

ASSESSMENT REPORT OVER THE PROGRAM

“STRENGTHENING DOTS STRATEGY IN LARGE URBAN CENTERS WITH HIGH TUBERCULOSIS BURDEN IN BRAZIL”

A General Overview of the Financial Performance

This report is intended to present a concise and yet comprehensive view over Program’s financial development, from the figures originally submitted at the 5th. Round, to the actual amount disbursed by The Global Fund at Grant’s closure.

The topics hereunder are meant to cover significant issues which affected the financial performance – especially at the level of operating expenses and disbursements – such as, frequent cuts in committed funding, budgetary costs and actual expenditures, disbursements, low-cost implementation mistakenly classified as underspending, savings, as well as the negative impact caused by the various changes in LFA’s (three, in a five year period) and Fund Portfolio teams. It aims to clarify the distortions which, without affecting the consolidated results of the Program, resulted in an erroneous interpretation of PR’s practices, focused on strict cost control as the key to optimize available resources.

Duly evidenced data, facts and figures will enable a clear understanding of PR’s socially committed practices and standards, which led to leverage the scarce means granted for Objectives 3 and 4.

Inflexibility of The Global Fund’s bureaucratic guidelines imposed on the PR, LFA’s lack of expertise as well as the limitations of its technical staff in charge of assessments and verifications, the lack of a continuous joint approach on the difficulties of implementation, were obstacles faced by the PR in order to carry out working plans and achieve targeted results. Last, but not least, the use of two distinct and sometimes conflicting (whenever applied simultaneously over the same object) accounting methods – accrual x cash accounting⁽¹⁾ – by means of audit procedures, are issues that need to be duly addressed since they demand urgent review.

Originally, Brazil was eligible for a **US\$ 27.240.000** (twenty-seven million, two hundred and forty thousand dollars) **funding over the 5 (five) years Program**, provided the PRs complied with The Global Fund requirements for a Phase II implementation.

Funds were committed under the Grants **BRA-506-G01-T** and **BRA-506-G02-T**, respectively with **Fundacao Ataulpho de Paiva**, to cover the **implementation of Objectives 3 and 4**, and **FIOTEC**, for Objectives 1 and 2.

Primarily, FAP was granted an **overall funding of US\$ 5,163,636** (five million, one hundred and sixty-three thousand, six hundred and thirty-six dollars), notwithstanding the fact that the amount actually **committed by contract** was **US\$ 2,818,000** (two million, eight hundred and eighteen thousand dollars) to cover for the implementation costs of Phase I. The balance - **US\$ 2.345.636** (two million, three hundred and forty-five thousand, six hundred and thirty-six dollars) - was conditioned to Phase II approval.

By the end of Phase I, which qualified the PR for the completion of the Program, FAP had a credit of **US\$ 211.391** (two hundred and eleven thousand, three hundred and ninety-one dollars) due to non disbursed cash ⁽²⁾, based upon the total budgeted for years 1 and 2, i.e., US\$ 2,818,000. Therefore, PR understood that such balance would be added to the funds previously committed, resulting on a total budget of **US\$ 2,557,027** (two million, five hundred and fifty-seven thousand and twenty-seven dollars) for the implementation costs during Years 3, 4 and 5. That 'understanding' was actually validated by the Global Fund Executive Secretariat, via report **BRA-506-G01-T_GSC_0_en**, dated June 18, 2009.

Cash disbursed by The Global Fund during Years 1 and 2, from 5/1/2007 to 7/31/2009:

Date	Amount Disbursed US\$	Administration Fee US\$
17/Apr/2007	881.923,00	44.096,15
8/Apr/2008	808.171,00	40.408,55
16/June/2008	11.857,00	592,85
2/Oct/2008	569.002,00	28.450,10
9/July/2009	168.164,25	8.408,21
10/July/2009	167.492,00	8.374,60
Total	2.606.609,25	130.330,46

Nevertheless, taking the international economic crisis as excuse - which translates into reduction on the inflow of donations and other contributions - The Global Fund reduced in 10% (ten per cent) the general Grant funding for Phase II, as well as additional cuts were made according to some new criteria of evaluation over Phase I performance.

The results of such financial ‘re-assessment’ affected the whole Program budget and, regarding FAP, it had to bear a total loss of approximately **US\$ 590,000** (five hundred and ninety thousand dollars), provided credit from Phase I was added to the amount previously committed for Phase II.

Actually, Grant Agreement **BRA-506-G01-T**, ended with a **US\$ 1,965,419** (one million, nine hundred and sixty-five thousand, four hundred and nineteen dollars) budget, to cover for the implementation of Objectives 3 and 4, throughout Years 3, 4 and 5.

