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Subject: Management Letter for the Progress Update 8 for the grant SER-910-G07-T

Management Letter

Dear Maja,

We have completed our review of the 8th progress update covering the period of 1 January – 30 June 2014 submitted under the SER-910-G07-T grant.

Below is the summary of the key issues that we have identified in the course of our review and questions that we would like you to address.

A. PROGRAMMATIC PERFORMANCE

There were 4 indicators rated during the reporting period. All of them were either overachieved or met. The average performance of the Top Ten indicators and the All indicators is 100%.

We are very pleased to note that in spite of the difficult situation in the country in May-June 2014 the PR continued the work according to the work plan and achieved very good results.

The Global Fund Grant Rating tool generated an A2 quantitative rating that reflects the PR's efforts and the subsequent progress towards the strengthening and expanding the access to diagnosis and treatment of TB and MDR-TB patients.

Performance of the Outcome and Impact indicators

We would like to note the good achievement of the outcome and impact indicators. We especially would like to note the success in treating the MDR-TB patients. The target under the outcome indicator "Treatment success rate of the cases with laboratory confirmed MDR-TB" was 65% when the achievement was 71%. However, there was a slight underachievement under the outcome indicator "Treatment success rate of the new smear TB

positive cases”. The target under this indicator was 85% but the achievement was 82%. As per our initial observation the underachievement was mainly related to the underestimation of the total number of smear positive cases reported in 2012.

B. FINANCIAL PERFORMANCE

For this reporting period the utilisation rate of the budget was nearly 91% and the cumulative utilisation rate was 93%.

The overall cumulative variance of USD 101,536 is explained by the following;

The variance at the PR level:

USD 95,029 – savings accumulated during Phase I;

(USD 40,316) – cumulative budget adjustment at the end of Phase 1;

USD 65,634 – savings mainly on HR, Training and M&E budget categories;

USD 4,198 – commitments mainly on HR and Living Support to Clients budget categories;

(USD 27,409) – overspent amount mainly on HR and Training budget categories that is mainly related to approved reallocations.

The variance at the SRs' level

USD 32,736 - savings accumulated during Phase I due to engaging 16 SRs instead of planned 17;

(USD 45,777) – cumulative budget adjustment at the end of Phase I;

USD 18,377- savings mainly on Living Support to Clients budget category;

(USD 936)- overspent mainly on HR budget category.

The cash balance at the end of the reporting period is USD 372,222 and will be used to cover the activities for the remaining few months of the grant and possibly the close out period.

C. GRANT MANAGEMENT ISSUES AND RECOMMENDATIONS

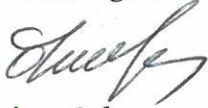
We did not identify any programmatic issues. We would only like to note one issue related to the quality of this Progress Update, specifically on variance analysis.

1. The variance analysis in section 3A: Total PR Cash Outflow is very difficult to understand. The variance is broken by objectives rather than major budget categories.

Follow up required: For all future Progress Updates the PR is requested to explain the variance analysis through savings, postponed activities, overspent amounts and commitments on major budget categories in section 3A. A more detailed analysis could also be done and enclosed in a separate file.

We hope that the PR Team and the implementing organizations will be able to sustain the pace of the progress in the upcoming periods and beyond the implementation of the Global Fund grant.

With best regards



Tsovinar Sakanyan
Fund Portfolio Manager
Eastern Europe and Central Asia

Enclosed Documents: Grant Rating Tool for the period
Financial KPIs for the period

Cc: Local Fund Agent team