

SUBJECT: **SUCCESSFULLY TRANSITIONING PAPUA NEW GUINEA FROM GAVI SUPPORT**

Agenda item: 15b

Category: For Decision

Section A: Executive Summary

- Papua New Guinea (PNG) is an extremely fragile country with a weak health system and poor immunisation outcomes. Despite considerable economic growth driven by the extractive industries over the past decade, PNG has largely failed to capitalise on that growth, and future progress is now threatened by the country's dependence on declining commodity prices. The lack of domestic resources available to support health and immunisation, in combination with the sector's weak governance and management have left PNG's health system at a crisis point, putting its Gavi transition by end of 2020 at risk. Vaccine coverage rates have declined annually in recent years, and official estimates place penta3 coverage at 61% and MCV1 coverage at 51% nationally, paving the way for outbreaks of vaccine-preventable diseases. PNG is classified as a country in fragility as per Gavi's latest Fragility, Emergencies and Refugees Policy.
- However, a new Government was elected in PNG in July 2017. The new Minister for Health and HIV/AIDS has set an ambitious plan to start to address key gaps in the health sector, and has voiced his commitment to immunisation in particular. The National Department of Health (NDOH), with support from Alliance partners, has recruited an EPI Manager after a two year gap and developed a plan to raise coverage rates and strengthen EPI, with the goal of achieving 75% coverage of penta3 by the time it transitions at the end of 2020. With this renewed demonstration of political will from the Government, there is now a real opportunity for Gavi support to achieve transformational outcomes in PNG.
- Based on PNG's EPI Transition Strategy, Gavi has developed a proposal for an innovative package of support that could be provided over the course of its accelerated transition. Exceptions to Gavi's policies are sought, namely around the HSS ceiling, vaccine introductions and campaign costs, and co-financing ramp-up. The PPC discussed the request, and agreed with the proposed way forward in PNG. A minority opinion was expressed by the representative of one constituency regarding the potential for PNG to request NVS support after its Grace Year (for further details see Section C). PPC members also noted that it may remain unrealistic for PNG to successfully transition by 2021; therefore close monitoring of progress will be needed for possible course corrections.
- Subject to the minority position mentioned above, the PPC is recommending that the Board approve measures to continue engagement with PNG as

described in Section C of this paper and formally report back on progress in 2019.

Section B: PNG Transition Strategy

1. The current PNG context

- 1.1 PNG is one of the world's most diverse, most dispersed and most rural nations. It is highly dependent on extractive industries, and while this sector has fueled rapid economic growth, PNG failed to capitalise on that growth to develop its institutions and infrastructure. Despite decades of support from health sector development partners (DPs) and the devolution of the responsibility for health service delivery to the provinces, health systems remain weak and health outcomes are poor. In 2015, the under-five mortality rate in PNG was 57 per 1000 live births, among the worst in Asia Pacific.
- 1.2 Declining immunisation coverage rates are a clear symptom of the broader systemic challenges¹. In 2016, official national penta3 coverage dropped one percent to 61%, and national MCV1 coverage also dropped by one percent to 51%. Penta3 coverage rates at the district level showed significant disparities in 2016, with 39 of 89 districts (44%) reporting lower than 50% coverage; and only 14 of 89 districts (16%) reporting coverage above 80%. A measles outbreak has recently begun in one of the more remote provinces.
- 1.3 The country's over-reliance on revenues from extractive industries has undermined its recent gains in GNI. A decline in commodity prices led to a sharp decline in tax revenues, and economic growth is not projected to begin recovering until 2022. This has significantly reduced the fiscal space for health and immunisation. Health currently accounts for roughly 10% of the government budget, but this is insufficient to cover even minimum operational costs.
- 1.4 Yet there is now a real opportunity for change. A new government was recently elected, and the new Health Minister has made immunisation a top priority, seeking to improve immunisation rates within the next 18 months. The Minister has voiced strong commitment to resolving the Gavi audit issues, and has indicated that additional government funds have been allocated to health.
- 1.5 To improve immunisation outcomes, the National Department of Health (NDOH) has developed an EPI Transition Strategy strategy with key targets as follows:
 - (a) National penta3 coverage: gains of 5% per year; 75% by the end of 2020
 - (b) Cold Chain: 100% of relevant facilities equipped appropriately by 2020
 - (c) National MR coverage: 95% to be achieved through campaign/outreach

¹ In 2016, WUENIC figures for PNG from 2005 onwards were adjusted to account for the results of DHS conducted in 2005. In-country stakeholders have noted that this adjustment has produced inaccurately high coverage rates in the WUENIC data set which do not account for ground realities, including the level of deterioration of health systems over the past 12 years. For this reason, this framework uses official Government immunisation data to describe current coverage in PNG and to set targets.

