



Following the Funding for HIV/AIDS

A Comparative Analysis of the Funding Practices of PEPFAR, the Global Fund and World Bank MAP in Mozambique, Uganda and Zambia

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Contents

Abbreviations	iv
Key terms	vi
Executive Summary	vii
1. Introduction	1
2. Background and Methodology	3
HIV/AIDS Donors and Aid Effectiveness	3
Host Country Selection	4
Country-Level Research	5
Study Limitations	5
3. National Funding for Health and HIV/AIDS	7
Health Sector Budgets and HIV/AIDS Funding	7
Sources of HIV/AIDS Funding	8
4. The U.S. President’s Emergency Plan for AIDS Relief (PEPFAR)	11
Description of Program	11
Data Availability	12
Amount of Funding	13
Flow of Funds	14
Working with the Government	15
Activities Funded	17
Speed and Predictability of Funding	20
Selection of Recipient Organizations	22
Types of Organizations Receiving Funding	23
Capacity of Recipients	27
Summary of Key Findings	29
5. The Global Fund to Fight AIDS, Tuberculosis and Malaria	31
Description of Program	31
Data Availability	31
Amount of Funding	32

Flow of Funds	33
Working with the Government	35
Activities Funded	36
Speed and Predictability of Funding	37
Selection of Recipient Organizations	39
Types of Organizations Receiving Funding	40
Capacity of Recipients	40
Summary of Key Findings	42
6. The World Bank Multi-Country AIDS Program for Africa (MAP)	43
Description of Program	43
Data Availability	44
Amount of Funding	44
Flow of Funds	45
Working with the Government	46
Activities Funded	48
Speed and Predictability of Funding	51
Selection of Recipient Organizations	52
Types of Organizations Receiving Funding	54
Capacity of Recipients	55
Summary of Key Findings	57
7. Key Findings: Comparing Donors Against Six Key Funding Practices	58
8. Recommendations to the Donors	67
9. Conclusion	72
Annex 1: Summary of Financial Data Publicly Disclosed by the Three Donors	73
Annex 2: List of References from Country Reports	75

Abbreviations

AB	Abstinence/Be Faithful
ACTAfrica	AIDS Campaign Team for Africa
ARV	Anti-Retroviral
CBO	Community-Based Organization
CCM	Country Coordinating Mechanism
CDC	Centers for Disease Control and Prevention
CGD	Center for Global Development
CHAZ	Churches Health Association of Zambia
CNCS	Mozambique National AIDS Council
COP	Country Operational Plan
CRAIDS	Community Response to HIV/AIDS
CSO	Civil Society Organization
DAC	District AIDS Committee
DOD	U.S. Department of Defense
FBO	Faith-Based Organization
GFATM	The Global Fund to Fight AIDS, Tuberculosis and Malaria
HAI	Health Alliance International
LFA	Local Fund Agent
MAP	Multi-Country HIV/AIDS Program for Africa
MOF	Ministry of Finance
MOFPED	Ministry of Finance, Planning, and Economic Development
MOH	Ministry of Health

NAC	National AIDS Council
NGO	Non-Governmental Organization
OGAC	Office of the U.S. Global AIDS Coordinator
OVC	Orphans and Vulnerable Children
PEPFAR	U.S. President’s Emergency Plan for AIDS Relief
PMTCT	Prevention of Mother-to-Child Transmission
PROSAUDE	Mozambique Health Sector Common Fund
RO	Recipient Organization
SRO	Sub-Recipient Organization
SWAp	Sector-Wide Approach
TASO	The AIDS Support Organization
USAID	U.S. Agency for International Development
USG	United States Government
VCT	Voluntary Counseling and Testing
ZANARA	Zambian National AIDS Response
ZNAN	Zambia National AIDS Network

Key Terms

For the purposes of this paper, a funding **commitment** is defined as the point at which funding is legally promised to recipients.

A **disbursement** is defined as the point at which funds are transferred from the funding mechanism to a recipient.

A PEPFAR **obligation** is money made available to a recipient organization either for withdrawal in advance of project expenditures (in the case of a grant or Cooperative Agreement) or as reimbursement for expenditures within 30 days of submitting an invoice (in the case of a contract). PEPFAR obligations are legal commitments to pay now or in the future. For this reason, obligations are technically considered commitments, but, in practice, they more closely resemble Global Fund and MAP disbursements since they have the effect of making funds available for use by a recipient organization.

A **recipient organization (RO)** is any organization that receives funds directly from the donor. PEPFAR calls ROs “prime partners” and the Global Fund calls ROs “principal recipients.” We will use ROs to refer to these groups instead of the donor-specific terms.

