



USAID's Strengthening Systems for Better Health Activity



Year One Annual Performance Report January 8 – July 15, 2018

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USAID's Strengthening Systems for Better Health Activity is funded under Cooperative Agreement Number: 72036718CA00001. The purpose of the Activity is to assist the Government of Nepal to improve health outcomes, particularly amongst marginalized and disadvantaged groups, through enhancing access to and quality of maternal, child, and reproductive health services, with specific focus on newborn care. The Activity is implemented by Abt Associates, in partnership with Save the Children, Management Support Services and the Karnali Academy of Health Sciences.

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Acronyms

AOR	Agreement Officer's Representative
D&F	Determination and Findings
DFID	U.K. Department for International Development
DoHS	Department of Health Services
DQA	Data Quality Assessment
EDP	External Development Partners
FP	Family Planning
GESI	Gender Equality and Social Inclusion
GIS	Geographic Information System
GIZ	Gesellschaft für Internationale Zusammenarbeit
GoN	Government of Nepal
H4L	Health for Life
HFOMC	Health Facility Operation and Management Committees
HMIS	Health Management Information Systems
HSS	Health Systems Strengthening
KAHS	Karnali Academy of Health Sciences
MASS	Management Support Services Pvt Ltd
MEL	Monitoring, Evaluation and Learning
MICS	Multiple Indicator Cluster Survey
MNCH/FP	Maternal Newborn and Child Health/ Family Planning
MoFAGA	Ministry of Federal Affairs and General Administration
MoHP	Ministry of Health and Population
MoSD	Ministry of Social Development
NDHS	Nepal Demographic and Health Survey
NHSSP	Nepal Health Sector Support Program
PAHAL	Promoting Agriculture, Health, and Alternative Livelihoods
PIRS	Performance Indicator Reference Sheet

QI	Quality Improvement
SIFPO	Support for International Family Planning Organizations
SMT	Senior Management Team
SoW	Scope of Work
TA	Technical Assistance
ToRs	Terms of Reference
UN	United Nations
UNICEF	United Nations Children’s Fund
UNFPA	United Nations Population Fund
USAID	United States Agency for International Development

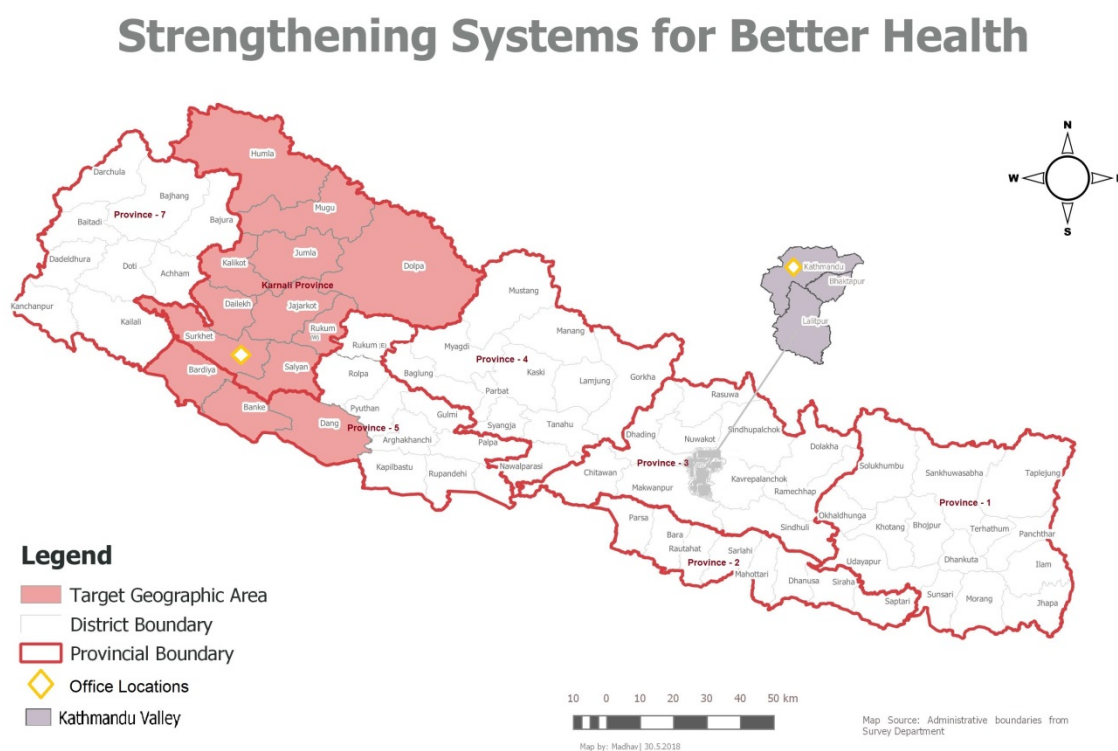
Introduction

The United States Agency for International Development (USAID) awarded the five-year, \$24 million USAID's Strengthening Systems for Better Health Activity to Abt Associates in January 2018. To implement the cooperative agreement, Abt Associates is partnering with Save the Children, the Karnali Academy of Health Sciences, and Management Support Services (MASS).

The Activity is designed to improve health outcomes, particularly for the most marginalized and disadvantaged groups, by improving access to and quality of maternal, child, and reproductive health services, with a specific focus on newborn care. The focus is also on strengthening data driven planning and governance of a decentralized health system, which in turn will increase utilization of equitable, accountable, and quality health services. This will be achieved through three outcomes, namely: 1) improved access to and utilization of equitable healthcare services; 2) improved quality of health services in facilities and communities; and 3) improved health system governance, including within the context of federalism.

The Activity's geographic focus, as outlined in Figure 1, covers a total of 105 municipalities (i.e., 79 municipalities in Karnali Province and 26 municipalities in Province 5 from three districts: Banke, Bardiya, and Dang) from the most disadvantaged part of the country. This focus is based on USAID's geographical selection criteria, and was validated during the joint application development process, allowing USAID to continue to build on current and past investments concentrated in these two provinces, while covering a sizable population with health systems strengthening interventions. The Activity has established a field office in Surkhet, Karnali Province that will support activities in both provinces.

Figure 1: USAID's Strengthening Systems for Better Health Geographic Focus Karnali Province and Province 5: Banke, Bardiya, and Dang



This Annual Performance Report for Year One of USAID’s Strengthening Systems for Better Health Activity summarizes progress and achievements in relation to our approved Year One Workplan, for the reporting period of January 7 - July 15, 2018. Per the Cooperative Agreement, Year Two (the first full year of implementation) began in mid-July 2018, in order to synchronize the project planning and implementation year with the Government of Nepal’s (GoN) fiscal year.

The Activity team has used the initial six-month period (Year One) to recruit and hire senior and mid-level technical and management staff, establish offices in Kathmandu and Surkhet, and orient key government counterparts at national, provincial, and municipal levels to the Activity. The team has also begun to build productive working relationships with these individuals and institutions, and to develop collaborative relationships with other USAID implementing partners and external development partners (EDPs). The team has also developed an initial version of the Activity’s Monitoring, Evaluation and Learning (MEL) Plan, initiated on-the-ground assessments and analyses of secondary data to establish the Activity baseline, and deployed a team of experienced consultants to provide direct technical support to target municipalities in planning and budgeting for health programs and service delivery for the coming fiscal year.

In the following sections, we describe our progress related to planned activities under each Outcome and Sub-Result, as well as the cross-cutting elements of private sector engagement and Gender Equality and Social Inclusion (GESI), or “Equity” as it was referred to in the program description and initial workplan. We also describe progress against planned activities to establish our MEL system. This is followed by a section that covers financial status and management of project start-up activities such as recruitment, hiring and office set-up. Finally, we present summaries of some of the Activity’s best and promising practices identified thus far, major challenges to accomplishment of planned activities, and planned prospects for next year’s performance. Also included in this final section are major activities planned for the first quarter of the coming year – July 16 – October 15, 2018.

Before addressing planned activities under each of the program outcomes, we summarize below a range of accomplishments related to planned program start-up activities.

Develop and Finalize Workplans for Years One and Two

The initial three months of Activity implementation were covered under a Mobilization and Transition Plan that was finalized by the Activity team and approved by USAID in January 2018. The Chief of Party arrived in Nepal in early February to begin start-up activities with the Deputy Chief of Party and Director of Finance and Administration. In mid-February 2018, the Activity’s home office-based MEL Advisor, Technical Project Officer, and Senior Maternal and Newborn Health Advisor arrived in country to provide short-term technical assistance (TA) for start-up with a focus on development of both the Year One Workplan and the Activity MEL Plan.

The start-up team and home office representatives travelled to Karnali Province to meet with provincial and municipal health stakeholders and visit health facilities to better understand the operational context, health system challenges, opportunities, and the potential role of the Activity in improving health systems, and to obtain stakeholder input for the initial workplan. Meetings with USAID’s Health for Life (H4L) project and regional/municipal-level stakeholders in Nepalgunj and Surkhet increased the team’s understanding of the complexities of evolving federal systems. These discussions enabled the team to identify and prioritize activities and processes to implement during the Year One Workplan period. The Activity Senior Management Team (SMT) also conducted meetings with USAID, the Secretary of Health and Population, the Chief of the Ministry of Health and Population’s (MoHP) Policy, Planning and International Cooperation Division, and H4L to introduce the Activity, discuss potential collaboration, and obtain input for the initial workplan. Information gained during the field visits and consultations with a wide range of stakeholders

helped the start-up team finalize the content of the Year One Workplan and inform finalization of the initial MEL Plan (the process undertaken to develop the MEL Plan is described in more detail in Section 5 of this report). USAID's Strengthening Systems for Better Health team submitted both documents to USAID by the deadline of March 9, 2018.

In order to develop a feasible and relevant workplan for the first full year of Activity implementation (July 16, 2018 – July 15 2019), the Activity team took a much more consultative approach, engaging more intently with counterparts and stakeholders at provincial and municipal levels, while still involving key counterparts in the MoHP and the Ministry of Federal Affairs and General Administration (MoFAGA) in Kathmandu. In early June, the team convened a two-day workshop in Surkhet, the provincial capital of Karnali Province. Attendees included provincial officials and health managers from both Karnali Province and Province 5, representatives from District Health Offices, municipalities, municipal health offices, the private health sector and medical educational institutions. The Activity team provided these 55 stakeholders with an in-depth orientation to the Activity goals, objectives and proposed strategy. The workshop sessions were designed to enable participants to voice their individual and collective priorities and provide substantive input to development of interventions under each of the Activity's outcomes, sub-results and cross-cutting strategies.

With assistance from the Activity's home office-based Technical Project Officer and Senior Maternal and Newborn Health Advisor, Activity senior technical staff turned the output of the planning workshop into a full workplan for Year Two and shared the preliminary draft with key stakeholders in Kathmandu. The finalized plan was submitted to USAID on 24 June, 2018. The team feels strongly that the contents of this plan are reflective of the needs and priorities expressed by key counterparts at each level of the health system, fit well within the parameters of the program description and will enable the Activity team to gain credibility as supportive partners at both provincial and municipal levels across our target geographic area.

