

*Ref.: GMD/SEA/NPL/2019-830/ND*

31 July 2019

Mr. Robert Clay  
Vice President, Global Health  
Save the Children Federation, Inc.  
Washington DC  
United States of America

**Subject: Performance Letter summarizing progress review of the NPL-M-SCF grant for the period from 16 March 2018 to 31 December 2018 and the Global Fund Annual Funding Decision for the period from 01 January 2019 to 30 June 2020.**

Dear Mr Robert Clay

This Performance Letter presents conclusions of the Global Fund's review of the Progress Update for the period 16 March 2018 – 31 December 2018 and Disbursement Request for the period 1 January 2019 – 30 June 2020. This letter provides a summary of grant performance for the implementation period 16 March – 31 December 2018. It highlights challenges as well as corresponding actions to be pursued by the PR and implementing partners looking forward.

We would also like to inform you that the Annual Funding Decision for the NPL-M-SCF grant for the period 1 January 2019 - 30 June 2020 has been finalized. A total of US\$1,438,872 will be disbursed to the PR during this period.

#### **A. Programmatic Performance**

Performance of the National Malaria Program is solid. Based on the Progress Update, the Program has managed to sustain zero malaria deaths in 2018 and ensure that all confirmed malaria cases receive first-line antimalarial treatment at public sector health facilities. The distribution of LLINs to at-risk populations through mass campaigns was done based on updated microstratification data. The Private Sector Strategy is being finalized and is expected to be endorsed in 2019, while interventions supporting engagement with the private sector have already started. Once the Strategy is fully endorsed, these efforts should be further intensified. National surveillance system has been strengthened and continuous support has been provided by the PMI Advisor, GIZ national partners and WHO.

Programmatic results for the last reporting period show that challenges exist with respect of malaria diagnosis. Specifically, low malaria testing results were noted for public health facilities, at the community, as well as in the private sector. The National Malaria Program should analyze reasons behind these challenges and develop an action plan to address them in future periods.

It is important to note that challenges with the operationalization of the decentralized structure have been impacting leadership and implementation of national programs. As discussed during a meeting with provincial-level health representatives in May 2019, it is critical that regular guidance and support is provided to ensure uninterrupted and quality services are delivered to help reach national targets.

Please note that the result for the indicator related to LLINs distributed to at-risk populations through mass campaigns was reported as ‘zero’ as the distribution was delayed and only completed in 2019. However, this delay did not significantly impact program implementation as the distribution was completed before pre-monsoon season.

The overall grant performance rating for the last reporting period is B1.

We rely on the leadership of the National Malaria Program, the PR and partners to address identified issues and strengthen national surveillance, strengthen case diagnosis at public sector and community level, improve collaboration with the private sector to diagnose and treat malaria cases on a timely basis, and develop a strategy to manage imported cases.

Programmatic requested actions are included in **Section D** of this Performance Letter.

## B. Financial Performance

The PR demonstrated good performance with an expenditure rate close to 69% in the last reporting period.

Underutilization of grant funds during the reporting period has been mainly due to delayed activities and savings identified. Savings will be reprogrammed to further strengthen the national surveillance system, ensure provision of malaria diagnosis and treatment on a timely basis, strengthen the PPM component and support strengthening of the community-based approach to case management.

Finance-related actions requested from the PR are included in Annex A.

## C. Status of Grant Requirements and Mitigating Actions

Grant Requirement	Status
The procurement of Health Products with Grant Funds shall be carried out through the Pooled Procurement Mechanism (“PPM”) of the Global Fund, or <a href="http://wambo.org">wambo.org</a> , as agreed between the Grantee and the Global Fund, until the Global Fund has agreed in writing that procurement of Health Products can be managed by the Grantee using a different process. The Grantee has all the necessary power and has been duly authorized by or obtained all necessary consents, approvals and authorizations to execute and deliver the PPM registration letter in the form approved by the Global Fund.	<b>Met</b>
In accordance with the Global Fund Sustainability, Transition and Co-financing Policy (GF/B35/04) (the “STC Policy”), the Grantee acknowledges and agrees that:  1. The Federal Democratic Republic of Nepal should progressively increase government expenditure on health to meet national universal health coverage goals; and increase co-financing of the Global Fund-supported programs, focused on progressively taking up key costs of national disease plans (the “Core Co-Financing Requirements”). The commitment and disbursement of Grant Funds is subject to the Global Fund’s satisfaction with the Federal Democratic Republic of Nepal’s compliance with the Core Co-Financing Requirements. The	<b>In Progress</b>

