

BIBLIOGRAPHIC DATA SHEET

PN-AAK-040

THE NEPAL FAMILY PLANNING PROGRAM: A REPORT ON AN ADMINISTRATION
MANAGEMENT CONSULTANCY

PERSONAL AUTHORS - SWEEZY, F.C.

CORPORATE AUTHORS - AM. PUBLIC HEALTH ASSN.

1981, 70p.

ARC NUMBER -

CONTRACT NUMBER - AID/DSPE-C-0053

PROJECT NUMBERS - 9365900

SUBJECT CLASS -- PC000000G726

DESCRIPTORS -

NEPAL
FAMILY PLANNING

MATERNAL/CHILD HEALTH
FINANCIAL MANAGEMENT

PN-AAK-040



AMERICAN PUBLIC HEALTH ASSOCIATION
International Health Programs
1015 Fifteenth Street, N.W.
Washington, D.C. 20005

THE NEPAL FAMILY PLANNING PROGRAM:
A REPORT ON
AN ADMINISTRATIVE MANAGEMENT CONSULTANCY

A Report Prepared By:
F. Curtiss Swezy, Dr. P.H.

During The Period:
September 23, 1980 - December 18, 1980

Supported By The:
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT
(ADSS) AID/DSPE-C-0053

AUTHORIZATION:
Ltr. AID/DS/POP: 3/16/81
Assgn. No. 582061

Agency for International Development
Library
Room 105 SA-18
Washington, D.C. 20523

CONTENTS

	<u>Page</u>
ABBREVIATIONS	ii
I. INTRODUCTION	1
II. REVIEW OF ACTIVITIES	2
Financial Reports	2
Account Reconciliation	2
MOH Funding Mechanism	3
USAID/N Local Currency Support	4
PBHW Work Plan	5
VSC Work Plan	6
Fertility Care Center, Manila	6
Overview of IRH/FP Project	6
HMG Financial Management	7
III. FUTURE PROGRAM NEEDS	8
Financial Management Training	8
PBHW Project Evaluation	9
IV. SUMMARY.	10

APPENDICES

- Appendix A: Key Officials Contacted
- Appendix B: Scope of Consultant Duties
- Appendix C: FP/MCH Certified Statements of Expenditures
- Appendix D: Planning, Budgeting and Funding Ministry of Health Activities
- Appendix E: Local Currency Support to the HMG Health Sector
- Appendix F: Financial Management in Nepal

ABBREVIATIONS

APHA	American Public Health Association
CHIP	Community Health Integrated Project
FP/MCH	Family Planning/Maternal Child Health
FPO	Family Planning Officer
FCC	Fertility Care Center
H/FP	Health/Family Planning
HMG	His Majesty's Government
IRH/FP	Integrated Rural Health/Family Planning
MSH	Management Sciences for Health
MCH	Maternal Child Health
MOF	Ministry of Finance
MOH	Ministry of Health
NMEO	National Malaria Eradication Organization
NPC	National Planning Commission
PBHW	Panchayat-Based Health Worker
Rs	Rupees
USAID	United States Agency for International Development
USAID/N	United States Agency for International Development/Nepal
VSC	Voluntary Surgical Contraception

I. INTRODUCTION

I. INTRODUCTION

The consultant was assigned to work with the staff of the Nepal Family Planning and Maternal and Child Health (FP/MCH) Project for three months. The major purpose of the consultancy was to follow up and move forward on activities initiated during two previous consulting assignments with the family planning program in Nepal. The objective of the two previous assignments was to assist the financial management of the national family planning program. A brief description of the relevant health and population dynamics of Nepal is contained in the consultant's reports on those assignments.*

All consultant activities were performed under the direction of Badri Raj Pande, M.D., Chief, FP/MCH Project, His Majesty's Government (HMG), and his designees. The consultant worked with many Nepalis and expatriates. Without their cooperation and support, whatever modest accomplishments were achieved would not have been possible. (See Appendix A.)

A scope of work was drafted for the current assignment shortly after the consultant arrived in Nepal. Many designated tasks involved the promotion of improved financial management of the national family planning program. In addition, a series of other tasks--a spectrum of program management activities (see Appendix B)--was specified.

During the consultancy, USAID/N staff completed one task without the consultant's assistance. Subsequently, the task of resolving sterilization payment issues was deleted from the consultant's scope of work (see Letter, van der Vlugt to Swezy, December 16, 1980). The chief of the USAID/N Office of Health and Family Planning (H/FP) monitored the consultant's progress in completing the tasks designated in the scope of work.

* See F. Curtiss Swezy, His Royal Majesty's Government of Nepal Family Planning and Maternal and Child Health Project: Financial Management, Vol. I and Vol. II, Washington, D.C.: American Public Health Association, 1980.

II. REVIEW OF ACTIVITIES

II. REVIEW OF ACTIVITIES

During his stay in Nepal, the consultant assisted USAID/N and the FP/MCH Project in nine areas of program management. The focus and current status of these activities are described below.

Financial Reports

The FP/MCH Project is required to submit to USAID/N financial reports on activities supported by USAID/N. In fiscal year 1979/1980,* USAID/N provided local currency support for general operating expenses, the panchayat-based health worker (PBHW) project, and the expansion of voluntary surgical contraception (VSC) services. Annual financial statements on these three activities were due for the entire fiscal year, 2036/37.

The consultant worked with the central-level financial management staff of the FP/MCH Project to meet USAID/N's reporting requirements. Project staff compiled financial reports from the 40 operating-level accountants in the program. Consolidated statements of expenditures were prepared for the three USAID/N-supported activities: general operating expenses, PBHW, and VSC.

Status: Three financial statements were forwarded to the Ministry of Finance (MOF) on December 8, 1980 (see Appendix C).

Account Reconciliation

A review of the financial records for the past three years revealed differences between project records and USAID/N accounts. Further, extensive correspondence between the FP/MCH Project and the Ministry of Finance documented that the records of the two HMG offices do not coincide.

The problems revolve around two issues. First, in a few instances, the MOF has not released to the project the full amount of rupees provided by USAID/N for FP/MCH. In other instances, the MOF has directed the project to apply funds from one USAID/N-supported activity to another. USAID/N requires that the funds for the three FP/MCH activities not be commingled.

* July 16, 1979 - July 15, 1980. In the Nepali calendar this is FY2036/37.

Second, the project overspent the total funds ultimately authorized in previous fiscal years. In no instance did the project spend more money than was budgeted. But, in FY2035/36, Rs. 314,658 were spent above actual releases.*

The problem of over-expenditure is complicated by USAID/N's release and authorization procedures. During the fiscal year, USAID/N releases an optimum amount of rupees to the project. The project spends the money. USAID/N then applies a formula (percentage) to its share (authorization) of total expenditures. The USAID/N share is based on actual releases of funds by HMG and other donors to FP/MCH.

In FY2034/35, the MOF released to the FP/MCH Project Rs. 400,000 more than was budgeted. However, other donors released Rs. 1.5 million less than was budgeted. When USAID/N applied its percentage to the releases of HMG and other donors, it found that it had over-released. Therefore, it subtracted (carried over) Rs. 184,258 from the following year's authorization, which had already been released and spent by the project.

In FY2035/36, the pattern was repeated. USAID/N released its optimum share of funds. HMG funds were released in the full amount. Again, significant funds budgeted for other donors were not released, and USAID/N subtracted (carried over) Rs. 141,369. The financial records for the project record a deficit balance of Rs. 647,713. One obvious recommendation is that future USAID/N funding for health projects not be tied to other donors' contributions.

FP/MCH financial management staff presented a review of inconsistencies in records for the previous three years. These inconsistencies were in the transmittal letters for financial statements for FY2036/37 (see Appendix C). This review was followed by a series of meetings between FP/MCH, the MOF, and USAID/N to discuss the discrepancies.

Status: FP/MCH, the MOF, and USAID/N continue to discuss the reconciliation of accounts.

MOH Funding Mechanism

On August 31, 1980, HMG and USAID/N signed an agreement in which USAID/N will provide support to the Ministry of Health for five years (see project grant agreement between His Majesty's Government of Nepal and the United States of America for integrated rural health and family planning services).

* The Nepali monetary unit is the rupee; Rs. 11.9 = U.S. \$1.

In the new grant agreement, USAID/N will provide funds to the Ministry of Health, primarily to support the Community Health Integrated Project and FP/MCH. Previously, USAID/N had separate agreements to support these two projects. A need, therefore, has arisen for a mechanism within the MOH to channel funds to the specific projects.

At the request of the FP/MCH project chief, Dr. Badri R. Pande, the consultant wrote a plan for budgeting and channeling funds within the MOH (see Appendix D, Part 2).

Status: Work on the draft funding mechanism was completed.

USAID/N Local Currency Support

In the past, the provision by USAID/N (and other donors) of funds for HMG projects has created problems, and for many reasons.* There have been, for example, discrepancies between HMG and donor funding cycles;** donor staff have been unaware of HMG accounting procedures and requirements;*** and there have been constraints within the HMG financial management system.****

Senior USAID/N staff reviewed the problems of disbursing and accounting for USAID/N-provided local currency. They examined alternate mechanisms for providing rupees to HMG projects, including FP/MCH. A proposal was developed for the release, by USAID/N, of a series of quarterly advances at the beginning of a project to provide working capital. In the

* See, for example, AID Area Auditor General, Audit Report on the Examination of USAID/Nepal's Health and Family Planning Program, September 24, 1979.

** Swezy, op. cit., Volume I, p. 15.

*** This problem is not limited to USAID/N. See, for example, Binod D. Shrestha and Leonard P. Apendaile, Nepal: Financial Disbursements for Some Canadian Mission-Assisted Rural Development Projects, 1970-80, A Review and Analysis, Kathmandu, Nepal: Karnali-Bheri Integrated Rural Development Program, May 1980. Note especially p. 35.

**** John W. Varley, A Report and Recommendations on Disbursal and Accounting Procedures for the USAID/N Rapti Zone Integrated Rural Development Project (preliminary draft), Kathmandu, Nepal: December 20, 1979. See, for example, p. 22.

past, the advances went to the FP/MCH; as outlined in the proposal, they will go to the Ministry of Finance. The MOF will release quarterly funds to the FP/MCH from this working capital. But only the project's expenditures will be reimbursed. When statements of expenditures are received, USAID/N will reimburse the FP/MCH through the MOF. The original advances will be reconciled between the MOF and USAID/N at the end of the project. At the request of the acting director of USAID/N, the consultant drafted a paper describing this new release procedure (see Appendix E, Part 1).

