

Ref: GMD/SEA/BTN/721/EB/bg

28 April 2014

Mr. Nima Wangdi  
Secretary, Ministry of Health  
Ministry of Health  
Royal Government of Bhutan  
Thimphu, Bhutan

**Subject: Program Grant Agreement Number: BTN-607-G03-H  
Progress Review of Period 1 July to 31 December 2013**

Dear Mr Wangdi,

This letter presents the conclusions of the Global Fund's review of the progress update prepared by the Principal Recipient (PR) for the BTN-607-G03-H grant. It is based on the analytical review of the Local Fund Agent (LFA) and the subsequent analysis by the Secretariat of the Global Fund. It summarizes the relevant facts, findings, challenges and the corresponding actions to be undertaken by the Ministry of Health of Bhutan during the next period of implementation. As this letter refers to activities carried out during July - December 2013 some recommendations might already have been implemented.

#### **A. Programmatic Performance**

In this letter, the Global Fund analyzes the performance in the period, 1 July to 30 September 2013 (quarter 23) and 1 October to 31 December 2013 (quarter 24). The overall performance during these 6 months has improved compared to previous periods; however there remain challenges regarding reaching most at risk populations and indicators related to prevention programs.

Out of 9 active indicators, NACP was able to achieve more than 100% for 4 indicators: 1) # 1.3 related to DUs and IDUs reached with prevention programs (111%), mainly due to the recruitment of 25 peer educators but also to the outreach to non IDUs; 2) # 2.1 related to migrant workers (120%) due to the over achievement in previous periods; 3) # 2.3 % HIV-positive pregnant women who received ARV to reduce the risk of MTCT achieved 105%, as 100% of mothers detected are receiving ARV; and 4) # 3.1 Adults and children with advanced HIV infection currently receiving ART achieved a 120%, as there are 133 persons on ARTs, compared to the target of 105. To ensure all 133 persons receive ART, the Global Fund has approved a reallocation of funds in January 2014.

Performance for #3.2 Adults and children enrolled in HIV who had TB status assessed and recorded achieved 66%, due to the late start-up of the activities in 2013, but showing great progress as compared to the 0% in the previous period.

The Global Fund noted there are challenges regarding the following four indicators:

- 1) #1.1 MSM reached with prevention programs reached 12% due to the difficulty in reaching out to MSMs;
- 2) #1.2 Number of FSW reached with HIV prevention programs reached only 40%, due to the difficulties in identifying FSWs;
- 3) #2.4 Infants born to HIV-infected women who receive a virological test for HIV within 2 months of birth, showed no progress as NACP has not managed to procure the reagents; and
- 4) #2.2 Uniformed personal reached with HIV prevention programs reached only 40% because of the SR not reporting adequately and on time, and lack of oversight capacity from NACP.

Indicators related to MSM (#1.1), FSW (#1.2) and IDUs (#1.3) are being discussed and revised with the Global Fund and the revision is expected to be finalized by end of April 2014. The barriers related to reaching most at risk populations should be addressed urgently by NACP.

Finally, the Global Fund is concerned about the delay in procuring the reagents to ensure infants are tested. The Global Fund urges NACP to ensure the reagents are procured with no further delay.

Please find below the verified results for each of the reported indicators in this period:

Top 10	#	Indicator Name	Target	Result	%
Top 10	1.1	Number of MSM reached with reached with HIV prevention programs	50	6	12%
Top 10	1.2	Number of FSWs reached with HIV prevention programs	280	111	40%
Top 10	1.3	Number drug users and people who inject drugs reached with HIV prevention programs	695	774	111%
Top 10	2.1	Number of migrant workers, truckers and taxi drivers reached with HIV prevention programs	2,600	5,198	120%
Top 10	2.2	Number of uniformed personals (RBA, RBG, and RBP) reached with HIV prevention programs	2,500	1,008	40%
Top 10	2.3	Percentage of HIV-positive pregnant women who received antiretroviral to reduce the risk of mother-to-child-transmission	95 %	100 %	100%
Top 10 Equ.	2.4	Number and percentage of infants born to HIV-infected women who receive a virological test for HIV within 2 months of birth	90 %	0 %	0%
Top 10	3.1	Number of adults and children with advanced HIV infection currently receiving antiretroviral therapy	105	133	100%
	3.2	Number and percentage of adults and children enrolled in HIV care who had TB status assessed and recorded during their last visit during the reporting period among all adults and children enrolled in HIV care and seen for care in the reporting period	90 %	59.6 %	66%