Grant Requirement	Status
<p>Global Fund may reduce Grant Funds during the Implementation Period based on non-compliance with the Core Co-Financing Requirements;</p> <p>2. The Federal Democratic Republic of Nepal should comply with the requirements to access the ‘co-financing incentive’ as set forth in the STC Policy (the “Co-Financing Incentive Requirements”). The commitment and disbursement of 20% of the Federal Democratic Republic of Nepal’s malaria allocation of USD 4,208,547 for the 2017-2019 allocation period, which is equal to USD 841,710 (the “Co-Financing Incentive”), is subject to the Global Fund’s satisfaction with the Federal Democratic Republic of Nepal’s compliance with the Co-Financing Incentive Requirements. The Global Fund may reduce the Co-Financing Incentive during the Implementation Period, or from the subsequent allocation, proportionate to non-compliance with the Co-Financing Incentive Requirements;</p> <p>3. The Grantee shall work with the CCM to develop, and ensure delivery to the Global Fund by 30 June 2018 of, a plan to increase domestic funding for the malaria response, as well as contingency plans in the case that the increase in domestic funding in malaria does not occur (the “Sustainability Plan”), in form and substance satisfactory to the Global Fund; and</p> <p>4. Following the approval of the Sustainability Plan by the Global Fund, the Grantee shall work with the CCM and Government of Nepal to implement the Sustainability Plan, including ensuring the inclusion of appropriate amounts in the Red-Book of the Government of Nepal to ensure future commitments for the national program.</p>	
<p>The Global Fund may, in its sole discretion and at any time during the Implementation Period, reduce the amount of Grant Funds under this Grant Agreement by up to USD 597,394.18, in the event that the Global Fund does not recover the amount of USD 298,697.09 by 30 June 2018.</p>	<b>In Progress</b>
<p>1. The Program budget in the Integrated Grant Description attached hereto as Schedule I reflects the total amount of Global Fund funding to be made available for the Program. The Program budget may be funded in part by grant funds disbursed to the Grantee under a previous Grant Agreement, which the Global Fund has approved to be used for the Program under the current Grant Agreement (“Previously Disbursed Grant Funds”), as well as additional Grant Funds up to the amount set forth in Section 3.6 of the Grant Confirmation. Where the Global Fund has approved the use of Previously Disbursed Grant Funds, the Global Fund may reduce the amount of Grant Funds set forth in Section 3.6 of the Grant Confirmation by the amount of any Previously Disbursed Grant Funds, and the definition of Grant Funds set forth in Section 2.2 of the Global Fund Grant Regulations (2014) shall include any Previously Disbursed Grant Funds.</p> <p>2. All non-cash assets remaining under any previous Grant Agreements as of the start date of the Implementation Period shall be fully accounted for and duly documented (“Previous Program Assets”). Unless otherwise agreed with the Global Fund, the definition of Program Assets set forth in Section 2.2 of the Global Fund Grant Regulations (2014) shall include any Previous Program Assets.</p> <p>3. For the avoidance of doubt, except as explicitly set forth herein, nothing in the instant Grant Agreement shall impact the obligations of the Grantee under any previous Grant Agreement(s) (including, but not limited to, those concerning financial and other reporting).</p>	<b>Met</b>
<p>1. The Grantee shall work with the CCM to develop, and ensure delivery to the Global Fund by 31 December 2018 of, a long-term, feasible human resources plan that describes how the CCM and the Government of Nepal will train, recruit, motivate and retain staff, with a view to ensuring sustainable knowledge transfer among stakeholders (the “Human Resources Plan”),</p>	<b>In Progress</b>