In a series of discussions with the MOF and FP/MCH, senior USAID/N staff amplified this proposal. Working capital (advances) will be provided to the MOF at the beginning of the project. The capital can be adjusted upwards as the program grows and as its financial needs increase. Instead of a single advance, USAID/N will forward working capital each quarter based on the project's financial requirements. Two quarterly advances of working capital will be provided based on the project's budget plans. A third quarterly advance of working capital will be provided to the MOF when the FP/MCH Project submits a first-quarter financial statement in accordance with HMG regulations. After the third advance, USAID/N will provide funds to the FP/MCH Project in the form of reimbursements of expenditures.

At the meeting on December 12, 1980, the Joint Secretary, the MOF, and the chief for the FP/MCH Project accepted USAID/N's proposed new procedures for providing local currency (see Appendix E, Part 2). The FP/MCH Project was requested to present a cash plan, which noted rupee requirements by quarter, for each USAID/N-supported activity. The project complied with this request and submitted a plan to USAID/N (see Appendix E, Part 3). The project chief, Dr. Pande, requested that USAID/N immediately make available to the MOF Rs. 7.4 million in working capital which could be released to the FP/MCH for use in the three USAID-supported projects.

Status: The project is waiting for USAID/N to process the request.

PBHW Work Plan

The consultant worked with Dr. Achut Acharya, Chief of the FP/MCH Services Division, and his assistant, Mr. Jeev Krishna Shrestha, on a new work plan for PBHW activities during FY2037/38 (see PBHW Work Plan, FY2037/38). The PBHW project is at this time funded 100 percent by USAID/N. Suggestions on program content and program management were made. Mr. Shrestha did an outstanding job in writing the work plan.

Status: Staff are awaiting the approval of the plan by the chief of the Office of Health and Family Planning, USAID/N.

VSC Work Plan

Increasing availability and access to voluntary surgical contraception is a program activity strongly supported by USAID/N. VSC methods are particularly important in Nepal because there are few reliable data on the use-effectiveness and continuation rates of temporary methods.* USAID/N is providing 100 percent funding for some of the activities that are expanding surgical contraception in Nepal.

The FP/MCH coordinator for the VSC project, Dr. Shyam Bhattarai, reviewed with the consultant past activities of the VSC project and plans for the current year. A large number of activities will be funded directly by USAID/N, and not through support of the HMG budget. Dr. Bhattarai wrote the VSC work plan for FY2037/38 (see VSC Work Plan, FY2037/38).

Status: The final document is being prepared.

Fertility Care Center, Manila

To support the training of Nepali physicians and to increase service delivery, USAID/N contracted last year with the Fertility Care Center (FCC), located in Mary Johnston Hospital in the Philippines. The purpose of the contract was to provide technical assistance to HMG in surgical contraception. The activity was funded directly by USAID/N in dollars and does not appear in the HMG budget. Surgical specialists came to Nepal and taught Nepali surgeons how to perform vasectomies and how to use the laparoscope in tubal occlusion.

The consultant reviewed with USAID/N and F./MCH staff the technical assistance requirements for the current fiscal year. A new contract will be executed with the FCC to assist the Nepal VSC project this year.

Status: USAID/N is processing the PIO/T.

Overview of IRH/FP Project

A new ambassador and a DCM have been assigned to the Nepal Mission. At the direction of the chief of the Office of Health and Population, USAID/N, the consultant prepared a briefing paper on the new Integrated Rural Health and Family Planning Project (see Integrated Rural Health and Family Planning Project, 0135).

* See Robert Y. Grant, et al., An Evaluation of AID-Financed Health and Family Planning Projects in Nepal, Washington, D.C.: American Public Health Association, 1980, p. 91.

Status: The briefing paper was completed.

HMG Financial Management

The consultant reviewed the significant components of HMG financial management procedures. Among the key elements that were identified were budget cycles, release procedures, and reporting requirements. An outline of the HMG financial management system was prepared (see Appendix F).

Status: Three oral presentations were made to USAID/N and contractor staff.

III. FUTURE PROGRAM NEEDS

III. FUTURE PROGRAM NEEDS

The FP/MCH Project has made significant progress in financial management (particularly in accounting for USAID/N funds) since the consultant's first visit to Nepal. Advances, including those for several previous years, have been accounted for; the financial records of USAID/N and the FP/MCH Project have been reconciled; constraints on the system have been assessed.

Financial Management Training

As in any program, additional tasks remain to be undertaken to continue improvements in program management. To follow up on the assessment of existing constraints in financial management, the FP/MCH Project must implement the remedial actions designed by the financial management staff in the past year.

During a previous visit, the consultant noted the lack of training for district accountants.* Thirty-one of the 40 accountants working at the district level have received no training in HMG accounting procedures. Supervision of the accountants is also weak. Numerous monthly financial reports are received late. The consultant feels that late reporting is the responsibility of the district family planning officer (FPO), not the district accountant.

FP/MCH financial management staff have identified the major problems in managing project funds. They have written a course outline to train district accountants in proper procedures and to train FPOs in supervision.* A remaining high-priority task is the scheduling and initiation of the training program. The consultant recommends that USAID/N be prepared to financially support such a training program.

The training program will not resolve all problems in financial accounting and reporting. But it will reduce to a manageable level the number of errors and delinquent reports received by the central financial management staff. This will be particularly important under the new USAID/N "reimbursement" system. Senior financial management staff will be able to focus their attention on a limited number of remaining problems. A year after initial training, additional instruction to further upgrade the skills of district accountants and FPOs will be appropriate.

* Op. cit., Volume II, Appendix F.

PBHW Project Evaluation

A previous USAID/N contractor, the University of California, Berkeley, recommended that health extension workers be assigned to villages to promote family planning. With USAID/N support, the FP/MCH Project implemented this recommendation two years ago. In the current HMG fiscal year, USAID/N will again provide 100 percent funding for the PBHW project. The current budget requires that USAID/N provide more than \$800,000 (converted to rupees) to support this project (see Appendix E, Part 3).

The PBHW extension workers are an important addition to the FP/MCH Project. Substantiated contraceptive acceptance and use rates in Nepal are low. Contraceptive motivators and suppliers working in villages should increase contraceptive usage. The PBHW project is costly to USAID/N, because it supports the addition of a cadre of health outreach workers at the village level. It is presumed that the HMG payroll will eventually have to absorb the salaries of these workers.

The impact of the PBHW network should be verified. The increase in contraceptive practice as a result of the PBHW project and the cost relative to other program inputs should be determined. The following would be among the main points of such an evaluation:

- basic knowledge and skills of PBHWs;
- work routine and job performance of PBHWs;
- effectiveness of supervision;
- adequacy of management, including salary payment, provision of contraceptive supplies, etc.;
- increased acceptance of contraceptives by villagers;
- shifts from less reliable to more reliable methods;
- increased continuation rates;
- cost of a woman per year of protection compared to costs of other FP/MCH activities; and
- the effectiveness of the PBHW in stimulating community participation in family planning and health.

The results of such an evaluation would indicate how the PBHW project might be continued.

IV. SUMMARY

IV. SUMMARY

The consultant was requested to provide assistance to the Nepal FP/MCH Project in a broad range of management activities. Specifically, he was asked to respond to requests from HMG, FP/MCH, and USAID/N staff. This report reviews the consultant's activities during September 23, 1980 - December 18, 1980.

The consultant's specific tasks were to:

- assist FP/MCH staff in preparing annual financial statements on three USAID/N-supported programs;
- assist in reconciling accounts between FP/MCH, the MCF, and USAID/N;
- draft a funding mechanism for the MOH;
- assist in designing a new USAID/N release procedure for local currency;
- assist in drafting the PBHW work plan;
- assist in conceptualizing and writing the VSC work plan;
- draft requirements for the Fertility Care Center's technical assistance to the Nepal family planning program;
- writing a briefing paper on the new Integrated Rural Health and Family Planning Project; and
- present an overview of HMG financial management procedures.

The APHA consultant encountered no significant problems or barriers while performing his duties.

Both FP/MCH and USAID/N staff made an obvious effort to make the work of the consultant easier as well as productive. Mr. Govind Mishra, head of the Financial Management Section, provided the consultant with an office at the FP/MCH Project and numerous support services as well. The staff of USAID/N, and particularly of the Office of Health and Family Planning, generously shared their time and knowledge with the consultant to facilitate the performance of his duties. The consultant very much enjoyed this assignment. It was personally and professionally rewarding to work with many old, and some new, friends in Nepal. The small victories were savored mutually.

APPENDICES

Appendix A
KEY OFFICIALS CONTACTED

Appendix A

KEY OFFICIALS CONTACTED

Family Planning and Maternal and Child Health Project

B. R. Pande, M.D., Chief

Kokila Vaidya, M.D., Deputy Chief

Achut Acharya, M.D., Chief, Services Division

Pramila Sharma, M.D., Chief, Surgical Division

Shyam Bhattarai, M.D., VSC Coordinator

Govinda P. Mishra, Head, Financial Management Section

Keshab Kunwar, Senior Accountant, Central Region

Birendra Lakey, Accountant

Jeev Krishna Shrestha, Family Planning Officer

Hari Gopal Sakya, Family Planning Officer

Community Health Integrated Project

Kalyan M. Dixit, M.D., Chief

Suniti Acharya, M.D., Deputy Chief

Ministry of Finance

Heet Singh Shrestha, Joint Secretary

B. N. Sapkota, Section Officer

Management Sciences for Health

Chandra Man Golay

United States Agency for International Development/Nepal

Samuel H. Butterfield, Director

Thomas L. Rose, Acting Director

J. Paul Guedet, Chief, PDIS

William B. Nance, Program Officer

Robert M. Mills, Assistant Program Officer

Gerold V. van der Vlugt, M.D., Chief, H/FP

Sigrid Anderson, H/FP

Gladys Gilbert, H/FP

Philip O. Weeks, H/FP

Douglas R. Pickett, Chief, ARC

John A. Huxtable, ARC

Helen Richardson, Acting Chief, FM

R. Sharma Mohan, FM

Chandra Man Pradhan, FM

Bala Ram Joshi, FM

Appendix B
SCOPE OF CONSULTANT DUTIES

Appendix C

FP/MCH CERTIFIED STATEMENTS OF EXPENDITURES

Part 1: FY2036/37 General Operating Expenditures

Transmittal Letter (in Nepali), December 8, 1980
Financial Statement
English Translation

Part 2: FY2036/37 PBHW Expenditures

Transmittal Letter (in Nepali), December 8, 1980
Financial Statement
English Translation

Part 3: FY2036/37 VSC Expenditures

Transmittal Letter (in Nepali), December 8, 1980
Financial Statement
English Translation

UNITED STATES GOVERNMENT

Memorandum

TO : Curtiss Sneyd, Jr. M., AITA Consultant

DATE: October 1, 1980

FROM : Gerold V. van der Vlugt, M.D., Jr. M., Chief, IEP *GHV*

SUBJECT: Scope of Consultant Duties

We have requested you to come to Nepal to work with Dr. Badri Raj Pande, and staff of the FP/MCH Project that he so designates, to accomplish the following tasks:

