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Principal Recipient

Malaria Multi-country Grant

MWP-507-G05-M

**Enhanced Financial Reporting
Summary to 31 December 2010**

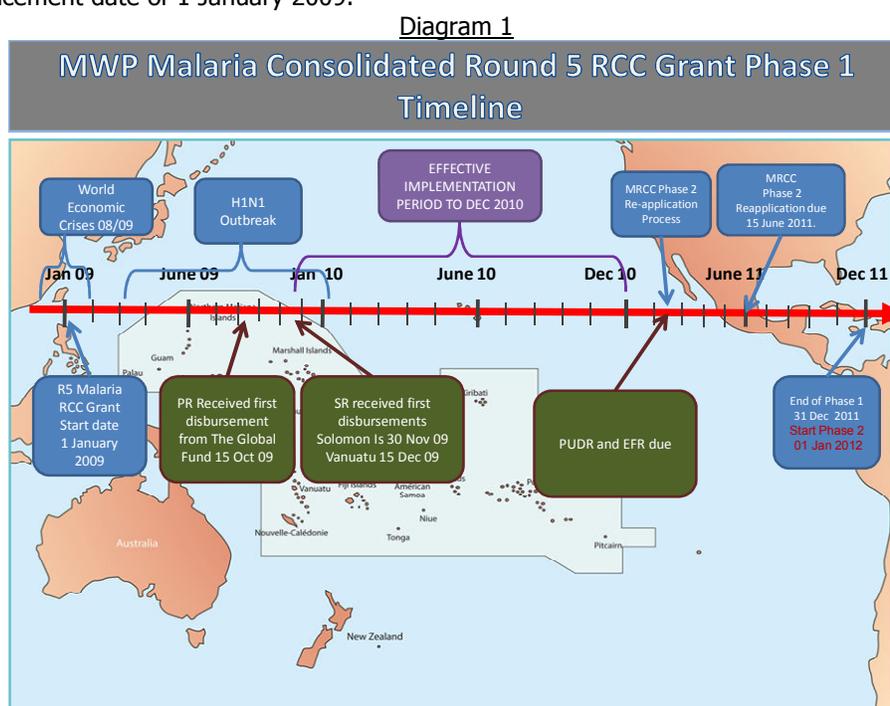
Date submitted: March 2011
Primary PR Contact: Mr Semisi Fukofuka

A. Introductory Remarks

- Attachment 1 encompasses the Principal Recipient’s (PR) completed EFR report for the Malaria Round 5 Consolidated RCC Multi-country Western Pacific Grant (“Malaria RCC MWP Grant”). This document provides explanations at a higher level for the financial performance of the Malaria RCC MWP Grant for the reporting period. This is the second EFR report for this grant.
- The report covers the period from January 2010 to December 2010 as the period-specific term. The cumulative period is from January 2009 to December 2010.

B. Contextual Information

- This section provides contextual information to identify the key drivers of the financial performance of the grant over the period January 2009 to December 2010. It summarizes the main reasons for the historically slow utilisation of funds for grant to date.
- Diagram 1 below displays key events for the Malaria RCC MWP Grant since its inception (with a formal commencement date of 1 January 2009).



- Diagram 1 demonstrates that the Round 7 Grants, since commencement, had to contend with a number of key events which adversely impacted on the ability of implementers to focus on implementing work plan activities resulting in much slower implementation rate than planned. Although the effective implementation period to date noted in the time line is from December 09 – December 10, a more accurate picture would be from end of January 10 – Dec 10 due to the effect of the holiday periods.
- It critically important that in assessing the performance of the Malaria RCC MWP Grant to date that these factors are taken into accounts especially when the grant’s performance is evaluated as part of the Phase 2 re-applications.