Grant Requirement	Status
<p>in form and substance satisfactory to the Global Fund. The Human Resources Plan shall take a systems approach and address all Programs implemented in the Federal Democratic Republic of Nepal, with the aim of building a self-reliant, self-resilient, effective and efficient health system for the Federal Democratic Republic of Nepal.</p> <p>2. Following the approval of the Human Resources Plan by the Global Fund, the Grantee shall work with the CCM and the Government of Nepal to implement the Human Resources Plan.</p>	
<p>1. The Grantee shall work with the CCM to develop, and ensure delivery to the Global Fund by 30 September 2018 of, a costed private sector strategy for malaria elimination (the “Private Sector Strategy”) on the basis of a detailed mapping and utilization survey of private sector activities in districts with a higher malaria burden, in form and substance satisfactory to the Global Fund. The Private Sector Strategy shall outline activities engaging the private sector, the manner in which such activities will be implemented and monitored, and identify opportunities to address service delivery for all Programs implemented in the Federal Democratic Republic of Nepal, as relevant.</p> <p>2. Following the approval of the Private Sector Strategy by the Global Fund, the Grantee shall work with the CCM and Government of Nepal to implement the Private Sector Strategy.</p>	<b>In Progress</b>

#### D. Global Fund requested actions

1. Status of below requested actions from the risk workshop held in 2018 and from the trip report of May 2019 should be provided as per deadlines below.
2. Detailed programmatic, PSM and finance risk matrixes have been developed in collaboration with the PR and partners during a risk workshop and immediately hereafter. The PR should ensure that agreed actions are closely followed-up and completed as per the agreed timeline.
3. PSM related actions included in the Performance Letter as of 20 December 2018 requesting regular updates of PQR, quarterly update of requested actions specified in ‘PSM issues and action points’ file and actions as per the lab-related Action Plan remain unchanged.

Requested action	Deadline
<b>Programmatic and M&amp;E</b>	
The PR should collaborate with partners and the National Malaria Program to ensure uninterrupted service delivery within a decentralized structure, as well as availability of medicines and diagnostics at service delivery points on a timely basis.	<b>30 June 2020</b>  <b>Progress Update to be provided in August 2019</b>
The PR should collaborate with partners and the National Malaria Program to ensure fulfillment of government commitments for funding of the National Malaria Program, specifically: procurement of LLINs and RDTs which are done be done at national and/or provincial level, funding for human resources based on the decentralized structure.	<b>30 June 2020</b>  <b>Progress Update to be provided in August 2019</b>