1. Expedite a year-end financial statement for the VSC Program.
2. Expedite a year-end financial statement for the PBHW Program.
3. Expedite a year-end financial statement for the general operating expenses, including USAID/N's proportionate share.
4. Assist in the collation and reporting of the 2036/037 VSC programmatic data as specified in the Work Plan. Assist in the drafting of the new Work Plan (2037/038). This will entail maintaining a close working relationship with Dr. Shyam Bhattachari, VSC Coordinator.
5. Assist in collation and reporting of the 2036/037 PBHW programmatic data as specified in the Work Plan. Assist in the drafting of the new Work Plan (2037/038). This will entail maintaining a close working relationship with Dr. A. Acharya, Chief of the Services Division.
6. Review with senior FP/MCH staff the USAID constraints on payments of physicians for sterilization (PD 70) and develop a payment mechanism acceptable to USAID and HMG.
7. Provide technical advice to senior USAID staff on devising a funding mechanism to the new IRI/FP Project, insuring that USAID commitments to other projects (FP/MCH) are maintained.
8. Provide technical advice to the IEP office on funds control, release and accountability.
9. Perform such other tasks as Dr. Pande may direct to promote the orderly management of the FP/MCH Project.

cc: Dr. Badri R. Pande
Chief, FP/MCH Project



Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

Part 1

FY2036/37 GENERAL OPERATING EXPENDITURES

Transmittal Letter (in Nepali),
December 8, 1980

Financial Statement

English Translation



पत्र संख्या -

६-२/६६६

प्रा. प्र.

दिनांक २०/३/६१

प्राप्त संख्या -

विषय:- आ व ०३६।३७ को सहायण कार्यक्रमों के लिए ।

श्री अर्थ मन्त्रालय ,
वैदेशिक सहायता तथा कार्यक्रम महाशाखा ,
नवरमहल, काठमाण्डौ ।

यस योजनाको लागि यू एस ए आइ डी वाट गत आ व ०३६।३७ मा प्राप्त निकास रकमको
सर्वको फाटवारो दिने बाहेको ५ को सरकारवाट प्राप्त रु ६८,४३,०००।- अन्य वैदेशिक सहायता
वाट प्राप्त रु ३२,३६,६४८।५६ र यू एस ए आइ डी वाट प्राप्त रु ४२,४४,८७६।६६ गरि जम्मा रु
१,४३,३६,५२८।०८ निकास प्राप्त भएकोको रु १,३६,२९,२२६।७६ सर्व मध्ये रु ७,९५,३०९।२६ बाँकी रहन
आइडी सर्वको फाटवारो स्थानीय यू एस ए आइ डी लाई उपलब्ध गराइ दिन हुन यो पत्र साथ
पठाएको छ। यू एस ए आइ डी को निकास तथा दायित्व सम्बन्धमा निम्नलिखित सुराहरु अवगत
गर्न हुनको साथ स्थानीय यू एस ए आइ डी लाई समेत जानकारी गराई दिन हुन अनुरोध गर्दछु ।

१. आ व ०३३।३४ को अमेरिकी सहायताको दायित्व रहने रकम रु २४,०४,३६।२० मध्ये मौज्जात
रहको रु २,३०,९२।०६ को ५ को सरकारको भोतवाट समेत कट्टी हुने गे उक्त रकमको साथै न्युन रु
७,४२७।९९ समेत को ५ को सरकारको भोतवाट निकास हुन यस योजनावाट ०३४।९९।२७ मा लेखि
एकोमा रु २,३०,९२।०६ मात्र निकास दिन त्यहाँको मिति ०३४।३।९३ को पत्रवाट आदेश भएकोले
न्युन रु ७,४२७।९९ आ व ०३४।३४ को लागि निकास हुन नसकेको ।

क्रम:-११११

Ministry of Health
 Nepal Family Planning & MCH Project
 Statement of Expenditure PBHW Program

Fiscal Year: 2036/037 From July 16, -1979 to July 15, 1980.

Spent for quarter	Released up to the quarter	Accounts Name	Annual	Actual Expenditure	Balance
	2160572.00	1. Salary	2651572.	1949110.20	211461.80
	604188.00	2. Allowance'	824188.	457146.43	147041.57
	909320.00	3. TA/DA	1252320.	524630.77	384689.23
	508720.00	4. Services	258720.	207003.44	301716.56
	105371.00	5. Rent	46000.	10772.00	94599.00
	88950.00	7.1 Office Supplies	229950.	95346.99	(6396.99)
	15000.00	7.2 Books & Magazine	42000.	715.00	14285.00
	60000.00	7.3.1 Fuel for Vehicle		21351.90	38648.10
	10000.00	7.3.2 Fuel for Others	70000.	21771.82	(11771.82)
	646099.77	7.5 Office Equipment	523850.	102686.05	543413.72
	120379.23	10.1 Furniture		87205.04	33174.19
	-	9. Contingencies	29000.	2646.00	(2646.00)
	80000.00	6. Repair & Maintenance		35541.62	44458.38
	-	10.2 Vehicle	100000.	2000.00	(2000.00)
	5308600.00	Total	6067600.	3517927.26	1790672.74

Handwritten signature

Handwritten initials

BEST AVAILABLE DOCUMENT



पत्र संख्या -

प्रमाण पत्र संख्या -

विषय:- (१)

२. यु एस ए आड डी जे ले आ व ०३४।३५ मा यत योजनामा मौज्दात रहेको रकम रु २६५५८।५० मा अधिली आ व मा वापस नभएको रु ७४२७।११ समेत समावेश गरि दायित्व रहनु पर्ने रु ३०३००८।६१ र तर्जको प्रतिशतको आधारमा उक्त आ व मा भएको तर्ज मध्ये सो आ व को सम्मतीतानुसार यु एस ए आड डी ले वेहीनु नपर्ने रकम रु १८४,२५८।५२ समेत जम्मा रु ४,८७,२६७।१३ आ व ०३४।३६ को लागि दायित्व कायम गरिएको तर योजनामा सात मौज्दात रहेको रकम रु २६५५८।५० मात्र भएकोले रु १६१,६८५।६३ कम दायित्व सर्न आएको ।

३. आ व ०३४।३६ मा निकास प्रयुग हुनको कारणबाट रु ३,२४,६५८।२३ यु एस ए आड डी को पंभावत आचारिक कार्यक्रमको मौज्दातबाट तर्ज गर्नु परे, साधारण कार्यक्रममा रु ३,२४,६५८।२३ कटौत तर्ज हुन गएको । तर तर्जको प्रतिशतको आधारमा आ व ०३६।३७ को लागि यु एस ए आड डी वाट गत आ व को रु १६१,६८५।६३ समेत सम्मतीतानुसार हुन आउने दायित्व रु ३,३३,०५४।५१ र पं आ कार्यक्रमबाट तर्ज भएको रु ३,२४,६५८।२३ गरि जम्मा रु ६,५७,७१२।७४ फरक पर्न गएको ।

४. यु एस ए आड डी संग को सम्मतीतानुसार आ व ०३६।३७ को लागि अधिकतम दायित्व रु २,६४,६२५।- मात्र उल्लिख भएको तर आ व ०३४।३६ को तर्जको प्रतिशतको आधारमा रु ३,३३,०५४।५१ दायित्व रहनु पर्ने देखिएको र यु एस ए आड डी को श्री अर्थ मन्त्रालयलाई मार्च ७, १९८० मा छेपि लेखिएको पत्र बमोजिम रु ३,०६,७४५।५१ मात्र दायित्व कायम गरिएको देखिएको हुदा कुन बाहि रकमलाई दायित्व कायम गरिनु पर्ने हो सो स्पष्ट गर्न नसक्नुको अलावा योजनामा आ व ०३४।३६ मा दायित्व सर्नको लागि रकम नरहनुको अतिरिक्त रु ३,२४,६५८।२३ उक्त कार्यक्रमबाट तर्ज भएको ।



संख्या: ०३६/३७
 काठमाडौं, २३/०७/७३



संख्या: ०३६/३७
 काठमाडौं, २३/०७/७३

पत्र संख्या:-
 प्राप्त पत्र संख्या:-

विषय:- (१)

जसरो आ व को अन्तमा रकम तर्ष भैकेपछि यु एस र आइ डी को निकासी रकम मध्ये कति रकम सर्ष गर्न सकिन्छ भन्ने कुरा प्रष्ट हुन आउने हुदा योजनामा रहिको मौज्दात रकम मन्दा दायित्व रकम कटो हुन जाने र उक्त दायित्व रहन आउने रकम कट्टा गरि यु एस र आइ डी वा निकासी प्राप्त हुने हुदा प्रतिशतको आधारकायुक्त कायम हुन आउने दायित्व र व्ययार्थ बांकी संग भै नसाड फरक पर्ने गएको रकम यात धी ५ को सरकारको शीतवाट निकासी हुन वा यु एस र आइ डी वाट दायित्व रकममा संशोधन गर्न आवश्यक कारवाइको लागि समेत अनुरोध गर्दछ । साथै यस सम्बन्धि सम्झौताको निराकरण गरि ठीस निर्णय हुन यु एस र आइ डी लायत सम्बन्धि प्राि नियि सैसत वसी अक्लिप्य इत्कल गर्नु पर्ने व्यहोरा अनुरोध गर्दछ ।

पुनरुप :- योजना अन्तर्गत सबै कार्यालयहरूवाट आ व ०३६/३७ को व्ययार्थ लिखाव प्राप्त भै नसके ले केहि रकम थपघट हुन सक्ने भएको र सो विवरण प्राप्त भैकेपछि बांकी पेशको सम्बन्धि लिखाव समेत पुन पेश गरिने व्यहोरा यु एस र आइ डी लाई जानकारी गराई दिनु हुन अनुरोध गर्दछ ।

वीक्षार्थ :-

श्री कन्दोल
 यु एस र आइ डी रवि मवन, काठमाडौं ।
 धी स्वास्थ्य मन्त्रालय, आर्थिक प्रशासन शाखा,
 टेकु, पचली, काठमाडौं ।

GR.-47
 23/07/73

योजना प्रमुख

Statement of Fund

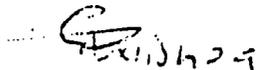
Cash received up to the 4rth . . . Quarter Rs. **143,36,528.08**

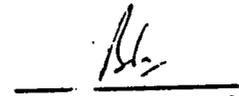
Cash in Bank .Rs **7,15,301.29** . . .

Uncleared Advances Rs.

Expenditure after deducting uncleared advances Rs.

Certified Cash Balance is correct.


S. Accountant


Project Chief

Date:

Date.

