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2 June 2021

Mr. David Barth
Vice President, International Programs
Save the Children Federation, Inc.
Washington DC
United States of America

Subject: Performance Letter summarizing progress review of the NPL-H-SCF grant for the period from 1 July 2020 to 31 December 2020

Dear Mr David Barth,

This Performance Letter presents conclusions of the Global Fund's review of Progress Update for the period 1 July - 31 December 2020 and highlights challenges as well as corresponding actions to be pursued by the PR and implementing partners looking forward.

A. Programmatic Performance

Implementation of the HIV Program during the reporting period has been challenging due to the COVID-19 pandemic. However, despite logistical challenges, the National HIV Program ('the Program') in collaboration with the PR and partners performed well and continued providing HIV diagnosis and treatment and increase treatment coverage. 19,827 PLHIV received antiretroviral therapy as of 31 December 2020, which represents 79% of PLHIV who know their status and 65% of estimated people living with HIV in Nepal. The Program reported that 91% of PLHIV who completed 12 months of treatment and were tested in 2020 had suppressed viral load. However, the number of PLHIV tested for viral load declined by 24% as compared to 2019 due to the COVID-19 pandemic. While grant targets have improved, overall viral load testing coverage remains low, highlighting the need for further investments in this area to achieve national targets.

HIV outreach and prevention services amongst key populations and particularly testing services were significantly impacted due to the extended COVID-19 lockdowns through 2020 which in some areas lasted beyond July 2020. Fear of the virus in the community, an increasing number of missing clients in the post lockdown period as well as the frequent turnover of in-reach workers contributed to lower reach and testing of key populations during the reporting period as compared to targets set, however were much better than during the first half of 2020. The program managed to scale-up activities from August 2020 resulting in increased testing among key populations and the resumption of interventions for migrants.

Programmatic results for relevant indicators are as follows:

- Coverage among PWID was good (92% of grant target), though coverage of female IDUs is still very low (less than 10%). HIV testing increased to 75% (of grant target) vs. 50% as of 30 June 2020;

- Coverage among MSM¹ was 69% (of grant target) and has not increased as compared to the previous period. However, HIV testing increased to 67% (of grant target) vs. 30% as of 30 June 2020.
- Coverage among TG dropped to 45% vs. 49% (previous period), while HIV testing increased to 46% (of grant target) vs. 24% as of 30 June 2020.
- Coverage among MSW dropped to 51% (of grant target) vs. 69% (previous period), while HIV testing increased to 62% (of grant target) vs. 31% as of 30 June 2020.
- Coverage among migrants was only 6% and testing was only 2% as of 30 June 2020 as interventions started few weeks before the lockdown and were stalled during the lockdown period. However, due to significant PR and implementer efforts to accelerate programmatic activities, coverage among migrants increased to 98% (of grant target), and testing was reported at 90% (of grant target).

Although interventions for prisoners could only start in July 2020 due to restricted entry for SRs in prisons while COVID-19 cases were reported in a few prisons, activities could then be scaled up resulting in the full achievement of targets.

The Program reported that during 2020 all HIV+ pregnant women diagnosed during the reporting period were enrolled on ART. The Program also continued providing virological testing for HIV-exposed infants. However, testing coverage of pregnant women decreased due to (i) low availability of test kits at PMTCT sites, and (ii) COVID-19 imposed movement restrictions, which limited visits to health facilities. Therefore, results for the indicator 'Percentage of HIV-positive pregnant women who received ART during pregnancy' stands at 72% against targets as of December 2020.

92% of HIV-positive new and relapse TB patients were reported to be on ART during TB treatment. However, the Program detected only 84 cases during July-December 2020 period due to low testing coverage of TB patients.

The average performance of all indicators during July-December 2020 period was solid at 81% and the overall grant performance rating for the reporting period is **B1**. As described above, important improvements could be seen in the second half of 2020 and lower results as compared to targets are mainly due to the impact of the COVID-19 pandemic.

We commend the efforts of the Ministry of Health, the PR and partners to ensure continued provision of essential services for key populations during the COVID-19 pandemic and scale-up of HIV services after the nationwide lockdown was lifted. The Global Fund approved the reprogramming of savings in 2020 to support the country in its national response to the COVID-19 pandemic.

We are also mindful that additional Government resources are needed to respond to the pandemic, which limits funding for other programs. However, it is critical that the Government's financial commitments for the HIV program are fully realized, specifically for ART procurement and human rights activities to scale-up treatment coverage. The PR in collaboration with the National Program should continue providing regular guidance and support to provinces and local level authorities to deliver services and thereby help reach national targets.

Programmatic actions requested from the PR are included in section **D** of this Performance Letter.

¹ Results for MSM/TG/MSW for July – December 2020 period incorporate results from coverage of only 7 districts for the July-September period. From 1 October 2020 the 7 districts were transferred to FHI (implementer of the PEPFAR program) following funding realignment between Global Fund and PEPFAR programs and don't feature in reported results any longer.