Transition Activities with Health for Life

Transition discussions between H4L and USAID's Strengthening Systems for Better Health Activity team were all held during the first quarter of Year One, as H4L wound up its activities by the end of March. The team met with H4L senior technical, monitoring and evaluation (M&E), and administrative staff in both national and field offices to discuss geographic overlap, and H4L successes, challenges, lessons learned, opportunities, approaches, and tools. The Activity team also liaised with the H4L team to identify office furniture, vehicles, IT, and other equipment as per H4L's Disposition Plan. In March, the team held a series of consultative meetings with H4L staff responsible for supporting municipal-level planning and budgeting activities to assess the status of this activity, orient our staff to planning tools and guidelines, and to plan to complete TA with H4L input for the current planning and budgeting cycle.

USAID's Strengthening Systems for Better Health Activity was able to benefit greatly from this smooth transition and the generosity of both H4L in sharing their technical knowledge and lessons learned, and USAID, for enabling our team to take possession of a significant amount of inventory from H4L – most notably, vehicles, computer equipment and office furniture. Our team was able to build on H4L's tools, guidelines and knowledge in providing TA to municipalities for this year's planning and budgeting cycle. This, along with the physical inventory handed over from H4L enabled our team to mobilize critically needed technical support and set up our offices much more quickly than we would have otherwise.

Introductory Meetings and Consultations with Key Counterparts and Stakeholders at National, Provincial, and Municipal Levels

In the initial months of Activity start-up, USAID's Strengthening Systems for Better Health team worked closely with USAID to coordinate a series of initial consultations with the MoHP, the

Ministry of Federal Affairs and Local Development, and local government counterparts, H4L and other USAID implementing partners, the U.K. Department of International Development (DFID)-funded National Health Sector Support Program (NHSSP), and the range of EDPs working in overlapping technical and geographic areas. These meetings enable the team to provide stakeholders with an initial orientation to USAID's Strengthening Systems for Better Health Activity scope of work (SoW), introduce the senior team, and identify areas for collaboration and coordination. These consultations continued after finalizing and submitting the Year One Workplan, both at national level and in the operational areas in Karnali Province and Province 5. They have enabled the Activity team to identify areas of geographic and programmatic collaboration and gain support and buy in for initial assessments and TA activity plans, and have led to development of the Activity Workplan for Year Two, as described above.

The planning workshop held in June in Surkhet was preceded by a very well attended Activity start-up event and ceremony. The Activity team planned this start-up event to introduce the team and the Activity to a wide range of provincial and local stakeholders and future collaborators and gain public endorsement from provincial leadership. The three-hour start-up event, held on the morning of June 7, was presided over by the Minister of Social Development and the Secretary of Social Development for Karnali Province, the Chief District Officer of Surkhet, the head of the District Coordination Committee and a former Parliamentarian. Also present were numerous local political leaders and influential members of the health sector – physicians, managers, public health leaders and key functionaries. MoFAGA deputed a senior officer to attend from Kathmandu and the Activity's Agreement Officer's Representative, Dr. Shilu Adhikari, represented USAID. Other development and implementing partners, such as the United Nations Children's Fund (UNICEF), Save the Children, the German Development Service *Gesellschaft für Internationale Zusammenarbeit* (GIZ), and USAID's Suaahara II, SIPFO/FPAN, Procurement and Supply Management and Breakthrough Action Activities deputed relevant staff to attend the event. Remarks from GoN counterparts were extremely supportive and positive, and we feel that the session successfully achieved its intended purpose.

The Activity team has planned a similar start-up event in collaboration with the MoHP and MoFAGA in Kathmandu, scheduled for August 10, 2018.

Initial Situation and Capacity Assessments in Karnali Province and Province 5

Beginning in March 2018, USAID's Strengthening Systems for Better Health Activity began gathering and analyzing available secondary data on access to and use of maternal, newborn, and child health (MNCH) and family planning (FP) services; service quality; functionality and management capacity of new municipal councils and health sector counterparts; and health system performance. The Activity's Planning and Budgeting Consultants, who were deployed in April to all 13 of the Activity's target districts, have also contributed to this compilation of data, by collecting up-to-date information on planning and management capacity, health staffing and availability of services directly from municipalities.

This secondary and first-hand information has been invaluable in (a) helping to establish baseline values for process and outcome indicators included in the Activity's MEL Plan and (b) prioritizing initial activities for the Year Two Workplan. However, the team did not yet have the time or human resources to plan and undertake full capacity assessments at municipal level during the initial six-month period as planned, due to unanticipated delays in fully staffing up the Activity and gaining full approval for implementation from the GoN.

We are, however, in the process of reviewing systems performance and capacity assessment tools that have been used successfully in other contexts in order to design a tailored adaptation to fit the mandate and needs of the Activity. We anticipate that recruitment and deployment of the Activity's field-level multi-disciplinary teams will be finalized by the end of the first quarter of Year Two

(mid-October). These teams will undertake consultative, in-depth capacity and systems performance reviews with each municipality as their major, introductory activity. The Activity team will use the results of these assessments to develop tailored TA and capacity building plans for municipalities, in collaboration with municipal leaders and provincial level counterparts in the Ministries of Social Development and Health Directorates.

Due to delays in recruiting full-time field staff, the Activity team was not able to complete the full capacity and systems assessments planned for Year One. As described, this activity has been carried forward into Year Two. In addition to serving as the basis for tailored, multi-year TA plans for each municipality, the results of these assessments will be compiled into one or more situational analysis reports for sharing with provincial and municipal counterparts and USAID. The assessment reports may also be shared, as relevant, with ministerial counterparts at national level, both to highlight gaps in capacity or systems functions at sub-national levels and to identify factors for success in well-performing municipalities.

USAID's Systems for Better Health Activity team is combining the H4L endline assessment of facility readiness in 10 districts with facility readiness data from the three mountainous districts not covered under H4L to serve as a baseline for the Activity. This is discussed under activity 1.1.6 below.

Design and Initiate Initial Technical Activities (not Outcome-specific)

As outlined in USAID's Strengthening Systems for Better Health Activity program description, the team will use the results of the situational and capacity assessments to design a "Core" package of governance and systems strengthening TA support to be delivered across all target municipalities. We will also develop tailored "Core+" and "Core++" direct TA packages to address specific capacity building and systems strengthening needs. These higher-intensity intervention packages will target the highest-need municipalities; given Activity financial and human resources, we anticipate selecting approximately 40 municipalities for more targeted Core+ interventions and 13 municipalities/facilities for specialized Core++ interventions. Final selection of municipalities for Core+ and Core++ support will be based on a combination of health outcome and coverage data and whether there are large numbers of marginalized communities currently not being reached with health services, as well as qualitative factors such as the enabling environment, political will, functionality of health services, and presence of other supporting partners.

While we anticipate that the detailed "packages" for each level of intervention will be finalized in collaboration with health counterparts at each tier of the system, and with input and approval coming from USAID, the following table summarizes our current thinking in relation to Core, Core+ and Core++ interventions. The Activity team will complete these consultations and settle on the intervention packages and selection of Core+ and Core++ locations by the end of the second quarter of Year Two.

Municipal Level Capacity Building and Systems Strengthening Intervention Packages	
Core	All (105) urban and rural municipalities and health facilities within municipalities in the Activity geographic area will receive technical support to: prepare annual plans and budgets for health; execute budgets as per the plan; develop systems to monitor service availability, quality and utilization; ensure delivery of basic MNCH/FP health services through clinical skills development, and adaptation and execution of plans, activities, guidelines and protocols related to health service delivery. The majority of this support will be channeled through the health system network and provided by the project's multi-disciplinary team members.
Core+	Selected (tentatively 40) municipalities with lower performance on health indicators and greater needs for TA will receive additional technical support to improve

	availability, quality and equitable utilization of MNCH/FP services. TA will focus on individual and institutional capacity building, piloting strategies to reach under-served populations, and strengthening critical systems, with an emphasis on sound use of health information, essential medicine supply, and clinical quality improvement. These municipalities will be selected in consultation with provincial counterparts and other key stakeholders, per health data and the findings of systems performance and capacity assessments.
Core++	Selected (tentatively 13) municipalities/facilities with very unique needs will receive technical support in a limited timeframe to expand, sustain and regularize critical services. This may include establishing/strengthening systems for managing complicated cases, improving service standards, strengthening referral mechanisms and filling other critical needs. For example, support may include ensuring the quality and availability of sick newborn care in selected hospitals. Such support will be linked with existing and regular systems to ensure sustainability.

To the extent possible, USAID’s Strengthening Systems for Better Health Activity team has deployed Kathmandu-based team members to participate in and contribute to relevant national level Technical Working Groups (TWGs) and programmatic and technical consultations hosted by the MoHP and other entities. The team has been rather handicapped by the fact that it has taken longer than anticipated to recruit key technical staff members. The SMT has been stretched fairly thin by the demands of project start-up, management, and oversight and has not been able to respond to all invitations to technical meetings. In addition, given the frequent shifts in personnel in the federal MoHP and the Department of Health Services (DoHS) since project inception, the established ministry and DoHS-led TWGs have not met as regularly as they have in the past. Given the very recent re-structuring of both the MoHP and the DoHS, we anticipate that some of the TWGs will be re-established under new divisions and sections. Going forward, we will actively seek opportunities to assist in this process and contribute technically and substantively to TWG deliberations. This will be particularly critical given our anticipated role at provincial level and below in helping to adapt and roll out new guidelines, protocols, policies and initiatives developed by federal level TWGs and the MoHP.

USAID’s Strengthening Systems for Better Health Activity has been requested to take on the coordination role (formerly held by H4L) for the Health EDPs’ technical working group on quality of care. The Activity Chief of Party convened one meeting of this group in July 2018, and will coordinate with the Activity’s Senior Technical Advisor (once this position is filled) to hold monthly meetings of this group, which includes representatives from the **World Health Organization**, UNICEF, GIZ, USAID, **DFID**, DFID’s Nepal Health Sector Support Program, the **Nick Simons Institute** and the United Nations Population Fund (UNFPA). The purpose of this group is to promote harmonization of the TA being provided by a number of EDPs and implementing partners in the area of quality improvement (QI).

Progress by Outcome

1. Outcome 1: Improved Access to and Utilization of Equitable Health Services

USAID’s Strengthening Systems for Better Health Activity team collaborated with stakeholders at federal, provincial, and local levels to improve access to and utilization of health services. During this period, the Activity collaborated with USAID’s H4L and other activities, EDPs, local level authorities and private sector entities to gather and analyze information to better understand general

and specific issues around availability, access and quality of health services. The team is synthesizing the information, which will guide the preparation of provincial health profiles and other Activity strategies.

Based on the consultations and recent developments with the transition in the MoHP organogram and roles, the Activity team is developing strategies to engage with key counterparts at federal, provincial, and municipal levels. Based on the Health Facility Readiness Survey, data collection has been completed and is being processed to establish the baseline. This information has guided the development of the Year Two Workplan and milestones.

The customized TA plan at the municipal level will be developed in the first quarter of Year Two based on the data collected and stakeholder engagement. In addition, mapping of the availability and distribution of providers in the private sector throughout Karnali Province will be developed in the first quarter of Year Two.

