

Ref: GMD/SEA/NPL/2019-831/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-T-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 2018 – 31 December 2018 and highlights challenges as well as corresponding actions to be pursued by the PR and implementing partners looking forward.

We would like to inform you that the Annual Funding Decision for the NPL-T-SCF grant for the period 1 January 2019 - 30 June 2020 has been finalized. A total of US\$ 5,474,816 will be disbursed to the PR for program needs during this period.

A. Programmatic Performance

Performance of the National TB Program has improved since 2017 and the National TB Program has managed to sustain 90% treatment success rate for drug-susceptible tuberculosis. Private Sector Strategy (PPM) has been endorsed, and implementation of PPM interventions started in 2018. It is expected that PPM interventions will be further scaled-up throughout 2019-2020.

Despite these achievements, the program has not been able to find all missing TB cases and link them to care. Moreover, preliminary results from the national prevalence survey suggest that the burden of TB in Nepal is two thirds greater than previously estimated, which requires further program strengthening to optimize the implementation of the National TB Program. It is estimated that about 30% of missing TB cases are managed in the private sector and not reported to the National TB Program. Therefore, engagement with the private sector is of the critical importance to the Program. Additionally, to find missing TB cases the program needs to continue strengthening implementation of active case finding, which has improved in 2019, and strengthen laboratory services to diagnose TB on a timely basis.

Additionally, we would like to underline that diagnosis and treatment enrollment of drug-resistant TB cases is still a big challenge, which has not been addressed so far. The National TB Program needs to

collaborate with partners to analyze main reasons preventing progress in this area and develop a set of actions to improve management of drug-resistant TB in Nepal.

It is also 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.

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

We rely on collaboration with partners to ensure: (i) uninterrupted service delivery within the new decentralized structure; (ii) fulfillment of Government commitments for the National TB Program and ensuring availability of needed human resources at all levels; (iii) strengthening the capacity of provincial and municipal- level personnel to implement the National TB Program; (iv) timely completion of procurements of TB medicines which are being gradually taken over by the Government from the Global Fund; (v) strengthening of TB diagnosis in Nepal, and; (vi) strengthening of PPM related interventions to identify and treat TB cases presenting to the private sector.

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

B. Financial Performance

The PR demonstrated solid programmatic performance, however the expenditure rate was close to 62% in the last reporting period and programmatic activities assigned to government implementers have not been fully implemented. Underutilization of grant funds during the reporting period has been mainly due to i) delays with the implementation of activities by Sub-Recipients and other programmatic delays due to the lack of clarity of roles and responsibilities through the decentralization process; ii) delayed PPM disbursements; iii) savings from different activities, which have been already reprogrammed to strengthen active case finding.

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

C. Status of Grant Requirements and Mitigating Actions

Grant Requirement	Status
<p>The procurement of Health Products with Grant Funds shall be carried out through the Pooled Procurement Mechanism (“PPM”) of the Global Fund, or wambo.org, 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.</p>	Met
<p>In accordance with the Global Fund Sustainability, Transition and Co-financing Policy (GF/B35/04) (the “STC Policy”), the Grantee acknowledges and agrees that:</p> <ol style="list-style-type: none"> 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 Global Fund may reduce Grant Funds during the Implementation Period based on non-compliance with the Core Co-Financing Requirements; 	In Progress

Grant Requirement	Status
<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 tuberculosis allocation of USD 16,138,548 for the 2017-2019 allocation period, which is equal to USD 3,227,710 (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 tuberculosis response, as well as contingency plans in the case that the increase in domestic funding in tuberculosis 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>	In Progress
<p>The Grantee shall budget, and hereby authorizes the Global Fund to disburse, up to a maximum of US\$ 50,000, or a lower amount as agreed with GLC and the Global Fund, each year to pay for GLC services.</p>	Met
<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>	Met
<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”), 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>	In Progress

Grant Requirement	Status
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.	
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 tuberculosis diagnosis, notification and treatment (the “Private Sector Strategy”), 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. 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.	In Progress