B. Financial Performance

The PR demonstrated strong financial performance with an expenditure rate close to 88% in the last reporting period, and the cumulative expenditure rate has increased to 96% as of 31 December 2020. Underutilization of grant funds of US\$ 0.9 mln has been mainly due to:

- US\$ 0.3 mln - delayed procurements payments and other payments, which will be reflected January – March 2020 period;
- US\$ 0.6 mln - activities shifted to January-March 2021.

Finance-related actions requested from the PR are included in section **D** of this Performance Letter.

C. Status of Grant Requirements

| Grant Requirement | Status |
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| 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. | 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> <p>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;</p> <p>x</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 HIV allocation of USD 21,964,144 for the 2017-2019 allocation period, which is equal to USD 4,392,829 (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>In progress</p> <p>While the Government of Nepal was able to increase its overall financing for the National HIV Program, which supports the long-term sustainability of the National HIV Program, and lead the multi-stakeholder process of redefining service packages for key populations in national policy, capacity was not available to lead discussions on an overall Sustainability Plan. Instead, the Government has been focused on responding to challenges arising through the roll-out of decentralization.</p> <p>Developing a Sustainability Plan has therefore been captured as a grant requirement under new grants.</p> |

| Grant Requirement | Status |
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| <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 HIV response, and in particular to cover 100% of antiretrovirals by 1 January 2019, as well as contingency plans to ensure the continued coverage of antiretrovirals and other essential elements of the response in the case that the increase in domestic funding in HIV 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> | 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</p> | <p>In progress</p> <p>The capacity building plan has been delayed due to the COVID-19 pandemic.</p> |

| Grant Requirement | Status |
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| <p>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>The human resources assessment and capacity development plan were completed in 2021 and presented to the CCM and the Health Secretary.</p> |
| <p>The Grantee shall work with the CCM and the Government of the Nepal to develop and strengthen an open and competitive selection method for the timely contracting by the Government of Nepal of non-governmental organizations.</p> | <p>In progress</p> <p>While the Government of Nepal was able to increase its overall financing for the National HIV Program, which supports the long-term sustainability of the National HIV Program, and lead the multi-stakeholder process to redefine service packages for key populations in national policy as well as scale-up services across all key populations with additional PEPFAR funding, there was no progress on this requirement. Instead, the Government has been focused on responding to challenges with the roll-out of decentralization.</p> <p>Strengthening of an open and competitive contracting mechanism of non-governmental organizations has been captured as a grant requirement under new grants.</p> |
| <p>The use of Grant Funds by the Grantee to address interventions for migrants (the “Migrant Activities”) is subject to the satisfaction of each of the following conditions:</p> <p>1. The delivery, following the completion of an HIV risk assessment, of a detailed work plan and budget in an amount of up to USD 100,000 for the Migrant Activities (the “Migrant Work Plan and Budget”), in form and substance satisfactory to the Global Fund; and</p> <p>2. The written approval by the Global Fund of the Migrant Work Plan and Budget.</p> | <p>Met</p> |

| Grant Requirement | Status |
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| <p>The use of Grant Funds by the Grantee to address interventions for prisoners (the “Prisoner Activities”) is subject to the satisfaction of each of the following conditions:</p> <ol style="list-style-type: none"> 1. The delivery, following the completion of an HIV risk assessment, of a detailed work plan and budget in an amount of up to USD 100,000 for the Prisoner Activities (the “Prisoner Work Plan and Budget”), in form and substance satisfactory to the Global Fund; and 2. The written approval by the Global Fund of the Prisoner Work Plan and Budget. | Met |
| <p>The use of Grant Funds by the Grantee to address the removal of human rights-related barriers for health (the “Human Rights Barrier Activities”) is subject to the satisfaction of each of the following conditions:</p> <ol style="list-style-type: none"> 1. The delivery, following the completion of the human rights strategy to be developed by 30 June 2018, of a detailed work plan and budget in an amount of up to USD 1,300,000 for the Human Rights Barrier Activities (the “Human Rights Barrier Work Plan and Budget”), in form and substance satisfactory to the Global Fund; and 2. The written approval by the Global Fund of the Human Rights Barrier Work Plan and Budget. | Met |

D. Global Fund requested actions

The Management Actions outlined below are those relevant as of June 2021, i.e. are aligned with Management Actions communicated with new grants which started in March 2021. The PR is requested to provide status updates by the given deadlines.