	Year 3	Year 4	Year 5	Total
Original Budget	USD 1,047,402	USD 721,178	USD 577,056	USD 2,345,636
Non disbursed cash during Phase I/Credit				USD 211,391
PR’s requested funding, provided Credit from Phase I was approved				USD 2,557,027
CCM’s Request	USD 1,152,168	USD 678,038	USD 353,213	USD 2,183,419
GF Approval	USD 1,015,272	USD 621,118	USD 329,029	USD 1,965,419
Disbursed by GF	USD 1,390,719	USD 82,160	NIHIL	USD 1,472,879

Besides the chain of continuous losses in Grant funds, as clearly shown by the table above, the PR took responsibility for a series of expenses, mainly of administrative nature, such as personnel costs, maintenance, general supplies, etc., essential counterparty in order to perform the Program, as contracted/planned. Those costs will add to a non-commissioned amount from the savings achieved by the PR over operational costs.

Taking into account that the only remuneration received by the PR is the 5% (five per cent) administration fee over the amount disbursed by The Global Fund, FAP has received – between May 2nd., 2007 and April 30th., 2012 – the amount described hereunder, which represents around US\$ 40 thousand per year of work.

At the end of 5 years, the PR can honestly affirm that performing the Global Fund Brazil TB Program brought it no monetary earnings at all, but is proud to believe it was a successful part of FAP’s History, a tradition of fights against the disease in Brazil, to which FAP has been dedicated throughout the past 112 years.

<i>Financial Overview – Funds disbursed by the Global Fund / FAP's Revenue</i>		
Total Amount Granted:		US\$ 4,572,028
Actual Disbursed to Date:		US\$ 4,079,488
Revenue generated by using Grant funds:		US\$ 162,962
Date	Amount Disbursed US\$	Administration Fee US\$
17/Apr/2007	881.923,00	44.096,15
8/Apr/2008	808.171,00	40.408,55
16/June/2008	11.857,00	592,85
2/Oct/2008	569.002,00	28.450,10
9/July/2009	168.164,25	8.408,21
10/July/2009	167.492,00	8.374,60
18/Dec/2009	1.390.719,00	69.535,95
08/Sept/2011	82.160,00	4.108,00
	4.079.488,25	203.974,41

During the proceedings for the approval of Program's Phase II, not only the technical-operational aspects were considered, however same emphasis was placed on the financial performance, onto the PR's practices for the acquisition of goods and services and transparency of payment procedures.

Throughout 5 years, through several evaluations/verifications carried out by the LFA, the PR never had a single payment refused by auditors, one single expenditure not duly validated, which evidence the seriousness and reliability of PR's practices and the great care over the documental support to each and every payment done.

Following table displays the comparison between budget and actual costs, during Years 1 and 2, according to the Objective/Service Delivery Area they were allocated.

EXTRACT				
1.	Cash received from the Global Fund	1.690.094	916.515	2.606.609
2.	Interest received on bank account	44.993	39.541	84.534
3.	Total Revenue	1.735.087	956.056	2.691.143
4.	Variance : Budget x Disbursement	420.134	-631.525	-211.391
5.	Total Cash Outflow	909.748	1.817.292	2.727.040
6.	Variance : Disbursement x Actual	780.346	-900.777	-120.431
7.	Variance : Budget x Actual	360.212	-269.252	-90.960
8.	Cash Balance	825.339	-861.236	-35.897
				All values in US Dollars

FINANCIAL OVERVIEW PHASE 1										
BUDGET X EXPENDITURES										
Objective	Macro-Category	Service Delivery Area	Budget	Actual	Budget	Actual	Total Budget	Total Expenditures	Variance	
			ANO 1		ANO 2					
3.1.	Strengthening laboratory network by improving quality assurance	TB Detection	Improving diagnosis	150.142	183.184	672.375	677.722	822.517	860.906	38.389
3.2.	Strengthening laboratory network by improving quality assurance	TB Detection	Information System & Operational Research	313.124	186.779	156.865	183.625	469.989	370.404	-99.585
4.1.	Strengthening the actions aimed to reduce TB/HIV co-infection based on lessons learned	TB/HIV Collaborative Activities	Timely detection and quality treatment for people living with tuberculosis and HIV/Aids	42.682	104.525	243.628	304.161	286.310	408.686	122.376
4.2.	Strengthening the actions aimed to reduce TB/HIV co-infection based on lessons learned	TB/HIV Collaborative Activities	ACSM (Advocacy, communication and social mobilization)	48.380	168.426	43.800	22.990	92.180	191.416	99.236
	Program management, administration and overhead	TB: Supportive Environment	Supportive environment: Program management and administration	715.632	266.833	431.372	628.795	1.147.004	895.628	-251.376
				1.269.960	909.748	1.548.040	1.817.292	2.818.000	2.727.040	-90.960

Although the amount granted for Phase I was US\$ 2,818.000, the actual cash disbursed by The Global Fund was US\$ 2,606.609 ⁽¹⁾, US\$ 211,391 ⁽⁴⁾ less than the total budgeted, which was due to cashing interests from bank account, a total of US\$ 84,534 ⁽²⁾ m (see table below). Therefore, the total revenue for Phase I was US\$ 2,691,143 ⁽³⁾ against total expenditures of US\$ 2,727,040 ⁽⁵⁾, which – at the other hand – represents US\$ 90,960 ⁽⁷⁾ less than the total budgeted for the period.

