



GAVI/13/360/MK/RK

The Minister of Health and Population
Ministry of Health and Population
Ramshah Path
Teku, Kathmandu 2063
Nepal

18 June 2013

Dear Minister,

***Nepal's 2013 application to the GAVI Alliance
for Health System Strengthening (HSS) cash support***

I am writing in relation to GAVI support following the Joint Annual Review (JAR) of the Nepal Health Sector Programme II (NHSP II) which took place from 28-30 January 2013.

Based on the recommendations by the GAVI Independent Review Committee (IRC) which met from 4 to 12 April 2013, we are pleased to inform you that the GAVI Alliance has approved release of the third and final tranche of funding for GAVI's Health System Strengthening (HSS) support. The actual disbursement and the amount will follow the guidance from The World Bank who coordinates the support on behalf of the pooling partners for the HSFP II. The terms of this grant are specified in the Appendices to this letter.

Please do not hesitate to contact my colleague Raj Kumar at raj कुमार@gavialliance.org or email gavihss@gavialliance.org if you have any questions or concerns.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Hind Khatib-Othman".

Hind Khatib-Othman
Managing Director, Country Programmes

Attachments: Appendix A: Decision Letter for HSS Cash Support.
Appendix B: Report of the Independent Review Committee.
Appendix C: GAVI Alliance Terms and Conditions.

cc: The Minister of Finance
The Director of Medical Services
Director Planning Unit, MoH
The EPI Manager
WHO Country Representative
UNICEF Country Representative
Regional Working Group
WHO HQ
UNICEF Programme Division
The World Bank

APPENDIX A

DECISION LETTER FOR HSS CASH SUPPORT LETTRE DE DÉCISION POUR LE SOUTIEN SOUS FORME D'ESPÈCES

This Decision Letter sets out the Programme Terms of a Programme.

Complete in English

Cette lettre de décision décrit les conditions d'un programme

Complétez en français

1. Country: Nepal <i>Pays</i>
2. Grant number: 1013-NPL-10d-Y <i>Numéro d'allocation</i>
3. Decision Letter number: 2 <i>Numéro de la lettre de décision</i>
4. Date of the Partnership Framework Agreement: Not applicable <i>Date de l'Accord Cadre de Partenariat:</i>
5. Programme Title: Health Systems Strengthening (HSS) <i>Titre du programme : Renforcement des systèmes de santé (RSS)</i>
6. HSS terms: <i>Conditions du RSS</i> The ultimate aim of HSFP support is to ensure increased and sustained immunisation coverage through addressing health systems barriers in Country, as specified in: • The GAVI HSFP guidelines • The GAVI HSFP application form • Country's approved grant proposal and any responses to the HSFP IRC's request for clarifications. <i>L'objectif ultime du soutien par le biais de la Plateforme de financement des systèmes de santé (PFSS) est de garantir une couverture vaccinale accrue et suivie en levant les obstacles du système de santé dans le pays, ainsi que précisé dans :</i> • <i>les directives de GAVI sur la plateforme de financement des systèmes de santé (PFSS) ;</i> • <i>le formulaire de demande de soutien par la PFSS ;</i> • <i>la proposition approuvée et toute réponse du pays à la demande d'éclaircissements du CEI sur la PFSS.</i> Any disbursements under GAVI's HSS cash support will only be made if the following requirements are satisfied: • GAVI's availability of funding; • Submission of satisfactory Annual Joint Annual Review (JAR) by Country; • Approval of the recommendation by an Independent Review Committee (IRC) for continued support by GAVI after the second year; • Compliance with any TAP requirements pursuant to the TAP Policy and under any Aide Memoire concluded between GAVI and the Country; • Compliance with GAVI's standard terms and conditions (attached in Appendix [D]); and • Compliance with the then-current GAVI requirements relating to financial statements and external audits, including the requirements set out for annual external audit applicable to all GAVI cash grants as set out in GAVI's grant terms and conditions. <i>Tout décaissement au titre du soutien en espèces de GAVI au RSS ne sera effectué que si les conditions suivantes sont remplies :</i> • <i>disponibilité du financement GAVI ;</i> • <i>présentation de rapports de situation annuels satisfaisants par le pays ;</i> • <i>approbation de la recommandation du Comité d'examen indépendant (CEI) sur la poursuite du soutien de GAVI après la première année ;</i> • <i>respect de toute condition relative à la politique de transparence et de responsabilité et en vertu de l'aide-mémoire conclu entre GAVI et le pays ;</i> • <i>observance des clauses et conditions de GAVI (jointes à l'annexe [D]) ; et</i> • <i>respect des conditions de GAVI alors en vigueur relatives aux états financiers et aux vérifications externes des comptes, notamment l'obligation de conduire une vérification externe des comptes sur base annuelle applicable à toutes les allocations en espèces de GAVI, qui figure dans les Clauses et Conditions de GAVI.</i>