Sub-Result 1.1: Improved Routine Availability of Effective, Quality MNCH/FP Services at the Health Facility/Community Levels, with Special Focus on Newborns

1.1.1 Establish systematic ways, both formal and informal, to engage with Strengthening Systems for Better Health counterparts and stakeholders at central, provincial, and municipal levels.

The Activity fostered working relationships with stakeholders at central, provincial, and municipal levels and engaged in various activities to better understand the situation, current initiatives, lessons learned, and successes to improve availability of MNCH/FP services. This included both formal and informal discussions, analysis of data, review of project documents, field visits and observations, and interaction with frontline health workers, volunteers and project teams. As noted above, the Activity team participated in various technical meetings at federal and provincial levels focusing on planning and budgeting, minimum service standards for peripheral health facilities, basic service package, quality of care approaches and M&E. The team will continue to work closely with MoHP at federal, provincial and municipal levels, EDPs, health sector influential, professional associations, and provincial and municipal level elected officials, engaging and consulting these stakeholders.

1.1.2 Identify reliable, relevant sources of secondary data related to availability of the essential package of MNCH/FP services in Activity operational areas, through both the public and private sectors; synthesize and refine to serve as baseline and inform planning for medium and longer term interventions.

The team has gathered and reviewed available data from the Health Management Information System (HMIS), Logistics Management Information System (LMIS), Geographic Information System (GIS) health facility mapping, H4L's Health Facility Readiness Survey, the Nepal Demographic and the Health Survey (NDHS), the **Nepal Health Facility Survey 2015**, and the Multiple Indicator Cluster Survey (MICS) reports and reflected some of those data in the Activity's MEL plan. The team is in the process of gathering more information, data and reports from other development partners, including DFID's NHSSP and GIZ; this data will be synthesized during the first quarter of Year Two and will contribute not only to more detailed planning for the Activity, but will also inform the development of provincial and municipal profiles.

1.1.3 As part of 1.1.2, source GIS data on the distribution of health facilities and providers in Karnali Province and Province 5.

The team met with USAID's in-house GIS expert to explore way forward for this activity, and to ensure that USAID's Strengthening Systems for Better Health Activity team has access to the latest GIS data from USAID, as well as to add to USAID's GIS data for the Activity operational area. The team will use this information to contribute to design of the provincial and municipal profiles to be created in the first quarter of Year Two.

1.1.4 Work with MoHP and EDPs to support finalization of the detailed definitions of the basic health service package for MNCH/FP at each facility level and in communities. The technical team in Kathmandu contacted the Primary Health Care Revitalization Division of the MoHP, to get an update in the process of defining the basic health service package. As the process had progressed already, the team provided limited technical inputs but clarified that the team will provide support for rolling out the package of essential services to the provinces and municipalities. The Activity's technical team will provide TA to provincial and municipal policy-makers and managers to orient them to the basic services package and to help them to ensure that the systems level support – adequate financing, medicines and supplies, skilled providers, clinical guidelines and protocols – are in place to deliver on the entire package of basic services. However, our specific support at clinical level will be focused on strengthening delivery of the MNCH/FP components of the basic services package.

1.1.5 Using results of secondary data analysis, design and implement consultative assessments of the local situation. Using secondary data gathered from different sources, the team has been analyzing the data with provincial and local government stakeholders and subnational MoHP structures to identify interventions to improve access to and utilization of health services. The team also reviewed USAID's plan to analyze NDHS and NFHS data to prepare a provincial report for Karnali Province and provided necessary inputs. The team will also review the draft report prepared by Measure DHS and will provide necessary inputs. The Activity team will use this synthesis and analysis of such secondary and primary data to identify interventions and strategies to be reflected in the Year Two Workplan.

1.1.6 Using instruments and protocols from H4L endline facility readiness survey, support survey of facilities in Humla, Dolpa, and Mugu in order to have a full picture of the Activity operational areas. Building on H4L's endline Health Facility Readiness Survey in its focus municipalities, the Activity had contracted New ERA to carry out facility readiness surveys in three additional districts (27 municipalities) from the mountainous region of Karnali Province: Humla, Dolpa, and Mugu. The data collection has been completed during this reporting period and data analysis is going on. Data from this survey will be merged with the data from H4L survey to establish a facility readiness baseline, with a focus on MNCH/FP services, for Karnali Province. Analysis of the readiness data will also assist with identification of target locations for Core, Core+ and Core++ TA interventions.

1.1.7 Using assessment results, customize TA plan at municipal level in coordination with local counterparts. During first quarter of Year Two, USAID's Strengthening Systems for Better Health Activity multi-disciplinary teams will work closely with the Activity's provincial and central teams to prepare customized TA plans for the areas of geographic coverage. This process was planned for this reporting period but could not be accomplished due to the transition in government structure and delays in recruitment process.

Sub-Result 1.2: Increased Utilization of Services by Addressing Social, Cultural, and Financial Barriers

1.2.1 Analyze key barriers to utilization of health services in Karnali Province, using both secondary sources and information collected on the ground; synthesize findings with a focus on gender, equity, and socio-cultural practices that may limit utilization of health services. USAID's Strengthening Systems for Better Health Activity team has gathered information from various sources about various social, cultural, and financial barriers that prevent people in Karnali Province and the adjoining municipalities in Province 5 from readily seeking services from hospitals, health facilities or community level providers such as FCHVs. The data, along with the data from the Health Facility Readiness Survey and NDHS and NFHS Provincial Reports will help to identify key barriers to utilization. Building on this synthesis of secondary data, the Activity will design and implement a targeted assessment of financial, social and cultural barriers to health services

utilization amongst population and communities with low service coverage and use. Assessment results will inform Activity interventions to help municipalities develop strategies for reaching underserved communities, and help to define the parameters for positive “patient experience of care,” a key element for quality improvement (sub-result 2.3). Analysis of data from both secondary and primary sources will feed into municipal and provincial health profiles, and the Activity team will present a “barrier analysis report” to counterparts and USAID by the end of the second quarter of Year Two.

1.2.2 Provide technical support to province level health officials to prepare them for the annual review process, with a focus on interpretation and use of HMIS data to measure performance and to target assistance and resources to disadvantaged or poorly performing municipalities.

USAID’s Strengthening Systems for Better Health Activity team met officials from the MoSD to discuss plans to carry out next year’s annual review based on data from the HMIS, LMIS, and other information systems in alignment with the new federal structure. The team has also met stakeholders in Kathmandu to customize current information systems (e.g., DHIS2) to compile and report health information in accordance with the new administrative structures and units. Further discussions are going on with regard to the time, format and process of review at the facility, municipality and provincial level.

1.2.3 Assess the functioning of and access to financial incentive mechanisms in support of MNCH/FP services (e.g., insurance, Free Newborn Care, Aama program) to understand gaps and opportunities for reducing financial barriers. Given uncertainties in the budgeting, financing and planning process this year, there has not been much progress on this activity. However the team will meet and interact with various stakeholders at federal and provincial levels to review and discuss the existing financing and incentive mechanisms in health. As required, the Activity team will provide technical support for adapting these mechanisms for implementation by the provinces and municipalities, developing guidelines and building local capacity for administering financial incentives and reducing financial barriers to accessing health services.

2. Outcome 2: Improved Quality of Health Services at the Facility and Community Levels

During Year One, USAID’s Strengthening Systems for Better Health Activity team held number of meetings with stakeholders to understand and build on the work of the Department of Health Services, especially the Management, Family Health and Child Health Divisions, as well as technical implementing partners, to improve the quality of health care services. The Activity team has focused specifically on understanding of situation, forging close working relationships with key players at the national level and in Karnali Province and Province 5, and developing and refining the Activity’s approach at provincial, municipal, health facility, and community levels.

Sub-Result 2.1: Quality Approaches Further Developed, Strengthened, and Institutionalized

2.1.1 Consult with the MoHP, current TA providers, facility managers and providers in Karnali Province to understand current quality improvement (QI) systems and practices. USAID’s Strengthening Systems for Better Health Activity technical staff met counterparts from government and partner agencies (at national and subnational levels) to gather information on current QI approaches and efforts. This will be analyzed, refined and prioritized to develop a focused package of interventions during the first quarter of Year Two.

2.1.2 Building on the QI work of H4L and others, identify evidence-based, priority interventions for sustaining QI in facilities; determine scope for: a) streamlining the current system; b) rolling out the approach and tools, and c) building capacity amongst managers and providers for using the tools and practices to promote quality of care at point of service and to monitor

improvements. The Activity Team is building on the work of H4L, specifically related to defining standards and working with clinical leaders at health facility level in data-driven, on-site problem-solving activities, to address high-priority interventions. This information will help define and implement the QI-focused activities as part of the Core+ package, which will be defined jointly by working with MoHP and MoSD. **In recommendation and adoption of approaches to facility-level we anticipate continuing with the consultative, whole-site, self-assessment approach of the tools developed by H4L. We plan, however, to focus on a narrower range of critical “tracer” maternal and newborn health services in order to streamline QoC assessments and improvement plans in facilities. Our team is also contributing to GoN-led efforts to finalize minimum service standards for health posts and other primary level facilities and we expect to incorporate these standards into our approaches to QI.**

2.1.3 Explore potential for using the HRH2030 “rapid task analysis” tool to assess provider confidence and track improvements over time in performance of critical MNCH clinical interventions (e.g., newborn resuscitation, use of misoprostol to treat post-partum hemorrhage). In discussion with USAID Nepal, the Activity team decided not to collaborate with the HRH 2030 project to implement their “rapid task analysis” in the current timeframe. This decision was made considering the timing of the ongoing transition in Nepal’s health system, as well as HRH 2030’s timeline.

Sub-Result 2.2: Quality Services Delivered by Facilities and Providers in the Public and Private Sectors

2.2.1 Using available data and targeted facility visits, assess the actual status of clinical quality in relation to specific maternal and newborn health interventions; determine critical supporting and hindering factors (e.g., provider skill, access to current protocols and appropriate mentoring, availability of essential supplies and equipment, etc.) for delivering quality clinical care. Due to delays in staff recruitment, this activity was limited to gathering information from secondary sources, such as the Nepal Health Facility Survey 2015, to understand the situation regarding quality of care initiatives in Karnali Province. Some consultations were held with the then Regional Health Directorate and the team from the MoSD to understand key issues and barriers to improving the quality of clinical care. This process will be continued in Year Two, **with the Activity’s technical staff and multi-disciplinary teams collecting first-hand information on quality issues through structured facility visits. Findings will be synthesized for internal planning and prioritization. We will also share them, of course, with municipal and provincial level counterparts, and include the synthesis as an attachment to the corresponding quarterly report to USAID.**

2.2.2 Identify critical maternal and neonatal clinical interventions for focusing QI efforts (emphasis on the most critical interventions [see 2.1.3] will help focus TA resources on interventions that will make the most difference for maternal and neonatal outcomes, while helping to strengthen general quality of care. Discussions have been initiated on the approach for targeted TA for low performing and high need municipalities and facilities. Based on review of further information, as part of the customized TA plan as indicated in the Year Two Workplan, this activity will be further enhanced in upcoming reporting periods.