The total amount expended hereunder was the purpose authorised in Project Agreement and is supported by the documentation required by said Project Agreement on file in HMG/N.

Budget Release

HMG	-	-	Rs 6043,000.00
USAID	-	-	Rs 4254,879.49
Others donors	-	-	<u>Rs 3258,648.59</u>
Total	-	-	<u>Rs 1,43,36,528.08</u>

His Majesty's Government
Health Ministry
Nepal Family Planning
and
Maternal and Child Health Project
Central Office

Date: 2037/8/12

Subject: About General Program Expenditures for
FY 1979/80 (036/37)

Ministry of Finance
Foreign Aid and Program Division
Babar Manal, Kathmandu

This concerns with expenditure statements to be provided to USAID on the amount of funds made available for this project. Of the total amount of Rs. 14,336,528.08 received, Rs. 6,843,000 was received from HMG, Rs. 323,664.59 from other foreign assistance and Rs 4,254,879.69 from U.S.A.I.D. Rs 13,621,226.79 was expended. We request you to provide U.S.A.I.D., the budget expenditure statement of the remaining Rs 715,301.29. I also request you to notify U.S.A.I.D., the following facts related to allotment and responsibility.

1. Of the Rs 240,439.20 allotted by U.S.A.I.D. in FY 1976/77 (033/34), the cash balance of Rs 233,012.09 was deducted from the source of HMG and together with that amount the shortfall of Rs 7,427.11 was requested by this project, in 034/11/27, to be allotted by HMG. According to the letter of 035/3/13 from that office, only Rs 2,33,012.09 was decided to be allotted and that the deficit of Rs 7,427.11 was not allotted.
2. In FY 1977/78 (034/35), U.S.A.I.D. included the amount of Rs 7,427.11 (which was actually not received in the previous year), to the cash balance of Rs 295,581.50 and took responsibility of Rs 303,008.61 and according to the agreement signed in the FY, regarding percentage based expenditure, U.S.A.I.D. included the amount of Rs 184,258.52 which it was not responsible for so that the total responsibility came to Rs 487,267.13 in FY 1978/79. Since the project only had the cash balance of Rs 295,581.50, the responsibility was short by Rs 191,685.63.
3. Since in FY 1978/79 (035/36) there was a deficit of allotment by Rs 314,658.23 and that deficit was filled from cash balance of U.S.A.I.D.'s Panchayat Based Programs, there was an excess expenditure of Rs 314,658.23 for general program, when looked at it through percentage based expenditure, there is a difference of Rs 647,712.74 incurred to U.S.A.I.D. because of the agreement which included Rs 191,685.63 of the previous for the total allotment of Rs 333,054.51 and the shifting of expenditure of Rs 314,658.23 from Panchayat Based Programs.

4. In the agreement with U.S.A.I.D. in FY 1979/80, only the maximum responsibility of Rs 264,625 was mentioned, but according to FY 1978/79 percentage based expenditure, the responsibility came to Rs 333,054.51. According to U.S.A.I.D.'s letter of March 7, 1980 to this Ministry, it looks like U.S.A.I.D. will be responsible only for the amount of Rs 309,000.51. From this, it is not clear as to which of the amounts will be allotted. Also in FY 1978/79 (035/36) there was not enough funds in this project to shift responsibility, so that Rs 314,658.23 had to be spent from other programs.

At the end of FY after the funds are expended, it becomes clear as to how much can be spent out of the funds allotted by U.S.A.I.D. The responsibility exceeds the project cash balance and the amount it is responsible for will be deducted before the receipt or allotment and since the responsibility based on percentage is maintained so, the actual balance does not tally. The difference has to be borne either from the source of HMG or the U.S.A.I.D. is required to revise the allotted amount. Therefore, I request you to take necessary action on this matter. I also request you to come to a decision with U.S.A.I.D. in resolving the problems immediately.

NOTE: Because the actual financial statements of 1979/80 (036/37) have not been received from all offices, some amounts are likely to be different. I hereby notify that advance accounts shall be submitted after the receipts of these statements.

cc: Controller
USAID
Health Ministry, Econ. Admin. Dept.
Teku, Pachali, Kathmandu

Part 2

FY2036/37 PBHW EXPENDITURES

Transmittal Letter (in Nepali),
December 8, 1980

Financial Statement

English Translation



पत्र संख्या:- १-३/१९९८
प्राप्त पत्र संख्या र मिति:-

आ प्र

मिति २०१९/०५/११

विषय:- पं.आ कार्यक्रमको फाटवारी वारि ।

श्री उर्थ मन्त्रालय ,
बैदेशिक सहायता तथा का. महाशाखा ,
बबरमहत , काठमाण्डौ ।

उपरोक्त विषय यस योजनाको लागि यु.एस.ए.आर.डी. पंषायत आधारित कार्यक्रमको लागि प्राप्त रु ४३,०८,६००/- मध्ये रु ३५,१७,६२७।२६ तर्फ भै रु ८७,६०,६७२।७४ बाँकी रहेको तर्फको फाटवारी यु.एस.ए.आर.डी. लाई उपलब्ध गराउ दिनु हुन यसै साथ फटाइएको छ। यसै सिलसिलामा यस कार्यक्रमको गत आ.ब.०१५।१६ को दायित्व रकम रु ७,७६,४२४।१६ मध्ये रु ३,१४,६५८।१३ साधारण कार्यक्रममा रकम न्युन भएको कारणबाट उक्त रकम साधारण कार्यक्रममा तर्फ गरिएको सो रकम साधारण कार्यक्रमबाट सीधै बर्ना भै नसकेको र बाँकी रु ४,४४,७६६।१३ पनि मि.स्स.सी. कार्यक्रमको समेत जम्मा भोग्दात रु ४,११,७६७।१८ उर्थ मन्त्रालयबाट अमेरिकी सहायताको निकास रकमबाट दायित्व कटौती गरिएको हुदा निकास रकममा दायित्व सर्नु पर्ने रकम समाविष्ट गर्न नसकिएको व्यहोरा श्री यु.एस.ए.आर.डी. लाई जानकारी गराउ दिनु हुन अनुरोध गर्दछु ।

संलग्न:- १ १



पत्र संख्या:-
प्राप्त पत्र संख्या र दिनांक:-

मिति

विषय:- (२)

साथे दायित्व रकम रु ४,४५,७७।३८ कोलाजि बीषनावाट पटक पटक लेतापाठि मे रहेकी मा गो अर्थ मन्त्रालय व.का.नि.महाशासकी मिति ०२७।६।२ को पत्र तारा पी १ को सरकार को प्रोत्त सम्मि निकासी नदिर अमेरिकी सहायता के प्रोत्तवाट निकासी दिरकी मने उल्लेख मे आएकोले उक्त रकम अमेरिकी सहायताको दायित्व कायम मे रहेकीमा पनि पी अर्थ मन्त्रालय द्वारा अमेरिकी सहायतावाट प्राप्त निकासी मध्येवाट सो रकम कटौत करकीले सट्टे रकम दोही कटौत हुन गएको हुंदा लिखाव मिलान गर्नको लागि उक्त रकम अखिलम्व निकासी हुन समेत अजुरी नर्दछु ।

पुनराव :- योजना अन्तर्गतका सबै कार्यालयहरूवाट यथार्थ र्थको क्वरण प्राप्त मे नभिकी हुंदा संलग्न क्वरणमा र्थमा केह पफाट हुन गरमा पुनःपानकारी गराइने व्यहोरा समेत बु.सं. आ.डी. लार्ड प्रकाश गराई दिनु हुन अजुरीय नर्दछु ।

(Signature)
२०२६/८७२
योजना प्रमुख

वीपार्थ:-

- पी कटौत, बु.सं. ए. आ.डी. ,
- रकमवन , काठमाण्डौ ।
- पी स्वास्थ्य मन्त्रालय आ.प्र.शास.
- पत्ता . देउ . काठमाण्डौ ।

(स.वि)

HER MAJESTY'S GOVERNMENT
HEALTH MINISTRY

Nepal Family Planning
and
Maternal and Child Health Project
Central Office

Date: 037/8/13

SUBJECT: Regarding Panchayat Based Program Statement

Finance Ministry
Foreign Aid and Program Division
Babar Mahal, Kathmandu

Out of Rs 5,303,000 received from USAID for Panchayat Based Programs, Rs 3,517,927.26 was expended. I request you to provide U.S.A.I.D., the expenditure statement for the remaining Rs 1,790,672.79. In this context, out of the amount of Rs 759,424.36 which U.S.A.I.D. was responsible for in 1978/79 (035/36), there was a shortfall of Rs 314,658.3 for general program so that the above amount was used for general program. That amount has yet to be repayed. That amount, together with the remaining Rs 444,766.13 including from V.S.C. program, there is a cash balance of Rs 455,797.38. Because this amount has been deducted by the Ministry of Finance from the total allotted funds, I request you to inform U.S.A.I.D. of the inability to shift responsibility on the allotted funds.

We have been writing letters to concerned agencies for taking the responsibility of Rs 455,797.38. In the letter dated 037/6/2 the Ministry of Finance informed us that the allotment was not made because the source of finance was thought to be HMG, hence the release was ordered to be out of the American assistance. The U.S.A.I.D. had already taken responsibility for the amount and also, the Ministry of Finance had again deducted the amount from the available American assistance. Thus the amount has been deducted twice. Therefore, we request you to release the aforesaid amount immediately for closing our accounts.

NOTE: The actual financial statements of the offices of the Project have not yet been received. If the expenditures are changed, you are requested to notify U.S.A.I.D. together with the description.

cc: Controller, USAID
Rabibhawan, Kathmandu

Health Ministry, E.A.D.
Pachali, Teku, Kathmandu

Part 3

FY2036/37 VSC EXPENDITURES

Transmittal Letter (in Nepali),
December 8, 1980

Financial Statements

Line-Item Expenditures
Program Expenditures

English Translation


 Statement of Expenditure
 VSC Programme, FY 2006/07

S.N	Process	Need Budget	Released	Expenditure	Balance
1	VSC In				
	Country Training	-	4,000.00	-	4,000.00
2	VSC Ground				
	Transportation	5,95,000.00	3,29,000.00	33,728.50	2,95,271.50
3	VSC Expansion	3,00,000.00	3,00,000.00	2,95,000.00	5,000.00
	Total		<u>6,33,000.00</u>	<u>3,28,728.50</u>	<u>3,04,271.50</u>

Status of Fund

Received up to July 16, 1980 Rs. 6,33,000.00

Balance Rs 3,04,271.50

Uncleared Advances: 1,49,506.21

Expenditure after deducting uncleared advances: 1,79,222.29

Certified Balance is correct.


 Senior Accountant


 Project Chief

The total amount expended hereunder was for the purpose authorized in Project Agreement 78-7, revision no 2, and is supported by the documentation required by said Project agreement on file in EMU/N.