7. Programme Duration¹: 2010 to 2013 <i>Durée du programme: 2010 à 2013</i>			
8. Programme Budget (indicative) (subject to the terms of the Partnership Framework Agreement, if applicable): <i>Budget du programme (indicatif) (sous réserve des conditions de l'Accord Cadre de Partenariat):</i>			
	2010-2012	2013	Total²
Programme Budget (US\$) <i>Budget du programme</i>	9,487,610	4,996,135	14,483,745
9. Indicative Annual Amounts (indicative) (subject to the terms of the Partnership Framework Agreement): <i>Montants annuels indicatifs (indicatif) (sous réserve des conditions de l'Accord Cadre de Subvention):</i>			
The following disbursements are subject to the conditions set out in sections 6, 10, 11 and 12: <i>Les décaissements suivants sont sujets aux conditions précisées dans les sections 6, 10, 11 et 12:</i>			
	2013	Total³	
Programme Year <i>Année du programme</i>			
Annual Amount (US\$) <i>Montant Annuel (US\$)</i>	4,996,135	4,996,135	
10. Documents/information to be delivered prior to HSS cash disbursement (Financial clarifications) : <i>Documents/informations à soumettre avant le décaissement des fonds RSS (clarifications financières):</i>			
11. Documents to be delivered for future HSS cash disbursements: <i>Documents devant être présentés pour des décaissements futurs des fonds RSS:</i>			
The Country shall deliver the following documents by the specified due dates as part of the conditions for approval and disbursements of the future Annual Amounts. <i>Le pays devra présenter les documents suivants aux dates précisées dans le cadre des conditions d'approbation et de décaissement des futurs montants annuels.</i>			
Reports, documents and other deliverables <i>Rapports, documents et autres</i>	Due dates <i>Date limite de réception</i>		
Interim unaudited financial reports. Unless stated otherwise in the existing Aide Memoire between GAVI and the Country, the Country shall deliver interim unaudited financial reports on the HSS cash support no later than 45 days after the end of each 6-month reporting period (15 February for the period covering 1 July – 31 December and 15 August for the period covering 1 January – 30 June). Failure to submit timely reports may affect future funding. <i>Rapports financiers intérimaires non-audités. A moins que l'aide-mémoire existant entre GAVI et le pays indique le contraire, le pays devra soumettre des rapports financiers intérimaires non-audités sur le soutien financier RSS au plus tard 45 jours au terme de chaque 6 mois de la période sous revue (15 février pour la période couvrant 1^{er} juillet – 31 décembre et 15 août pour la période couvrant 1^{er} janvier – 30 juin). Un défaut de soumission de rapports dans les temps pourrait affecter les financements futurs.</i>	15 February and 15 August <i>15 février et 15 août</i>		
12. Other conditions: The following terms and conditions shall apply to HSS support. <i>Autres conditions : les termes et conditions suivants s'appliqueront au soutien RSS.</i>			

¹ This is the entire duration of the programme. *Ceci est la durée entière du programme.*

² This is the total amount endorsed by GAVI for the entire duration of the programme. This should be equal to the total of all sums in the table. *Ceci est le montant total approuvé par GAVI pour la durée entière du programme. Celui-ci doit être équivalent au total de toutes les sommes comprises dans ce tableau.*

³ This is the amount approved by GAVI. *Ceci est le montant approuvé par GAVI*

Cash disbursed under HSS support may not be used to meet GAVI's requirements to co-finance vaccine purchases.

Les fonds en espèces versés au titre du soutien du RSS ne pourront en aucun cas être utilisés pour répondre aux obligations GAVI de cofinancement d'achat de vaccins.

