



GAVI/13/384/MK/RK

The Minister of Public Health
Ministry of Public Health
Vientiane
The Lao People's Democratic Republic

28 June 2013

Dear Minister,

The Lao People's Democratic Republic (Lao PDR) Annual Progress Report (APR) to the GAVI Alliance for health system strengthening (HSS) cash support

I am writing in relation to Lao PDR's 2011 APR for health system strengthening cash support which was submitted to the GAVI Secretariat in February 2013.

Following a meeting of the GAVI Independent Review Committee (IRC) from 4 to 12 April 2013 to consider your APR, and subsequent approval of the clarifications you have provided, we are pleased to inform you that the GAVI Alliance has approved Lao PDR for GAVI's HSS support. The terms of this grant are as specified in the Appendices to this letter.

We would like to remind you that GAVI's HSS support for your approved application will be implemented in accordance with GAVI's performance based financing (PBF) approach. This is in compliance with the GAVI Board decision in November 2011 to roll out PBF as the default mode of cash-based support for HSS from 2012. PBF is designed to link cash support to performance, thereby providing incentives for better immunisation outcomes through strengthening health systems. Please see Appendix C for additional information.

Please do not hesitate to contact my colleague Raj Kumar at rajkumar@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

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Attachments: Appendix A: Decision Letter for HSS Cash Support.
Appendix B: Report of the Independent Review Committee.
Appendix C: GAVI's HSS cash support: Performance based funding (PBF).
Appendix D: 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

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.
 in English**

Complete

*Cette lettre de décision décrit les conditions d'un programme
 français*

Complétez en

1.	Country: Lao PDR <i>Pays</i>
2.	Grant number: 1215-LAO-10d-Y <i>Numéro d'allocation</i>
3.	Decision Letter number: 4 <i>Numéro de la lettre de décision</i>
4.	Date of the Partnership Framework Agreement: 7 th June 2013 <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.	<p>HSS terms: <i>Conditions du RSS</i></p> <p>The ultimate aim of HSFP support is to ensure increased and sustained immunisation coverage through addressing health systems barriers in Country, as specified in:</p> <ul style="list-style-type: none"> • 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. <p><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></p> <ul style="list-style-type: none"> • <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> <p>Any disbursements under GAVI's HSS cash support will only be made if the following requirements are satisfied:</p> <ul style="list-style-type: none"> • GAVI's availability of funding; • Submission of satisfactory Annual Progress Reports (APRs) 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. <p><i>Tout décaissement au titre du soutien en espèces de GAVI au RSS ne sera effectué que si les conditions suivantes sont remplies :</i></p> <ul style="list-style-type: none"> • <i>disponibilité du financement GAVI ;</i>

- présentation de rapports de situation annuels satisfaisants par le pays ;
- approbation de la recommandation du Comité d'examen indépendant (CEI) sur la poursuite du soutien de GAVI après la première année ;
- 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 ;
- observance des clauses et conditions de GAVI (jointes à l'annexe [D] ; et
- 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.

The HSS cash support shall be subject to GAVI's performance-based funding (PBF). Under this, the HSS support will be split into two payments: the programmed payment (based on implementation of the approved HSS grant) and the performance-based payment (based on improvements in immunisation outcomes). This means that in the first year, Country will receive 100% of the approved ceiling, or programme budget if different (the initial Annual Amount), as an upfront investment. After the first year, countries will receive 80% of the ceiling, or programme budget if different, based on implementation of the grant, and additional payments will be based on performance on immunisation outcome indicators. Note that countries whose total grant budget would fall below US\$3 million are exempt from this 80% rule.

Le soutien en espèces au RSS sera subordonné au financement basé sur les résultats de GAVI. À ce titre, le soutien au RSS sera divisé en deux paiements : le paiement programmé (basé sur la mise en œuvre de l'allocation approuvée au RSS) et le paiement basé sur les résultats (fondé sur les améliorations en matière de performance vaccinale). Cela signifie que la première année, le pays recevra 100% du plafond, ou du budget approuvé si différent (le montant annuel initial) comme investissement de démarrage. Après la première année, les pays recevront 80% du plafond, ou du budget approuvé si différent, en fonction de la mise en œuvre de l'allocation, alors que les versements ultérieurs seront fondés sur les résultats relatifs aux indicateurs de performance vaccinale. Notez que les pays dont le budget total du programme n'exède pas US\$3 millions sont exemptés de cette règle de 80%.