BEST AVAILABLE DOCUMENT

HIS MAJESTY'S GOVERNMENT
HEALTH MINISTRY

Nepal Family Planning
and
Maternal and Child Health Project
Central Office

Date: 2037/3/13

SUBJECT: About the Statement of Expenditure of V.S.C. Program

Ministry of Finance
Foreign Aid and Program Division
Babar Mahal, Kathmandu

I am attaching herewith a statement of expenditures for V.S.C. program. You are requested to make it available to U.S.A.I.D. The statement shows how Rs 328,728.50 has been spent out of the amount of Rs 633,000 and how the balance is going to be spent. I invite your attention to the fact that the amount of Rs 11,031.25 has not been reimbursed by the Ministry of Finance and since that amount has not been included you are requested to notify U.S.A.I.D. together with the description.

cc: Controller
USAID, Rabi Bhawan

Health Ministry, Econ. Admin. Dept
Teku, Pachali

Appendix D

PLANNING, BUDGETING, AND FUNDING
MINISTRY OF HEALTH ACTIVITIES

Part 1: Memo: Swezy to Pande, December 11, 1980

Part 2: Discussion Paper: Planning, Budgeting,
and Funding Ministry of Health Activities

Part 1

MEMO, SWEZY TO PANDE, DECEMBER 11, 1980

TO : Dr. Badri R. Pande, Chief, FP/MCH Project DATE: December 11, 1980
FROM : Curtiss Swezy, APHA Consultant 
SUBJECT: Planning, Budgeting and Funding Ministry of Health
(MOH) Activities

The present procedures for planning, budgeting and funds flow within the Ministry of Health (MOH) is a mixed model of administration. Some activities of the MOH are centrally planned and administered. Other activities, particularly the specialized "vertical" projects, function basically as self contained autonomous units under the umbrella of the MOH. Each management style has its advantages within this mixed model. Similarly, there are disadvantages associated with both centrally planned and administered activities as well as autonomous "vertical" projects.*

The challenge before us is to find a management model for MOH that captures the advantages of both centralization and project specialization, in as far as these two options are not incompatible. In addition, the innovative management procedures we agree upon should minimize the disadvantages of the two respective management styles.

Specialized ("vertical") projects manifest several management advantages. First, project personnel have a much more intensive knowledge of the unique needs of the program than central staff generally have. This, in turn, permits specialized project staff to maximize funding support for the project. Project staff are better able to articulate the needs of these projects. This results in optimum financial support of the project. This is particularly true in capturing donor funds; but also is true in obtaining steadily increasing HMG support. "Vertical" project staff have a record of successfully pressing their case for funding with the National Planning Commission and the Ministry of Finance (MOF). This latter ability to obtain increased HMG support is, in turn, important in capturing even more donor funds.

Donors want to be reassured that their support to the MOH is not "driving out" HMG funds. When HMG funds are used to pay for a steadily increasing proportion of project expenditures this fact is taken as proof of HMG commitment to the particular health activity and assurance that donor funds are not substituted for HMG support.

* The mixed-model of administration within the MOH is not a clean dichotomy between centralized and vertical operations. For example, the Community Health Integrated Project (CHIP) functions as a semiautonomous unit within the Department of Health Services even though it does not have vertical project status. Donors clearly interact with CHIP as though it were an independent unit. HMG funds are provided to CHIP both from the Regular Budget and the Development Budget.

Specialized projects also have generally better program accountability. One reason for this is that they receive a discernably higher proportion of funds to total program needs than many centrally administered activities. Central MOH activities are frequently expanded beyond their financial limits and financial accountability is difficult to maintain.

"Vertical" projects also employ their own specialized management staff. For example, the FP/MCH Project has 21 employees engaged in financial management at their national headquarters. Program expansion within the central MOH frequently results in "add on" duties for existing overextended staff.

A potential strength of centrally administered activities is a higher degree of coordination between various components of the health service being delivered. The Planning Unit of the MOH can enhance the coordination of program components. This would eliminate duplication and maximize the utilization of scarce resources. Specialized projects, as basically autonomous units, have minimal opportunities to coordinate their activities with other services provided by the MOH. Duplication is not uncommon. In rare instances activities of specialized projects have actually worked at cross purposes with other "vertical" or central MOH activities. This less efficient utilization of resources sometimes antagonizes potential funding sources (both HMG and donors).

Central planning can well lead to better coordination and resource utilization. However, "vertical" project staff have greater insight into program needs. This necessitates an interactive process between central planners and program specialists. It also requires an interactive process between Operating Level and Central Level staff within a given project. The Planning Unit of the MOH could play a key role in this interactive process.

Program planning leads to budgeting (which is a financial plan). The sequence of information flow that should be followed is:

from Operating Level to Central Level, and

from specialized projects to the central Planning Unit.

At the moment members of the Planning Unit staff are not interested in assuming a role in the budgeting process, particularly for activities not managed by central MOH staff ("vertical" projects). It is, therefore, difficult to envision at what locus this central financial planning and coordination will occur.

Attached is a Discussion Paper on the planning, budgeting and funding of MOH activities. It is presented not as the last word in program management for the MOH, but the first word: a starting point to elicit a full examination of the alternatives for implementing these three functions in an innovative manner. It is hoped that the Discussion Paper will lead to the last word: consensus on how to manage finances in the MOH as we move forward in the 6th Five-Year Development Plan.

Attachment: A/S

Part 2

DISCUSSION PAPER: PLANNING, BUDGETING, AND
FUNDING MINISTRY OF HEALTH ACTIVITIES

DISCUSSION PAPER

Planning, Budgeting and Funding Ministry of Health Activities

	<u>Page</u>
INTRODUCTION	1
Planning	1
Comprehensive Annual Plan	1
Budgeting Process	2
Operating Level	2
Central Level	2
Ministry Level	3
Foreign Donor Funding	4
1) Budget Support	4
2) Non-Budgeted Support	5
3) Implementation Plans	5
FUNDING CHANNELS	6
HMG Funds	6
Donor Funds	6
Funds Release	7
Financial Reporting	8
SUMMARY	9
APPENDIX A: Role of the Planning Unit in Financial Management	10

DISCUSSION PAPER

Planning, Budgeting and Funding
Ministry of Health Activities

INTRODUCTION

Financial management is essential to administering an efficient health program. Funds of both the HMG and foreign donors support Ministry of Health activities. The health needs of Nepal will exceed resources for many years to come. Therefore, scarce resources must be administered in as efficient manner as possible.

The essential components of financial management include program plans, budgets and flow of funds. This paper presents a format for implementing each of these functions. As much as possible the advantages of the present system are incorporated; the vigor of specialized (usually "vertical" projects) and the efficiency of planning and coordination by the central Ministry of Health. In this latter capacity the Planning Unit is viewed as potentially playing a key role.

Because foreign donors provide a significant proportion of funding for MOH activities a discussion is included on the special nature of foreign donor support. Some donor support appears in the budget as rupees. Other support is not budgeted, but must be properly utilized by project managers.

It is hoped that a thorough review of this Discussion Paper will result in a financial implementation plan that is practical and efficient for the MOH.

PLANNING

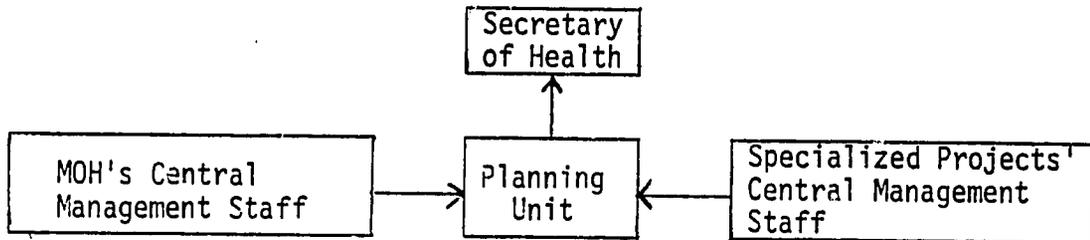
To coordinate the many activities of budgeting and channeling funds a Ministry-wide program plan should be developed. This plan would incorporate both central MOH activities as well as specialized projects. The plan should account for all items in the budget. In addition, the plan should include non-budgeted support from donors.

Comprehensive Annual Plan

The Planning Unit can be responsible for formulating a Comprehensive Annual Plan for the Secretary of Health. The plan could include all the service and administrative activities of the MOH. Examples include targets for inoculations to be given, blood samples to be taken, and sterilizations to be performed. The Planning Unit is in a position to work closely with the Central Level staffs of the MOH and specialized projects in formulating such a Comprehensive Annual Plan.

Targets could then be assigned to specific projects. For example, the number of vasectomies to be performed by CHIP and FP/MCH, the number of inoculations to be given by FP/MCH and EPI, etc. The Secretary of Health should approve the Comprehensive Annual Plan. A cross-check of budgets by the Planning Unit would also be appropriate to ensure sufficient funds have been earmarked to achieve these targets.

MOH Comprehensive Annual Plan and Budget



BUDGETING PROCESS

Essential to any financial management system is a thorough process of budgeting. The budget should be built from the bottom up. Therefore, the budgeting process should begin at the Operating Level and proceed through the Central Level of the various projects on to a total Ministry budget.

Operating Level

Financial managers at the Operating Level have broad experience in actual expenditures. The budgeting process should begin by requiring Operating Level managers to submit projected budgets for the new year to their respective Central Level offices. These estimates should incorporate:

- recurrent expenses;
- increased expenses; and
- new expenses.

When needed, appropriate training on budgeting should be provided to Operating Level fiscal managers.

Central Level

The Central Level staff of the various health programs are responsible for compiling aggregate budgets for their entire program activity. The basis for these budgets should be a compilation of the individual Operating

Level budgets. Comparisons should be made between actual expenditures in the current year and projected program activities in the new year. In addition, Central Level staff should add budgetary requirements for program expansion and innovation unknown to Operating Level managers. Central Level budgeting should encompass:

- collating Operating Level budgets;
- verifying budgets by actual expenditures;
- calculating Central Level funding needs; and
- budgeting for program expansion and innovation.

It is important for Central Level budgeting to be done in consultation with the National Planning Commission, Ministry of Finance, MOH Planning Unit and foreign donor staff.

