



EECA/JMW/084-02/04/2013

02 April 2013

Marija Čukić  
Project Coordinator  
Red Cross of Serbia  
Simina 19, 11000 Belgrade  
Serbia

**Re: Management Letter to Progress Update 5 / Disbursement Request 6 under Grant Agreement number SER-910-G07-T**

Dear Ms Čukić

We are writing to provide you with feedback after having conducted a comprehensive review of the Progress Update and Disbursement Request (PU/DR) for the Grant Agreement number SER-910-G07-T. This PU/DR was submitted by your team on 13 February 2013 and the progress update covers the reporting period 1 July – 31 December 2012.

The final overall performance rating for the reporting period is 'A1'. 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 program implemented by your team.

**A. PROGRAMMATIC PERFORMANCE**

Programmatic performance was strong in this reporting period. Of the five output indicators in the performance framework, three achieved A1 ratings and two achieved A2 ratings. Four of the indicators are Top 10 or Top 10 equivalent indicators and of them, two achieved A1 ratings and two achieved A2 ratings. As such, the overall quantitative indicator rating is A1.

In the reporting period, 146 IDUs, 267 sex workers, and 9,563 soup kitchen users were screened for TB, equating to 97%, 107% and 96% indicator achievement respectively. In addition, 93% of all contacts of smear-positive Roma patients were examined for TB equating to 116% indicator achievement.

With respect to the indicator *Number of people trained in TB/HIV related issues with a special emphasis on equity and advocacy among most vulnerable groups*, the PR reported 140 persons trained. However, the Global Fund was only available to verify 137 people trained. Kindly update your records to reflect this.

The Grant Rating Tool for this reporting period is attached to this letter.

## **B. FINANCIAL PERFORMANCE**

For this reporting period, the total cash outflow rate (PR expenditures plus disbursements to SRs) was 91%. The PR spending rate for the reporting period was 86% and 100% of funds were disbursed to sub-recipients.

The cumulative cash outflow rate (PR expenditure plus disbursement to SRs) up to the end of the reporting period was 94% which is in line with the cumulative programmatic achievements. The cumulative spending rate of the PR was 89%, while the cumulative rate of disbursement to SRs was 105%.

The PR's verified cash balance as of 31 December 2012 was \$124,849. The SRs' cash balance as of the same date was \$17,631.

## **C. CONDITIONS PRECEDENT / SPECIAL CONDITIONS**

During the reporting period, the PR fulfilled the following special condition related to incentive schemes:

*The use of Grant funds by the Principal Recipient for the payment of salary incentives is subject to the satisfaction of each of the following conditions:*

*a. the delivery to the Global Fund by the Principal Recipient of the terms and conditions of the scheme ("Incentives Scheme"), in form and substance satisfactory to the Global Fund, for the payment of salary incentives to be paid by the Principal Recipient and each relevant Sub-recipient, including:*

- (i) demonstrating the link between the Incentives Scheme and Program performance;*
- (ii) identifying the persons eligible to receive incentive payments; and*
- (iii) demonstrating that there is no duplication of the scope of work or responsibilities between the terms of employment of any existing, modified, or new employment positions funded by Grant funds; and*

*b. written endorsement by the Country Coordinating Mechanism of the Incentives Scheme and related policies for staff involved in Program activities; and*

*c. written confirmation by the Principal Recipient that all incentives paid or payable under the Incentives Scheme shall be consistent with all applicable National Labour Laws, as confirmed by the Local Fund Agent.*

## **D. DISBURSEMENT AMOUNT**

The PR requested \$353,756 to fund activities in the period January-December 2013 plus a buffer of January – March 2014. After a review of the PR's performance to date and cash forecast, the Global Fund has decided to disburse \$423,852. However, this disbursement is meant to cover a six month buffer period of January – June 2014 as opposed to January –

March 2014 as requested by the PR. The disbursement amount was calculated in the following way:

Approved budget January – December 2013: \$361,353  
 (+) 6 month buffer January – June 2014: \$185,254  
 (+) Commitments: \$1,129.84  
 (+) Approved reallocation request: \$10,395  
 (-) Adjustments for project savings and cancelled activities: \$16,131  
 (-) PR cash balance including ineligible expenses: \$124,849  
**Disbursement amount: \$423,852**

Please note that the PR reported cash balance as of 31 December 2012 was \$124,721. However, \$128 in ineligible expenses was identified related to the PR's public transport and mobile phone costs. Therefore, the correct cash balance is \$124,849. Additional information on this issue is provided in Section E below.