Country will have the opportunity to receive payments beyond the programme budget amount, for exceptional performance on the same immunisation outcomes. The maximum programmed payment plus performance payment may be up to 150% of the country ceiling.

En cas de résultats exceptionnels pour les mêmes résultats de la vaccination, le pays aura la possibilité de recevoir des paiements supérieurs au montant initial du budget approuvé. Le montant maximum des paiements programmés et basés sur les résultats peut atteindre 150% du plafond du pays.

Given that Country's DTP3 coverage was **below 90%** in 2011 based on WHO/UNICEF estimates, Country will be rewarded for improving coverage with:

- \$30 per additional child immunised with DTP3, if DTP3 coverage increases and
- \$30 per additional child immunised with first dose of measles containing vaccine, if measles coverage increases.

Étant donné que la couverture du DTC3 du pays était inférieure à 90% en 2011, d'après les estimations OMS/UNICEF, le pays sera récompensé pour avoir relevé la couverture avec :

- \$US 30 par enfant supplémentaire ayant reçu les trois doses du vaccin DTC, si la couverture du DTC3 a augmenté et
- \$US 30 par enfant supplémentaire ayant reçu la première dose du vaccin antirougeoleux, si la couverture du vaccin antirougeoleux a augmenté.

The performance payments under the performance-based funding shall be used solely for activities to be implemented in the country's health sector.

Les paiements basés sur les résultats seront utilisés uniquement pour des activités à mettre en œuvre dans le secteur de la santé du pays.

7. Programme Duration¹: 2012 to 2015

Durée du programme: 2012 à 2015

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

8. Programme Budget (indicative) (subject to the terms of the Partnership Framework Agreement, if applicable):

Budget du programme (indicatif) (sous réserve des conditions de l'Accord Cadre de Partenariat):

Note that with PBF, annual disbursements may be more or less than this amount after the first year (see section 6 above).

Prière de noter qu'avec le FBR, les décaissements peuvent être supérieurs ou inférieurs à ce montant après la première année (voir section 6 ci-dessus).

	2012	2013	2014	2015	Total ²
Programme Budget (US\$) <i>Budget du programme</i>	302,049	597,275	600,868	600,026	2,100,218

9. Indicative Annual Amounts (indicative) (subject to the terms of the Partnership Framework Agreement):

Montants annuels indicatifs (indicatif) (sous réserve des conditions de l'Accord Cadre de Subvention):

The following disbursements are subject to the conditions set out in sections 6, 10, 11 and 12:

Les décaissements suivants sont sujets aux conditions précisées dans les sections 6, 10, 11 et 12:

Programme Year <i>Année du programme</i>	2012	2013	Total ³
Annual Amount (\$US) <i>Montant Annuel (US\$)</i>	302,049	597,275	899,324

10. Documents/information to be delivered prior to HSS cash disbursement (Financial clarifications) :

Documents/informations à soumettre avant le décaissement des fonds RSS (clarifications financières):