C. Overall Financial Summary

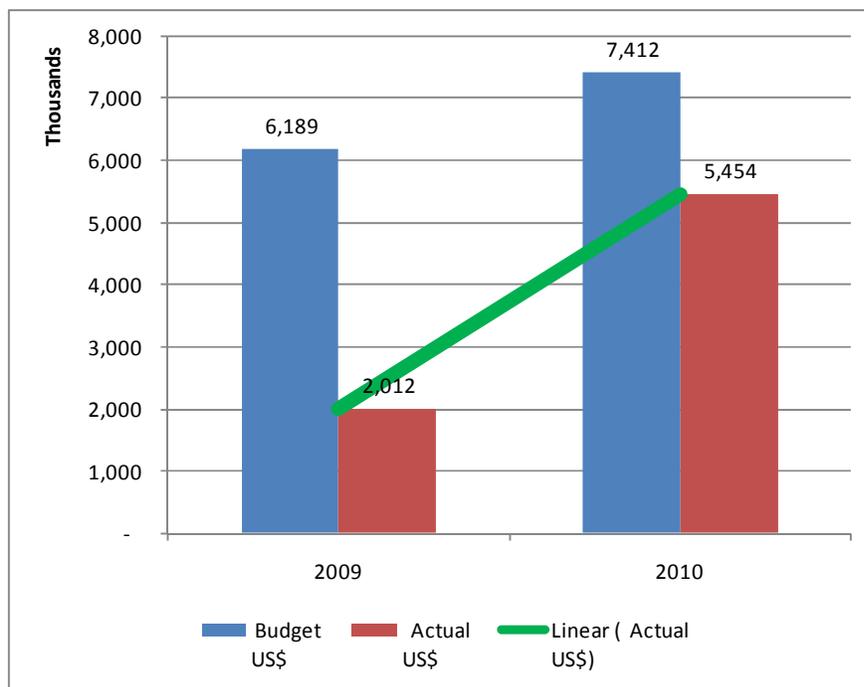
	Period Jan - Dec 2010				Cumulative Jan 2009 - Dec 2010			
	Budget	Actual	Var	Spending Rate	Budget	Actual	Var	Spending Rate
MWP Malaria RCC	7,412,149	5,454,211	(1,957,938)	74%	13,600,758	7,466,338	(6,134,419.78)	55%

- By way of overall summary, the total expenditure for the Malaria RCC MWP Grant at the end of 31 December 2010 is US\$7,466,338 against a budget of US\$13,600,758. This represents a 55% spending

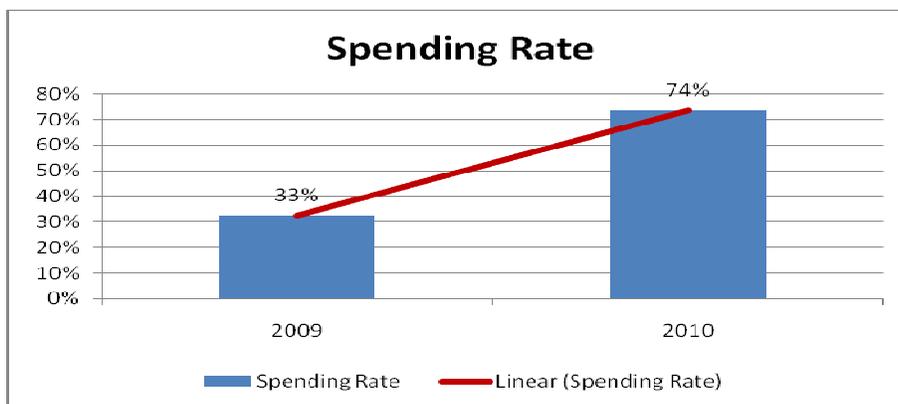
rate¹. This is a significant improvement from the 37% spending rate reported in the last EFR. The major reasons for the financial results to date are discussed in the next section.

8. The following graph shows the annual total expenditure and budget for the Malaria RCC MWP Grant from January 2009.

Graph 1: Annual Expenditures Vs Budget



Graph 2 Annual Spending Rates



9. The overall spending rate of 55% appears low in the first instance but this needs to be considered taking into account the contextual information presented in Section B above. Both Graph 1 and Graph 2 clearly show the impact of the delayed start to the Malaria RCC MWP Grant with only 33% of the 2009 budget utilised. Despite some challenges for 2010, the grant showed significant improvements from 2009 achieving a 74% spending rate.
10. This results thought need to be taken with caution as the main driver of the increased spending is due to the centralised procurements of health products and health equipments such as bed nets, RDT kits, and microscopes. SR specific spending rates were 50% and 39% for Solomon Islands and Vanuatu respectively.

¹ Spending rate is defined as "actual expenditure as percentage of budget".

11. This demonstrated significant potential for improvements and better performances for the future. See next section for more information on factors affecting financial performance to date.