Otherwise, if we account the total expenditures against disbursements, there will be a variance of minus US\$ 120,431 (one hundred and twenty thousand, four hundred and thirty-one dollars) ⁽⁶⁾

At the end of Phase I, PR had to deal with a US\$ 35,897 ⁽⁸⁾ outstanding cash balance, which resulted from LFA's misevaluation of the cash flow – quite usual during the PUDR's verifications – by not taking into account committed expenses.

INTERESTS RECEIVED ON BANK ACCOUNT		
PERIOD	AMOUNT	
	R\$	US\$
MAY to JULY 2007	32.940,28	16.645,75
AUGUST to OCTOBER 2007	26.115,76	13.197,11
NOVEMBER 2007 to JANUARY 2008	18.837,72	9.519,29
FEBRUARY to APRIL 2008	11.143,48	5.631,15
MAY to JULY 2008	16.653,73	8.415,65
AUGUST to OCTOBER 2008	16.890,79	8.535,44
NOVEMBER 2008 to JANUARY 2009	27.127,25	13.708,25
FEBRUARY to APRIL 2009	13.704,66	6.925,39
MAY to JULY 2009	3.871,59	1.956,44
AUGUST to OCTOBER 2009	1.208,57	610,73
NOVEMBER 2009 to JANUARY 2010	10.761,09	5.437,92
FEBRUARY to APRIL 2010	9.098,11	5.088,43
MAY to JULY 2010	12.303,64	6.881,23
AUGUST 2010 to JANUARY 2011	50.435,49	28.207,77
FEBRUARY to JULY 2011	23.842,63	14.968,19
AUGUST 2011 to JANUARY 2012	13.430,69	7.697,00
FEBRUARY to APRIL 2012	4.128,68	2.297,45
TOTAL	292.494,16	155.723,18

Total lack of cash lasted until the end of P9 – January 2010 – and led to postponement and/or cancellation of several activities, planned for the first semester of Year 3. The PR tried to implement the working plan as scheduled by ‘lending’ the necessary cash, which for over 4 months, kept the Program running on schedule. However, as from the end of November 2009, the situation reached a point when the PR/FAP was no longer able to carry out payments and Program implementation stand still until funds were received. The resources for the start-up of Phase 2 (Aug 09) were disbursed by the end of December 2009, and cashed by late January 2010, due to mistakes in the bank order provided by the Global Fund.

Actually, here lies a grave contradiction – which becomes more evident during Phase II – i.e., to consider such variances, arising from the comparison of budget x actual and budget x disbursement, as the result of low implementation, provided they both denote underspending.

Basically, despite the fact that budgets are indicative and actual expenditures are not meant to be strictly the same as budgeted, it leads to the misvaluation over the nature of the variance. Unlike low implementation, savings are the result of efficiency, of an effective procurement & supply management.

At that time, an event was to anticipate the problems the PR would experience regarding LFA's lack of specific expertise for carrying out financial verifications. Despite they had already concluded the performance evaluation – assessment of the data provided by the PR through the PUDR report – and yet reported their conclusions to the GF, LFA had to review and change the financial results, previously informed.

Due to PR's disagreement and strong complaints on the figures validated by the LFA, a review of the cash flow, carried out by both LFA and PR, was agreed. Throughout such review, PR had the opportunity to provide clear and detailed clarifications over the history, nature and destination of each expenditure and, especially, try to have their understanding why the corresponding value of some expenditures – yet to be paid – should be “committed” and, consequently, debited from period's cash balance.

As expected, LFA validated most of the statement of accounts presented by the PR; around 11% (eleven per cent) of the committed amount – US\$ 35,897 – had at the time no fiscal document (invoice, bill, etc), because payment due date was still long ahead and were not validated (which is another rule we cannot agree with).

Since The Global Fund had already approved an international bank transference, based on the conclusions previously reported by the LFA, a second and complementary international payment order had to be issued. It is the reason why there are two consecutive disbursements, on the 9th and 10th July 2009.