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*

<p>11. Documents to be delivered for future HSS cash disbursements: <i>Documents devant être présentés pour des décaissements futurs des fonds RSS:</i></p> <p>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></p>	
<p>Reports, documents and other deliverables <i>Rapports, documents et autres</i></p>	<p>Due dates <i>Date limite de réception</i></p>
<p>Annual Progress Reports (APRs). The APRs shall provide detail on the progress against milestones and targets against baseline data for indicators identified in the proposal, as well as the PBF indicators as listed in section 6 above. The APRs should also include a financial report on the use of GAVI support for HSS (which could include a joint pooled funding arrangement report, if appropriate) and use of performance payments, which have been endorsed by the Health Sector Coordination Committee (HSCC) or its equivalent.</p> <p><i>Rapport de situation annuel. Ce rapport renseignera en détail sur les progrès accomplis pour atteindre les repères et les objectifs en regard des données de référence pour les indicateurs identifiés dans la proposition, ainsi que les indicateurs du FBR dont la liste figure à la section 6 ci-dessus. Le rapport de situation annuel comprendra également un rapport financier sur l'utilisation du soutien de GAVI au RSS (qui peut inclure un rapport conjoint d'un dispositif de financement commun, le cas échéant) et l'utilisation faite des paiements liés aux résultats, qui ont été approuvés par le Comité de coordination du secteur de la santé (CCSS) ou son équivalent.</i></p>	<p>15 May 2013 or as negotiated with Secretariat <i>15 mai 2013, ou tel que négocié avec le Secrétariat</i></p>
<p>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.</p> <p><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></p>	<p>15 February and 15 August <i>15 février et 15 août</i></p>
<p>In order to receive a disbursement for the second approved year of the HSS grant (2014), Country shall provide GAVI with a request for disbursement, which shall include the most recent interim unaudited financial report.</p> <p><i>Afin de recevoir les décaissements pour la deuxième année de soutien RSS (2014), le pays devra fournir à GAVI une demande de décaissement, qui inclura le rapport financier intermédiaire non-audité le plus récent</i></p>	<p>As necessary <i>Selon besoin</i></p>
<p>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></p> <p>Cash disbursed under HSS support may not be used to meet GAVI's requirements to co-finance vaccine purchases. <i>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.</i></p> <p>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 APR and will be subject to GAVI approval. It is essential that Country's Health Sector Coordination Committee (or its equivalent) be involved with this process both in its technical process function and its support during implementation and monitoring of the HSFP</p>	

programme proposal. 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)

Name (Print):

Nom (Majuscules)

Title:

Titre

Date:

Date

Hind H. Khatib

**Hind Khatib-Othman
Managing Director
Country Programmes
GAVI Alliance**

Report of the Independent Review Committee

Country: Lao PDR
Type of report: Annual Progress Report (HSS only)
Reporting period: 2012
Date reviewed: April 2013

1. Background Information

Surviving Infants (2011): 169,445 (JLN)

DTP3 coverage (2011):

- JRF Official Country Estimate: 78 %
- WHO/UNICEF Estimate: 78 %

History of GAVI support:

Table 1. Cash Support

Cash support	Approval Period
HSS	2012-2015

Note: This is a special HSS-only APR review for Lao PDR based on the 2011 APR submission, as well as a progress report of HSS activities for the 2012 calendar year.

2. Composition and Functioning of Inter-agency Coordinating Committee (ICC) / Health Sector Coordinating Committee (HSCC)

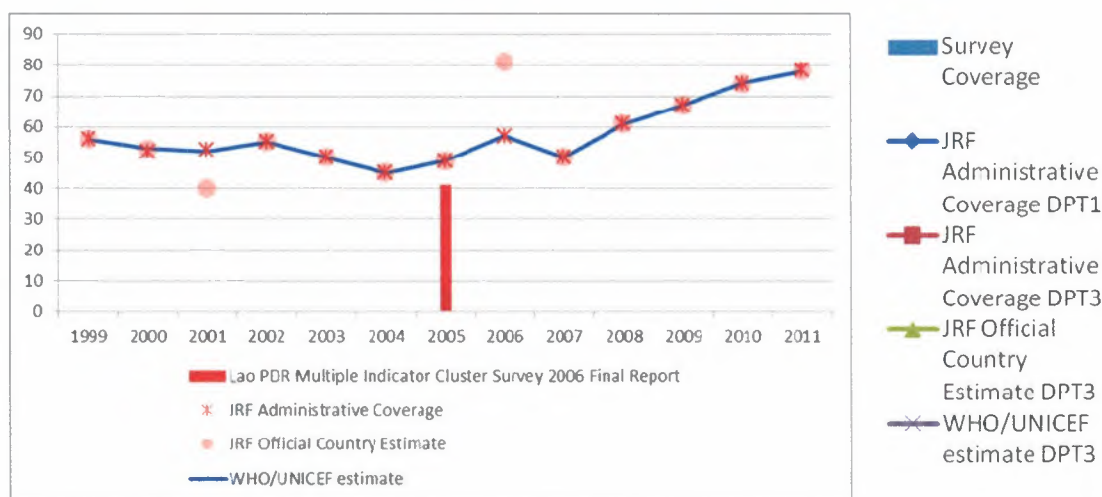
The HSCC equivalent in Laos is the Sector-Wide Coordination Mechanism for Health (SWC). The Ministry of Health set up the Expanded Program for Immunisation Technical Working Group (MCH-EPI TWG) as one of the components of the sector-wide coordination mechanism. The membership is comprised of government officials and some external partners – WHO, JICA, and Luxembourg Development. A review of 2012 annual progress indicators for MCH and EPI were provided during this meeting. There is also a specific HSS-GAVI committee, with members of the MCH-EPI TWG, who met in January 2013 with minutes provided. A narrative update of progress of MCH and EPI activities was provided. No NGO/CSO was represented at this meeting.