Sub-Result 2.3: Improved Patient Experience of Care

2.3.1 Compile existing information on patient experiences of care, with a focus on women and marginalized populations in the Activity’s target geographic areas (see 1.2.1). USAID’s Strengthening Systems for Better Health Activity team has gathered some information from different secondary sources on patient experience of care. Further information will be collected from provincial and municipal health officials to better understand the current situation, potential interventions, and opportunities for collaboration with other development partners to improve patient experiences of care.

3. Outcome 3: Improved Health Systems Governance in the in the Context of Federalism

During the initial six-month period of implementation, the Activity team has focused on obtaining in-depth knowledge about the status of health governance and capacity for planning and managing health service delivery under the newly formed political and administrative structures in the target geographic area. Through a combination of secondary data review and synthesis, consultation with key health managers and service providers at provincial, district, and municipal levels, USAID's Strengthening Systems for Better Health team has gathered initial information on functioning of critical elements of the health system, namely: planning, budgeting, and budget execution; management of human resources; essential drug supply and logistics; and generation and use of health information. As we consolidate this information during the first quarter of Year Two, it will directly inform our systems strengthening and TA activities going forward. Now that provincial level health structures have been somewhat clarified, our team will work with both counterparts and other implementing partners to align orientation for provincial and municipal health management and coordinating bodies to their roles, responsibilities, and critical functions in relation to the health system.

The Activity's Planning and Budgeting Consultants provided direct TA to **nearly all** urban and rural municipalities during the second quarter of Year One (**please see details below; activity 3.2.4**). The team has made significant progress towards establishing productive working relationships with health counterparts and elected bodies across our operational area; begun the process of clarifying roles, responsibilities and accountabilities for health governance; begun to prioritize TA activities for the coming year; and have assisted a majority of municipalities to develop and endorse robust plans and budgets in support of health service delivery.

Engagement with local elected bodies and municipal-level health staff thus far has helped to orient these counterparts to the Activity, helped us to gain credibility and trust across our geographic target area, and increased our understanding of critical needs and priorities at each tier of the health system. These initial interactions will enable the team to approach situational and capacity assessments in a positive, consultative manner. By the end of the first quarter of Year Two, USAID's Strengthening Systems for Better Health Activity team will have a comprehensive picture of the barriers to optimal functioning of the health system in Karnali Province and the targeted Province 5 municipalities, and of the opportunities presented by federalism for addressing these barriers and improving health system governance.

Sub-Result 3.1: Improved Governance and Accountability at Subnational Levels

3.1.1 Engage with management committees at province, municipal, hospital, and facility levels to assess their current status with regard to membership, terms of reference (ToRs), functionality, roles, responsibilities, and relationships with local elected bodies. Facility level management committees, such as the Health Facility Operation and Management Committees (HFOMCs) at the primary care level and hospital development committees, will be key to mobilizing local resources to manage and support delivery of quality services. Under the evolving federal structures, these committees have been largely dissolved and membership will now be determined locally. In some cases, newly elected local officials have taken over leadership of these committees, and in some cases, suggested membership has changed and ToRs have been modified. USAID's Strengthening Systems for Better Health Activity team has not yet had the opportunity to assess the current status and functioning of these committees, given our current staffing levels. We will receive information on the functioning of HFOMCs in a sample of primary and secondary facilities through the results of the facility readiness survey undertaken by New Era, as well as information gathered from our Planning and Budgeting Consultants. In addition, the systems

functioning and capacity assessments planned for the first quarter of Year Two will cover this aspect of health management and oversight.

Preliminary information collected by the Activity's Planning and Budgeting Consultants reveals that very few (if any) municipalities have established committees dedicated to oversight and management of health service delivery. As district level health structures have been largely disbanded, these committees do not seem to be functioning at district level either. The team has also been holding ongoing discussions with MoSD and Health Directorate regarding establishment and developing the ToRs for the Municipal Health Committees.

3.1.2 Assist the MoHP, with a focus on province and municipal levels, to orient new or revitalized facility management committees to their responsibilities, and assess longer term needs for capacity support to enhance functionality of the committees.

During the first quarter of Year Two, the Activity team will engage with the Karnali Province and Province 5 Health Directorates and municipal councils to assess the willingness and capacity for establishing functional health oversight committees. We anticipate providing TA for development of new ToRs for these committees, as well as providing orientation and capacity building throughout the year to help them become institutionalized and fully functional. Potentially, these committees will have a mandate to plan for, oversee, and coordinate delivery of health services and ensure the quality and equity of services delivered. At municipal level, for example, these groups would serve as an apex body for HFOMCs across the municipality, helping them to address common issues such as deployment of human resources and procurement and distribution of essential medicines.

Sub-Result 3.2: Annual Planning and Budgeting Systems Established and/or Strengthened at the Provincial and Municipal Levels

3.2.1 Undertake a “rapid review” to understand the current status of planning and budgeting for Nepal FY 2018/19 in Karnali Province and Province 5. Since this was the first full planning cycle under the new federal structure, responsibility for developing the plans rested with newly elected officials for whom this is an unfamiliar process. In the case of budgeting for health programs and services, health coordinators deputed to assist municipal councils in this process do not, in most cases, possess this expertise. Development partners have been providing technical support for health planning in their target geographic areas. As the largest provider of health systems TA, H4L began this process during their final few months of implementation. To ensure that adequate resources are budgeted for health in FY2018/19 (Nepali FY 20175/76), USAID's Strengthening Systems for Better Health team took on this activity. We determined that the need for health planning and budgeting assistance was fairly widespread across our target geographic area, despite H4L's input to help municipalities prepare for the planning exercise and assistance provided by the Suaahara II project team at ward level across their geographic area for planning preparation.

The team planned for rapid deployment of assistance, using the tools and approaches initiated by H4L, in coordination with the MoHP and MoFAGA at central level and the Social Development Ministries in Surkhet and Butwal of Karnali Province and Province 5, respectively. Based on the information gathered we anticipated providing either partial or full support to municipalities in all the Activity's 13 target districts.

3.2.2 Meet with current TA providers (H4L, NHSSP, etc.) to become oriented to the tools and approaches currently used by both TA providers and local government to plan and budget for health service delivery for the coming fiscal year. H4L technical leads generously provided our team with a thorough orientation to the planning and budgeting tools developed to support municipal level. They also shared all of the presentations, tools, and formats developed to guide elected officials and health coordinators in priority settings, and planning and budgeting for

municipalities. USAID's Strengthening Systems for Better Health Activity team made use of both these tools and the guidelines for seven-step planning and budgeting issued by MoFAGA in provision of TA to municipalities in late April, May, and June of 2018.

3.2.3 Mobilize and train human resources (staff and temporary hires) to quickly pick up where H4L is transitioning out, and provide TA where feasible in non-H4L implementing areas. Since the Activity team is still in the process of recruiting long-term field level staff, we identified and engaged temporary staff to begin this activity as rapidly as possible. After providing orientation and training, we deployed 10 public health professionals across Karnali Province and Banke, Bardiya, and Dang, to provide this TA. Our team of Planning and Budgeting Consultants were selected for their experience in providing planning, budgeting, and systems support, as well as their willingness to tackle a challenging assignment in difficult operating conditions. Their achievements in providing much needed TA for development of reasonable plans and budgets for delivery of basic health services across 105 urban and rural municipalities are outlined under the next activity.

3.2.4 Engage local MoHP health coordinators deputed to municipal level and governments in planning and budgeting for health programs and services for the coming fiscal year.

TA for Planning and Budgeting

Out of 105 municipalities in 13 target districts, our Planning and Budgeting Consultants were able to visit 102 municipalities (97%) in 2.5 months. Most of these municipalities were visited twice, with the first visit focusing on assessment of progress in relation to the seven-step planning process, orientation of local counterparts to the Activity as a whole and to the immediate mandate of our consultants and planning for the next visit and the scope of TA required. The consultants provided hands-on support for completion of municipal health profiles, development of plans and budgets and advocacy with decision-makers in the municipality for the importance of allocating adequate funds for delivery of basic health services and continuation of critical public health programs.

The consultant who was deployed to Dolpa District was not able to visit the three municipalities in Upper Dolpa region (Dolpa has a total of eight municipalities). Unfortunately, the planning and budgeting period coincides directly with the timing of the cordyceps (referred to locally as *yarshgumba* [Tibetan]) harvest, during which, entire communities are engaged and all schools, health facilities and other public sector offices are closed. This is a major source of income for Upper Dolpa and is strictly seasonal, so going forward, the multi-disciplinary team assigned to this area will have to work with local officials to undertake the planning cycle earlier in the year. Our consultant was actually able to engage with officials from these municipalities through their contact offices in Dunai, the district headquarters of Dolpa, and confirmed that health plans and budgets were prepared for the coming year.

During their work with municipalities, the consultants undertook meetings and consultations with Mayors, Deputy Mayors and other council members, municipality administrative staff, Health Coordinators and other health sector staff and representatives of other health implementing partners and agencies present in the municipalities. The following points summarize the technical support provided:

- Briefing and orientation on the health planning process for elected officials
- Preparation of health situation analysis and development of health plans and accompanying budgets
- Support in drafting local health acts and policies in Humla, Surkhet, Dailekh
- Joint visits to selected health facilities (four in Humla)
- Analysis of health expenditure from last fiscal year in Jumla, in preparation for this year's budgeting process
- Collaboration with other health and development stakeholders focused on joint planning and budgeting with the municipalities, facilitation of orientation to health responsibilities for local officials and, in Kalikot assistance with preparation of operations calendar. Our team members engaged with other stakeholders as follows:
 - with Care in three municipalities in Mugu;

- with NHSSP in one municipality in Humla; with an NGO network, USAID's Breakthrough Action Project and the Multi-Sector Nutrition Program (MSNP, implemented by HERD) in several municipalities in Jumla;
- with UNICEF, MSNP and the World Health Organization in Kalikot;
- with other sectors (women, education) and USAID partners Swacchata and Suaahara II in three municipalities in Jajarkot;
- with Suaahara II, MSNP and Save the Children in Rukum;
- with Suaahara II, Population Services International (PSI), and the Dutch NGO SNV in Salyan;
- with Suaahara II, Promoting Agriculture, Health, and Alternative Livelihoods (PAHAL), Support for International Family Planning Organizations (SIFPO), and the International Nepal Fellowship in Surkhet; and
- with Suaahara II, Social Service Center, Nepal and PAHAL in Dailekh

Summary of Results

Our team assisted 71% of municipalities in Karnali Province (56 out of 79) to prepare and/or update health profiles with data to be used for planning. This assistance will be continued going forward and constitutes a significant activity during the first quarter of Year Two of the Activity.

One issue encountered in a wide range of municipalities was reluctance among officials to allocate any portion of the unconditional budget flowing from federal level to health, as their impression was that the conditional budget amount contained adequate funding for health service delivery. Our team was able to play a significant role in helping the Health Coordinators present cogent arguments, backed up by data, that health service delivery needs were not adequately covered by the conditional budget amounts.