Furthermore, the use of two distinct and sometimes conflicting (whenever applied simultaneously over the same object) accounting methods – accrual x cash ⁽¹⁾ – to audit PR's cash flow, is in our opinion the source of most problems concerning financial evaluations held by the LFA. Actually, it is a contradiction as the nature of the Program itself is in terms in which encloses operations and finances within time limits which are not necessarily the same for both. For instance, one activity is held at the end of a certain period – 30th July – while paying for some of its costs will take place in August – for audit purposes that would cause a major dilemma.

The source of the problems relies on the fact that method used to audit does not match the actual philosophy of the Program, which is based on planned actions tied to a planned budget, i.e., cash outflow is related to the activity/period budget, the action allocated in a certain budget/period produces such expenditures which may or may not be paid in the very same period.

Generally, there are two methods under which you can do your accounting; the cash method and the accrual method. While the cash method is focused on the inflows and outflows of cash, with little regard to when the revenue was actually earned or the expense was actually incurred, the accrual method focuses on when expenses actually incurred and, especially, it has the ability to budget accurately.

Accrual method of accounting allows for better budgeting and planning because it looks at when liabilities are incurred and revenue earned and not when cash is paid. This method puts on the books liabilities that might otherwise be forgotten. The cash method of accounting is the easiest method, but not necessarily the most accurate. If one wish to have an audit done under generally accepted accounting principles, one should use the accrual method of accounting.

As a result of the incompatibility between *modus operandi x modus probandi* – the way the Program was designed, by linking planned activities to budgeted costs, i.e., the focus is on the period the action was planned in, which is the same where the expenditure/cost was budgeted, but not necessarily when the payment was due, opposite to the accounting method, which focus on the period cash balance – is the operational enclosure since the PR tends to avoid realizing activities close to the end of each period and, most serious situation, LFA not considering committed values which may result in outstanding balance/lack of cash.

These are the most common results of using cash accounting method:

- a) a certain event was planned to a period “x”, it was carried out during period “x”, but the payment for that expenditure will take place in the forthcoming period, period “y”: when evaluating period “x”, LFA will consider that activity as non-executed as there is no payment for that in the period;
- b) in the forthcoming period, “y”, when doing the verification, LFA will find a payment for an action which ‘should had been done’ in the previous period and will then conclude the PR never carried out the activity as planned and, also, that expenditures exceeded the contracted budget for the period

Actually, it is a “*no win situation*”, a recurring problem mainly as from Year 3, when most of LFA’s verifications have concluded by “low performance” regarding PR’s implementation.

A mere comparison between *budget x actual*, without the necessary information about the several aspects involved in the implementation – difficulties, incidents, exceptional situations, elections, weather conditions and all kind of event that may, directly or not, affect the schedule or completion of the working plan – may lead auditors to reach an erroneous conclusions, most often considering cash balance as the result of pending activities, or outstanding balance as the result of overspending.

Moreover, not only budgets are indicative, i.e., it is not expected expenditures to be exactly the same as budget, unlike operational costs, which are expected to be the key for a keen financial performance – efficient use of resources, coordinated schedule, collaborative efforts in order to share costs, institutional support in terms of being supplied with facilities, installations, equipment and/or any other component of operating costs.

Briefly, if an evaluation is carried out in a superficial way, without proper attention to all components of the process, no doubt the conclusion it produces will not translate true reality.

Eventhough it is mentioned in the Grant Agreement that unspent funds in Phase 1, will not be credited to Phase II budget, the PR still believed that The Global Fund could review that rule. Furthermore, budget approved for Phase 2 had already been subject of over 10% cut, justified by the international economic crisis which affected the inflow of contributions to the GF. Therefore, the PR considered it to be feasible to have the GF approval for the credit of US\$ 211,391 not disbursed in Phase 1.

Nevertheless, contrary to PR’s expectations, that amount was not allocated in the ulterior budget.

The following tables presents the final cost – actual – for training workshops held during Years 3 and 4, while compare it to budgeted costs.