<b>Programmatic and M&amp;E</b>	
<p>The PR should work with province- and municipal level health colleagues to develop a capacity building plan (based on needs assessment) to enable their implementing health services for the National Malaria Program (in collaboration with HIV and TB Programs) and managing the financing and reporting results. The PR should address the following in the capacity building plan:</p> <ul style="list-style-type: none"> <li>• The PR should work with national entities EDCD, NTC and NCASC to develop guidelines on what interventions need to be executed and how; what provinces and municipalities need to budget; how to procure, and; how they should report for national-level results reporting. The PR will need to work with senior leadership of the Ministry of Health to advocate for these guidelines being disseminated in provinces &amp; municipalities.</li> <li>• Technical assistance will be needed at the province- and municipal-levels to support health staff implement the guidelines.</li> <li>• The PR should carry out comprehensive training of all health staff at the province- and municipal-levels on technical knowledge budget also financial management, procurement and supply chain management, and reporting (linked to bullet above). Trainings will need to be carried out with periodic frequency through the next 24 months with the high turnover of staff and filling of positions.</li> <li>• The PR should facilitate the establishment / strengthening of coordination mechanisms between provinces, between provinces and municipalities, and with national entities / Ministry of Health.</li> </ul>	<p><b>31 December 2020</b></p> <p><b>Progress Update to be provided in August 2019</b></p>
<p>The PR in collaboration with the National Malaria Program and partners should strengthen interventions for migrants to manage imported cases. It is also important that these interventions comprehensively address needs and vulnerabilities of female migrants (such as sex workers) as requested previously in the Global Fund TRP recommendation.</p>	<p><b>31 December 2020</b></p> <p><b>Progress Update to be provided in August 2019</b></p>
<p>The National Malaria Program needs to strengthen the community response and intensify community engagement, to ensure that vulnerable populations, which do not have access to health facilities, can access diagnosis and treatment on a timely basis.</p>	<p><b>31 December 2020</b></p> <p><b>Progress Update to be provided in August 2019</b></p>
<p>The PR should collaborate with the National Malaria program and partners to further strengthen the national surveillance system.</p> <p>It is important to ensure regular and timely reporting of data from all reporting units/health facilities including private and NGO/INGOs clinics. Regular supervision and capacity building of human resources should be implemented where needed to ensure strengthened surveillance at different levels.</p>	<p><b>31 December 2020</b></p> <p><b>Progress Update to be provided in August 2019</b></p>
<p>Costed M&amp;E action plan should be developed after the finalization of the M&amp;E system assessment. This process should incorporate recommendations into priority remedial actions with timelines and budget.</p> <p>Interventions to ensure the inter-portability and integration of disease program data systems into the DHIS should be reflected in this action plan.</p>	<p><b>31 December 2019</b></p>

<b>PSM</b>	
<b>Laboratory</b>	
<ul style="list-style-type: none"> <li>(i) PR-recruited Laboratory Specialist should work with the National Public Health Lab (NPHL) and three disease programs to strengthen national laboratory service integration, quality standard monitoring, equipment harmonization/utilization monitoring, and lab commodity management (including Q&amp;F and SCM).</li> <li>(ii) Laboratory Specialist should actively engage in HIV/TB/Malaria lab working group (WG) to ensure that the WG is functioning effectively and laboratory strengthening activities are coordinated and implemented in a timely manner.</li> </ul>	<b>31 December 2019</b>
<b>Procurement and stock management</b>	
<ul style="list-style-type: none"> <li>(i) PR-recruited Procurement Specialist should work with MoHP/EDCD to ensure accurate quantification and follow-up of consolidated annual procurement plans (government- and grant-related) to be developed for timely implementation and to avoid treatment disruptions.</li> <li>(ii) PR team should ensure effective national stock management to avoid expiries and stock-outs. The quantification and supply planning needs to be realistic and followed by stringent and regular monitoring of the national stock quantities (central and regional/district) vs. consumption pattern from the latest reported program and LMIS data.</li> <li>(iii) PR team embedded in EDCD should have oversight of planned activities and realization of Government commitments included in Government budget “Red Book”.</li> <li>(iv) Further procurement of LLINs and RDTs should also consider using international procurement agencies set-up to offer time/cost benefits and technical assistance as an option.</li> </ul>	<b>31 December 2019</b>
<b>Quality Assurance</b>	
<ul style="list-style-type: none"> <li>(i) The PR should develop an integrated Quality Assurance (QA) plan for all three programs with the Department of Drug Administration (DDA) and/or National Public Health Laboratory, which should include necessary operational guidance details (e.g. sampling and testing plan).</li> <li>(ii) The PR should coordinate with DDA and other partners to expedite the ISO-accreditation and WHO-PQ of the National Medicines Laboratory under DDA.</li> <li>(iii) The PR should support DDA in updating the expired health products disposal guidelines and rolling-out the implementation with partners support.</li> <li>(iv) National Laboratory plans are currently being developed. These should include Laboratory QA plans (including External Quality Assurance system).</li> </ul>	<b>31 December 2019</b>