In case the Country wishes to alter the disbursement schedule over the course of the HSFP programme, this must be highlighted and justified in the JAR and will be subject to GAVI approval. Utilisation of GAVI support stated in this letter will be subject to performance monitoring.

Si le pays souhaite modifier le calendrier des décaissements au cours du programme de la PFSS, il devra l'indiquer et le justifier dans son rapport de situation annuel. Cette modification sera subordonnée à l'approbation de GAVI. Il est essentiel que le Comité de coordination du secteur de la santé (ou son équivalent) participe à ce processus en sa qualité d'organe technique et pour soutenir la mise en œuvre et le suivi de la proposition de programme par le biais de la PFSS. L'utilisation du soutien de GAVI décrit dans la présente lettre sera soumise à un suivi des résultats.

Signed by,

Signé par,



On behalf of the GAVI Alliance

Au nom de GAVI Alliance

By (Sign):

Par (signature)

Hind Khatib-Othman
Managing Director
Country Programmes
GAVI Alliance

Name (Print):

Nom (Majuscules)

Title:

Titre

Date:

Date

IRC Country Report

Country: Nepal
Type of report: Annual Progress Report (HSS only)
Reporting period: 2011
Date reviewed: April 2013

1. Background

Type of support requested: Last tranche of **US\$ 4,996,135**, out of total US\$ 14,540,690 total allocation.

Application method: HSFP

GAVI's HSS support in Nepal is different, as it is routed through a common pooling mechanism as part of the National Health Sector Plan II, with GAVI as one of the five partners that provide funds to the Government. The total pooled funds contribute about 34% of the proposed Government budget for the financial year 2012-2013. The process is led by the World Bank, which contributes 20% of the total budget. GAVI's contribution of US\$ 5.71 million amounts to 3% of the total budget for this year (includes the last tranche and left over funds from last year). The actual disbursement for each of the pooling partners is proportional to the actual utilization rate of the Government.

A joint annual program review was conducted during the last week of January 2013. This, along with the mid-term review report of HSFP, provided information on progress made during 2012. The GAVI Secretariat also provided a succinct summary, having participated in the review process as a partner. A critical area of concern was the low utilization of funds and possible absorptive capacity challenges faced by the Government of Nepal. A clarification provided by the Government indicated that gross human resource challenges, as illustrated by the high number of vacancies hindered by current recruitment legislation, have been primarily responsible for this. The country is addressing this situation by promoting a review of the restrictive regulations.

2. Recommendation

Given that the funding requested is a part of the pooled fund mechanism in Nepal, the IRC recommends the approval of the last tranche of funds (US\$ 4,996,135). However, with a current unspent balance of \$2.3 million in foreign currency account, the IRC recommends that disbursements are carefully planned.

3. Key findings and suggested actions at country level

- Significant results and achievements have been reported by the health sector on key HSS indicators, such as M&E systems improvement, assets and logistics management, improved service delivery mechanisms, increased health knowledge and awareness and better sector governance and financial oversight. Key immunization-related aspects and functions, such as drug stock out (where the Ministry of Health intends to involve private sector companies in the distribution chain) and the medical waste management approach (some successful models include Bir Hospital, Kathmandu, and Regional hospital, Pokhara, etc) may be replicated nationwide.

- **Progress is also presented in the form of broad health indicators with achievements and targets (IMR, <5MR, MMR etc.).** Nepal already has high immunization coverage despite HR and infrastructure issues. It is therefore difficult to use/link coverage indicators to expenditures.
- However, very few immunization-related indicators are included. The country should be encouraged to ensure that indicators reflect core immunization coverage indicators.
- Access and equity remain huge challenges within the Nepal health care system in relation to caste and wealth quintiles. **Specific activities focusing on these should be considered.**
- Fiduciary risks, through qualified opinions of DPs, are noted. The delayed submission of mandatory reports (IPRs and FMRs) and the warning letter from the World Bank for delayed audit reports and late submission of the 2012/2013 first trimester report raise concern. GAVI's financial team to consider these with due diligence.

