate it and why?
Strengthen budget process	▪ Providing clarity over methodology used for calculating health conditional grant allocations for provinces and local governments. What is the underlying allocation basis – per capita, expenditure need, service costing, etc. ▪ Conduct further research to help inform the adequacy of HCG allocations – is the funding sufficient to support GoN service delivery ambitions? ▪ Developing budget guidelines for provinces and local governments to use in budget-setting for NTDs. ▪ Submissions prepared to secure additional funding for priority areas related to NTDs (including DPHOs and NTD socialisation activities). ▪ Identify any funding that is currently provided (including in-kind) by development partners and prepare a transition plan for sustainability when DP support retires.
Effective implementation and monitoring	▪ Regular reporting of health funding and performance by relevant locale. ▪ Create link between resourcing and service delivery. Consider use of financial metrics (or adapt). ▪ Monitor the timing of disbursements from the federal level to provinces and local governments.

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