- 1.6 This plan calls on the central government, provinces, and development partners (DPs) to adopt new ways of working, emphasising government commitment and leadership; stronger coordination and collaboration across stakeholders; and ensuring programmes build on lessons-learned.
- 1.7 While still early days, the growing Government commitment to health and immunisation has created an opportunity for Gavi to revitalise its engagement with PNG. The following sections describe a proposed tailored approach to support PNG through its scheduled transition. Given the current fiscal and programmatic situation in PNG, this plan will not fully mitigate concerns over financial and programmatic sustainability and Gavi engagement will require continued monitoring and may need to be adjusted over time.

2. Gavi's engagement to date with PNG

- 2.1 Since 2006, Gavi has provided support to introduce pentavalent vaccine, IPV, PCV, MR, and MCV2. In 2013, Gavi approved a health systems strengthening grant to PNG for US\$ 3.1 million.
- 2.2 Grant performance has been poor. The country is unable to report accurately on IPV, PCV or MCV2 coverage, and in 2016, a Secretariat audit revealed the misuse of US\$ 719,255 in Gavi funds and the loss of Gavi-funded vaccines. As a result the Government was informed that it must reimburse the value of misused funds, and the existing grants were transferred to WHO and UNICEF for implementation. To-date, the Government has provided written commitment to reimburse the value of misused funds, along with a plan to implement remedial actions to address the Gavi Audit and Investigation findings.
- 2.3 Based on existing country ceilings, PNG is currently eligible to apply for up to US\$ 6 million in HSS support; approximately US\$ 1 million in CCEOP support; and continued support for penta, PCV, IPV, and MR, with all vaccines to be self-financed by PNG by 2021.
- 2.4 Key lessons have been learnt based on our engagement over the past few years, including the need for more innovative approaches; greater sub-national focus; the critical importance of strengthening leadership, coordination and management capacity; a need for increased Alliance engagement at technical and political level; and the need for outreach and demand generation to overcome key barriers to increasing coverage. Programme implementation by the NDOH has been sub-optimal with very low absorption and weak management and fiduciary systems. These lessons have informed our proposed engagement with PNG for a successful transition.

3. Towards a successful transition for PNG

- 3.1 Before extending any further support to PNG, either under existing ceilings or based on approval of the newly proposed approaches, government commitments will need to be translated into changes on-the-ground. Positive movement can already be seen. The NDOH has already indicated its intentions

to expand to all provinces the Provincial Health Authority (PHA) model²; analyse district-level health allocations and performance to support advocacy with MPs; and renew the Interagency Coordinating Committee under Ministerial chairmanship. A new EPI Manager was appointed in October after a two year gap. In addition, Gavi will require three more specific actions from the Government:

- (a) Clear plan for reimbursement of US\$ 719,255 in misused Gavi funds, with first payment received by March 2018
 - (b) Payment of the 2017 vaccine co-financing requirement
 - (c) Commitment to developing a sustainable immunisation financing strategy that will ensure financing for immunisation beyond transition
- 3.2 Gavi's renewed engagement and way of working would be delivered through the following approaches:
- 3.3 **Health Systems and Immunisation Strengthening.** Fully 60% of the population of PNG can be accessed only through mobile outreach services, yet due to financial constraints and weak financial mechanisms, the resources required to conduct these activities are typically not available when and where needed. While other development partners seek to strengthen public financial management in the health sector, Gavi will aim to provide significant support for outreach in order to enable PNG to drive up immunisation coverage rates by 2020. To contribute to the sustainability of this support, PNG would be required to commit to budgeting resources to maintain outreach activities post-transition.
- 3.4 Demand generation activities at the community level are also urgently required to raise coverage rates. PNG is seeking Gavi support through UNICEF to design and implement relevant materials and activities.
- 3.5 Following a nearly two year vacancy, the NDOH has hired an EPI Manager to oversee the immunisation programme. As the grade of this position has not yet been upgraded to reflect the level of experience required and held by the new recruit, Gavi will provide a small salary top-up for the incumbent until such time as the position is properly upgraded and the Government absorbs the full cost of the role. Commitment from the Government to do so will be required before any agreement is reached on the provision of the top-up.
- 3.6 Gavi will coordinate closely with the Government and other development partners during this period to strengthen the systems required to ensure the sustainability of the immunisation programme. For example, DFAT continues to provide broad health sector support including the provision of various technical advisors, Global Fund will work to strengthen procurement and supply chain systems, and the Asian Development Bank has indicated that they will support Public Financial Management reforms and continue to roll out the electronic National Health Information System.