In short, while we do not yet have information regarding final, approved budget amounts for most of the municipalities, the percentage of the total municipal budgets proposed for health ranged from a low of 5.2% in one municipality in Surkhet to a high of 26% in a Dailekh municipality. The health budgets per 1,000 population tended to be much higher in the sparsely populated mountain municipalities (up to 5.1 million NPR/1,000 in one Dolpa municipality) than in the densely populated Terai (with a low of 334,697 NPR/1,000 in Dang and a high of 1.156 million NPR/1,000 in the same district; all other municipalities in the Terai fell in between these two figures in their allocation of health budget per 1,000 population).

During an early August meeting of the Planning and Budgeting consultants in Surkhet, the Activity team was able to gather the reports on their activities and information on the status of planning and budgeting. These colleagues also proved to be an excellent source of systematic information on the strengths, capacity and program gaps, opportunities and challenges identified during time spent working with municipalities and Health Coordinators, visiting health facilities, and liaising with other implementing agencies and partners throughout the Activity's target geographic area. This rich information is helping to inform development of detailed activity plans for the initial months of Year Two of the Activity, and has provided foundational information for a database of detailed information on each municipality, as well as for the municipal and provincial profiles that we will be developing collaboratively with our counterparts during quarters one and two of Year Two.

Sub-Result 3.3: Strengthen Management and Performance Improvement Processes

3.3.1 Using Activity assessments (secondary data review, consultations with concerned actors at each level of the system, on the ground information gathering, and observation) and the MoHP's "Unbundling Report" as a starting point, work with local counterparts to articulate the functionality of key systems (human resource management planning, budgeting and budget execution; essential medicines logistics and supply; and health information system). To prioritize the Activity's systems strengthening interventions, and to plan in detail for ongoing technical support at province and municipal levels, the team requires up-to-date, accurate knowledge about the functioning of key elements of the health system in the target geographic areas. As described earlier, we have initiated compilation of relevant, existing HMIS/ DHIS2 data, information from the National Health Facility Survey and first-hand information on management capacity and

systems functioning from our field-level consultants, to formulate a picture of capacity for health service planning, management, and delivery in the Activity's targeted geographic areas.

Once the Activity's field-level multi-disciplinary teams are recruited and deployed, their first major activity will be to undertake in-depth consultative assessments of current capacity and the functioning of key systems in each of our target municipalities. We anticipate that this work will be undertaken in a phased manner, and will potentially extend into the third quarter of Year Two. As noted in the introductory section, USAID's Strengthening Systems for Better Health Activity team has faced unanticipated delays in recruitment and hiring and it has taken longer than planned to establish full Activity operations. This has hampered our ability to plan and complete the in-depth systems and capacity assessments during the initial six months of the Activity.

3.3.2 Please see 3.1.2; support for the planning and budgeting process will be the Activity's focus for this initial six-month period. Please see the activities described under sub-result 3.2. USAID's Strengthening Systems for Better Health Activity team prioritizes support for planning and budgeting processes during the six-month Year One. We have successfully used this process of engagement and TA provision to begin to assess strengths, weaknesses, and gaps related to management and performance monitoring at municipal level, and have made good use of this first-hand information to inform planning for further capacity and systems strengthening assessment and interventions for the FY 2018/19 workplan.

4. Cross-Cutting Elements

4.1 Private Sector Engagement

USAID's Strengthening Systems for Better Health Activity team views the private sector as an important component of the health system in Nepal, with the potential to influence the quality and reach of key MNCH/FP services. Therefore, engaging the private sector is crucial to deliver the Activity's Outcomes 1, 2 and 3. The major achievements for private sector engagement during Year One have included: onboarding the Private Sector Specialist towards the end of June 2018; interaction with the local government and private sector at the provincial level to explain to them about the Activity's mandate on private sector engagement and understand about their interest and expectations; preparation and submission of the Year Two Workplan for private sector engagement; and finalization of two SoWs for private sector mapping assessment and legal and regulatory environment assessment of private health sector respectively.

4.1.1 Using a combination of existing sources of data (government registration records), consultations, site visits, and snowballing techniques, conduct a mapping of private providers in Karnali Province. The Private Sector Technical Advisor and Private Sector Specialist, with inputs from other technical team members, finalized the SoW for the private sector mapping assessment. The SoW includes six different components for mapping private sector entities providing MNCH/FP services in the province and also aims to understand their willingness and readiness to engage with the public health sector, facilitated through USAID's Strengthening Systems for Better Health Activity. The Activity team will conduct the mapping assessment in-house, with the assistance of the Planning and Budgeting Consultants deployed in the field until September 2018.

As per the workplan, the mapping assessment was supposed to be completed in Year One. However, the assessment could not be completed as planned due to delays in recruitment of key technical staff to both lead and carry out the assessments. The Activity's Private Sector Specialist, who is to lead the private sector engagement came on board only towards the end of June 2018. The Private Sector Specialist has drafted the tools to conduct the mapping assessment among the private health providers including the private hospitals, clinics and poly clinics, and drugstore/pharmacies. To develop the tools, the team referred to the Nepal Health Facility Survey

2015, Nepal Demographic and Health Survey (NDHS) 2016 and USAID's "A National Survey of Care of Possible Serious Bacterial Infection (PSBI) among Sick Young Infants 0-2 months in Private Sector Medicine Shops and Clinics in Nepal," as well as other technical reference documents. Once the tools are finalized, the team will pre-test them. Furthermore, the team has also made plans to visit and learn from the pilot activity being carried out by USAID's Maternal and Child Survival Program in Kavre. The pilot is designed to test the feasibility of improving diagnosis and treatment of PSBI by private providers. This activity is underway and the team expects to complete the mapping of private sector providers by the end of the first quarter of Year Two.

4.1.2 Conduct a desk review of existing laws, regulations, and policies, and consult with key stakeholders to assess the regulatory environment for private health sector entities (service provision and product supply) to determine key points of interventions for the Activity, and to assess opportunities presented by federalism. Abt Associates' Private Sector Technical Advisor, Jeffrey Barnes, assisted the Private Sector Specialist to finalize the SoW for the legal and regulatory environment assessment. The SoW includes a comprehensive list of the policy documents to be reviewed and suggestions on MNCH/FP-related laws and regulations that are relevant for private health providers. The assessment will also include in-depth interviews and small group discussions with the private health providers to collect information on their experience, impressions, and critical issues related to the laws and regulations that facilitate/impede MNCH/FP-related service delivery through the private health providers. The Activity team will conduct the policy review in-house with the assistance of a consultant with a legal background to review laws and regulations and to conduct in-depth interviews and group discussions. The assessment could not be completed during Year One due to delays in staffing up the Activity's technical team. However, the review of major documents, including the USAID/Nepal Health Private Sector Landscape Assessment of the Private Health Providers as outlined in the SoW has been completed and the team has also drafted the summary SoW, and is in the process of identifying potential consultants to assist with the legal review.

4.1.3 Using the results of these assessments, develop a private sector engagement strategy for the Activity. Since the private sector engagement strategy is contingent on the two assessments, the strategy could not be developed as the assessments have not been completed.

On June 7-8, 2018, USAID's Strengthening Systems for Better Health Activity team organized the project start-up and workplan meeting in Surkhet in Karnali Province. During the program, representatives from private hospital, pharmacy, and a member of the local chapter of the Nepal Chemist and Druggist Association participated in the program and appreciated the opportunity to learn about the Activity, and expressed their interest to participate in the future programs. The participants from the provincial government and private health providers also expressed their interest and expectations from the Activity and provided suggestions for engaging the private sector. The interactions over the two days with local authorities and stakeholders were helpful to relay messages about the Activity's mandate to work with the private sector and gauge their interest and expectations at the local level. The Activity team compiled the following list of suggestions and recommendations from private health providers in Karnali Province for reference during planning for Year Two activities.

- **Enhance capacities of the private sector to implement the government health programs by** providing a quota for the private sector during the government training, providing subsidies and expertise from the government to organize training for private health workers in the private health settings, and providing orientation on using the government's HMIS.
- **Revise reimbursement.** The reimbursement received from the government is often late and insufficient to meet the cost price in some private health facilities. To address this, the government should revise the current rates and introduce a more competitive rate for

reimbursement considering the costs of private health facilities, which are costlier than the already subsidized rates in the government health facilities.

- **Provide supportive supervision.** The government should have a systems in place to undertake regular supportive supervision in private health facilities to help health care workers improve their work performance, knowledge, and skills and to solve other systemic problems to improve the quality of care.
- **Strengthen surveillance and monitoring.** The government's surveillance and monitoring should be strengthened to ensure fair and standard price and practices in the private health facilities.
- **Provide recognition and acknowledgement.** Government recognition and acknowledgement for the private sectors' contributions and cooperation would motivate them to further contribute and engage.
- **Collaborate with organizations and institutions.** The Activity should collaborate with the Nepal Chemist and Druggist Association and their member outlets, Nepalgunj Medical College, private hospitals and clinics, and ambulance service providers to implement, advocate, and monitor initiatives/activities.

4.2 Gender Equity and Social Inclusion

4.2.1. Include gender equality and social inclusion (GESI) measures and considerations in all review and analysis of secondary data, as well as collection of first-hand information for Activity situational and capacity assessments. During this reporting period, the Activity team was successful in developing the MEL plan to ensure data disaggregation, a focus on equitable results with performance indicators related to gender equity, access and utilization of health care by marginalized populations and learning questions on how inequalities and barriers were addressed throughout the Activity. The MEL plan emphasizes gathering qualitative and quantitative information disaggregated by sex, caste, ethnicity, wealth quintile, urban/rural, and marginalized populations. The Activity team will collect, compile, and analyze data to reflect problems, issues, and questions related to access and utilization of health care services by women and their effects.

Moreover, the Activity team has developed a GESI workplan to ensure integration of GESI at different stages of program cycle and to strengthen the capacity of Activity staff and stakeholders including supporting municipalities to implement equitable planning and budgeting processes by utilizing disaggregated data; supporting province and municipalities to adopt or formulate GESI specific policy, plan, and strategies; and continuously tracking the progress related to GESI.

As described earlier in this report, the Activity hired ten Planning and Budgeting Consultants to provide technical support for the planning process across the Activity's targeted geographic areas. The consultants assessed that there are currently no GESI-related policies, strategies, or guidelines adopted/developed by local government for making decisions and taking public actions for GESI in their territories. This finding helps the Activity team to understand municipality gaps in the domain of law, policies, and regulation and to consider further interventions required to support GESI.

During Year Two, the Activity will focus on the inclusion of women and marginalized community representatives in HFOMCs and municipal and provincial level health coordination bodies.

4.2.2 Take proactive measures in recruitment and hiring of technical and administrative staff for the Activity. The Activity team has promoted diversity in the workforce and adopted measures to ensure that women and people from marginalized communities based on different ability, caste and ethnicity, and geographical location are adequately represented at national, provincial, and district level among both technical and administrative staff.

To support a fair and professional recruitment process, the Activity team hired the local recruiting firm, Real Solutions. In collaboration with the Activity team, the recruiting firm developed a scoring criteria for the initial screening of applicants which provides an extra five marks if the candidate is female, as well as five marks if the candidate falls into one or more specified disadvantaged groups.

The Activity promotes a harassment-free working environment and adopts measures to address special need of women staff, staff with disabilities, and staff from marginalized communities. Moreover, all Activity staff have been oriented on the Code of Conduct, the harassment-free workplace policy, and the Child Safeguarding Policy during staff induction.