\*Capped at 120%

## B. Financial Performance

The total approved budget for quarters 23-24 covering 1 July until 31 December 2013 was US \$193,594 while the total expenditures amounted to US \$62,752, of which US\$ 27,392 is NACP's total expenditures and US\$ 35,360 are disbursements to SRs. This represents a 32% utilization rate of the approved budget for the period.

NACP main expenditures during this period are related to trainings (US\$ 21,874) and overheads (US\$ 4,546). Low utilization of the budget during this period is mainly due to: i) carried forward activities and savings in TA; ii) delayed and unapproved recruitments; iii)

delayed training activities; and iv) delays in disbursement to the SRs. The Global Fund approved a reallocation of savings in January 2014 that should allow NACP to catch-up upon delayed activities.

Cumulative cash outflow amounts to US\$ 2,733,454, which represents 93% of the total cumulative budget of US\$ 2,940,111.

The verified cash balance of NACP at the end of the reported period was **US\$ 330,348**.

### C. Status of Conditions Precedent and Special Conditions

All CPs have been met to date. Kindly please see below the status per SC:

Special Conditions	Status
<p><b>Section D of the Annex A</b></p> <p>3. Not later than 31 October 2013, the Principal Recipient shall submit to the satisfaction of the Global Fund an updated Performance Framework with targets for TFM Year 2 set on the basis of latest available epidemiological and programmatic evidence for the indicators specified in Performance Framework, TFM Period: Indicators, Targets and Periods Covered.</p>	<p>At the time of this PU/DR review, NACP needs to submit the final PF for Year 2 of the TFM grant with revised targets and appropriate indicators. Draft version has already been shared and discussed with the Global Fund. The PF will be finalized after the endorsement of the size estimation survey for MSM, expected at the end of April 2014. NACP is kindly requested to submit the final PF by 09 May 2014 at the latest.</p>

### D. Grant Management Issues and Recommendations

In the table below we have summarized management issues and recommendations for follow-up of NACP. Please kindly note that all these need to be addressed before the submission of the next cash balance and report on management actions:

Management Actions	Recommendation
<b>Program Management</b>	
<p>NACP's oversight and monitoring of the activities of SRs should be strengthened.</p> <p>SRs' reporting of the programmatic progress to NACP is not on time and SR meetings are not taking place. SR coordination meetings are not taking place as planned and hence there is poor coordination with some SRs.</p> <p>Considering the limited number of human resources in NACP, regular monitoring and supervision is still a challenge.</p>	<p>NACP needs to enhance its oversight of SRs by ensuring timely reporting from SRs using the standard reporting templates and that the quarterly planned meetings with the SRs take place. Specifically NACP should coordinate and monitor the performance of the Royal Bhutan Army to improve their performance.</p> <p>NACP has engaged one M&amp;E officer to follow up with the SRs, therefore monitoring and oversight is expected to have improved by the next reporting period.</p>
<b>Monitoring and Evaluation</b>	
<p>Reporting on results expressed in percentage are not calculated appropriately.</p>	<p>Although there is improvement in reporting, NACP should pay particular attention when calculating results in percentage.</p>
<b>Financial Management</b>	
<p>Inconsistent reporting and adjusting currency exchange rates leading to high foreign exchange losses.</p>	<p>NACP needs to follow PUDR guidelines to report and adjust exchange rates in a consistent manner. In addition, while we acknowledge that the government practice is to follow RMA guidelines, NACP is yet to provide legal documentation of this practice and receive approval from the GF. Future discrepancies in reporting and adjusting exchange</p>