3. Program Management

There is an upwards trend in DTP3 coverage in many areas in Lao PDR. Based on the 2012 progress report and MCH-EPI TWG meeting minutes from January 2013, the following progress indicators were given:

- DPT-HepB-Hib3 coverage in Vientiane Capital increased from 66.7% in 2011 to 74.9% in 2012 in Parkngeum district; unfortunately the coverage in Sangthong district decreased from 89.6% in 2011 to 70.4% in 2012.
- DPT-HepB-Hib3 coverage in Oudomxay Province increased significantly from 53.2% in 2011 to 83.4% in 2012 in Xai district; from 53.8% to 84.5% in Namor district; and very significant increased from 25.1% to 91.0% in La district.

- Measles coverage in Vientiane Capital increased significantly from 51.4% in 2011 to 80.6% in 2012 in Sungthong district; and from 69.1% to 75.1% in Parkngeum district respectively.
- Measles coverage in Oudomxay Province increased from 43.4% in 2011 to 56.2% in Xai district; and increased double from 31.3% to 66.6% in Namor district; and increased significantly from 26.9% in 2011 to 82.4% in 2012 in La district.



Data quality: The APR says that the results of the 2011 Lao Social Indicator Survey (LSIS) are eagerly awaited. The EPI review in May 2012 highlighted data quality issues. The APR says that it would like to have a new coverage survey (30 clusters) in the next two years and that more training is needed to increase data quality.

Major achievements in 2011 noted in the APR are:

- A new cMYP is in place for 2012-2015;
- A National Immunisation Policy has been put before Lao's National Assembly and awaits a vote;
- An EPI review was scheduled for May 2012;
- An SIA with MR in 2011 reached 97 % coverage and included OPV, Vitamin A, and de-worming; and
- Cold chain IEC was conducted and an EVM plan was made in December 2011 (responds to a recommendation of the 2011 Monitoring IRC).

The major problems identified are the fragmented and late donor financing for outreach and low demand among some ethnic groups.

Adverse Events Following Immunisation Systems: The APR indicates that they have a national dedicated vaccine pharmacovigilance capacity, a national AEFI expert review committee, an institutional development plan for vaccine safety, and they are sharing vaccine safety data with other countries, but no details are given.

4. Gender and Equity Analysis

Geographic breakdown of immunisation coverage rates is provided for the GAVI funded districts. Addressing barriers to accessing health facilities/MCH/EPI services for hard-to-reach sub-populations is one facet of the activity package; however, no numerical data is provided to quantify this.

There is attention to equity at the planning level as illustrated by the minutes from HSS Committee in Jan 2013: "NIP would like to focus on EPI by implementing Performance/Result Based Financing (RBF) with

the unit cost USD 15 per fully immunised child. The incentives will be given to the vaccinator both at the fixed-site and out-reach based the number of vaccination shots.” UNICEF and WHO suggested that to “ensure balance/equity of services for both rich and poor community, a good micro-plan covering hard to reach areas was required.”

There is no mention of gender disaggregated vaccination data in the 2012 progress report.

5. Immunisation Services Support (ISS)

N/A

6. New and under-utilised Vaccines Support (NVS)

N/A

7. Vaccine Co-financing and Financial Sustainability and Financial Management

N/A

8. Injection Safety Support (INS) and Adverse Events Following Immunisation Systems

N/A

9. Health Systems Strengthening (HSS)

Situation of existing HSS grant

The grant cycle spans the period 2012-2015. There were delays in receiving the first tranche of funding; however, most funds and activities are reported to currently be on track. There was an oversight in requesting the tranche of funding for 2013 in the APR 2011 submission in May 2012, and activities pertaining to this time period are partially outlined in the 2012 HSS progress report.