OBJ. 3 _ YEAR 3: TRAINING WORKSHOPS							
Activity	City	Date	Budget	Actual	Variation	Planned	Trained
3.1.2.1	Rio de Janeiro	Jan 10	72.553	69.671	2.882	50	65
3.1.2.2	Porto Alegre	Oct 09	9.300	8.161	1.139	20	19
3.1.2.2	Belém	Nov 09	11.500	10.713	788	30	30
3.1.2.2	Manaus	Dec 09	8.700	2.800	5.900	30	28
3.1.2.2	Belo Horizonte	Dec 09	10.400	7.850	2.550	25	23
3.1.2.2	São Luís	Dec 09	9.300	6.575	2.725	20	19
3.1.2.2	Fortaleza	Dec 09	9.300	4.500	4.800	20	22
3.1.2.2	Recife	Jan 10	9.300	5.675	3.625	20	25
3.1.2.2	Rio de Janeiro	Apr 10	13.700	9.951	3.749	40	37
3.1.2.2	Salvador	Dec 09	11.500	10.358	1.143	30	30
3.1.2.3	Belém	Dec 09	13.100	7.070	6.030	30	24
3.1.2.3	Belo Horizonte	Dec 09	12.500	4.100	8.400	25	12
3.1.2.3	Recife	Jan 10	13.100	2.780	10.320	30	27
3.1.2.3	São Luís	Feb 10	12.100	3.460	8.640	20	13
3.1.2.3	Fortaleza	Mar 10	11.500	2.920	8.580	15	22
3.1.2.3	Manaus	Apr 10	13.100	4.300	8.800	30	30
3.1.2.3	Porto Alegre	Apr 10	11.600	4.357	7.243	30	38
3.1.2.3	Rio de Janeiro	Apr 10	10.450	4.940	5.510	25	30
Total Year 3			263.003	170.181	92.824	490	494
OBJ. 3 _ YEAR 4: TRAINING WORKSHOPS							
Activity	City	Date	Budget	Actual	Variation	Planned	Trained
3.1.2.1	Belém	Jan 11	13.100	11.506	1.594	30	34
3.1.2.1	Fortaleza	Jan 11	11.500	9.311	2.189	15	28
3.1.2.1	Manaus	Dec 10	13.100	9.139	3.961	30	33
3.1.2.1	Rio de Janeiro	Dec 10	31.350	9.006	22.344	75	39
3.1.2.1	Baixada Santista	Dec 10	11.500	8.654	2.846	20	46
3.1.2.1	São Paulo	Nov 10	16.700	2.000	14.700	72	52
3.1.2.1	São Paulo	Dec 10	33.400	8.686	24.714	144	135
3.1.2.2	Belém	Jan 11	12.500	8.579	3.921	30	33
3.1.2.2	Fortaleza	Jan 11	11.500	5.859	5.641	15	27
3.1.2.2	Manaus	Dec 10	12.500	5.518	6.982	30	33
3.1.2.2	Rio de Janeiro	Dec 10	22.440	6.894	15.546	75	57
Total Year 4			189.590	85.152	104.438	536	517
Grand Total			452.593	255.333	197.262	1.026	1.011

OBJ. 4 _ YEAR 3: TRAINING WORKSHOPS							
Activity	City	Date	Budget	Actual	Variation	Target	
						Planned	Trained
4.1.1.1	São Paulo	Sep 09	31.548	3.360	28.188	20	20
4.1.1.1	São Luís	Oct 09	31.548	12.060	19.488	20	20
4.1.1.1	Salvador	Nov 09	31.548	6.052	25.496	20	16
4.1.1.1	Recife	Nov 09	31.548	12.084	19.464	20	21
4.1.1.1	Belém	Dec 09	31.548	17.430	14.118	20	29
4.1.1.1	Porto Alegre	Jan 10	31.548	12.152	19.396	20	21
4.1.1.1	Fortaleza	Jan 10	31.548	1.382	30.166	20	27
4.1.1.1	São Paulo	Apr 10	31.548	14.035	17.513	20	27
4.1.1.2	São Luís	Oct 09	12.016	6.325	5.691	10	7
4.1.1.2	Belém	Dec 09	21.309	12.464	8.845	30	29
4.1.1.2	Fortaleza	Jan 10	21.309	12.044	9.265	25	27
4.1.2.1	São Paulo	Oct 09	21.750	16.600	5.150	25	17
4.1.2.1	Santos	Nov 09	23.309	14.544	8.765	30	14
4.3.1.1	Rio de Janeiro	Mar 10	10.371	3.030	7.341	50	50
4.3.1.1	Rio de Janeiro	Apr 10	10.371	2.380	7.991	50	28
4.3.1.2	Porto Alegre	Jan 10	11.781	5.605	6.176	30	18
Total Year 3			384.600	151.547	233.053	410	371
OBJ. 4 _ YEAR 4: TRAINING WORKSHOPS							
Activity	City	Date	Budget	Actual	Variation	Target	
						Planned	Trained
4.1.1.1	São Luís	Feb 11	31.548	12.296	19.252	20	27
4.1.1.1	Recife	Dec 10	31.548	15.344	16.204	20	26
4.1.1.1	Belém	Oct 10	31.548	15.027	16.521	20	34
4.1.2.3	Recife	Dec 10	23.309	15.900	7.409	25	27
4.1.2.3	Belém	Nov 10	20.192	20.367	-175	30	30
Total Year 4			138.145	78.933	59.212	115	144
Grand Total			522.745	230.480	292.265	525	515