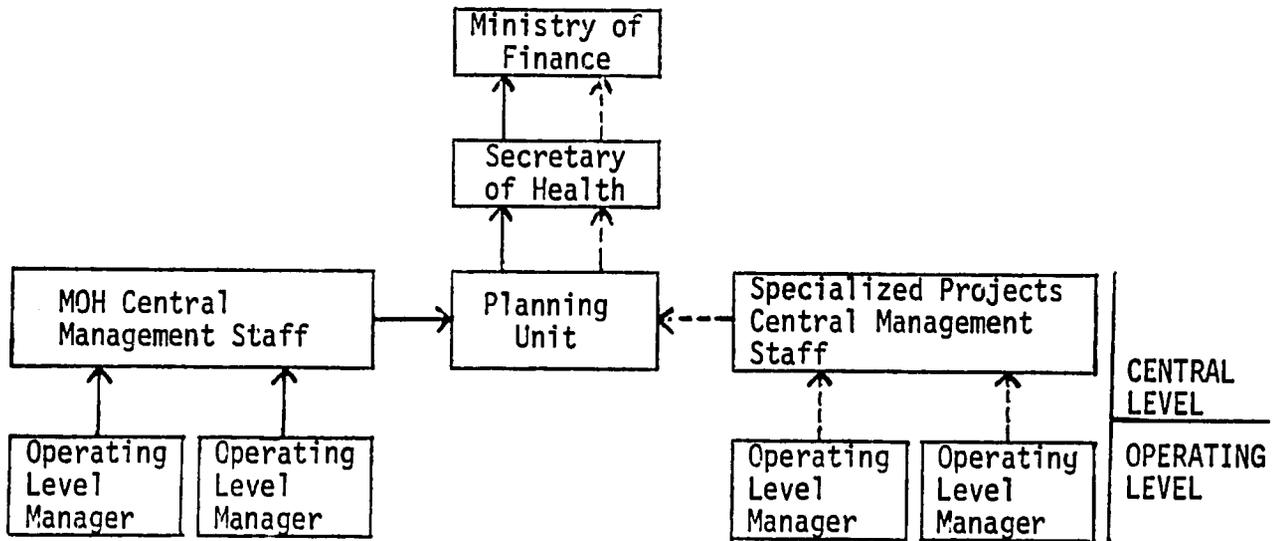
Ministry Level

The Planning Unit, under the direction of the Secretary of Health, could be assigned responsibility for reviewing all budget proposals. This would include compiling the budgets of all Central Level units. The Planning Unit would then be responsible for ensuring that all components of the Comprehensive Annual Plan, as approved by the Secretary, have appropriate funds in the proposed budget. Specific activities of Ministry Level budgeting should include:

- collating all Central Level budgets;
- ensuring all MOH planned activities are sufficiently budgeted; and
- promoting the provision of adequate HMG funds for Ministry Operations.

It is important to note that while the Planning Unit (or some branch of the central MOH) should review all budgets, nonetheless, budgets of specialized activities should not lose their identity. For example, the budget for the National Malaria Eradication Organization (NMEO) should be identified as NMEO's budget and forwarded in tact. The Planning Unit should not merge budgets of specialized activities into a single budget presentation.

Budget Formulation



Foreign Donor Funding

Because foreign donors fund a significant proportion of MOH activities certain characteristics of donor funding should be explicitly dealt with to insure the maximum benefit from this support.

Upwards of a dozen foreign donors support activities of the MOH. Donor priorities and funding allotments do not necessarily correspond to MOH needs and priorities. Within certain limits the objective of the MOH should be to maximize contributions by foreign donors. Donor funds can then be used to complement HMG funds for MOH operations.

1) Budget Support: Foreign donors provide large amounts of rupees -- budget support -- for MOH activities. This is in contrast to many developing nations where foreign assistance is limited largely to hard-currency expenses (technical assistance, commodities and participant training).

The primary responsibility for capturing donor support would logically rest with the Central Level staffs of the various MOH projects. These staffs presently work with donor personnel to elicit support for donors' favored activities. These funds are then incorporated into aggregate budgets which could be forwarded to a Ministry-wide coordinating unit such as the Planning Unit.

2) Non-Budgeted Support: Donors support MOH activities with their own direct hard-currency expenditures. Examples include turn-key construction, commodities, training (particularly out-of-country training) and a wide variety of technical assistance (such as APHA consultants). Information on this non-budgeted support should be included in total MOH budget plans. Careful attention should be paid to implied commitments for HMG support in future years as a result of these non-budgeted donor contributions.

3) Implementation Plans: HMG funding is provided for the MOH after consultation with the National Planning Commission and the Ministry of Finance. However, donor support must be specified in a written agreement approved by the MOF and the line Ministry (e.g., MOH).

Funding agreements must be negotiated between the MOH and the donor. When support is intended for a specialized project, it would seem appropriate that the Secretary of Health would be assisted by the specialized Project Chief in these negotiations. Authority to commit the HMG to an agreement with a foreign donor resides jointly with the Secretaries of Health and Finance. Once donor grant agreements have been signed the individual projects are responsible for implementing the specific components of the plan.

In order to specify what activities will be undertaken with donor support the individual projects could be required to write an Implementation Plan for each identified activity (examples of Implementation Plans are available for review). If, for example, the FP/MCH Project wanted to mount a campaign for voluntary surgical contraception they would draft a VSC Implementation Plan. The Planning Unit could be responsible for drafting for the Secretary Implementation Plans for support of central MOH activities. Each Implementation Plan should include:

- a brief description of the health need addressed and relevance of proposed activity (continuing programs would describe the history of the program);
- description of activities to be undertaken including quantification of activities and expenses;
- description of program evaluation including program reports to be generated; and
- description of program monitoring including funding source(s), supervision and financial reporting.

The Chief of each Project would be the appropriate officer to approve the Implementation Plans. These could then be forwarded to the Secretary for signature. The Planning Unit could be assigned responsibility for monitoring Project compliance with Implementation Plan stipulations.

The individual Project Chiefs would continue to be responsible for executing Implementation Plans. The Project would maintain appropriate liaison with donor agency staff as now. Project staff would be charged with ensuring compliance with all donor agency requirements.

FUNDING CHANNELS

Fundamental to any financial system is the flow of funds from source to expenditure. In the case of Nepal this includes HMG Regular Budget and the Development Budget funds and donor support.

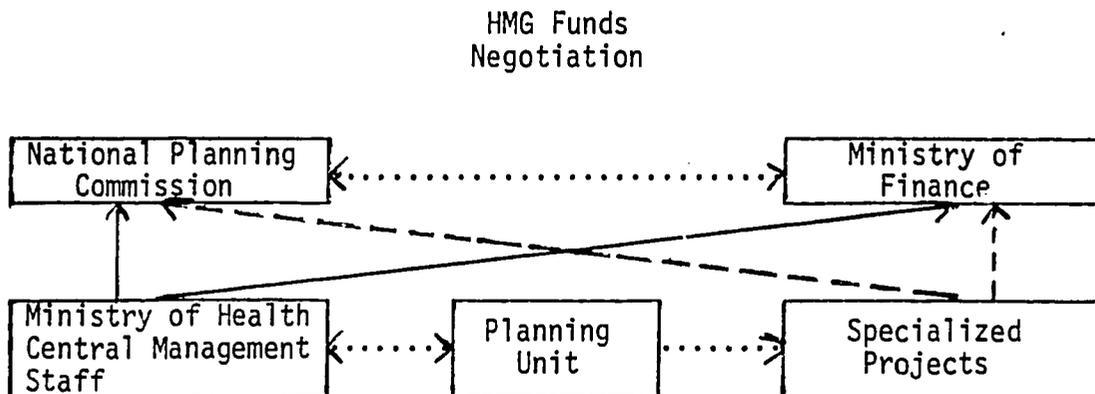
Currently, HMG and donor funds flow both to the central management staff of the MOH as well as to specialized (usually "vertical") projects. On balance, specialized projects have proven very effective in maximizing funding support for their program activities. But, coordination between projects has been incomplete. To allow for both of these factors the following procedure is proposed for channeling funds to the MOH.

HMG Funds

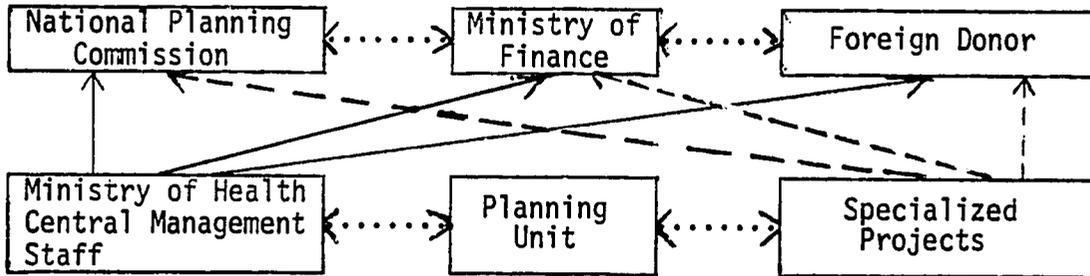
To obtain HMG funds the MOH must receive support from both the National Planning Commission (NPC) and the Ministry of Finance (MOF). Staff of specialized projects would reasonably be expected to continue to maintain liaison with these two HMG branches. Program needs have to be explained in detail to the NPC and MOF. The specialized projects could receive assistance from the MOH Planning Unit in preparing these presentations.

Donor Funds

The specialized agencies, it would appear, should be allowed to continue to negotiate directly with the staff of donor agencies for support. The specialized agencies have documented an impressive record in the past of obtaining donor funding. Central management staff of MOH could appropriately continue to negotiate with donors for support of activities not included in specialized projects.



Foreign Donor
Funds Negotiation

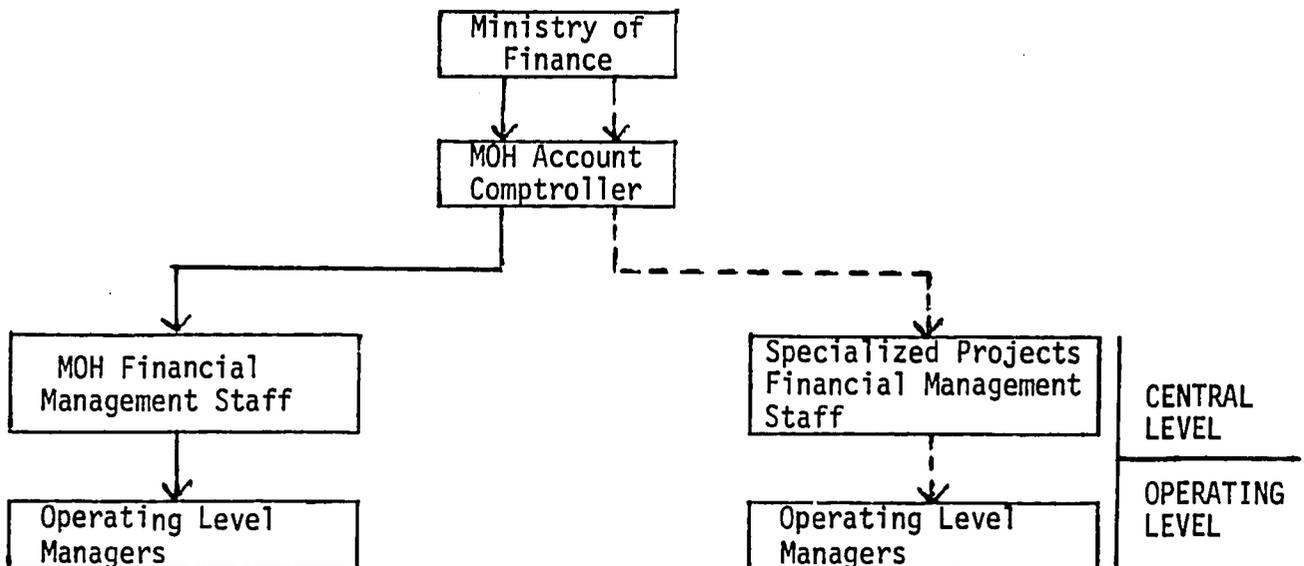


Funds Release

Release procedures should remain the same as currently in effect. The Ministry of Finance would continue to release all funds to the Account Comptroller of MOH designating which projects the money is supporting. This means MOH Central Level financial management staff, both specialized projects and MOH, would continue to receive a check issued by the Account Comptroller.