D. Global Fund requested actions

1. Status of below requested actions (developed based on the outcomes of the risk workshop in 2018, 2018 programmatic results and CT mission in May 2019) should be provided as per the 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
Programmatic and M&E	
The PR in collaboration with partners and the National TB 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. The essential function of TB control (as highlighted in the recent <i>Joint Monitoring Mission for Tuberculosis</i>) should be preserved in the new decentralized system. Program supervision at different levels should also be ensured to address implementation bottlenecks on a timely basis.	30 June 2020 Progress Update to be provided in August 2019
The PR in collaboration with partners and the National TB Program to ensure fulfillment of government commitments for funding of the National TB Program, specifically: procurement of TB medicine and diagnostics, funding of human rights interventions in the amount of US\$1.3mln, increased funding of human resources to deliver health related services. Fulfillment of government commitments is critical to achieve impact and program sustainability.	30 June 2020 Progress Update to be provided in August 2019

Programmatic and M&E	
<p>The PR should work with province- and municipal level health colleagues to develop a capacity building plan (based on the needs assessment) to enable their implementing health services for the National TB Program (in coordination with the National HIV and Malaria Programs) and managing the financing and reporting results. The following should be addressed in the capacity building plan:</p> <ul style="list-style-type: none"> • The PR should work with national entities NTC, NCASC and EDCD 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 & municipalities. • Technical assistance will be needed at the province- and municipal-levels to support health staff implement the guidelines. • 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. • The PR should facilitate the establishment / strengthening of coordination mechanisms between provinces, between provinces and municipalities, and with national entities / Ministry of Health. 	<p>31 December 2020</p> <p>Progress Update to be provided in August 2019</p>
<p>The PPM strategy has been endorsed in July 2019, which now needs to be costed and fully implemented.</p> <p>The PR is requested to provide status update of the implementation of the PPM Strategy, key implementation challenges and proposed solutions.</p>	<p>30 September 2020. Progress Update to be provided in August 2019</p>
<p>The PR in collaboration with partners and the National TB Program should ensure timely procurement of TB medicines and diagnostics, which should be supported by regular national stock status and procurement status review. Further procurement of health products should also consider using international procurement agencies set-up to offer time/cost benefits and technical assistance as an option.</p>	<p>30 June 2020</p> <p>Progress Update to be provided in August 2019</p>
<p>Active case finding</p> <ul style="list-style-type: none"> i) The PR should finalize analysis of past case finding efforts to inform program changes; ii) The PR should ensure that SRs have sufficient capacity to implement these interventions; SR targets should be based on realistic estimate of population and the prevalence aligning with the overall targets agreed with the Global Fund. Periodic (monthly and quarterly) review of the results against the agreed targets should be carried out in a practical manner to ensure that the targets are achieved at an acceptable level; iii) the PR in collaboration with the National TB Program should strengthen mentoring and supervision over SR activities to ensure improved programmatic results. iv) the PR should implement the agreed comprehensive action plan addressing priority actions and next steps defined based on priorities agreed upon during the TB Stakeholder workshop in December 2018. 	<p>30 September 2020</p> <p>Progress Update to be provided in August 2019</p>