Year 3	Obj 3	3.1.2.1	Course - Decentralization of Culture and Implementation of Quality Assurance Standards, addressed to graduated professionals of the TB lab network
Year 3	Obj 3	3.1.2.2	Training Workshop - Bacilloscopy for graduated technical staff of TB lab network
Year 3	Obj 3	3.1.2.3	Training Workshop - Monitoring the TB Laboratory Network
Year 4	Obj 3	3.1.2.1	Training Workshop - Monitoring the TB Laboratory Network
Year 4	Obj 3	3.1.2.2	Course - Standard Operating Procedures
Year 3	Obj 4	4.1.1.1	Training Workshop - HIV Rapid-Testing for graduated professionals of TB Specialized Services
Year 3	Obj 4	4.1.1.2	Awareness-raising Workshops - meant to increase Rapid-Testing through capacity-building, addressed to graduated professionals of TB services
Year 3	Obj 4	4.1.2.1	Training Workshop - Improving Diagnosis and INH, addressed to graduated professionals of the services specialized in HIV/Aids
Year 4	Obj 4	4.3.1.1	Awareness-raising and Civil Society Mobilization into the integration of communities and Health Services
Year 4	Obj 4	4.3.1.2	Awareness-raising & Capacity-building of civil society leadership aiming to strenghten the actions of control of TB/HIV Coinfection within target populations

Activities classifications as per annual Working Plans

During Phase 2, specially Years 4 and 5, additional cuts were applied by the Global Fund, provided the PR had credit balance at the end of the reporting Periods. Most of the cash was the result of low-cost operations, a key matter for the PR, whose performance is focussed in maximizing the resources through an effective PSM practice, getting the best value for money in the acquisition of goods/contracting services. Continuously, PR managed to perform planned actions with a much lower actual cost than that budgeted, resulting in credit balance at the end of the period.

It evidences that the PR managed to perform planned events with a much lower cost:

- an **efficiency rate of 44%** referencing **Objective 3**
- and **56%** upon **Objective 4**
- Ultimately, it represented to The Global Fund a monetary gain of **US\$ 487,669** (four hundred and eighty-seven thousand, six hundred and sixty-nine dollars),
- Simultaneously, it meant to the PR a loss of **US\$ 24,383** (twenty-four thousand, three hundred and eighty-three dollars) as non-commissioned amount.
- The **average efficiency rate** achieved on training events was **exact 50%** over Budget.

The merit for the aforementioned low-budget performance and efficiency savings is due to organization, precise planning and coordination, which enabled the PR to rationalise several costs – such as travelling & transportation, equipment, facilities, etc – as well as to optimize the use of Human Resources, leading to improved productivity, efficiency, thus continuous savings.

Focused on a ‘macro’ view of the working plan, PR’s operational method consists, firstly, of a comprehensive evaluation of the actions to be developed, prior to scheduling commitments, which will enable the PR to track all the possibilities of collaborative actions, apportioning costs, acquiring goods and/or services for more than one event as to reduce unit prices, optimizing costs of RH by reducing the waiting time/per diems between events as well as scheduling events by geographic area, which is the best way to diminish transportation costs in such a huge country like Brazil. Actually, there is no mystery in such operational standards, it is nothing other than a precise logistics operation which privileges collaborative activities as the key to apportion costs, therefore reducing individual budgets.

In the other hand, such strict planning counted with the essential support of a efficient procurement and supply team, always in the market for best prices/rates for goods and services.

Ultimately, and yet of utmost importance, the vast experience and well respected professional background of some of FAP's members, mainly its President, Dr. Germano Gerhardt Filho, has translated into substantial support and concrete contribution to PR's performance. PR's General Coordinator/FAP's President, whose professional and personal relations can be found in different levels of hierarch of various organizations and institutions – several Programs, Offices, Agencies, etc, of both public and private sectors – turned into a systematic and valuable response to the actual accomplishment of planned activities: all sort of elements of cost/budget, such as materials, equipment, installations, facilities, etc, were supplied by those external supporters. Eventually, we may credit that outside collaboration an expressive share over those savings.

Fine example was the holding of the workshops 'Standard Operating Procedures' and 'Monitoring the TB Laboratory Network', under Objective 3, when the Reference Center Helio Fraga lent the accommodations to host the participants of the events during two weeks. The amount saved with that kind support from the Reference Center was approximately **US\$ 35,000** (thirty-five thousand dollars) or **65%** over the total budgeted for those activities.