Among the Activity's total hired staff, 25 percent are female and priority is given to hire more female and staff from marginalized communities at different levels in the organizational structure, to ensure a diverse and inclusive work culture.

4.2.3 Conduct GESI awareness training for all staff, to include both 1) internal practices and norms, and 2) strategies and approaches for addressing GESI through Strengthening Systems for Better Health interventions. To promote the culture of participatory planning processes and sensitizing relevant stakeholders on GESI and other issues, the Activity team addressed GESI directly during the Year Two Workplan workshop, held in Surkhet in June, through facilitated small group discussions designed to identify key gender and equity-related barriers to seeking and receiving quality health services. Stakeholders identified the following major, GESI-related barriers to care:

- Socio-cultural practices and beliefs, e.g., son preference, *chhaupadi*, and preference for traditional healers
- In-laws and husbands' control over women's care seeking behaviors for women and their children
- Limited participation of women and socially excluded groups in development
- Limited access to information about MNCH/FP services among women and socially excluded groups
- Service providers' discriminatory behavior towards clients based on ethnicity, caste, and economic status
- Huge variability in geographical access to and utilization of health services
- Provincial and municipal health systems governance and policies not reflecting GESI
- Limited capacity of newly elected representatives in relation to ensure that GESI is routinely addressed

In addition, stakeholders also identified the following possible strategies to overcome barriers listed above:

- Increase participation of women and marginalized groups in planning, implementation, monitoring, and evaluation of health services
- Build capacity of policy makers, municipalities, health facilities, programmers, and service providers for equitable service delivery and utilization, with emphasis on meeting the needs of women, marginalized and disadvantaged groups
- Work with health system counterparts to adopt policies, guidelines, and standards for quality of MNCH/FP services, with a focus on improving health outcomes for women and infants from marginalized communities
- Engage men, boys, and in-laws as supportive partners, and role models for gender equality in access to and utilization of MNCH/FP services

- Utilize approaches such as social and behavior change communication, community mobilization, and engagement to raise awareness and change behaviors around the connections between GESI and health
- Document learning and promising practices for replication/sharing throughout Activity area and within counterpart systems

Based on feedback and suggestions from stakeholders and program descriptions, the Activity team has included a GESI-focused narrative section in the Year Two workplan. The narrative describes the importance of integrating GESI to achieve the major strategies and Activity outcomes.

The Activity's Health Equity Specialist has drafted operational guidelines for GESI with the aim of providing guidance on integrating GESI into the entire Activity cycle. The guidelines also focus on building a common understanding among Activity staff of the role that GESI plays in achieving Activity outcomes, to foster commitment for GESI integration at all levels, and to translate this commitment into practice. The Health Equity Specialist also conducted a short orientation to GESI during the staff induction program in June to highlight the major GESI components as they relate to all three outcomes of the Activity.

The Health Equity Specialist represented the Activity at the USAID-supported GESI Working Group meeting in July and will continue as a member of this working group. This introductory meeting enabled the Activity team member to sensitize the group on the objectives of the Activity, issues/barriers related to GESI in the Activity working area, major strategies to overcome these barriers, and to discuss the scope of collaboration with GESI Working Group and other counterparts in the near future.

The Activity team planned to implement a training on GESI-focused internal practices, strategies, and approaches in Year One. However, due to delays in hiring staff, the training was not conducted. Once hiring has been completed for USAID's Strengthening Systems for Better Health Activity team, an orientation on GESI operational guidelines and a GESI training will be provided to all staff.

5. Monitoring, Evaluation and Learning

USAID's Strengthening Systems for Better Health Activity's approach to MEL is designed to be cost-effective, accurate, reliable, and timely. In Year One, the Activity team started the hiring process for the MEL team with home office support. The MEL Director joined the team in June and the Research, Learning and Knowledge Management Specialist joined in July. The hiring process for the Data Quality and Reporting Officer is ongoing. The MEL team has been working closely with the SMT, Planning and Budgeting Consultants in the field, provincial government counterparts, and USAID's AOR and M&E and GIS experts to review and refine MEL Plan activities, indicators, targets and data sources.

5.1 Select final indicators, update baseline and performance targets, and agree on relevant evaluation and research activities in consultation with USAID. The home office MEL Advisor traveled to Nepal in February 2018 to work with the SMT and Save the Children's Senior Technical Advisor for Maternal and Newborn Health, to craft the MEL Plan to both guide implementation and to inform evidence-based modifications to approaches. She made her second visit in June 2018 to work with the MEL Team to address USAID comments on MEL Plan, refine and finalize performance indicators, and initiate MEL systems set up for the Activity. During this time, the MEL team consulted with USAID/Nepal and USAID/Washington advisors to determine the most appropriate measures to include in the MEL plan, particularly around quality of care and newborn health. For example, the MEL team consolidated recommendations and revised them to

reflect recent global consultations around quality of care measures, including patient-centered ‘experience of care’ dimensions.

The Activity’s MEL team continued collection and analysis of additional baseline data, and establishing clear and specific guidelines and measurement approaches for selected performance monitoring metrics. Baseline figures used in the initial submission have been updated with reported data from the latest DoHS Annual Report 2016/17, NDHS 2016 Provincial Analysis, and health facility readiness data.

During the first quarter, the Activity team also met with the H4L team to learn from their MEL experiences, at both Kathmandu and province levels, as well as with several other implementing partners.

5.2 Analyze secondary data and conduct field level assessments. To enable M&E of Activity efforts in targeted municipalities and facilities, the team initiated the collection and analysis of data on key metrics related to Activity focus areas mainly under Outcome 3. Through mobilization of Planning and Budgeting Consultants, the Activity team has gathered background information about situation of 105 municipalities. Additionally, the health facility readiness survey data collection for three districts that were not covered under H4L Survey has been completed during this period. Data analysis is expected to be completed by the end of August 2018 so that it can be used as baseline for some of the indicators.

To support Activity design discussions, the MEL team supported in-depth and updated analysis of several existing data sets to inform the June 2018 joint workplan sessions in Surkhet. The team analyzed and synthesized relevant data, using mapping and data visualizations, from the latest DoHS Annual Report 2016/17, HMIS data from ongoing fiscal year, LMIS, and NDHS 2018 for Karnali Province and Province 5. The MEL Director facilitated a session during the workshop to discuss and interpret this data.

The team also started initial work on the prioritized analysis of existing sources for further project use, including for the development of health profiles in targeted geographical areas. These data sources will include HMIS/DHIS2, NDHS, MICS, NFHS, H4L Facility Readiness Endline Survey, eLMIS, MoHP documentation (e.g., provincial/district/facility action plans), and project documentation from Year One.

5.3 Design and implement any additional baseline data collection efforts, as appropriate. During this reporting period, the Activity team developed the SoW of work for a baseline health facility readiness survey in three districts (Humla, Mugu and Dolpa) that were not included in H4L endline survey. New Era, a respected local research firm, was identified and contracted in May 2018. Ethical approval was obtained from both Nepal Health Research Council and Abt Associates Institutional Review Board. New Era conducted data collection in June and July 2018. A final report of this baseline data will be finalized in August 2018. This data will be used along with the health facility readiness endline survey data for other districts to understand the current status of health facilities in the Activity’s geographic areas.

5.4 Update MEL plan with additional baseline and target calculations, when available. An initial full MEL Plan was submitted to USAID on March 9, 2018. During the second quarter of Year One, the MEL team responded to comments received on the initial plan. As part of this revision process, the MEL team consulted with USAID/Nepal and USAID/Washington advisors. These consultations focused on issues around the identification of the best indicators to measure the project’s intended results, as well as determining the mix of indicators to be used for performance reporting purposes, and which indicators to use internally for performance tracking and adaptive management decisions. The MEL Team met with USAID’s AOR, and M&E experts on several occasions to discuss the Activity MEL priorities and expectations.

Finalization of MEL Plan indicators, baseline and targets will be continued in the first quarter of Year Two of the Activity as we will be receiving results from the health facility readiness survey, HMIS data and field information from Budgeting and Planning Consultants. The Activity team expects to submit the next and final working version of the MEL Plan by the end of August 2018.

5.5 Collaborate with USAID and other partners to develop a learning agenda for Strengthening Systems for Better Health Activity. The Activity's MEL team will also identify new measurement opportunities and initiate development of a life-of-Activity learning agenda. During Quarter One, the MEL Advisor initiated discussions with several health sector partners to identify synergies and opportunities for research and data collection collaborations. The Activity MEL Plan provides an overview of the illustrative learning questions that the team will use as a starting point for these consultations.

The MEL team met with USAID's M&E experts in July 2018 to understand USAID's expectations and priorities on collaboration learning and adaptation approaches. The team has already consulted with stakeholders during the workplanning meeting in Surkhet in June 2018 where participants provided their suggestions particularly on crosscutting areas, including a data use and evidence plan.

The Activity team will continue to engage with stakeholders, including through relevant TWG discussions, to jointly identify learning priorities to guide strategic research, evaluation, and learning efforts over the Activity's lifespan.

5.6 Establish necessary Activity processes, procedures, and data collection tools to facilitate MEL (including Data Quality Assessment procedures and timelines). A major priority for the MEL Team in Year One and before large scale implementation is initiated is to establish all necessary MEL-related processes, tools, and systems to enable the Activity to conduct routine monitoring of implementation and results. The submitted MEL Plan included initial Performance Indicator Reference Sheets (PIRS), which will serve as the basis for how the team operationalizes individual indicators. USAID's Strengthening Systems for Better Health Activity MEL Team has been fine-tuning the PIRS through series of consultations and reviews. In the first quarter of Year Two, the team will develop additional tools and processes for routine tracking of activity implementation and to support routine collection, management, and analysis of MEL data. This includes development of data collection tools, standard operating procedures, and specific data flows.

5.7 Conduct MEL training with core program staff to orient the team on the importance of results-based programming, performance monitoring, and adaptive management. Orientation on MEL activities and routine reporting was provided to Activity consultants providing technical support to municipalities on data collection and intervention tracking, as well as the use of data from multiple sources to develop and update Municipal Health profiles. The MEL Director also provided a round of orientation to Kathmandu-based staff on the overall MEL plan in July 2018.

Additional training sessions and MEL orientations will be provided to field and province-based staff on performance monitoring, data analysis, review and data quality assessments (DQAs), as well as processes for the routine interpretation and use to support adaptive management decisions.

5.8 Initiate design of Activity-specific instance of DHIS2 for data management. The home-office MEL Advisor consulted with other M&E professionals while in Kathmandu in February 2018 to explore the viability of using DHIS2 as a MEL system.

The MEL team also met with the USAID/Nepal GIS expert in May and early July to learn more about USAID's nascent data management application. The MEL team is determining the best options for a platform for an effective data management. Designing of the system will begin in the first quarter of year 2.

5.9 Participate in and contribute to national level M&E Technical Working Groups. USAID's Strengthening Systems for Better Health Activity initiated participation in national level M&E TWGs. The Activity MEL Director attended an M&E TWG meeting immediately after joining in June 2018, and provided an introductory overview of the Activity to the TWG. Given changes within the health sector at national and provincial levels, the Activity will participate and help lead dialogue around future M&E efforts. (For instance, at present, the national level M&E TWG has not been commissioned at the national level in the new structure, while discussions are ongoing to form a new TWG focused on HMIS.) The Activity MEL Director and other technical staff will actively participate in such discussions going forward.

