



Government of Nepal  
Ministry of Health and Population  
Ramshahpath, Kathmandu, Nepal



One Dupont Circle NW, Suite 700  
Washington, DC 20036 USA  
Phone: +1 (202) 736-2504



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50 Church St., 3<sup>rd</sup> Floor  
Cambridge, MA 02138 USA  
Phone: +1 (617) 868-2416

# Negotiating Health Development Case-Study

## Negotiations between the World Bank representing the International Development Association (IDA) and Government of Nepal

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This case study presents the issues and interests of the Government of Nepal and the World Bank for the negotiations to extend the IDA credits and grants in support of the Second National Health Sector Programme NHSP-2 (2010-2015).

The negotiations took place on **25 and 26 February 2010** at the premises of the World Bank in Kathmandu. The negotiation team of the Government, hereafter referred to as **Party A**, included the Joint Secretary of the Ministry of Finance; the Chief of the Policy, Planning and International Cooperation Division at the Ministry of Health and Population (MoHP); the Health Sector Reform Programme Coordinator, MoHP; the Under Secretary of the Ministry of Finance; the Under Secretary of the Ministry of Law and Justice; and the Under Secretary (Finance), MoHP. The negotiation team of the World Bank, hereafter referred to as **Party B**, included four senior officers from the World Bank office in Washington DC (who participated via video connection); the Lead Health Specialist/Task Team Leader; the Public Health Specialist; the Senior Nutrition Specialist; the Senior Financial Management Specialist; the Procurement Officer and the Senior Counsel of the World Bank Office in Kathmandu.

## Background

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Over the past two decades, Nepal's health policies and strategies have focused on improving health outcomes for the poor and those living in remote areas. The Health Sector in Nepal operates under a sector-wide approach (SWAp) framework since 2004, when the Government of Nepal (GoN) introduced a "Health Sector Strategy: An Agenda for Reform" and prepared the first Nepal Health Sector Programme-Implementation Plan. The common sector programme has encouraged the main health partners to align their expenditures to the government-led programmatic goals and agreed-upon priorities. The World Bank, DfID and AusAID are providing funds under a pooled funding arrangement, and other donors have expressed an interest to do so.

Despite the decade-long civil conflict and political transition from a Constitutional Monarchy to a Federal Democratic Republic in 2006, progress towards improved and equitable health outcomes has accelerated since the implementation of the Health Sector Reform Programme. While there are areas of impressive progress, such as the decline of the under-five mortality rate and the maternal mortality ratio, other areas still lag behind, such as the nutritional status of a large portion of the population and HIV/AIDs.



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## Issues for the Negotiations

There were several issues identified by both Parties many of them were very similar and discussed by both parties prior to the actual negotiations.

The Government's budget for health increased significantly in nominal terms. Considering the good performance of the health sector programme so far and the increased funding, it was felt that the donor partners should also consider providing a larger funding envelop. The Ministry of Health and Population representative had a specific concern about the larger portion of credit ( $\approx$  US\$ 63 million) versus grant ( $\approx$  US\$ 52 million) proposed to a social sector programme like health. During the negotiations the representative from the MoF clarified that the IDA grants are received as an envelop by the MoF that includes both credits and grants and the MoF then decides the proportion of credits and grants to the different sectors and services the credits.

Party B had issues around governance relating to procurement of goods and services. For example a procurement capacity assessment had substantiated the perceived weaknesses and brought the Government to accept that there are technical capacity issues that needed to be addressed. Another parallel review by the Ministry of Finance around governance further supported the findings of the procurement capacity assessment.

Initially the World Bank wanted the HIV/AIDS component of the financing as a stand-alone programme. After consulting with the MoF the Bank decided that there should be only one umbrella project.

Party B's main priority was to get the best value for money and that the allocated funds actually reach the beneficiaries and achieve the desired results. Also to achieve better results in the technical areas that were lacking in progress such as HIV/AIDS and nutrition. Party B felt the Government had to strengthen its governance and accountability and prepare an action plan as to how that would happen. Party B also felt the Government had to improve its Procurement services. The long-term the aspiration of Party B is that the capacity of the Government is strengthened to the extent that there is no more country presence required.