The national MNCH Strategy outlines three strategic objectives:

1. Improving leadership, governance and management capacity for program implementation for health of mothers and children;
2. Strengthening efficiency and quality of health service provision within health facilities and through outreach services;
3. Mobilising individuals, families and communities for maternal, neonatal and child health.

The MoH, with support from the GAVI Alliance Health System Strengthening funds (GAVI HSS), has implemented the national MNCH strategy in a total of five districts; three districts of Oudomxay (Odx) province and two districts of Vientiane Capital (VTE).

HSS Activities

While some activities have been modified with regards to the original proposal, the difference is not significant. Activities are linked to improved immunisation programme and/or immunisation outcomes by removing transportation access barriers to isolated mother-child populations, developing micro-planning at the health center levels, and encouraging MCH/EPI service utilisation through the use of prenatal sonography, to name a few examples.

Information on planned activities is short and descriptive in nature only. There are no numerical figures provided to quantify activities or targets reached. Based on the 2012 progress report provided, it appears that one main thrust for 2013 activities will be the introduction of performance-based financing:

Strategic steps to introduce the PBF for EPI:

1. Improve micro-plans accordingly;
2. Ensure newborn children, women 15-45 years old, mothers and pregnant women have been registered in the programme (records and report);
3. Establish the auditors or inspectors after the vaccination round has been completed. Each district should have at least five inspectors, who will be trained by the District EPI managers on how to do auditing and confirm coverage quarterly basis. This will be reflected on the payment for the health workers. Inspectors should be non-EPI workers; district surveillance and pediatricians are very much encouraged;
4. Inspecting manual (tools) will be developed and used for inspecting and to keep as reference;
5. Budget for transportation for vaccination teams will be advanced to health workers (for outreach villages, not for fixed site villages) and the fee for result of vaccination will be kept at the district and will only be paid to health workers after auditing or inspecting. Transportation and results-based funding will all be included in the district's micro-plan;
6. Ensure cold chain is available and functioning and that there is no supply interruption of vaccines;
7. Improve vaccination facilities while waiting for vaccination, ensure that health education sessions are available while waiting for service, and ensure that vaccination rooms are well organised at the end of the day; and
8. Improve data management for health centres and districts.

Monitoring and Evaluation

Indicators from the original proposal are not reported on, thus any improvement from the baseline is difficult to ascertain. The link between activities and outputs/outcomes, however, is inscribed within overall MCH & EPI health systems strengthening. Per the Original Log Frame, the country should have reported on these indicators, but the performance framework unfortunately did not contain any denominator. The country should report on the indicators in the table below to report progress made during the next APR submission.

Goal(s)	Impact indicator(s): 1. Reduction of Infant Mortality Rate and <5 Mortality Rate 2. Reduction of Maternal Mortality Ratio
Objective 1	Outcome indicator: Percentage of children who received DTP3
SDA 1.1	Output indicator(s): % of health centers with MNCH/EPI micro plans completed
SDA 1.2	Output indicator(s): Number of women receiving financial aid for assisted births and other complicated pregnancy
Objective 2	Outcome indicator: Percentage of women with at least 1 ANC consultation from skilled health personnel
SDA 2.1	Output indicator(s): % of remote villages got at least 4 times outreach services; % of health centers where at least one staff got MNCH/EPI related training within 3 years
SDA 2.2	Output indicator(s): % of health centers equipped with at least one delivery bed and two delivery kits; % of health centers with clean water supply and electricity
Objective 3	Outcome indicator: Percentage of live births attended by skilled health personnel
SDA 3.1	Output indicator(s): % of villages that have improved vital statistics, % of villages where at least one VHV get the training on promoting MNCH care within 1 year

Data outlining vaccination coverage are provided as part of 2012 progress report. However, the denominator used to calculate DTP3 vaccination coverage appears to be number of pregnant women rather than number of live births.

Demonstrating a good absorptive capacity, Laos PDR was able to expend 96.45% of approved funds (US\$ 291,056), with 82% used to support services delivery at the districts and community levels and 14.45% used at central level for supervision and office supply. From the total US\$ 301,749 transferred from GAVI (after bank charges), there is a remaining balance of US\$ 10,693.

