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Belgrade, Serbia

Our reference EECA/EZ/402 - 20/12/2011

20 December 2011

Dear Colleagues,

We are pleased to inform you that we have completed the review of your Progress Update 2 for the period 1 January 2011 – 30 June 2011 and the Disbursement Request 3 for the period 1 July 2011 – 31 December 2011 plus a buffer quarter 1 January – 31 March 2012, submitted under your Round 9 TB grant.

We would like to provide a summary of the key issues and recommendations as identified during our review and evaluation of the overall implementation, performance and management of the above referenced Program.

1. PROGRAMMATIC PERFORMANCE

In the reporting period you finalised preparations for the grant activities and began full scale implementation since the end of Q3/ beginning of Q4. Despite significant delay you managed to substantially meet most of the targets. During Semester 2 of the grant the programmatic performance was in line with B1 indicator rating. Average performance rate on Top Ten Indicators is 72%, and the same percentage of achievement applies to all indicators.

The program achieved significant success in screening for TB of IDUs - clients of harm reduction projects (98% achievement rate) and similar activities implemented among SWs reached 65% of the planned target.

Please note that the results you reported were modified for the following indicators. We ask you to amend your records accordingly:

- Number of people trained in TB and TB/HIV issues including the screening of vulnerable groups for TB – 183.
- Percentage of contacts of Roma smear positive TB patients referred to TB unit and examined for TB out of all contacts of smear positive Roma identified during the period - 42 % (5/12)

- Number and percentage of soup kitchen and meal center users screened for TB - 63 % (14200/22528)

We acknowledge the expansion of activities related to tracing of contacts of TB smear positive Roma - in addition to contacts identified by TB units (as the indicator description says) the Red Cross added (both to numerator and denominator) the contacts identified in the field and assessed to be in danger of TB. So out of total 59 contacts identified 27 were examined for TB; the results were verified by the LFA. Besides that the PR expanded also TB screening activities among soup- kitchen users by inclusion of those socially vulnerable clients who receive food support from regional Red Cross branches, so in addition to 14,200 soup kitchen users over 4,000 other socially vulnerable people screened for TB at Red Cross branches.

Overall, the progress demonstrated in the reporting period is adequate and the Regional Team recognized dedication and efforts of the Red Cross PR to address the implementation challenges and the project management issues.

2. FINANCIAL PERFORMANCE

Your program demonstrated adequate absorption capacity, mainly in line with the programmatic achievements.

The grant spending rate is 79% and it is mostly consistent with programmatic performance (72%). Intensive implementation during this period is reflected in 109% spending rate in this reporting period. The total program outflow rate (PR expenditures plus disbursements to SRs) for the cumulative period is 79.29%. The cumulative disbursement rate to the SRs is 79.4% of the budgeted amount and the PR spending rate for the reporting period is 79.26%.

3. DISBURSEMENT RECOMMENDATION

You submitted a disbursement request for USD 198, 687 for the period Q5-6 (July-December 2011) plus Q7 (January - March 2012) as a buffer quarter.

The budget forecast in the amount of USD 395,007 submitted to support the disbursement amount was adjusted by USD 31,698 - amount of reallocation request not approved by the Global Fund (procurement of copy machines, cameras, increase of SR HR costs). Thus, the amount recommended for disbursement is USD 166, 989.

4. GRANT MANAGEMENT ISSUES AND RECOMMENDATIONS

We would like to bring to your attention some areas for improvement requiring follow-up actions, specifically:

Project Management:

- The PR is recommended to develop formal schemes and systems for staff/consultants performance assessment including basis for top-ups and incentives at PR/SRs in accordance with local legislation and the GF budgeting policies and guidelines. These schemes and systems should be endorsed by the CCM as well as cleared by the GF. Among other elements related to performance assessment, this

scheme should be inclusive of: for each posts to define whether the additional fees are top-ups or incentives; TORs with duties and responsibilities and LOE for the activities related to the GF grant in addition to the regular duties of posts eligible/suggested for top-ups or incentives; contracts that reflect these additional LOE and duties, methods and approach for calculating top-ups and incentives.

- The PR should invest more efforts to improve the overall management of the grant, including SR management.

Timeline - immediately and on going

Financial management:

Although the PR demonstrated significant progress in improving its financial reporting, the PR should further strengthen its financial management in order to fully implement Management actions from the previous period:

- The PR should, whenever possible, stop using multiple accounts for making payments under the GF grant and use solely the GF grant dedicated account for this purpose. In cases when this is not possible, the PR should provide bank statements from its main (not GF dedicated) account for programme related payments processed through that account as supporting documentation for verification of actual payments.
- PR should make sure that all payment amounts are consistent (from invoices / contracts / calculations to vouchers to Bank statement to Cash Flow Statement to Expenditure Report to PU/DR) in order to secure full transparency of its final reports.

In addition we would like to draw your attention to the following:

- strengthening of regular budget management practices is required in the areas of savings management, cash forecasting, financial reporting;
- mechanism/ scale for establishment of levels of salaries, incentives, top-ups, supported by the relevant ToRs, incl the LoE should be developed;
- the PR, in preparation of next PUDRs and EFRs, should ensure that actual expenditures include only expenditures incurred during the reporting period; the PR, in preparation of the next EFRs, include for each SR the figures related to budget, expenditure, variance in the EFR's Table C – Breakdown by implementing entity; the PR, in preparation of next PUDRs, should duly complete the section 5B related to the exchange rate actually used by the program in converting initial and final cash balances, as per the FIFO method.

Timeline - immediately and on going

M&E:

Minor issues related to quality of reporting related to indicators 3.1 and 3.2. :

a) data reported for indicator 3.1 should include clear information on number of contacts identified by the TB units and by the Red Cross and how many people from each group were examined;

b) reports for indicator 3.1 should ensure confidentiality of personal information on project beneficiaries;

c) results reported for indicator 3.2 should include consistent numerator and denominator (i.e. referring to the same population) and are in line with the indicator definition from the PF

Recommendations from the previous management letter related to training reports should be continuously implemented.

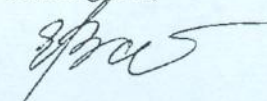
Timeline - immediately and on going

5. UPCOMING REPORTING REQUIREMENTS

We kindly request you to submit the next PU/DR for the period of July- December 2011 by 15 February 2012, and would like to remind you that the 1st audit report is due by 30 June 2012.

May I take this opportunity to thank the PR, and the implementing partners and the national stakeholders for the program's progress to date. We look forward to seeing continued improvement of the program implementation over subsequent reporting periods.

Best regards,



Elena Zaytseva

Fund Portfolio Manager

Eastern Europe and Central Asia

Enclosed: Grant Rating Tool

CC : All CCM members
Ms Milena Prvulovic, LFA, UNOPS