² A Provincial CEO and Board-led model for the governance and management of provincial health systems which now exists in half of the 22 Provinces

- 3.7 The proposed intensified HSIS support would require increasing the ceiling from the current US\$ 6 million to up to US\$ 12 million. This would also require an exception to Gavi's HSIS policy, which does not permit financing of recurrent or HR costs for countries in accelerated transition.
- 3.8 **Cold Chain Equipment Optimisation Platform.** The lack of a functioning cold chain is a major driver of low coverage in PNG. PNG has developed a plan and CCEOP application to expedite the roll-out of CCEOP to cover 100% of relevant facilities by 2020. This can be funded from within PNG's existing CCEOP envelope.
- 3.9 **Support for Vaccine Introductions and Campaigns.** With measles-rubella first dose coverage at 51% across PNG, an outbreak has already begun in a remote province bordering Indonesia. An MR campaign is urgently required with the goal of raising measles coverage to 95%, and must be planned based on epidemiological data and lessons learned from past campaigns and ongoing outreach efforts. Due to the cost of reaching children in more rural and hard-to-reach locations – for example, some areas can only be reached by helicopter or several days of walking – the cost of immunisation per child is likely to be higher than the average cost applied under the standard Gavi formula for campaign support, in which case Gavi anticipates providing a higher level of support including funding for recurrent and HR costs.
- 3.10 PNG has indicated an interest in introducing HPV and rotavirus vaccines at the national level once immunisation coverage rates have increased and key components of the health system have demonstrably improved. As PNG has passed its Grace Year already, this requires an exception to the eligibility and transition policies. The PPC was generally supportive of this given the significant potential health impact, but one PPC constituency objected due to concerns this may further exacerbate sustainability risks.
- 3.11 **Co-financing.** To better align PNG's co-financing ramp-up with its current economic situation, the Secretariat also proposes to negotiate with PNG to adjust its co-financing rates to fit within its trajectory towards successful transition by 2021. This would require some flexibility in the application of the co-financing policy.
- 3.12 **Targeted Country Assistance.** As described above, a step-change is required in the way the Alliance engages with PNG, including through TCA. It is proposed to at least double the current amount to core partners (from US\$ 1 million to US\$ 2 million). Focus areas will include: strengthening routine technical support with a greater focus on building capacity; ensuring a successful MR campaign; ensuring successful roll-out of CCEOP; and strengthening leadership, management and coordination capacities within EPI in PNG.
- 3.13 **Financial Management.** As mentioned in the lessons learnt, an important limitation is the absorptive and fiduciary capacity of the national system. This has been further compounded by the recent case of misuse. Alternative grant management arrangements are therefore needed, which will be heavily focused on financial management and oversight. Rather than over-burden the core partners with this responsibility, which could detract them from their technical

role and would require a considerable scale-up of financial and administrative capacity, Gavi will identify grant management arrangements which will leverage existing capacities of actors more accustomed to playing this role in the complex PNG environment. One option is to use a DFAT-managed mechanism currently under consideration; another is to use the Global Fund's existing private sector Principal Recipient. We must recognise that reverting to using national systems may not be feasible within the remaining period of Gavi support. However efforts will be made to strengthen the NDOH's financial management capacity in the time left before transition.