Appendix C

GAVI Alliance Terms and Conditions

Countries will be expected to sign and agree to the following GAVI Alliance terms and conditions in the application forms, which may also be included in a grant agreement to be agreed upon between GAVI and the country:

FUNDING USED SOLELY FOR APPROVED PROGRAMMES

The applicant country ("Country") confirms that all funding provided by the GAVI Alliance for this application will be used and applied for the sole purpose of fulfilling the programme(s) described in this application. Any significant change from the approved programme(s) must be reviewed and approved in advance by the GAVI Alliance. All funding decisions for this application are made at the discretion of the GAVI Alliance Board and are subject to IRC processes and the availability of funds.

AMENDMENT TO THIS PROPOSAL

The Country will notify the GAVI Alliance in its Annual Progress Report if it wishes to propose any change to the programme(s) description in this application. The GAVI Alliance will document any change approved by the GAVI Alliance, and this application will be amended.

RETURN OF FUNDS

The Country agrees to reimburse to the GAVI Alliance, all funding amounts that are not used for the programme(s) described in this application. The country's reimbursement must be in US dollars and be provided, unless otherwise decided by the GAVI Alliance, within sixty (60) days after the Country receives the GAVI Alliance's request for a reimbursement and be paid to the account or accounts as directed by the GAVI Alliance.

SUSPENSION/ TERMINATION

The GAVI Alliance may suspend all or part of its funding to the Country if it has reason to suspect that funds have been used for purpose other than for the programmes described in this application, or any GAVI Alliance-approved amendment to this application. The GAVI Alliance retains the right to terminate its support to the Country for the programmes described in this application if a misuse of GAVI Alliance funds is confirmed.

ANTICORRUPTION

The Country confirms that funds provided by the GAVI Alliance shall not be offered by the Country to any third person, nor will the Country seek in connection with this application any gift, payment or benefit directly or indirectly that could be construed as an illegal or corrupt practice.

AUDITS AND RECORDS

The Country will conduct annual financial audits, and share these with the GAVI Alliance, as requested. The GAVI Alliance reserves the right, on its own or through an agent, to perform audits or other financial management assessment to ensure the accountability of funds disbursed to the Country.

The Country will maintain accurate accounting records documenting how GAVI Alliance funds are used. The Country will maintain its accounting records in accordance with its government-approved accounting standards for at least three years after the date of last disbursement of GAVI Alliance funds. If there is any claims of misuse of funds, Country will maintain such records until the audit findings are final. The Country agrees not to assert any documentary privilege against the GAVI Alliance in connection with any audit.

CONFIRMATION OF LEGAL VALIDITY

The Country and the signatories for the government confirm that this application is accurate and correct and forms a legally binding obligation on the Country, under the Country's law, to perform the programmes described in this application.

CONFIRMATION OF COMPLIANCE WITH THE GAVI ALLIANCE TRANSPARANCY AND ACCOUNTABILITY POLICY

The Country confirms that it is familiar with the GAVI Alliance Transparency and Accountability Policy (TAP) and will comply with its requirements.

ARBITRATION

Any dispute between the Country and the GAVI Alliance arising out of or relating to this application that is not settled amicably within a reasonable period of time, will be submitted to arbitration at the request of either the GAVI Alliance or the Country. The arbitration will be conducted in accordance with the then-current UNCITRAL Arbitration Rules. The parties agree to be bound by the arbitration award, as the final adjudication of any such dispute. The place of arbitration will be Geneva, Switzerland. The language of the arbitration will be English.

For any dispute for which the amount at issue is US\$ 100,000 or less, there will be one arbitrator appointed by the GAVI Alliance. For any dispute for which the amount at issue is greater than US \$100,000 there will be three arbitrators appointed as follows: The GAVI Alliance and the Country will each appoint one arbitrator, and the two arbitrators so appointed will jointly appoint a third arbitrator who shall be the chairperson.

The GAVI Alliance will not be liable to the country for any claim or loss relating to the programmes described in this application, including without limitation, any financial loss, reliance claims, any harm to property, or personal injury or death. Country is solely responsible for all aspects of managing and implementing the programmes described in this application.

USE OF COMMERCIAL BANK ACCOUNTS

The eligible country government is responsible for undertaking the necessary due diligence on all commercial banks used to manage GAVI cash-based support, including HSS, ISS, CSO and vaccine introduction grants. The undersigned representative of the government confirms that the government will take all responsibility for replenishing GAVI cash support lost due to bank insolvency, fraud or any other unforeseen event.