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Subject: Management Letter for the Progress Update 10 for the grant SER-910-Go7-T

Management Letter

Dear Ms Čukić

We have completed our review of the 10th progress update covering the period of 1 January – 30 June 2015 submitted under the SER-910-Go7-T grant.

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

A. PROGRAMMATIC PERFORMANCE

There were 5 indicators rated during the reporting period. All indicators except for one were either overachieved or met. The average performance of the Top Ten indicators was 75% and the All indicators rating was 83%.

The Global Fund Grant Rating tool generated a B1 quantitative rating. However, it was decided to adjust the rating up to A2 due to the following reasons:

The indicator “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” did not yield any results in the reporting period and therefore, the achievement rate for this indicator that was given by the GF system was zero which resulted in the B1 indicator rating. At some point during the programme implementation, newly introduced changes in the health care system of the Republic of Serbia led to the need to redesign the algorithm for this activity. The new algorithm for this activity was therefore set up in a way that the Red Cross would assist TB units in bringing all contacts of a TB patient to a medical examination when it is required by a TB Unit. The Red Cross was not contacted by TB units in the reporting period. The decrease in TB infection rate and TB prevalence in the country led to the lesser need for the Red Cross to intervene in the contact tracing. In addition to that, there are no large numbers of Roma TB patients and therefore, TB units have no problem in contact tracing and examination of all contacts themselves.

Therefore, the Country Team considers that the A2 rating is an appropriate indicator for the reporting period and adequately reflects the PR's efforts in the programme implementation.

B. FINANCIAL PERFORMANCE

For this reporting period the utilisation rate of the budget was 82% and the cumulative utilisation rate was 91%.

The overall cumulative variance of USD 159,643 is explained by the following:

The variance at the PR level, USD 139,761:

USD 219,212 – savings under Human Resources, Technical Assistance, Training, Infrastructure and Other Equipment, Communication Materials, M&E, Living Support to Clients/Target Population, Planning and Administration and Overheads budget categories.

USD 4,247 – commitments under Human Resources, Planning and Administration, M&E, Overheads, Training budget categories.

(USD 83,698) – overexpenditures under Human Resources, Technical Assistance, Training, Infrastructure and Other Equipment, Communication Materials, M&E, Living Support to Clients/Target Population, Planning and Administration and Overheads budget categories.

The variance at the SRs' level, USD 19,882:

USD 59,856 - savings due to delays in start-up of implementation of project activities that are mainly related to M&E costs, transportation costs for TB smear positive contacts to TB dispensaries and on Training, Human Resources, Planning and Administration and on Living Support to Clients/Target population budget categories.

(USD 39,974) – overexpenditures mainly due to various approved reallocations and also on Training, Human Resources and Planning and Administration budget categories.

The cash balance at the end of the reporting period was USD 95,363.

C. GRANT MANAGEMENT ISSUES AND RECOMMENDATIONS

We note a good progress made in the implementation of the management actions listed in the previous management letter.

Below are the issues identified during the review of the progress update for the reporting period and the required follow up actions:

1. During the process of verification of the PR's expenditures in the current reporting period, it was observed that on 19 February and 15 April 2015, the PR paid several fuel bills, the amounts of which are higher than the real fuel consumption that was calculated on the basis of actual fuel market prices. The total overpaid amount is USD 347.64. This amount is therefore considered as ineligible.

Follow up required: Please ensure that the overpaid amount is paid back to the programme bank account by 30 November 2015.