	rates could be resolved by developing a standard guideline for the finance officer to follow.
It was found that cumulative budget was not adjusted by NACP. Hence, cumulative budget was overstated by US\$ 590,006 in PR total Cash Outflow 3A section (NACP reported as cumulative budget an amount of US\$ 3,530,117, while the correct cumulative budget amounts to US\$ 2,940,111). This is a non-compliance with the PU/DR Guidelines.	NACP should adjust the cumulative budget as per the PUDR Guidelines.
US\$ 3,154 was recorded as an expenditure of PR while it should be recorded as disbursement to SR. This activity was related to SR "Road Safety and Transport Authority-RSTA".	NACP needs to rectify this error and update the books of accounts accordingly by the 15/08/2014 at the latest.
<b>Pharmaceutical and Health Product Management</b>	
Coordination with DVED still remains a challenge. Replacement of trained staff at DVED continues to take place with no training of new staff. Lack of knowledge on GF requirements continues to hamper smooth implementation of procurement and reporting.	NACP and the DVED should increase their coordination and meet on a regular basis for procurement issues.
<b>Audit report</b>	
NACP should have submitted the financial statements in US\$ and SRs audit reports by the 31/03/2014 as requested by the Global Fund on the 12/02/2014.	NACP is kindly requested to provide the documents as per the Audit Report management letter sent in February 2014 (see Annex 1) by the 09 May 2014 at the latest.

### E. EFR covering from the 1 February to 31 December 2013

NACP submitted an Enhanced Financial Report (EFR) covering the period from 1 February 2013 to 31 January 2014. We note significant improvement in reporting, especially in using appropriate template and justifying variances for the reporting period and cumulative wise as per the Global Fund request.

EFR needs to be resubmitted by the 15/08/2014, covering Year 1 of the TFM period (1 February 2013 to 31 December 2013) to ensure alignment with the annual budget periods. NACP is also kindly requested to adjust the cumulative budget.

### F. Overall Rating

Following the analysis of the overall performance of NACP, including the implementation of activities, as well as program management during the period 1 July to 31 December 2013, the Global Fund has decided to give an overall **B1** rating.

### G. Disbursement Decision

Following the analysis of the overall performance to-date of the program, and the disbursement request from NACP, the Global Fund made a total disbursement decision of US\$ 200,440.97 covering from the 01/01/2014 until 31/01/2015 (no buffer is included as the TFM end date is 31/01/2015).

Please find below the details of this disbursement decision:

Budget Year 2 TFM:	US\$ 324,876.59
+ Commitments:	US\$ 26,993.57
+ Carried forward activities:	US\$ 211,125.13

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<b>Global Fund forecast</b>	<b>US\$ 562,995.29</b>
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Less NCAP cash balance	(US\$ 330,348.56)
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Less SR cash balance	(US\$ 32,205.75)
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<b>Disbursement Amount:</b>	<b>US\$ 200,440.97</b>
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This disbursement has been already released on the 24/04/2014.

NACP is not requested to submit a PU on the 15/08/2014. On the 15/08/2014 NACP is requested to submit the following information:

- 1) Updated cash balance;
- 2) Status of Management Actions and documents requested in this performance letter; and
- 3) Revised EFR covering Year 1 of the TFM period (1 February 2013 to 31 December 2013).

We take this opportunity to thank NACP, technical agencies and key stakeholders for the Program's progress to date. We look forward to continuing working together in the fight against HIV.

Sincerely



Elin Bos  
Fund Portfolio Manager  
South and East Asia

Annex 1: Audit report feedback letter

cc: Mr Sonam Wangdi, Program Officer  
All CCM Members  
Mr Karma, CCM Secretary  
Dr. Tandi Dorji, UNOPS, Local Fund Agent  
Dr. Nani Nair, WHO Representative  
Dr. Ruben del Prado, UNAIDS  
Ms. Christina Carlson, UNDP Representative, UN Resident Coordinator  
Ms. Shaheen Nilofer, UNICEF Representative

