Dear Minister,

**Ethiopia’s 2011 Annual Progress Report to the GAVI Alliance**

**HSS & CSO Support**

We are writing to inform you of the final outcome of the review of the 2011 Annual Progress Report (APR) on Health Systems Strengthening (HSS) and Civil Society Organisation (CSO) reporting submitted by Ethiopia in August 2012.

The Monitoring Independent Review Committee met in September and carefully considered your application. However they did not feel that the information provided on HSS and CSO reporting was sufficient. Ethiopia is therefore kindly requested to re-submit the 2011 APR HSS and CSO Sections to be reviewed by the next Monitoring IRC in 2013. Also, it is recommended that Ethiopia undertakes an evaluation of the HSS programme, that would notably inform the implementation of the new HSS program. Attached is the IRC report for additional details.

Please do not hesitate to contact my colleague Maryse Dugué mduque@gavialliance.org if you have any questions or concerns.

Yours sincerely,

Hind Khatib-Othman
Managing Director, Country Programmes

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
UNICEF Supply Division
The World Bank
The GAVI Finance Unit
Appendix A

Country: Ethiopia
Type of report: Annual Progress Report
Reporting period: 2011
Date reviewed: September 2012

1. Background Information

Surviving Infants (2011): 2,784,364

DTP3 coverage (2011):
- JRF Official Country Estimate: 87%
- WHO/UNICEF Estimate: 51%

History of GAVI support:

Table 1. NVS and INS Support
N/A

Table 2. Cash Support

<table>
<thead>
<tr>
<th>Cash support</th>
<th>Approval Period</th>
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<tbody>
<tr>
<td>HSS</td>
<td>2007-2009</td>
</tr>
<tr>
<td>CSO Type A</td>
<td>2009-2011</td>
</tr>
<tr>
<td>CSO Type B</td>
<td>2009-2011</td>
</tr>
</tbody>
</table>

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

The HSS APR was signed by representatives of the Ministry of the Federal Ministry of Health, DFID, WHO, UNICEF, World Bank, UNFPA, Spanish Cooperation for development, Italian cooperation. There were no signatures of CSO’s although some were reported to be involved in conducting HSS activities including the Ethiopian Paediatrics Society.

3. Program Management

There is a large disparity between administrative data (87%) and the 37% preliminary results of the 2011 Demographic Health Survey for DTP3 coverage. However, in reviewing the trends in DHS coverage, DTP3 coverage rates in Ethiopia have increased from 20.7% in 2000 to 31.5% in 2005 to 36.5% in 2010.

Figure 1. DTP3 coverage in Ethiopia from 1999-2011
4. Health Systems Strengthening (HSS)

The original proposal for GAVI HSS support started in 2006/07 with a disbursement of 68,840,803 USD and ended in 2009/10 with a final disbursement of 7,653,132 USD. There was a carry over of funds of 4.6 million USD, which is currently being accounted for in this APR covering activities carried out between May 2011 and August 2012. No new tranche of funding is requested and this is the final report for the HSS grant.

**Situation of existing HSS grant:**
Ethiopia submitted the HSS form from 2010 rather than the 2011 APR, and for this reason some of the relevant sections are missing. HSS implementation has been slow. The window was closed in 2009/10, and the balance of unexpended funds used until the end of 2012. Progress reported on objectives/activities is scant. The table 12 defining the % activities completed for 2012 is not completed. Only the tasks under each of the 3 objectives are defined. Baseline values in table 13 defining progress on targets is not completed. 2012 targets for objective 2 only are defined as well as expenditure until August 2012. Table 14 provides expenditures in 2012 in local currency for each activity.

**Objectives of HSS:**
Objective 1: Health workforce mobilization, distribution and motivation.
Objective 2: Supply, distribution and maintenance systems for PHC drugs, equipment and infrastructure.
Objective 3: Organization and management of health services.

**Activities of HSS:**
Major activities implemented in 2011 and the first quarter of 2012 include:
- Activity under Objective 1 reports that funds were provided to finance apprenticeships and a costing tool. Other activities were completed in preceding years.
- Activity under Objective 2 reports that rehabilitation of facilities continues through GTZ support, equipment was distributed and finalised and construction reported in previous APRs.
- Activity under Objective 3 reports: Health commodity hubs are being constructed using GAVI and funds from other donors, supportive supervision was limited due to budgetary constraints, and the bulk of activity under the objective was payment for audit, bank charges, freight and procurement of fuel and lubricant.

While these activities are consistent with the original proposal, specific numeric targets on baseline and achievement are not provided, so it is difficult to say whether the overall program achieved most of its objectives. There has been significant progress in completion of activities per the narratives of previous APRs as well as a 2009 HSS tracking report and 2009 situational assessment. The exact amount of work done, however, remains difficult to quantify based on the limited information provided. Additionally, no plans are provided for 2013 as the program terminates and transitions into the Health Systems Funding Platform.