6. Project Management

6.1 Overall Budget and Expenditures

6.2 Management and Start-up Activities

During the initial two months of Year One, the Activity deployed a start-up team which included SMT members Ellen Pierce, Chief of Party, Dr. Deepak Paudel, Deputy Chief of Party, and Mohan Nepal, Finance and Administration Director. These individuals initiated Activity start-up, supported by Abt Associates and Save the Children offices in both the U.S. and Nepal. The team accomplished key management and administration-related tasks required for Activity start-up, including identification and establishment of offices in Kathmandu and Surkhet, transition of large amounts of inventory from the H4L project, and undertaking recruitment and hiring of 65 technical, financial management and administrative support staff. The sections below provide details on these management and start-up activities.

Establish Activity Offices

During the first six months of Activity implementation, the start-up team carried out substantial operations, procurement, and finance and administration-related activities. The team established temporary start-up space within the Save the Children office, and quickly identified and moved to its own office premises in Kathmandu in March 2018. The team identified and leased office space in Surkhet shortly thereafter, and moved into this space by the end of June 2018, after repairs and set-up were completed. Banking operations for the Activity were also set up within the initial two months of the reporting period.

To leverage USAID's former investments, the team collaborated closely with USAID and H4L staff in Kathmandu and Nepalgunj to identify and transfer office furniture, computers, IT, and other office equipment, vehicles, and scooters for use by USAID's Strengthening Systems for Better Health Activity's Surkhet and Kathmandu offices. The Activity has initiated procurement of the remaining requirement of four-wheel-drive vehicles, motorbikes and office and IT equipment, and plans to complete all procurement by October 2018. Some IT equipment, including a server were procured in the US and are expected to arrive in country by mid-August.

In April 2018, Abt Associates deployed the Senior International Accounting Manager to the Activity, Altay Karakulov, to Kathmandu to complete set-up of the Activity's financial management systems. During his visit (the cost of which was borne by Abt Associates), Altay worked with Finance and Administration Director and other finance staff to ensure that Activity financial staff were completely oriented to Abt Associates systems, procedures and accounting practices, and that the Activity was fully set up to comply with local and USAID-mandated finance and audit procedures.

In early July 2018, the Activity organized a program and Activity management orientation for all staff members who had been recruited up to that point. The orientation also included a session on USAID rules, regulations and compliance.

Staff Recruitment and Hiring

During the first quarter of operations, the Activity SMT team initiated recruitment activities to fill the remaining key positions (Senior Technical Advisor and MEL Director), all Kathmandu-based technical and administrative staff, and the Surkhet-based Provincial Team Lead. At the writing of this report, the Deputy Provincial Lead/Community Engagement Specialist, along with several other Surkhet-based technical and administrative staff, have been identified and recruited.

USAID's Strengthening Systems for Better Health Activity team is pursuing a joint, consultative employment process for all staff that emphasizes the Activity in lieu of specific organizations.

Despite undertaking much recruitment activity, selection and hiring of long-term staff is taking more time than expected. To maintain the expected pace of start-up activities, the Activity team is sourcing short-term, temporary hires to fill core administrative and logistics functions. As noted earlier in this report, we have mobilized qualified individuals on a short-term basis to provide TA for health planning and budgeting in municipalities in the Activity's target geographic area in Karnali Province and selected municipalities in Province 5. The Activity team has finalized recruitment for almost all Kathmandu-based staff and has made good progress in staffing up the provincial office in Surkhet. Recruitment for the field-based multidisciplinary teams is underway, and we expect to have the majority of these 30 staff members mobilized by mid-October (the end of Quarter One, Year Two).

Out of a total of 65 technical, finance and administrative support staff, 20 individuals are already on board and an additional five have been identified and are in the process of joining. The current status of all positions is presented in the table below.

No.	Position	Employer	Recruitment status
Key Personnel			
1	Chief of Party	Abt Associates	On board
2	Deputy Chief of Party	Save the Children	On board
3	Director of Finance and Administration	Abt Associates	On board
4	Monitoring, Evaluation and Learning Director	Abt Associates	On board
5	Senior Technical Advisor	Save the Children	Candidate selected
Technical & Administrative Staff – Kathmandu			
6	Research, Learning & Knowledge Management Specialist	Abt Associates	On board
7	Data Quality and Reporting Officer	Abt Associates	In recruitment
8	Private Sector Specialist	Abt Associates	On board
9	Health Equity Specialist	Save the Children	On board
10	MNCH/FP Specialist	Save the Children	In recruitment
11	Health Systems and Governance Specialist	Abt Associates	Joining 8/22/18
12	Technical Program Officer	Abt Associates	On board
13	Finance Manager	Abt Associates	On board
14	Finance Asst./Accountant	Abt Associates	On board

No.	Position	Employer	Recruitment status
15	Information Technology Manager	Abt Associates	On board
16	Administrative Assistant	Abt Associates	On board
17	Logistics & Procurement Officer	Abt Associates	On board
18	Program Support Officer - Operations	Abt Associates	On board
19	Driver – Kathmandu	Abt Associates	On board
20	Driver – Kathmandu	Abt Associates	To be announced
Technical and Administrative Staff – Surkhet			
21	Provincial Team Lead	Abt Associates	On board
22	Deputy Team Lead/Community Engagement Specialist	Save the Children	Joining 9/1/18
23	Health Systems Strengthening Specialist	Abt Associates	In recruitment
24	MNCH/FP Specialist/Coordinator	Save the Children	Candidate selected
25	Health Information Systems Specialist	Abt Associates	Joining 8/15/18
26	Monitoring, Evaluation & Learning Specialist	Abt Associates	Candidate selected
27	Technical Officer - HSS (Butwal)	Abt Associates	In recruitment
28	Finance and Admin Officer	Abt Associates	On board
29	Administrative Assistant	Abt Associates	To be announced
30	Finance Assistant	Abt Associates	To be announced
31	Office Helper	Abt Associates	On board
32	Driver - Surkhet	Abt Associates	On board
33	Driver - Surkhet	Abt Associates	To be announced
Multi-Disciplinary Teams – Field Based			
34 – 38	Technical Officer – Health Information Systems	Abt Associates (5)	In recruitment
39 – 43	Technical Officer – Health Information Systems	Save the Children (5)	In recruitment
44 – 53	Technical Officer - MNCH /FP	KAHS (10)	In recruitment
54 – 63	Technical Officer – Health Systems Strengthening	MASS (10)	In recruitment
64	Driver – Jumla	Abt Associates	On board
65	Driver – Jumla	Abt Associates	To be announced

6.3 Cooperative Agreement Deliverables

During the reporting period, USAID’s Strengthening Systems for Better Health Activity team submitted the following deliverables, in accordance with the schedule of deliverables contained in the Cooperative Agreement:

No.	Deliverable	Submission Date
1	Mobilization and Transition Plan	January 23, 2018
2	Year One Workplan (January 8 – July 15, 2018) and Budget	March 9, 2018
3	Monitoring, Evaluation and Learning Plan (Version 1)	March 9, 2018
4	Emergency Preparedness and Response Plan	March 9, 2018
5	Year One, Quarter One Progress Report	April 29, 2018
6	Quarterly SF-425 Financial Report	May 2, 2018
7	Final Branding and Marking Plan	May 1, 2018
7	Year Two Workplan (July 16, 2018 – July 15, 2019) and Budget	June 24, 2018
8	Monitoring, Evaluation and Learning Report (Version 2)	June 28, 2018
9	Quarterly SF-425 Financial Report	July 31, 2018

7. Best and Promising Practices

As outlined in this first annual performance report, USAID’s Strengthening Systems for Better Health Activity team has spent the initial six months largely on inception activities – office set-up, recruitment and hiring, carefully establishing relationships with GoN counterparts and other EDPs and implementing partners, deploying consultants to support health planning and budgeting across the target geographic area, and synthesizing secondary and first-hand information to inform the Activity MEL Plan and to serve as the foundation for activities proposed in the Year Two Workplan. We have not yet launched our full range of technical, capacity building and systems strengthening interventions and hence, are not ready to write about best practices arising from our overall TA interventions.

We have, however, identified one practice that we feel is strongly supportive of our collaborative approach to planning and implementation, and reflective of the Activity’s first guiding principle of “empowering local actors to identify, lead and own solutions.” The Activity team has been extremely conscientious about ensuring that all planning for Activity interventions has been carried out in a consultation manner. The SMT has spent considerable time meeting with key counterparts from the MoHP, MoFAGA and other implementing agencies and partners in Kathmandu, and newly appointed and elected representatives in the provinces and municipalities to ensure understanding of and buy-in for Activity strategies and approaches. An example of this collaborative approach was the two-day workplanning event, held in Surkhet in June 2018, which will serve as a model for planning and consultation going forward. The meeting included an extremely wide range of counterparts and stakeholders – from senior leaders and policy-makers to front-line health workers from each tier of the health system, along with representatives of the private health sector, medical and nursing academic institutions, technical and management staff from a wide range of implementing agencies and partners, and local political leaders.

The planning sessions were very interactive and facilitators gave equal weight to input from all participants, no matter their level of seniority. By clearly outlining the parameters of the Activity scope ahead of time, the suggestions for priority activities coming from participants were largely ones that could be accommodated in our workplan. This allowed us to be very responsive to the needs and priorities identified by our counterparts as we refined the Year Two Workplan. The activities that we planned together with counterparts are those that we will be able to implement in a very collaborative fashion – providing backstopping and technical support for priorities identified

by provincial and municipal leaders, in a manner that is establishing a foundation of true local ownership of and support for the Activity as a whole.

USAID's Strengthening Systems for Better Health Activity team intends to replicate these types of consultations for progress reviews and further planning sessions going forward. Thus far, the planning sessions discussed above, during which we genuinely listened to and incorporated the concerns of our key stakeholders, have helped to build significant credibility and good will among some of our most important counterparts in Karnali Province and Province 5.

8. Major Challenges

Most of the challenges summarized here have been mentioned throughout the body of this report, so they are described in brief as follows:

Federalism: The shift to federalism provides a great number of opportunities for health sector reform and improvements in service availability and quality. At the same time, the challenges presented by the evolving nature of structures and systems in government as a whole and in the health system in particular, have made for a fluid and sometimes insecure operating environment for the Activity. While the Activity is designed to assist health counterparts at the three tiers of the system to navigate the shift to federalism, during these initial months it has been sometimes difficult to identify even who these counterparts are. Key actors and positions in the MoHP have shifted several times since Activity inception, the health structures at provincial level and below were not yet formalized by the end of this reporting period, and senior and mid-level health staff have, understandably, been extremely preoccupied with their own professional futures. The “rules of engagement” – both formal and informal – between TA projects such as ours and government counterparts at each tier have been rapidly shifting. Neither our team, nor the counterparts we should ostensibly be working with, are quite sure how authority, responsibility and accountability for our collaboration will eventually settle.