It would follow that Central Level financial management staff would forward funds to the Operating Level units under their jurisdiction. Steps must be taken to ensure that funding source identity is maintained when making expenditures, particularly at the Operating Level.

HMG and Foreign
Donor Funds Flow



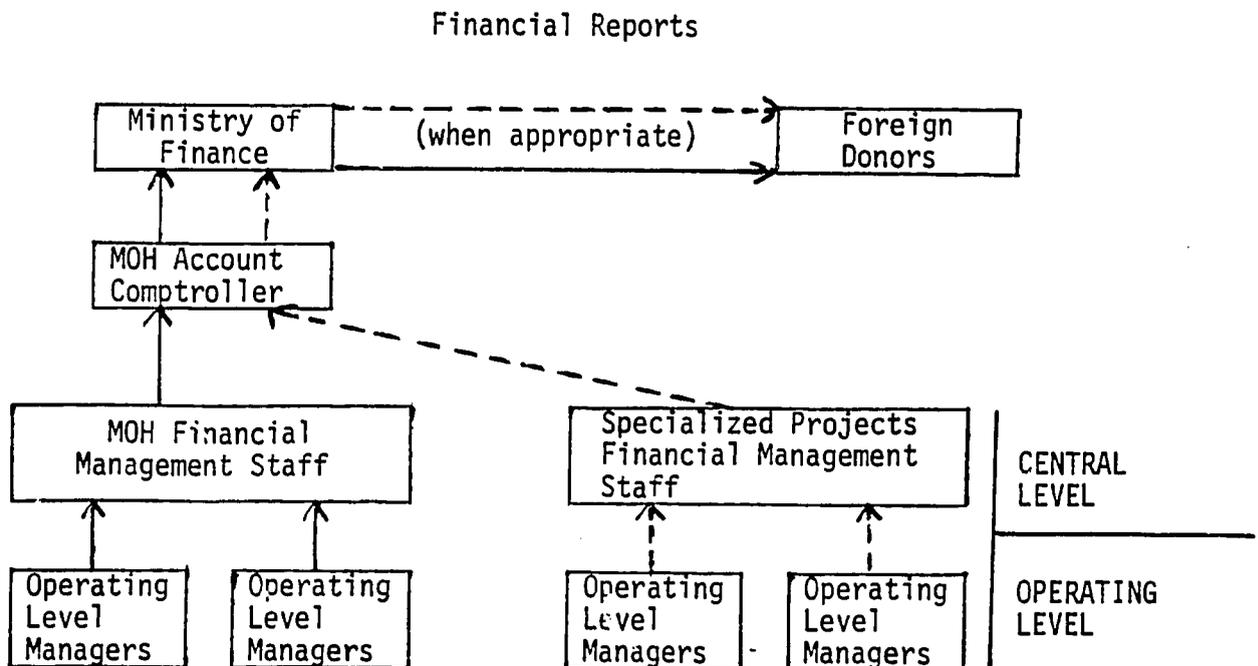
Financial Reporting

Expenditures, by funding source, must be recorded by Operating Level and Central Level accountants. Reports of expenditures would continue to be forwarded by Operating Level staff to the Central Level. Central Level staff, as now, would collate financial reports and prepare a consolidated statement of expenditures. Incorrect, undocumented or otherwise inappropriate expenditures must be corrected by Central Level staff.

One proposed change in current procedures is suggested. Consolidated expenditure reports from specialized projects could be forwarded to the MOH Account Comptroller. The reports could then be reviewed and forwarded to the Ministry of Finance.

The role of the MOH Account Comptroller would not be to collate all reports from the multiple Central Level offices. No attempt should be made to prepare a consolidated financial statement for all MOH activities (just as there would be no consolidated budget). Specialized projects should continue to prepare financial statements for the Ministry of Finance as if they were autonomous projects.

The role of the Account Comptroller could be, rather, to review and monitor individual financial statements. Inconsistencies in reports could then be screened before forwarding to the MOF. The Account Comptroller would be in a position to note late reports and assist central staff and specialized projects in resolving problems with reporting expenditures. In this manner the Account Comptroller would function as a resource person for the financial management staffs of the MOH, both central Ministry and specialized projects.



SUMMARY

A sound financial management system must be implemented to ensure the efficient utilization of funds by the MOH. The basic elements of such a system include planning, budgeting and funding. This Discussion Paper describes one possible format for such a financial system.

In the proposed format the vigor of specialized projects is protected. At the same time the necessity for coordination is recognized. The Planning Unit is viewed as one possible locus for this coordination, including financial coordination. Obviously, other units of the MOH could be substituted or share in the role.

The first step in a sound financial management system is a well thought out program plan; quantified by service activity. Budgets must then include sufficient funds to achieve these goals.

Because foreign donors provide substantial support to the MOH consideration must be given to the special relationship with donor institutions. This includes a frank acknowledgement that donor priorities do not always coincide with HMG's primary interests.

Funds must flow from HMG and donors down to the primary points of expenditure, the Operating Level. Records must be kept of expenditures by funding source. Reporting can remain the same with the possible exception of the MOH Account Comptroller being a resource person to Central Level accountants, reviewing financial statements prior to submission to MOF.

This format is suggested to initiate a discussion on the important task of implementing a suitable financial management system within the MOH. It is not anticipated that this format will be implemented as presented. Rather, the goal is for a critical review which will produce consensus on procedures that are appropriate and realistic for the MOH. When such procedures are implemented the important work of providing health services in Nepal may move forward.

APPENDIX A

The Role of the Planning Unit in Financial Management

According to the model established by the National Planning Commission the role of a planning unit should include program planning and policy formation, coordination of program implementation, and monitoring and evaluation. A subset of these three tasks for financial management would be resource allocation.

The Planning Unit of the Ministry of Health is performing some of these functions at present. In fiscal policy determination and monitoring of expenditures the Planning Unit plays little role, and in fact has no plans to become involved in this aspect of the program.

Three alternatives exist for the Planning Unit in the formation of fiscal policy and financial monitoring:

- no involvement;
- planning and monitoring at the macro-level with inputs provided by specific program managers, or
- total policy formation for all projects and responsibility for finances.

Each alternative has advantages and disadvantages.

The attached Discussion Paper assumes a role in financial management for the Planning Unit on the middle ground. The first alternative -- no involvement in financial management -- is rejected because it does not appear to be possible to conduct realistic program planning with no reference to resources to support planned activities. The last alternative -- total control -- is also rejected. A vital component of the present management system, the vigor of vertical projects, would be lost.

A middle ground position for the Planning Unit is selected in an effort to capture two dynamic forces in MOH financial management: the vigor of semiautonomous specialized projects (usually "vertical" projects) to solicit funding support combined with the efficiency of centralized coordination. If this balance can be attained the MOH will continue to receive substantial HMG and donor support. At the same time, greater efficiencies will be realized in the allocation of scarce resources.

The role of the Planning Unit in this middle ground of financial management would then include:

Planning:

The Planning Unit would be responsible for formulating the Comprehensive Annual Plan (CAP) and obtaining approval of the Secretary. However, substantive inputs for the CAP would be provided by individual projects.

Budgeting:

The Planning Unit would collate the budgets of all individual projects. In addition, the Planning Unit would cross-check to determine if sufficient funds have been reserved to achieve targets in the CAP.

Funding Channels:

Shared responsibility would prevail for obtaining funds. Specialized projects would carry greater responsibility for obtaining donor support. Central Ministry staff would have greater responsibility for maintaining and increasing HMG support. No current channels of communication would be interrupted. The Planning Unit would be specifically charged with evaluating implied future commitments of HMG funds resulting from donor support.

Even within the middle ground the case can be made for greater or lesser participation by the Planning Unit in financial management. It is hoped that the Discussion Paper will precipitate consensus on the best mechanism for managing finances in MOH. This consensus must also include a clear role definition for the Planning Unit.

Appendix E

LOCAL CURRENCY SUPPORT TO THE HMG HEALTH SECTOR

Part 1: Discussion Paper: Local Currency Support
to the HMG Health Sector

Part 2: IRH/FP Project Implementation Letter, No. 3
December 1980

Part 3: Letter, Pande to van der Vlugt,
December 12, 1980

Part 1

DISCUSSION PAPER: LOCAL CURRENCY SUPPORT TO THE
HMG HEALTH SECTOR

Discussion Paper

LOCAL CURRENCY SUPPORT TO THE HMG HEALTH SECTOR

Under the new Grant Agreement signed August 31, 1980 USAID/Nepal will provide support to the HMG health sector throughout the Fifth 5-Year Development Plan. Approximately \$6.8 million of this support will be converted to rupees to pay for high priority expenditures for which HMG funds are not presently available.

USAID/Nepal has supported the rupee budget of HMG health and family planning programs for a number of years. This budget support has assisted in increasing the quantity and quality of health services provided throughout the Kingdom. HMG project directors are clearly desirous of receiving this support during the new 5-Year Plan period and USAID/Nepal has responded by designating over \$1 million per year for this purpose.

Unfortunately, the provision of local currency support to the health sector has precipitated internal AID management problems. Both USAID/Nepal's Controller's Office and regional AID auditors have been critical of the way in which USAID/Nepal has monitored budget support to the HMG health sector. Yet, Mission staff believe this local currency support is vital to the continuing growth of a national health system. USAID/Nepal remains firmly committed to providing rupee budget support to the HMG health and family planning programs for the next five years.

To ensure an uninterrupted flow of USAID/Nepal-provided rupees to the health sector, USAID/Nepal proposes to alter the procedures for the transfer of these funds to HMG. These changes will enable USAID/Nepal to conform with the internal AID requirements on financial monitoring. At the same time these changes will have no effect on HMG rules and regulations for funds management and accountability. HMG health sector projects will continue to comply with Auditor General procedures for disbursement and accountability as they do now.