**M&E:**
No overall M&E framework, indicators, or progress are provided. Only selected indicators from activities under Objective 2 of the original proposal (see Table 3) were reported on without mention of baseline year or 2011 achievement. Additionally, because the 2010 APR form was used, there is no information on the percentage completion of activity.

**Table 3. M & E Progress**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Baseline and year</th>
<th>2011 Achievement</th>
<th>Program Target and Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>IRT for HEW workers</td>
<td></td>
<td></td>
<td>7,440</td>
</tr>
<tr>
<td>IMNCTI training</td>
<td></td>
<td></td>
<td>5,400</td>
</tr>
<tr>
<td>2.1 Upgrading Health stations to HC</td>
<td></td>
<td></td>
<td>212</td>
</tr>
<tr>
<td>2.2. Equipment for Health posts</td>
<td></td>
<td></td>
<td>7,340</td>
</tr>
<tr>
<td>2.3. Equipment of Health Centres</td>
<td></td>
<td></td>
<td>300</td>
</tr>
</tbody>
</table>
Funding Issues:
There is overall lack in clarity with regards to budgetary expenditures. Table 11 of HSS receipts and expenditures are only provided in local currency with no mention of the exchange rate. No GAVI disbursements appear to have been made since 2009, with expenditures and balances reported through 2011. The financial report is also presented in local currency. The country lists other HSS partners but does not indicate funding levels or activity. This provides no guidance for GAVI to assess that donor funds have specific targets and objectives do not overlap.

In comparing the expenditures for planned activities as reported by the country from APRs in 2007, 2008, 2009, 2010 and 2011, there is no consistency in the amounts for financial expenditures reported over time. Additionally, independent financial audits performed in 2007 and 2010 only report on 389,000 USD (0.5%) of the total 76,6 million USD awarded for HSS activities. Lastly, the IRC has had difficulty in tracking how funds have been reallocated to different activities over time. Per the 2007, 2008 and 2009 APRs submitted by the country, it is unclear what funds were reprogrammed from one objective to the other, particularly for the rehabilitation/re-building of health care centres and health care posts as new donors came and started providing funds.

APR reports that a joint FMA was conducted by consultants in March/April 2011 and the process was funded by different DPs: GAVI, World Bank, Netherlands Embassy and Australian Aid. Final report was communicated to MOH and DPs; however, it is not available for the September IRC review.

Ethiopia was approved for Health System Funding Platform (HSFP) for 75 million USD from 2012 to 2015 in February 2012. A TAP mission conducted in September 2012 recommends that GAVI disburse the first tranche of the new HSS through the MDG PF once the JFA and MOU are signed, pending the fulfillment of GAVI audit requirements (i.e. acceptable audit reports of the HSS accounts for the FY 2010/2011 and FY 2011/2012, as well as ISS account audits reports).

Whilst recognising that Ethiopia is in transition to the HSFP subject to satisfying audit requirements, reporting of activity under the current HSS in 2011 is poor and less than adequate. Reservations are also flagged with respect to the government financial management systems. Reporting has been late, requiring extensive follow-up from GAVI. Audits remain incomplete. Given the scope of the investment and dissatisfaction in reporting on program activity, outcomes and financial management, the IRC strongly recommends that an outcome evaluation be conducted and the main lessons learned taken up into the new HSFP.

5. Civil Society Organization Type A

There was an attempt to conduct a mapping of the CSOs/NGOs involved in the Ethiopian health sector in order to have a comprehensive profile and to coordinate and streamline their efforts. However, no appropriate contractors for this activity could be identified despite three public requests for bids. FMOH cancelled the bid and used the information from the newly established Charities and Societies Agency who does the registration and licensing of CSO/NGOs.

CSO Type A funds were reallocated to cover the expense of "supporting, facilitating and organizing" all the necessary documents at regional and woreda levels in preparation for a GAVI ISS audit. The ISS program, dating back to 2002, provided cash payments to local governments for Penta immunisation achievement but has never been audited as it was considered an award for achievement. Because an ISS audit is a pre-condition for release of funding from the new HSFP, the country justifies reallocation of the funds in this manner because CSO activities are included in the new HSFP. The APR states "decision was discussed by the Joint Core Coordinating Committee and reprogramming was accepted by all with no objection". A balance of USD$83,307 is carried over to 2012 with no mention of specific plans on how to use these funds going forward.