Likewise, it is notable that PR's efforts in order to optimize the financial resources which, in their concept, should be allocated into the implementation of complementary actions, was a decision taken at the expense of their own remuneration, a **monetary loss of US\$ 24,476** (twenty-four thousand, four hundred and seventy-six dollars), i.e., **5% over the total savings on training events.**

Aforementioned efficiency rate plus the counterparty provided by the PR in terms of maintenance costs, personnel, communication costs, among others – resulted in the necessary "buffer" to, for example, retrieve the contracts of Objective 3 Technical Coordinator and two Monitors (Rio de Janeiro and São Paulo), during Year 4. Otherwise, the continuation of Objective 3 during the last two years of the Program would have been seriously endangered.

Despite such effective financial performance, FAP never got to have its claims for the re-allocation of grant funds attended by The Global Fund. Eventually, those 'savings' were mistakenly reported as 'unspent funds' by the LFA.

Recurring erroneous evaluations carried out by the LFA eventually resulted in subsequent cuts of funds (cash balance at the end of the reporting period being debited from the forthcoming period budget). Instead of amplifying the reach and strengthening the effects of Program's actions by introducing complementary/supportive activities into the original working plan, the PR had to face continuous funding cuts due to the 'underspending'.

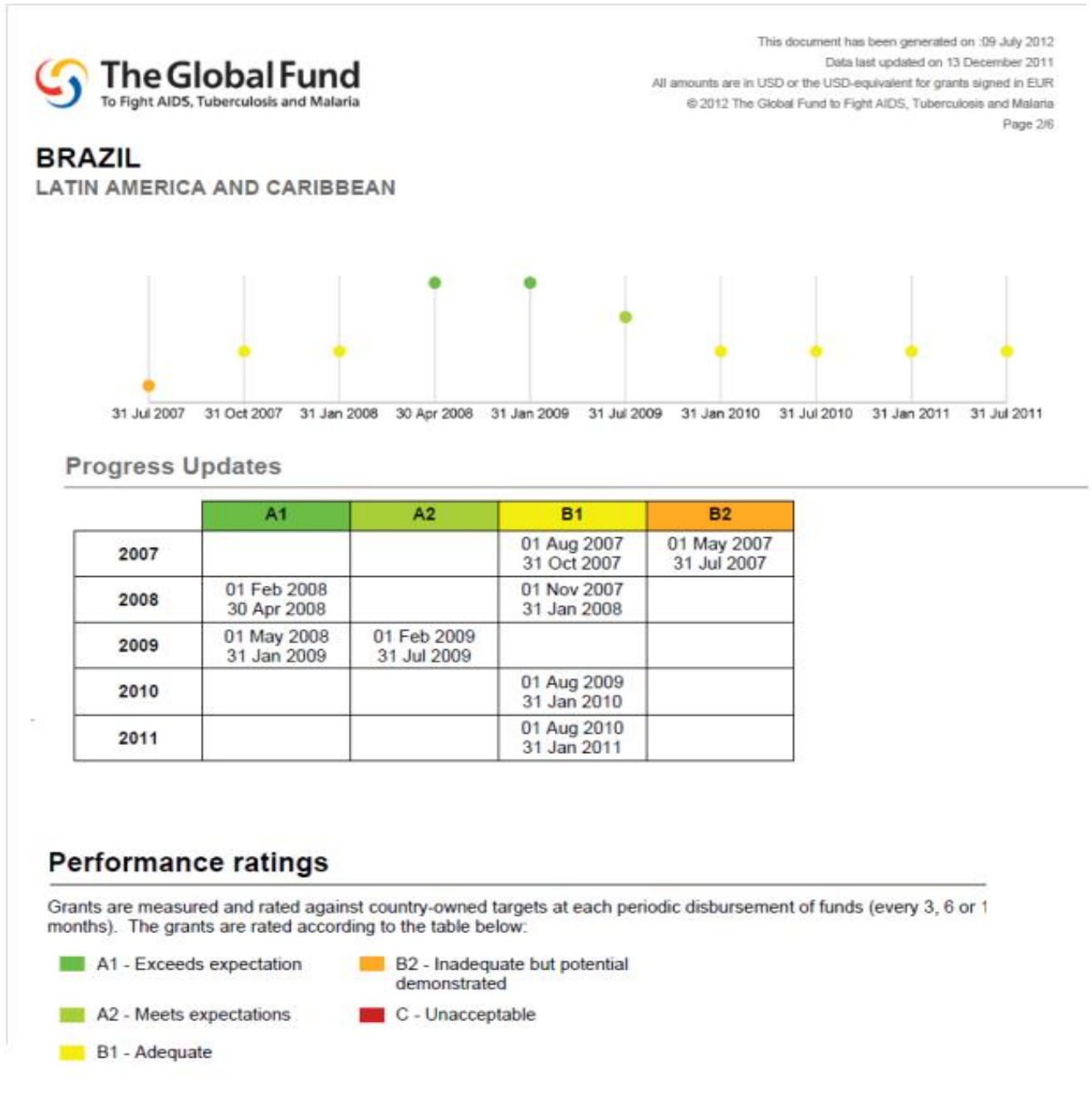
Let us revert to what we consider to be the most striking example of an erroneous conclusion upon an evaluation of performance held by the LFA. It refers to the Indicator "number of people reached by the NGO Projects approved for financing activities in TB/HIV co-infection", the result of which was clearly reported/duly evidenced by the PR. The result was supported by a statement of facts, attached to the PUDR form, which contained all the steps taken by the PR in order to monitor, evaluate and ratify the results disclosed by the NGO, which were in most of the cases not validated by the PR. Actually, the end figure reported by the PR was 44% upon the original result informed by the NGOs. Nevertheless, the Indicator which achieved 186% over the targeted result was insistently 'blanked' in the Performance Reviews and it took the PR almost two years to finally have it attested by The Global Fund (as the LFA itself admitted the mistake immediately upon PR's clarifications, while the GF for unknown reasons took four period reviews to rectify the information. Therefore, the rate achieved by the PR regarding its performance on 04 (four) period updates was seriously damaged. Financially, the consequences of LFA's technical inefficiency to carry out OSDV was that funds originally approved for that activity were retained by the GF till "a solution was presented by the PR". Funds were never released despite the immediate 'solution' provided by the PR.