## E. GRANT MANAGEMENT ISSUES AND RECOMMENDATIONS

We acknowledge the measures you took to implement the Management Actions from the previous periods as well as the special condition from the Phase 2 Grant Agreement, and we are pleased to note the progress demonstrated by the PR. Nonetheless, there are a number of issues that the PR should address in the upcoming period.

### Program Implementation

**1. Low testing rate of identified TB suspects:** As mentioned, all indicators related to the screening of at risk groups (IDUs, sex workers and soup kitchen users) with questionnaires are performing well. However, only a small percentage of the TB suspects identified through questionnaires and referred for testing are actually receiving diagnostic testing.

**Recommendation 1a:** While we acknowledge the efforts made by the PR to date to increase the number of suspects that are tested, the PR should explore ways to continue increasing the number of suspects that are tested. This includes, but is not limited to, ensuring that the funds it has in the budget for "motivation packs" are used to enable the transportation of all identified TB suspects to get tested. Deadline: 15 May 2013.

### Program Management

**2. SR staff engaged in multiple projects:** Staff from a number of SRs are engaged by multiple PRs and are receiving salaries beyond a total of 150% engagement.

**Recommendation 2:** The PR should coordinate with both HIV Principal Recipients to discuss cases of overlap in SR staffing and present an explanation and justification for any individuals being paid for more than 150% engagement. In order to accomplish this, a list of SR employees under each grant should be prepared by each PR. Where there are overlapping staff members, the individual cases should be analyzed in order to determine the reasonableness of engagement for more than 150% time. The PR should provide the Global Fund with the outcome of this analysis, including what actions that will be taken in

cases where SR staff members are identified as being contracted for more than 150% time. Deadline: 15 May 2013.

**3. SR staff contracts:** Contracts and related annexes of engaged personnel in some SRs do not clearly show how the persons engaged under Round 8 and Round 9 Global Fund funded projects are paid. The SRs apply their own scoring system, as per which all personnel receive different scores and payments for their engagement is done accordingly. In addition, the annexes of the contracts do not show the engagement percentages of the employees on different Global Fund funded projects, nor can the salary payments be calculated clearly.

**Recommendation 3:** The PR should advise the relevant SRs to produce separate annexes to the contracts of employees engaged under Global Fund-funded activities, where the following should be noted: a) fees for the services should be strictly defined in RSD currency, beside the score figures, and b) budget lines under which the contracted persons should be charged. Deadline: Immediately.

### Financial Management

**4. Ineligible expenses:** During the verification of the PR's expenditures for the current reporting period it was noted that the PR's claimed amounts under budget lines 5.0.7 "Public transport costs" and 5.0.8 "Mobile phone costs", are not consistent with the expenditures reflected in the invoices, but rather, to the amounts in the budget. For this reason, the Global Fund has recognized the difference (\$128) between the budgeted and the actual occurred expenditures as ineligible expenditures.

**Recommendation 4:** The cash balance reported by the PR has been corrected to include this \$128 in ineligible expenses. In the future, the PR should strictly ensure that only actual, verifiable expenditures are claimed. Deadline: On-going.

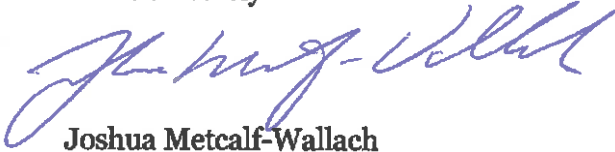
**5. Supporting documentation for SR expenditures:** Supporting document was incomplete for SR expenses related to fuel bills. In addition, for other SRs, only bank statements for payment of staff hired through Youth Agency were provided, but without any supporting documentation.

**Recommendation 5a:** The PR should advise the SRs that supporting documentation should be accompanied with the fuel bills (such as log books, destination of travel, estimation of expenses for fuel etc.) and not only monitoring visit report where these details are not visible and do not clearly and entirely justify the payments. Deadline: Immediately.

**Recommendation 5b:** The PR should inform the SRs that all payments without exception must be accompanied by related appropriate documentation (depending on the nature of the expenditure) which justifies the occurred expenditures and payments. Deadline: Immediately.

May I take this opportunity to thank the PIU, the sub-recipients, the implementing partners and the national stakeholders for the program's progress to date. We look forward to continued strong performance in future periods.

Yours sincerely



**Joshua Metcalf-Wallach**  
Fund Portfolio Manager

**Encl.: Grant Rating Tool**

**Cc: All CCM members**

**Miroslava Stevanovic, LFA, UNOPS**