Civil Society Organization Type B

The country was approved for 3.32 million USD for CSO support, of which 1,983,500 USD was disbursed in 2009 and 1,336,500 USD are yet to be transferred. Currently four CSOs (CRDA, EMA, ODA & EOC) are working on the project to strengthen immunization services. APDA ended its role in project implementation in the first round. Progress of three CSO’s (Christian Relief and Development Association, Ethiopian Orthodox Church and ODA) is described in the APR. A detailed activity account was provided for each organization as well as a list of activities not carried out. Baseline values are not defined. Many of the activities indicate targets and progress towards
targets. An attempt to relate this to performance achievement suggests that ODA has completed 60% of targets for 66% of activities. Others are not specified. EMA has achieved 70% of target, CRDA achievements for its four areas of activity cannot be defined, and EOC has achieved 70% of targets for its nine fields of activity. This is less than adequate to assess progress and cannot be related to budget.

A table is provided of funds carried over from 2010, expenditures and carry over in 2011. There is no segregation of financial data by CSO. Delays in disbursement from GAVI are cited as the main reason for delay in implementation. Furthermore, 8,000,000 USD are allocated to CSO activity in the new HSFP proposal. The IRC strongly recommends that a substantially improved method of accountability be requested as part of this new grant.

Ethiopia is requested to submit a financial statement for the year 2011, and submit an external audit report for the same period (9/05/2011). Audit reports have not been provided yet and should be received by the end of 2012 (TAP mission).

6. Summary of 2011 APR Review

Ethiopia has been one of the early countries to receive GAVI HSS program funding in addition to being one of few countries being granted front-loading of resources with 68 million USD transferred within the first grant year. It remains difficult to assess whether the country has been on track in the implementation of HSS activities, whether it has achieved most of its objectives and whether the significant amount of funds invested in the country have resulted in any improvement in immunization outcomes.

The APR 2011 provided by Ethiopia has reached an all time low in quality and completeness. This is very disappointing given the magnitude of past and future GAVI investment in Ethiopia. HSS activity, achievement and fund utilisation are poorly documented. M&E indicators are not provided and progress not clearly reported on. For the most part, HSS activity in 2011 has centred upon disbursement of funds and distribution of equipment. No health system strengthening other than material inputs are reported on. The most part, HSS activity in 2011 has centred upon disbursement of funds and distribution of equipment. No health system strengthening other than material inputs are reported on. The CSO Type A funds have been reallocated for administrative work to satisfy GAVI ISS audit requirements, which is not in line with the original aim of these funds. While 70% of the CSO Type B funds have been disbursed, there appears to be 60-70% completion rate for only 70% of the planned activities. Given this quantitative data on achievement, performance appears to be mediocre with significant shortcomings in accountability.

Based on a review of the cumulative APR reports since inception of the grant in 2007 as well as a 2009 in-depth HSS evaluation and a 2009 HSS tracking study, there have been recurring issues related to insufficient or lack of accurate reporting of financial expenditures in relation to activity targets. Major uncertainties about exact funding expenditures and extent of target achievement with this HSS grant remain.

If an outcome of the GAVI HSS investment should translate in increased immunization coverage then such an outcome has not yet materialized in Ethiopia. Indeed, DTP3 coverage remains low and continues to be below the Sub-Saharan average. The experience in Ethiopia can inform the GAVI Alliance on practices and lessons learned in an ambitious, large-scale HSS program. In view of the considerable GAVI HSS investment in Ethiopia, the IRC strongly recommends that an independent review describing the cumulative achievements and outcomes of the HSS grants be undertaken. Part of this undertaking should include clear financial accounts of how the entirety of the budget was expended over time.

7. IRC Review Recommendations

HSS

(a) Programmatic recommendations

- The country is requested to resubmit the 2011 HSS APR section using the correct APR 2011 format and filling in all the appropriate M&E targets and indicators including original baseline targets. This includes: completing Tables 11-14, providing clear quantitative statements of progress and achievement, providing M&E indicators against each objective with clearly specified baselines, progress and achievement.
- In view of the considerable GAVI HSS investment in Ethiopia, the IRC recommends that an independent review describing the cumulative achievements and outcomes of the HSS
grants be undertaken. Part of this undertaking should include financial account of how the entirety of the budget was expended and linked to activities.

CSO

(a) Programmatic recommendations
The country is requested to re-submit the 2011 APR CSO Section to be reviewed by the next Monitoring IRC. In particular, the country is advised to specify activities, progress, % achievement towards targets and expenditures incurred by each CSO.

8. Clarification Required with Approved Funding

HSS

(a) Financial clarifications/outstanding TAP issues

- The country is requested to provide the pending clarifications requested in the DL derived from the review of the 2010 APR and 2010 unaudited FS; only the issues related to the KNAO reservations on the 2009/2010 accounts of the HSS have been addressed in the review by the country.
- The country is requested to submit the revised financial section of the 2011 APR (ISS+HSS+NVS) and revised 2011 FS (ISS+HSS+NVS).

9. Request Re-submission of APR HSS Section

N/A

10. Other issues

N/A
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.