Finally, we ratify our initial comments upon the frequent change of LFAs, as well as the Fund Portfolio Managerial staff, to which we credit most of the responsibility over faults, problems and all sort of mistakes arising from LFA's lack of expertise and technical background - prime requirements to meet the commitments inherent to the position. We believe these issues are to be properly addressed, mainly because we are quite sure that sort of problems are not exclusively brazilian, but may be experienced by different Programs in various and diverse locations.

The following table consists of the conclusive financial overview of Phase II, which supports the facts and figures aforementioned.

FINANCIAL OVERVIEW PHASE 2						
BUDGET X EXPENDITURES						
Nr.	Objective	Macro-Category	Service Delivery Area	Cummulative Budget	Actual Expenditures	Variance
3.1.	Strengthening laboratory network by improving quality assurance	TB Detection	Improving diagnosis	1.020.398	867.500	152.898
3.2.	Strengthening laboratory network by improving quality assurance	TB Detection	Information System & Operational Research	0	0	0
4.1.	Strengthening the actions aimed to reduce TB/HIV co-infection based on lessons learned	TB/HIV Collaborative Activities	Timely detection and quality treatment for people living with tuberculosis and HIV/Aids	764.242	580.222	266.477
4.2.	Strengthening the actions aimed to reduce TB/HIV co-infection based on lessons learned	TB/HIV Collaborative Activities	ACSM (Advocacy, communication and social mobilization)	2.100	15.470	-13.370
	Program management, administration and overhead	TB: Supportive Environment	Supportive environment: Program management and administration	178.678	109.046	69.632
Total Phase II				1.965.418	1.572.238	475.637
Total Phase I				2.818.000	2.727.041	90.959
Grant's Total				4.783.418	4.299.279	566.596

We has choosen to conclude the present assessment report with a graph produced by The Global Fund. The sketch hereunders discloses the ratings achieved by the PR on the evaluation of performance during Years 1 to 4.



It shows that FAP's performance throughout the entire Program's implementation, except for the very first progress update – when the PR is getting to know the ins and outs of implementation, being aware of Grantee's rules and regulations, and, specially, trying to get through the standards of reporting – which granted the PR its one and only B2 rating, has been worth from B1 to A1 ratings.

The result over the evaluation of Year 5 implementation has just been disclosed by The Global Fund and it was a B1.

This is reason enough to make us proud and rewards all the efforts FAP has put into the development of the Program, against numberless obstacles placed in the way of complying the actions planned, facing all sort of difficulties, experiencing financial problems, having to deal with political issues which directly affected planning and schedule, struggling with changes of government, and yet suffering continuous changes on GF managerial team and LFA representatives.

Furthermore, FAP took over Program's accomplishment as a personal challenge once it redeems its historic responsibility and most honoured tradition as The Brazilian League Against Tuberculosis.

Ultimately, it's paramental to emphasize PR's non-governance over some contracted Targets. Regarding the Indicators under the scope of Objectives 3 and 4, those referring to

- the application of Rapid Testing for HIV,
- the treatment under DOTS for the HIV positive who develop TB
- and the administration of INH prophylaxis for HIV positive patients

are far beyond FAP's jurisdiction and strictly under governmental competence.

We hope to have covered the major aspects of such complex ground, i.e., the financial execution, as well as pointed out to the many ways it is linked to operational performance, the inter-dependence and complementary nature of both financial and operational implementations.