Two fundamental changes are proposed in USAID/Nepal disbursement procedures of rupees to the health sector. First, rupee expenditures will be reimbursed upon submission of satisfactory evidence of actual expenditures. Second, a one-time advance will be provided by USAID/Nepal to the Ministry of Finance to be used to provide working capital to the health

sector. Rupee funds will continue to flow from the Ministry of Finance to the Ministry of Health according to HMG rules and regulations.

Currently, USAID/Nepal advances funds for health and family planning projects at the beginning of the HMG fiscal year. After the close of the fiscal year USAID/Nepal calculates its proportionate share based upon total expenditures. Normally this means that some of the funds optimally committed by USAID/Nepal are subtracted from the contribution (even if these funds have been budgeted and spent by the respective health projects). Under the present formula HMG financial managers do not know precisely how much money USAID/Nepal will authorize until after the close of the HMG fiscal year. Not surprisingly, this has caused problems duly noted by AID auditors.

A. Direct Reimbursement

Under the proposed system USAID/Nepal will reimburse health projects for actual allowable expenditures. No long-term records of outstanding advances will be required, thus greatly simplifying the exchange of records between HMG and USAID/Nepal. This alternate procedure will remove USAID/Nepal's vulnerability to criticism by auditors for failure to properly monitor the use of USAID-provided rupees. By removing this criticism the danger of USAID/Nepal support being interrupted by unsatisfied auditors is virtually eliminated. The procedure of reimbursement for actual expenditures potentially creates a problem for the Ministry of Health. The health projects will not have any initial USAID/Nepal funds to make expenditures for which reimbursement will be claimed. This problem is addressed by the second proposed procedure.

B. One-Time Advance

A one-time advance, in an amount to be mutually-agreed-upon, will be provided by USAID/Nepal to the Ministry of Finance. These funds are to enable the Ministry of Finance to provide working capital to the health sector. Funds will be advanced by the Ministry of Finance to the Ministry of Health in accordance with HMG rules and regulations. The Ministry of Health will account for these funds as they do now. USAID/Nepal and the Ministry of Finance will reconcile the one-time advance at the conclusion of the five-year grant.

With the Ministry of Finance in a position to provide the Ministry of Health working capital the health projects may proceed with incurring rupee expenses. When documentation of Ministry of Health expenditures is received by USAID/Nepal reimbursement will be made for these actual costs. In this manner the process will perpetuate itself; as additional expenditures are incurred USAID/Nepal will reimburse these costs. Agreed-upon items for reimbursement and maximum rupee amounts will be specified in sub-obligating documents jointly drafted by the Ministry of Health and USAID/Nepal Health and Family Planning Office staff. All financial record keeping and accounting will be done in compliance with standardized HMC procedures. No funds will be subtracted from succeeding year support because approved expenditures will be reimbursed when presented.

The staff at USAID/Nepal believes these two procedural changes will eliminate past criticisms of USAID/Nepal funds management of rupee support to the health sector. This, in turn, will provide assurance of continued uninterrupted rupee support of health projects. Your comments and suggestions on these two procedural changes will be greatly appreciated.

Part 2

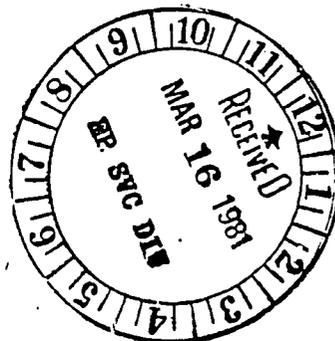
IRH/FP PROJECT IMPLEMENTATION LETTER,
NO. 3, DECEMBER 1980



UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT
MISSION TO NEPAL

KATHMANDU, NEPAL

January 7, 1981



Mr. Goraksha Bahadur Whuchhe Pradhan
Secretary
Ministry of Finance
Babar Mahal

Subject: Implementation Letter No. 3
Integrated Rural Health/Family
Planning Services No. 367-0135

Dear Mr. Pradhan:

In accordance with principles of agreement reached during a meeting on 11 December 1980 at the Ministry of Finance between representatives of HMG and USAID, this project Implementation Letter establishes the funding procedures that will be followed during the life of this project.

In brief, the funding procedure for the IRH/FP project (367-0135) would follow the steps outlined below:

1. The Ministry of Health will develop annual work plans with which USAID will concur. From the work plans, an estimated budget will be prepared by line items and will indicate the equivalent share of cost to be borne by HMG and by USAID. The annual budget amount will be used to determine the quarterly cash requirements.
2. Copies of these annual budgets and quarterly cash requirements will be forwarded by the Ministry of Health to the MOF and USAID accompanied by a request to provide funds on quarterly basis for project use during the coming fiscal year. Semi-annual budget reviews and revisions, if applicable would be initiated by the Ministry of Health.
3. Upon receipt of these documents, MOF and USAID will review them. If acceptable as submitted, or as modified in coordination with the Ministry of Health, MOF and USAID will agree on a quarterly cash flow plan for the project for the coming fiscal year. At this point USAID will issue a Project Implementation Letter (PIL) to the Ministry of Health concurring with the work plan and agreeing with the budget for the coming fiscal year. At the same time, a PIL will be issued to MOF under terms of which USAID will agree to provide working capital equivalent to the calculated USAID share of project costs for a current quarter and the subsequent quarter.
4. Assuming the Ministry of Health has met the HMG requirements for requesting the release of funds, MOF will authorize prompt quarterly release of funds in accordance with the agreed project cash flow plan. The fund releases will be for the full amount of the calculated estimated HMG and USAID shares.

5. At the end of each quarter the Ministry of Health will submit to MOF and USAID accountings of all expenditures incurred in that quarter. The accounting to MOF will follow standard HMG regulations and will be the basis for determining whether or not the Ministry of Health is eligible to receive the cash advance for the next quarter (i.e. the second quarter following the one for which the statement is being submitted). The statement to USAID will be in the form agreed by USAID and will be used to determine the reimbursement for project expenditures that is to be provided to HMG by USAID.
6. After reviewing the statement of expenditures, USAID will provide MOF with a check in an amount equal to the allowed and approved expenditures plus an identification and explanation of any claimed expenditures that USAID had disallowed.

If the project working capital loan to MOF then exceeds the working capital requirement for the calculated estimated USAID share of project expenditures for the current and forthcoming quarter, then a credit will be taken by USAID against the reimbursement to reduce the working capital loan to the level necessary under the project cash flow plan.

7. MOF and USAID will monitor the expenditures of projects to determine if and when modifications in the projects cash flow plan are necessary. Changes will be made by mutual agreement between MOF and USAID, and will be recorded in a PIL amending the appropriate preceding PIL.

The above funding arrangements are intended to in no way change HMG's established financial/accounting rules and regulations for financial management of donor assisted projects. The intended change is that all releases of funds from MOF to the implementing Ministry or Agency will be entirely HMG funds rather than a mix of HMG and USAID funds. The Ministry of Health will continue to adhere to HMG's procedures for requesting and accounting of funds.

If the MOF agrees with the above procedures, please respond by letter to USAID.

Sincerely,

Thomas L. Rose
Acting Director

3/12/81
VPM TA/HEA

Part 3

LETTER, PANDE TO VAN DER VLUGT, DECEMBER 12, 1980



Health Project



Our Ref.....

Your Ref.

12733 Central Office
14147 Supply Sec.

Sam Shah Path.

Date Dec 12, 1980

Dr. Gerold v. van der vlugt, chief
USAID/N Office of Health and Family Planning
Rabi bhawan

Subject: Quarterly Cash Requirements for
USAID/N-Supported Activition

Dear Jake:

USAID/N is supporting three activities of the FP/MCH Project (General Operating Expenses (GOE), Panchayat Based Health Workers (PBHW), and voluntary Surgical contraception (VSC) Below is listed the time-phased cash requirements, by quarter, for the current fiscal year FY 2037/38.

General Operating Expenses

	USAID	ING
Budgeted :	Rs 4,300,000	Rs. 8,679,000
Requirement :		
1st Quarter	1,720,000	6,238,000
2nd Quarter	860,000	1,200,000
3rd Quarter	860,000	595,500
4th Quarter	860,000	595,500

Panchayat Based Health Worker project

	USAID	NONE
Budgeted :	9,584,000	↓
Requirement :		
1st Quarter	2,396,000	
2nd Quarter	1,916,800	
3rd Quarter	2,398,000	
4th Quarter	2,875,200	

Dr. Gerald V. van der Vliet, Chief
USAID/N Office of Health and Family Planning
Rabi Bhasan

<u>Voluntary Surgical Contraception</u>		USAID
Budgeted :		993,000
Requirement :		
1st Quarter		99,300
2nd Quarter		397,200
3rd Quarter		397,200
4th Quarter		99,300

HMG
NONE
↓

Since it is already the middle of December we urge USAID/N to advance to the Ministry of Finance (MOF) the funds designated in these cash flow requirements for the first two quarters. This would be in the following amounts:

GGE :	Rs 2,580,000
PBHW :	4,312,800
YSC :	496,500

We would also hope that USAID/N will be prepared to advance to MOF the amounts shown for 3rd Quarter requirements by January 15, 1981.

If you have any questions about these cash flow requirements please let us know. We greatly appreciate the continued cooperation and support of USAID/N, particularly the Office of Health and Family Planning, in funding FP/MCH Project activities.

Very sincerely,

Dr. Badri K. Pande, Chief
FP/MCH Project

cc: Secretary, Ministry of Health

: Ministry of Finance,
Foreign Aid Division

: ACTing Director, USAID/N

Appendix F

FINANCIAL MANAGEMENT IN NEPAL

Appendix F
FINANCIAL MANAGEMENT IN NEPAL

I. ISSUES

- A. Management
- B. Funds Release
 - 1. Donor
 - 2. HMG
 - a. Central Level
 - b. Operating Level
- C. Accountability
 - 1. Donor
 - 2. HMG

II. ELEMENTS OF HMG FINANCIAL MANAGEMENT SYSTEM

- A. Budgets
 - 1. Two Budgets
 - 2. Repetitive Budgeting
- B. Cycles
 - 1. Budget
 - 2. Release

Fiscal Year Quarters

1st	2nd	3rd	4th
-----	-----	-----	-----

Advance Authoriza- tion Bill	Rastriya Panchayat Approval
------------------------------------	-----------------------------------

- C. Accounting System
 - 1. Advances
 - 2. Single-Source Funding
 - 3. Chart of Accounts

B. Feasible

1. Monitor Budget
2. Monitor Release
 - a. USAID/N
 - b. HMG
3. Release Early
4. Monitor Reporting
5. Design Funding Document