- 3.14 **Performance, monitoring, and accountability** have all been considerable challenges to the implementation of Gavi support in PNG in recent years. Therefore, as part of the new approach proposed, and in line with the new EPI Transition Strategy, a comprehensive programme monitoring framework, with disbursements tied to the achievement of agreed targets and milestones is envisaged. An in-depth review of progress will be conducted in 2019 to allow the Secretariat to update the Board on achievements, challenges, and any subsequent requirements and requests in 2019.
- 3.15 **Sustainability of the PNG Transition Strategy.** Given the current situation in PNG, any claim that EPI will be fully sustainable by 2021 would be misleading. While full vaccine financing by 2021 is within the means of PNG, the larger question is that of its health delivery system. Gavi's increased engagement over this period as described above will seek to ensure the programme is well-managed and resourced, has the right supply chain infrastructure and is on a positive coverage trend, reaching penta3 coverage of 75% by end 2020. However, health systems strengthening initiatives from the Government and from Development Partners will need to continue during and beyond this period. Gavi will continue to work closely with partners including DFAT, WB, ADB, and Global Fund to ensure HSS efforts are aligned and are contributing to the development of the systems needed to enable a sustainable EPI programme; and all partners will work jointly with the Government to help ensure the necessary domestic resources are made available for EPI beyond 2020.

Section C: Actions Requested of the Board

Based on the above, the Programme and Policy Committee recommended the Gavi Alliance Board to:

- (a) **Approve** the following measures as mitigation strategies for risks to Papua New Guinea's ("PNG") sustainable transition:
- i) HSIS: Increase the HSS funding ceiling from US\$ 6 million to up to US\$ 12 million for the remaining period of HSS support and allow Gavi funds to be used also for selected recurrent outreach costs, contingent on the Government committing that these cost categories will be budgeted post-transition;

- ii) MR Campaign: Allow PNG to apply for a Measles Rubella campaign in 2018 and authorise the CEO, based on an IRC recommendation, to allocate associated operational support costs at a level required by the circumstances in PNG, including for staffing costs;
- iii) NVS: Allow PNG to apply for new vaccine support until they transition out of Gavi support;
- iv) Co-financing: Allow the Secretariat to negotiate with PNG to adjust its co-financing rates to fit within its trajectory towards successful transition by 2021.

(b) **Request** the Secretariat to report to the PPC and Board in 2019 on progress.

The PPC was unable to reach consensus on a) iii) of the recommendation below and in line with the PPC Charter a minority position expressed by Jean-François Pactet, representing the donor constituency anchored by Germany, is being reported to the Board.

Annex A

Potential risks to the Alliance strategy for successfully transitioning Papua New Guinea from Gavi support

1. **Political risks.** With elections having just been conducted and a new government in place, the risk related to political instability has lowered. Nonetheless, this risk will remain over the next three years and should be managed proactively by building up a strong EPI team, and engaging closely with senior national leadership broadly, and not just at MOH level.
2. **Political commitment.** While the current government is demonstrating a higher level of commitment than we have seen in the past, there is a risk that this could change over the coming years. The government may not deliver on its commitments, which would put this strategy in jeopardy. Continued high level engagement, along with supporting the development of a robust health financing strategy, may help mitigate this risk.
3. **Macro-economic risks are important,** in view of a relatively negative economic outlook for the coming years. This has already influenced the Alliance's approach towards PNG. As long as it does not further deteriorate, we believe the transition from a financial perspective can still be managed. The Alliance should engage closely with partners such as the World Bank, the International Monetary Fund and DFAT to regularly monitor the country's economic situation and ensure mitigating measures are put in place.
4. **Management capacity.** The success of the transition will rely to a large extent on the strengthening of the management capacity at national and provincial level. The time – three years – to effectively do this is very short. In the short term, increased on-the-ground and embedded support will need to be rapidly mobilised to mitigate this risk, with very explicit and measurable terms of reference toward capacity building. Finding the right level and quality of support is also a challenge in this environment and poses a risk in itself.
5. **Fiduciary risk.** The risk of mismanagement of funds in PNG remains high, and financial management capacity very low. To mitigate this, for the foreseeable future, all funds will be channelled through partners, be it at national or provincial level. Even in these cases, reinforced measures may be required, in particular at lower levels of the systems to ensure proper fund management. In parallel, investments must be made to strengthen financial management and oversight, with the support of other partners.