Programmatic and M&E		
Based on the outcomes of the GeneXpert assessment, GLC and JMM reports, the PR in collaboration with the National TB Program and partners needs to develop and support implementation of an action plan to scale-up the roll out of GeneXperts, improve samples transportation and optimize use of the GeneXpert to increase active case finding. While this can be highlighted in the National Laboratory Plan which covers all aspects of clinical lab services, we recommend a more targeted plan to inform ongoing GF investments and the immediate need to optimize equipment use.		31 December 2019
Drug resistant Tuberculosis		31 December 2019
<ul style="list-style-type: none"> i) Challenges with diagnosis and treatment initiation of drug-resistant tuberculosis and specifically the high initial default rate (39%) was flagged by different external reviews. The PR and the National TB Program should develop a comprehensive action plan to address priority recommendations resulting from GLC, JMM and other reviews. A prioritized action plan to be submitted to the Global Fund. ii) This action plan should ensure that: (i) there is a system in place to track and follow up on the initial defaulters; (ii) reasons and timing of the death of diagnosed TB cases are recorded; (iii) cases with contradicting results from GeneXpert and culture DST are thoroughly explained. 		
Costed M&E action plan should be developed after the finalization of the M&E system assessment. This process should incorporate recommendations into priority remedial actions with timelines and budget.		31 December 2019
Interventions to ensure the inter-portability and integration of disease program data systems into the DHIS and remedial actions should be reflected in this action plan.		
PSM		
Laboratory		
<ul style="list-style-type: none"> (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 (especially for GeneXpert utilization) and lab commodity management. (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. 	31 December 2019	
Procurement and stock management		
<ul style="list-style-type: none"> (i) PR-recruited Procurement Specialist should work with MoHP/NTC to ensure accurate quantifications and follow-up of consolidated annual procurement plans (government- and grant-related) to be developed for timely implementation and to avoid treatment disruptions. (ii) (ii) PR team to ensure effective national stock management to avoid expiries and stock outs. The quantification and supply planning needs to be realistic followed by stringent and regular monitoring of the national stock quantities (central and provincial/palika as per new federal structure) vs. consumption pattern from the latest reported program and QuanTB data. (iii) (iii) PR-team embedded in NTC to have oversight of planned activities and realization of Government commitments included in Government budget “red book”. 	31 December 2019	

Quality Assurance		
(i)	The PR should develop an integrated Quality Assurance (QA) plan for all three programs with Department of Drug Administration (DDA) and/or National Public Health Laboratory, with necessary operational guidance details (e.g. sampling and testing plan).	31 December 2019
(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.	
(iii)	The PR should support DDA in updating the expired health products disposal guidelines and rolling-out the implementation with partners support.	
(iv)	National Laboratory plans are currently being developed. These should include Laboratory QA plans (including External Quality Assurance system), and GeneXpert and sample transfer optimization as per the new federal/provincial structure.	
Finance		
Internal controls		
(i)	The PR should share the assessment of 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.	(i – iii) Progress Update to be provided in August 2019 (iv) 30 September 2019 (v) 30 September 2020
(ii)	The PR should develop a tracking tool that consolidates findings of SR financial monitoring visits and observations from external and internal audits. The PR should 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.	
(iii)	The PR should develop 2019/2020 financial monitoring plan covering all grant implementers and starting from July 2019 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).	
(iv)	The PR in coordination with the Global Fund should develop a costed action plan to address SR capacity gaps.	
(v)	The PR will implement the agreed action plan.	
Fraud prevention and awareness		
(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.	(i) Progress Update to be provided in August 2019 (ii) 30 September 2019 (iii) 30 September 2019
(ii)	The PR should conduct the training for grant implementers.	
(iii)	The PR should incorporate fraud awareness element in regular financial monitoring visits as outlined above.	

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\$ 6,214,833 and includes disbursements to PPM. The direct disbursement to the PR is US\$ 5,474,816.

Disbursement schedule

US\$ 1,412,027	Disbursed in July 2019
US\$ 629,251	Will be disbursed in October 2019 (direct disbursement to GDF)
US\$ 1,136,948	Will be disbursed in October 2019
US\$ 945,493	Will be disbursed in January 2020
US\$ 1,351,096	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

Finance: Requested Action	Deadline
<p>PR internal controls (<i>procurements by NTC</i>)</p> <p>Noncompliance of procurement act and regulations have not been fully followed by the NTC. As mentioned in the Performance Letter as of 20 December 2018, some orders have been split into small batches to avoid a tender.</p> <p>We request the PR to ensure that the necessary procurement regulations are fully complied with by the NTC. Splitting the order into small batches to avoid a tender is a prohibited practice.</p> <p>The procurement area is recommended to be added to the scope of upcoming internal audit. The outcomes and auditor recommendations should be shared with the Global Fund.</p>	<p>Progress to be provided as part of the Progress Update in August 2019</p>