Existing government financial management systems and procedures are being used to manage HSS funds. Planning, strategic coordination and budgeting, disbursement of funds, procurement and accounting procedures are well outlined with satisfactory detail in the 2011 APR/2012 HSS progress report.

10. Civil Society Organization Type A/Type B (CSO)

N/A

11. Summary of 2011 APR Review

The Lao Popular Democratic Republic is applauded for its continued efforts in addressing essential health systems weaknesses related to Maternal and Child Health and Immunisation Programs. It continues to make considerable progress in the scale-up and accessibility of MCH/EPI service delivery for hard to reach populations, in training its healthcare workforce, and in empowering local community networks for MCH promotion in the five GAVI-funded districts. Although progress in immunisation coverage appears to have been made based on the information presented, the IRC is concerned about the appropriateness of this coverage data, as well as the absence of indicators and targets provided in the original HSFP proposal. The country should ensure that its next APR submission reflects current achievements using the original performance framework, and also include targets for subsequent years. Lastly, as Lao is a PBF country, the performance payment on first year DTP3 and measles achievements will be assessed as part of the next APR.

12. IRC Review Recommendations

HSS

Approval with clarifications of the country funding request of US\$ 597,275.

Please see Section 13 for clarifications requested.

13. Clarifications Required with Approved Funding

1. The IRC requests that the country works closely with the Secretariat to revise the original Performance Framework selected, including providing baselines, targets and denominators.
2. The country should report on the original indicators as part of the 2012 APR (for submission on 15th May 2013).
3. The denominator used to calculate DTP3 vaccination coverage appears to be number of pregnant women rather than number of live births. The country should clarify this issue.

14. Comments for the GAVI Secretariat

With regard to linking indicators in the original HSFP proposal to the IRC monitoring activities:

- The original HSFP for each country and associated documents should systematically be part of the review documents during monitoring IRC with HSS windows.
- The country is requested to provide an updated Performance Framework based on the one originally submitted on a yearly basis (i.e. there should be an individual sheet for every year of the duration of the grant built into the original Performance Framework document so that countries are expected to report on the target, outcome and output indicators they have chosen).

**GAVI's Health System Strengthening (HSS) cash support:
Performance based funding (PBF)**

Performance based funding (PBF) is the default approach for all HSS cash support. As approved by the GAVI Board in November 2011, countries approved for HSS grants in 2012 and onwards will be implementing their grants with PBF. PBF was designed to create incentives for countries to improve immunisation outcomes by strengthening health systems. Improved immunisation outcomes will be rewarded by linking disbursement of funds to performance.

Under the PBF instrument, GAVI's HSS cash support will be split into two different types of payments: a **programmed payment**, based on progress in implementation and on achievement of intermediate results, and a **performance payment**, based on improvements in immunisation outcomes. The key elements of the PBF instrument are as follows and shown in Figure 1 below.