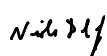
| Requested action | Deadline |
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| Programmatic and M&E | |
| <p>The PR, in collaboration with partners and the National HIV Program, should support the fulfillment of Government commitments for the funding of the National HIV Program, specifically: procurement of ARVs and diagnostics, funding of human rights interventions to the amount committed of US\$1.3mln (<i>please note that the updated amount relevant for the 2021-2024 grant is US\$1.1mln</i>). Fulfillment of government commitments is critical to achieve impact and program sustainability.</p> | <p>As of now and ongoing until 31 July 2024</p> <p>Progress updates to be provided during submission of PUs</p> |
| <p>Capacity building</p> <ol style="list-style-type: none"> 1. The PR will place additional staff at the province-level to ensure uninterrupted implementation of programmatic activities within a decentralized structure. 2. The PR will finalize costed action plan to be funded by the grant for capacity building of all levels of Government including periphery level. 3. The PR will conduct capacity building activities of provincial and national level through embedded personnel within government structures. | <p>31 December 2021</p> <p>Progress update to be provided in the next PUDR (February 2022)</p> |

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| Based on the finalized review of the federalization processes and their impact on service delivery as completed by the LFA, the action plan needs to be developed in collaboration with the Ministry of Health and/or other ministries (as applicable) and partners. | 31 December 2021 Progress update to be provided in the next PUDR (February 2022) |
| <p>Viral load scale-up</p> <p>1. The PR in collaboration with partners and the National HIV Program should submit the updated viral load (VL) expansion and decentralization plan as agreed during NFM3 grant making.</p> <p>2. Progress update on the actual implementation of the plan with a focus on consistent increase in access, timely patient monitoring and the CTL linkages to be shared during submission of PUs.</p> | <p>31 December 2022 for the viral load expansion plan</p> <p>Progress updates on implementation to be provided during submission of PUs</p> |
| The PR in collaboration with the National HIV Program should finalize and submit an updated national M&E plan that incorporates the evaluation plan and a comprehensive costed action plan that covers the period of the grant. Interventions to ensure the inter-portability and integration of disease program data systems into the DHIS should be reflected in the action plan. | 31 December 2021 Progress update to be provided in the next PUDR (February 2022) |
| The PR and the program in collaboration with PEPFAR should articulate the next steps and roadmap to integrate the Online Program Management Information System (OPMIS) which was developed to track individuals through unique ID system at program level and is being implemented by Save the Children to mitigate the sub-optimal functionality of the national HMIS system. | 31 December 2021 Progress update to be provided in the next PUDR (February 2022) |
| The PR in collaboration with the National Program should ensure proper functioning of the ME system, including ME Officers, across all levels of the decentralized structure. | 31 July 2022 Progress updates to be provided during submission of PUs |
| The PR should develop an NGO sub-recipient capacity building plan to strengthen the SR programmatic capacity and ensure quality assurance of programmatic activities and reported data. | 30 September 2021 |
| The PR in collaboration with the National Program and partners should strengthen supervision, mentorship and support especially at the implementation level. | 31 July 2022 Progress updates to be provided during submission of PUs |
| PSM | |
| Procurement and stock management | |
| The PR will monitor Government planned procurements included in the Government budget “red book”, support procurement planning and advocate for improved procurement mechanism | <p>As of now and ongoing until 31 July 2024</p> <p>Progress updates to be provided during submission of PUs</p> |

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| <p>PR PSM team in collaboration with the MoHP PSM colleagues to facilitate effective national stock management through improved update of quantification of needs, supply planning, regular stock status monitoring (central and provincial/palika), and the utilization of program and eLMIS data to avoid expiries and stock outs. Special focus should be on timely utilization of HIV test kits, CD4 and VL reagents and stringent stock monitoring practices.</p> <p>Mentoring and supervision support of lower level staff should be integrated in ongoing program supervision. For future procurement of health products, international procurement agencies should be considered to offer time/cost benefits and technical assistance.</p> | <p>As of now and ongoing until 31 July 2024</p> <p>Progress updates to be provided during submission of PUs</p> |
| <p>Risk of expiry of 900 GeneXpert cartridges</p> <p>The PR in collaboration with the National Program to discuss with and the top 3 ART sites the possibility to use the high throughout GeneXpert system to utilize the 900 VL cartridges before expiry.</p> | <p>As soon as possible</p> |
| <p>Quality Assurance</p> | |
| <p>(i) The PR to 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).</p> <p>(ii) The PR to coordinate with DDA and other partners to achieve the ISO-accreditation of the National Medicines Laboratory under DDA.</p> <p>(iii) The PR to support DDA in updating the expired health products disposal guidelines and rolling-out the implementation with partners' support.</p> | <p>As of now and ongoing until 31 July 2024</p> <p>Progress updates to be provided during submission of PUs</p> |
| <p>Finance</p> | |
| <p>Internal controls</p> <p>The PR to (i) define financial management capacity needs for the periphery level (including Government and NGO implementers); and (ii) develop financial capacity of the periphery level to manage Global Fund financing.</p> <p>The financial capacity building plan for all implementers (including Government and NGO implementers) should be submitted to the Global Fund by 31 July 2021</p> | <p>31 December 2021</p> <p>Progress to be provided in the next PUDR (February 2022)</p> |

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,



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