D. Factors affecting absorptive capacity

i. Delayed Signing and grant start date

12. The start date for the Malaria RCC MWP Grant was 01 January 2009. The grant agreement was signed in July 2009, the PR received the first disbursement on the 15 October 2009, and the SRs received their funds in November and December 2009 as highlighted in Diagram 1.
13. During the 2009 implementers were in 'holding pattern' awaiting the receipts of funds. There were limited implementation activities occurred during this time. These activities were funded from the cash balance from the Malaria consolidated grant and by AusAID. AusAID funded activities in the Solomon Islands work plan and were subsequently refunded following the receipts of the first disbursement in-country. These activities were important in the context of the Malaria elimination project that AusAID is running in Temotu and Isabel provinces.
14. In addition SRs needed to update implementation plans a number of time while waiting for the funds to arrive as activities are planned based on the wet and dry season.

ii. Human resources recruitment delays

15. One of the key activities in the Malaria RCC MWP Grant work plan was to strengthen in-country capacity with the recruitment of additional human resources. Key components of the work plans were dependent on these additional resources. The delay of the disbursement of the funds also had an impact on the recruitment process at the SR level. A significant part of the work plan activities rely on addition human resources for increased level of activities. The planned staff were essential to the commencement and success of these activities. Because of the inter-independencies between the two items in the work plan, the delay in recruitments had a compounded negative impact on SR performance. As all in-country positions were intended to strengthen fragile health system, SR recruitments had to go through the Government processes. It is known that these processes can be slow and time consuming. However, following set processes are necessary in order for the SR to comply with all legal requirements impacting on the SR ability to accelerate implementation.

iii. The need to prioritise bed net distribution activities

16. LLINs distribution was made a priority during 2010 following the arrival of the significant number bed nets in-countries over other activities planned for the first two year of the grant. The availability of bed nets to the general population of the Solomons and Vanuatu is of paramount importance to the success of the RCC grants and therefore needed to be prioritised over other planned activities in 2010.
 - a. The delay in the signing of the grant also delayed the finalisation of the procurement of 468,000 nets. Bed nets were not available to SRs in-country until December 2009.
 - b. Distribution was also affected by delays in completing the bed nets census in early 2010.
 - c. In addition to the first two points, bed nets distribution needed to be prioritised as both countries approached the 2010 peak transmission season for malaria. The prioritisation of bed nets distributions unavoidably affected the grant performance in other key areas for activities planned for 2009 and 2010 but particularly 2010. Distribution activities are resource intensive and it resulted in HR resources being redirected from other areas. Key work plan activities affected by the concerted effort on distribution work included the following: trainings for staff, implementation of the indoor residual spraying in high malaria burden areas, health facility supervisory visits and school visits.

E. Planning for Phase 2

17. The Malaria RCC Phase 2 preparations are underway and the preliminary findings from the Phase 1 review shows that there will be no change in strategy. The RCC Phase one however was very much front loaded with procurement of commodities, staff training and preparation of BCC materials while Phase 2 would be very much a carry on support for implementation of activities to ensure continuity to protect at risk populations.

18. The Proposal team has indentified some of the bottlenecks impeding progress during Phase 1. These include:
 - a. Unavailability of Local staff to conduct training due to competing priorities was a major bottleneck for training in Phase 1. The proposal team is exploring potential solutions to this which could include dedicated resources to improve activity coordination and outsourcing.
 - b. In-country monitoring visits not conducted due to HR constraints or SR policies. Options are being discussed with SRs for practical ways to overcome this challenge.

F. Conclusions

19. The delayed start to the Malaria RCC MWP grant and the obstacles highlighted in Diagram 1 significantly impacted the financial performance of the grant to date. However, it is the PR's view that significant works have gone into completing the ground work and the stage is now set for the Malaria RCC MWP grant to launch Phase 2 with 2011 as key period to build on the achievement of 2011.
20. Some of the reasons for the PR optimism for better performance in the future include the following:
 - a. the grant is now operating as near full capacity,
 - b. in-country project steering committees and technical working groups are meeting frequently to monitor and provide advice/guidance on implementation of national work plans. Furthermore there is support available from the donor partners through the involvement of the Malaria Steering Committee. They provide advice in areas identified by the programme as requiring additional support.
 - c. some of the bottlenecks hindering progress during Phase 1 have been identified and solutions are being sought to overcome these.