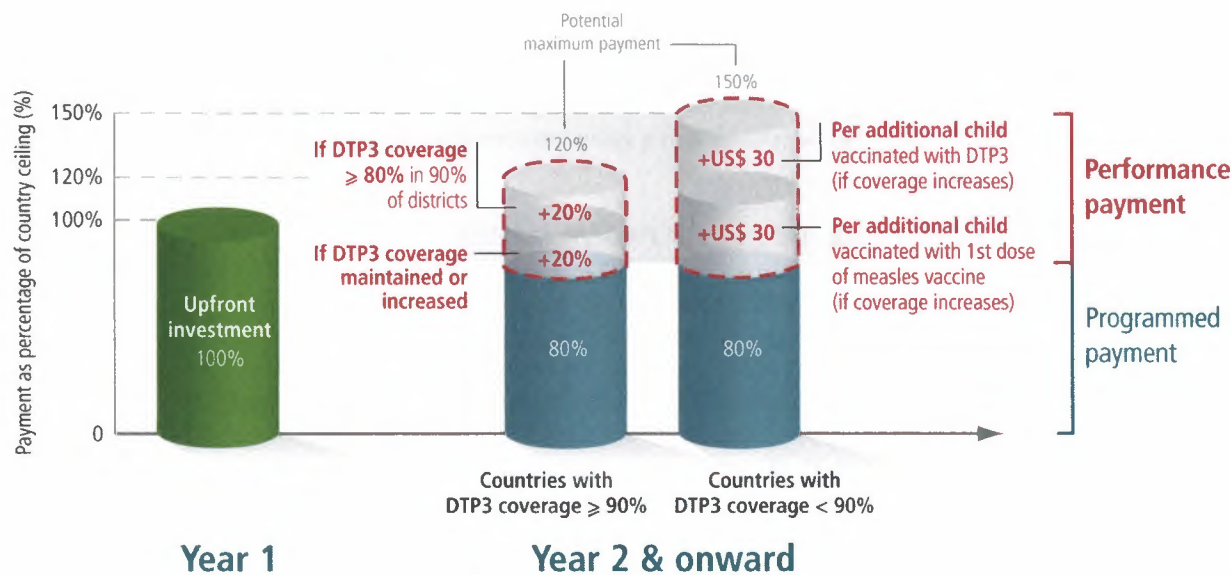
- GAVI calculates the total funding envelope for each country (referred to as country ceiling) based on the country's GNI and total population and communicates these ceilings directly to countries.
- In the first year, all countries will receive 100% of the annual country ceiling as an upfront investment. After the first year, countries will receive 80% of the country HSS ceiling (or approved budget if different) as the programmed payment if progress in implementation and achievement of intermediate results is satisfactory.⁴
- Countries may earn additional payments (above 80%) as performance payments, which may exceed the country ceiling.
- Performance payments will be as follows:
 - Countries with DTP3 coverage at or above 90% at baseline will be rewarded for sustaining high coverage with:
 - 20% of ceiling for maintaining DTP3 coverage at or above 90%, and
 - 20% of ceiling ensuring that 90% of districts have at or above 80% DTP3 coverage.⁵
 - Countries with DTP3 coverage below 90% at baseline will be rewarded for improving coverage with:
 - \$30 per additional child immunised with DTP3, if DTP3 coverage increases, and
 - \$30 per additional child immunised with first dose of measles containing vaccine, if measles coverage increases.

Performance payments will be based on country reporting of results using administrative data, with WHO/UNICEF estimates and surveys used for data verification. Countries with discrepancies are encouraged to invest in strengthening data quality and routine information systems. Countries may include such investments in their HSS grant application to GAVI, as well as work with GAVI Alliance and other development partners to strengthen routine information systems and data quality.

Figure 1. GAVI's PBF instrument for HSS cash support.

⁴ The following are exempt from this 80% rule: those countries whose total grant budget would fall at or below US\$3 million when this rule is applied.

⁵ If both conditions are met, the country may receive 120% of the ceiling in a given year.



To address these concerns, the GAVI Alliance will work with countries on a country-by-country basis as part of an iterative application development process to identify data quality strengthening actions and other solutions pertaining to monitoring data that are tailored to countries' needs. This will include supporting countries to develop and institutionalise routine systems for monitoring data quality on an on-going basis, as well as a verification exercise through a health facility survey that also examines facility readiness to provide immunisation services and vaccine stock-outs. Results will be summarised in data quality report cards (as developed by WHO) and tracked over time to assess progress made in strengthening routine systems and may be supplemented by an immunisation data quality assessment (IDQA). Regular household surveys are a critical component of a comprehensive M&E plan, and are essential for PBF. WHO recommends that countries have two household surveys every five years, with one including a full birth history. Countries applying for GAVI HSS funds should ensure that their M&E plan specifies when planned surveys will be conducted that assess immunisation coverage and factors associated with non-immunisation.

While GAVI's current PBF approach is applied to HSS grants at the national level, countries may be encouraged to use performance-based funding and incentives at sub-national levels. Health sector stakeholders increasingly view PBF as an important complement to investing in inputs. It is a way to motivate communities, clients, and health workers; focus attention on measurable results; build capacity to manage and deliver health services; and, ultimately improve health outcomes. GAVI encourages such programs, particularly those linked to immunisation outcomes. An example that combines demand- and supply-side financing may include providing incentives to health workers and parents for fully immunising a child and keeping the vaccination card. However, any such programmes will also need to address concerns on data verification, management and implementation capacity, sustainability and long-term funding.

Finally, given that GAVI's PBF approach is new, learning from the first phase of countries will be applied to improve the PBF approach in the future.

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.