The commitment from the Activity's SMT to remain flexible and adaptable in the face of the evolving situation, along with patience, understanding and support from USAID, have stood us in good stead during this period. We anticipate that systems, structures, roles, and responsibilities will continue to shift, and remain unclear in some cases, throughout Year Two of Activity implementation. When appropriate and feasible the Activity team will provide TA to assist in role clarification and orientation of new health leaders, managers and mid-level staff to their new responsibilities. We will continue to remain as flexible and helpful in the process, and work with our counterparts and USAID to find solutions if we come up against a situation that is beyond our capacity to manage independently.

Delay in formal approval of the activity: The Activity Implementation Letter, signed between USAID and the Nepal Ministry of Finance, which grants formal recognition of and approval for the Activity from the GoN, was not finalized until late June 2018. While this did not hamper activities greatly, it did create a fair amount of uncertainty for the Activity, particularly in the current political context. From a practical standpoint, we were not able to publically launch the project in Kathmandu or our operational area, we were unable to import Activity vehicles and computer equipment, and the Chief of Party was not able to apply for a work permit or long-term visa until the Implementation Letter was signed. Fortunately, all Activity consortium partners were already registered entities in country, so we could undertake recruitment and hiring, lease office space and establish banking operations for the Activity. The only lingering issue stemming from the delay in formal approval is our continuing inability to obtain a letter of support from the MoHP to the Ministries of Social Development in Karnali Province and Province 5. We anticipate being able to resolve this issue, however, by the time this performance report is submitted.

Delay in issuing sub-agreement to the Karnali Academy of Health Sciences (KAHS): As detailed in the Activity’s initial Quarterly Progress Report, despite the fact that the Cooperative Agreement for the Activity includes approval to issue a sub-agreement to our local partner, the KAHS, we were initially unable to do so under the restrictions of the Protecting Life in Global Health Assistance (PLGHA) ruling. This constituted a serious setback to the Activity, as KAHS is already an integral part of the health system in Karnali Province, and will be instrumental to delivery of stated Activity results in a sustainable manner. The Chief of Party and Deputy Chief of Party visited the KAHS campus and hospital in Jumla, as did the Maternal and Child Health Team Lead and Senior Maternal and Child Health Advisor from USAID. After a thorough review of services provided by KAHS, as well as the classification of the institution under the laws of Nepal, it was determined that, as a parastatal entity, KAHS would be eligible to be brought on as a full consortium partner through a sub-agreement.

KAHS falls under a “non-commercial government parastatal category” that must satisfy Determination and Findings (D&F) requirements for a sub-award under this Cooperative Agreement, as per ADS 303.3.21.c. It has taken the Activity team and USAID nearly two months to complete development and approval of the required D&F. The D&F was finalized and approved in late July, after the end of this reporting period. Abt Associates will be able to issue the sub-agreement to KAHS after SMT members undertake a risk and capacity assessment of the institution, and finalize a mitigation strategy to address any areas of financial or programmatic risk identified during this exercise. We anticipate that this final step will be completed by the end of August 2018.

Slow process of recruitment and hiring: It has taken the Activity SMT quite a bit longer than anticipated to recruit and hire qualified senior and mid-level technical staff for the Activity. Delays have been rooted in a number of factors – initially, the sheer volume of ads to post, applicants to screen and interviews to be held was beyond the capacity of the initial three team members – the Chief of Party, Deputy Chief of Party and Finance and Administration Direct – to manage. We obtained initial support for Activity set-up by putting some skilled administrative and finance staff on short-term consulting agreements. We outsourced advertisement of posts and initial screening of applicants to a local recruiting firm. This did help slightly, but finalization of job descriptions and ads for posting, and careful review of applicant CVs still fell to the senior team as did interviewing all candidates. There were inevitable delays in these processes as the senior team was also responsible for implementing all the activities and producing the deliverables outlined in the Mobilization and Transition Plan and later, the approved Year One Workplan, and had to balance these priorities against the demands of staffing up the Activity.

The normal notice period here in Nepal is a minimum of one month, with some candidates having to provide two months’ notice to their current employers. In five instances, the Activity team and our respective human resources departments invested considerable time (6 weeks on average) negotiating offers with selected candidates, only to have them change their minds at the final stage. Some of these individuals were weighing other offers that they found more attractive and some decided to stay in their current positions. This has been frustrating, to say the least. We have had considerable difficulty filling the final key position of Senior Technical Advisor, as we have been unable to identify a candidate with the requisite seniority, skill mix and qualifications who will accept compensation that fits within our current parameters.

In section 6.2, we present the current status of recruitment and hiring for our full Activity team of 65 technical, financial and administrative support staff. We fully anticipate completing recruitment and deployment of all critical staff members by the end of the first quarter of Year Two.

9. Prospects for Next Year's Performance

As described throughout this report and in the previous section, there have been a number of delays in operational set-up for USAID's Strengthening Systems for Better Health Activity. These delays have hindered the ability of the Activity team to achieve some of the ambitious milestones proposed for the Year One Workplan period. As noted, we expect to have finalized recruitment and full deployment of our multi-disciplinary teams by mid-October. After this, we expect to catch up fully on plans to, for example, undertake comprehensive assessments of the functioning of critical elements of the health system and local capacity to plan, manage and oversee delivery of essential health services. Assessment results will form the basis for multi-year TA plans for the Activity's technical teams at each tier of the health system. Likewise, the team will rapidly complete the planned assessments of the private health sector in our geographic target area, and quickly develop a private sector engagement strategy for the project, in collaboration with our counterparts at national and provincial levels.

The proposed activities outlined in our Year Two Workplan include both completion of outstanding activities from Year One and the initiation of critical TA support at national, provincial and municipal levels, laying the foundation for achievement of the Activity's three major outcomes. Selected major interventions planned for Year Two can be summarized as follows:

Outcome One: Improved Access to and Utilization of Equitable Health Services

- Support MoSDs and municipalities to prepare health profiles and to adapt policies/guidelines as required
- Facilitate development of human resource mobilization and capacity building plans
- In collaboration with other partners, support strengthening of local procurement and supply chain management systems
- Help to establish systems for regular monitoring of service availability and quality
- Support revitalization of non-functioning service delivery outlets/facilities
- Support analytical review of health system performance and barrier analysis
- Promote use of technology to communicate MNCH/FP information

Outcome Two: Improved Quality of Health Services in Facilities and Communities

- Support harmonization of quality and performance improvement approaches, processes and tools
- Help to institutionalize QI committees and systems in provinces and municipalities and promote exemplary QI efforts
- Provide ongoing support for updating of MNCH/FP clinical guidelines, standards and tools
- Promote formalization of communication and referral networks and protocols
- Provide and support clinical coaching, mentoring and on-site training
- Support hospital-based tracking and review of maternal and perinatal deaths
- Strengthen "client experience of care" elements in quality monitoring

Outcome Three: Improved Health Systems Governance in the Context of Federalism

- Support development of systems, procedures and capacity for managing delivery of MNCH/FP services
- Assist in formulation, finalization and dissemination of health-related policies, regulations and guidelines

- Support review and clarification of roles and responsibilities for health service management and delivery at provincial and municipal levels
- Build capacity amongst locally elected bodies to plan, manage and oversee delivery of basic health services
- Help to establish and/or strengthen systems to collect, compile, present and use health data for planning and monitoring
- Support establishment and functioning of municipal and facility level health management committees

Cross-Cutting Areas

Private sector engagement

- Finalize private sector mapping and regulatory environment assessments
- Facilitate development/adaptation of provincial guideline for public-private partnerships in health

Gender equality and social inclusion

- Support analysis of health outcome and utilization data along gender and caste lines and facilitate gender dissemination and discussion to sensitize stakeholders

Collaboration and synergy

- Support functioning of Provincial Health Coordination Team (MoSD, Health Directorate, and implementing agencies and partners)
- Facilitate joint monitoring visits with counterparts and other implementing agencies and partners

Evidence and data use

- Provide TA to maintain and strengthen recording and reporting systems for HMIS and LMIS in federal context

Major Activities for Quarter One, Year Two

Outcome One: Improved Access to and Utilization of Equitable Health Services

- Support compilation and visualization of health data for preparation of municipal and provincial health profiles
- Assess capacity and systems functioning across target municipalities to inform development of tailored technical assistance plans, define parameters of Core, Core+ and Core++ intervention packages and make final selection of Core+ and Core++ municipalities.
- Support the Karnali Province MoSD to develop or adapt health policies for reaching the unreached, strengthening referral mechanisms, fostering public-private partnerships, addressing gender and social inequalities, promoting integrated service delivery, strengthening human resource deployment and management, and extending services targeting underserved areas and populations.
- Initiate analysis of social, financial, cultural and geographic barriers to utilization of MNCH/FP across the Activity's geographic area.
- Support the Health Directorates of Karnali Province and Province 5 to enhance processes for the annual review of health systems performance.

Outcome Two: Improved Quality of Health Services in Facilities and Communities

- Contribute to national level initiatives to refine and streamline QI/PI approaches, processes, and tools, harmonizing approaches used by different partners.
- Facilitate development of provincial QI/PI committees (or incorporate such functions into existing entity) and clarify working modalities.
- Work with DoHS-led technical working groups to update MNCH/FP clinical guidelines, standards, and tools to include minimum standards for service readiness, content, and process of care for small and sick newborns.

Outcome Three: Improved Health Systems Governance in the Context of Federalism

- Provide ongoing technical and managerial support to the health directorates of Karnali Province and Province 5 to assist with development of systems, procedures, and capacity for oversight of health service delivery.
- Design a process to assess capacity amongst elected officials at provincial and municipal level for oversight of health service delivery, allocation of resources in health and management of responses to health emergencies and outbreaks.
- Provide technical support, as required, for clarification and revision of job descriptions of health functionaries in the context of the new structures.
- Provide ongoing technical support for execution of plans and budgets for the current fiscal year (2018/19).

Cross-Cutting Areas

Private sector engagement

- Conduct private sector mapping and regulatory environment assessments.
- Contribute to national level efforts to develop/adapt guideline for public-private partnerships in health.

Gender equality and social inclusion

- Sensitize all Activity staff and partners on all aspects of GESI and how they are linked with national priorities.

Collaboration and synergy

- Support functioning of Provincial Health Coordination Team (MoSD, Health Directorate, and implementing agencies and partners)
- Serve as the "point of contact" between the Minister of Social Development of Karnali Province and all USAID health partners implementing activities in the province.

Evidence and data use

- Support use of facility-based recording and reporting tools. Provide orientation and coaching for new and untrained staff to use HMIS tools.
- Provide technical support for the use of LMIS reporting system in the changing context. Encourage routine inspection of logistic and commodities and update in digital systems.

Monitoring and Evaluation

- Actively engage with partners and stakeholders at national, provincial, and municipal level to develop learning agenda for Activity.
- Develop and roll out data collection tools and standard operation procedures across the Activity to collect data needed for the MEL Plan.
- Conduct requirement analysis, design, test and roll-out of Activity-specific instance of DHIS2 for routine data management.
- Organize field visit for USAID to orient AOR and Health Team members to the Activity operating context and enable them to interview provincial and municipal level counterparts regarding synergy between the Activity design and needs and priorities in Karnali Province.