<b>Finance</b>		
<b>Internal controls</b>		
<ul style="list-style-type: none"> <li>(i) The PR should share the assessment of Sub-Recipients (SR) internal control gaps, as well as the methodology of the assessment and supporting documents, including but not limited to SR internal policies and procedures and external/ internal audit findings action plan.</li> <li>(ii) The PR should develop a tracking tool that consolidates findings of SR financial monitoring visits and observations from external and internal audits, and update the tool at least twice a year with severity of findings, mitigation actions, responsible party and progress to date. Semi-annual updates to be shared with the Global Fund as per agreed timelines.</li> <li>(iii) The PR should develop 2019/2020 financial monitoring plan covering MoHP and NGO implementers and the PR should carry out financial monitoring as planned and ensure the following: a) financial visit checklist and trip report are used for every trip; b) management staff of the visited entity is briefed about findings, receives and signs a copy of the checklist and trip report; c) visits incorporate short targeted capacity building activities, including fraud and corruption awareness, and follow-up of previously identified issues (from audits, PR assessment, previous visits, as applicable).</li> <li>(iv) The PR in coordination with the Global Fund should develop a costed action plan to address SR capacity gaps.</li> <li>(v) The PR will implement the agreed action plan.</li> </ul>	<ul style="list-style-type: none"> <li><b>(i) Update to be provided in August 2019</b></li> <li><b>(ii) Update to be provided in August 2019</b></li> <li><b>(iii) Update to be provided in August 2019</b></li> <li><b>(iv) 30 September 2019</b></li> <li><b>(v) 30 September 2020</b></li> </ul>	
<b>Fraud prevention and awareness</b>		
<ul style="list-style-type: none"> <li>(i) The PR in coordination with the Global Fund should develop a curriculum and training slides on fraud and corruption awareness for the training of grant implementers.</li> <li>(ii) The PR should conduct the training for grant implementers.</li> <li>(iii) The PR should incorporate fraud awareness element in regular financial monitoring visits as outlined above.</li> </ul>	<ul style="list-style-type: none"> <li><b>(i) Update to be provided in August 2019</b></li> <li><b>(ii) 30 September 2019</b></li> <li><b>(iii) 30 September 2019</b></li> </ul>	

## E. Audit Report

The Audit Report for the period 16 March 2018 – 31 December 2018 was received and reviewed by the Global Fund. Feedback will be provided separately.

## F. Annual Funding Decision and Disbursement Schedule

The annual funding decision covers the period from 1 January 2019 to 30 June 2020 (i.e. 12 months of 2019 and a 6-month buffer period in 2020). The annual funding decision amount is US\$ 1,666,928 and includes disbursements to PPM. The direct disbursement to the PR is US\$ 1,438,872.

## Disbursement schedule

US\$ 139,803	Disbursed in June 2019
US\$ 383,083	Will be disbursed in August 2019
US\$ 375,352	Will be disbursed in October 2019
US\$ 256,717	Will be disbursed in January 2020
US\$ 283,917	Will be disbursed in April 2020

We would like to acknowledge your efforts and progress made to improve program implementation and look forward to working closely with you for strengthened program implementation going forward.

Yours sincerely,



Nicole Delaney  
Senior Fund Portfolio Manager  
South and East Asia Team

## Annex A

Requested action	Deadline
<p>1. Analysis of budget spending should be done on regular basis to track the expenditure as per budget. In the reported cases of overspending, the PR needs to request Global Fund approval.</p> <p>2. The PR is reminded that all material budget reallocations need to be approved by the Global Fund before expenditures are incurred. The Global Fund may disallow unapproved material budget overruns. Therefore, the PR is encouraged to track budget variances on a regular basis and seek GF approval on a timely basis. Materiality is set at 15% for intervention and 5% for discretionary cost categories (HR, TRC, vehicles and indirect costs/overheads). Thresholds are cumulative for the entire implementation period and relative to the latest approved budget, agreed with the Global Fund in the Grant agreement or amended with an Implementation Letter.</p> <p>In addition, salary increases above salary levels in the approved budget require GF prior approval irrespective of the percentage of increase and impact on the budget.</p>	On-going