A **sub-recipient organization (SRO)** is any organization that is sub-granted donor money from an RO.

Any reference to “**the three major donors**” or “**the three donors**” refers to PEPFAR, the Global Fund, and the World Bank’s MAP.

When we refer to **our focus countries**, we are referring to the three countries that are the focus of this study: Mozambique, Uganda, and Zambia.

A **civil society organization (CSO)** is defined as a non-governmental, not-for-profit organization that has a presence in public life, such as a non-governmental organization (NGO), community-based organization (CBO), faith-based organization (FBO), labor union, charitable organization, professional association, or foundation.

A **non-governmental organization (NGO)** is defined as a nonprofit, non-governmental group organized around a common interest. While most definitions consider faith-based organizations to be an NGO sub-set, for the purposes of our analysis we consider them to be a separate type of organization.

A **faith-based organization (FBO)** is defined as an organization that is affiliated with a religious denomination or house of worship.

A **community-based organization (CBO)** is defined as a nonprofit, non-governmental group based in a local community.

Executive Summary

Introduction

Donor funding for HIV/AIDS has reached levels unprecedented in the history of global health: annual funding for AIDS in low- and middle-income countries increased 30-fold from 1996 to 2006, from US\$ 300 million to US\$ 8.9 billion. While funding remains far short of the estimated need, international donor commitments for HIV/AIDS are significant, and likely to be so, well into the future.¹ The resources for AIDS are a topic of considerable interest and debate internationally, yet little is understood about how these resources are actually being spent, and whether they are being made available as efficiently and effectively as possible for the fight against AIDS.

Through the lens of what is happening in several countries in sub-Saharan Africa, this paper examines the flow of resources from three of the world's largest AIDS donors: the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund), and the World Bank's Multi-Country HIV/AIDS Program for Africa (MAP). Drawing on country-level research undertaken by collaborating local research organizations, we describe the levels and types of funding from these donors, and highlight the procedures through which funds are committed, released and accounted for in three countries in which all of the programs are active: Mozambique, Uganda, and Zambia. Through this close look at how money moves from donor to specific purposes, we describe bottlenecks and other difficulties in the disbursement of funds, document the way their disbursement systems attempt to build national capacity to fight AIDS, and identify specific ways in which the donor agencies could make the resources move more efficiently.

No existing base of evidence permits us to relate donor procedures and their execution to the ultimate impact of the funding; no one knows with certainty, for example, the relative impact on public health of allocating donor funds on the basis of a national strategy compared to allocating them in a uniform way across all countries, or implementing programs through international versus local organizations. However, an international consensus does exist about what constitutes appropriate donor behavior to achieve "aid effectiveness." Specifically, we can assess consistency of the observed practices of PEPFAR, the Global Fund and the World Bank's MAP with the tenets of the Paris Declaration on Aid Effectiveness, which all three agencies have endorsed.² To do this, we use an array of information from the three countries to examine how each agency: works with the government; builds local capacity; keeps funding flexible; selects recipients; makes the money move; and collects and shares data. This study yields

¹ To meet the needs for HIV/AIDS prevention, treatment and care in low-income countries, UNAIDS estimates that \$15 billion was required in 2006. The sum would rise each year thereafter. See UNAIDS, 2007. Financial Resources Required to Achieve Universal Access to HIV Prevention, Treatment, Care and Support.

² While each donor has its own goals, we believe that the framework used here – ie. assessing donors funding systems against standards that are based on the Paris Declaration – is a valid way to examine the practices of PEPFAR, the Global Fund, and the MAP.

recommendations for how each donor can improve its program to increase the effectiveness of aid, as defined in this way. We anticipate building on and refining these findings and recommendations during the HIV/AIDS Monitor's subsequent information-gathering and analyses in these countries.³

Methods

We selected Mozambique, Uganda, and Zambia for this study because they vary in size, HIV prevalence, development indicators, stages of the epidemic, and the nature and strength of government responses and donor involvement. Although the number of countries is too small to support broader inferences, looking at the donors' practices in countries that are different from one another in important ways generates hints about underlying patterns of donor behavior.

In each country, our research partner⁴ collected information through reviewing documents and interviewing officials from the donor agencies, the government and funding recipients, as well as other stakeholders.⁵ A draft of this paper was reviewed by technical experts as well as informed individuals in each of the donor organizations, to ensure accuracy.

Tracking the flow of funding for AIDS has proven challenging for several reasons: none of the donors publicly discloses all of the funding data that would be required to truly trace monies from source to ultimate use;⁶ HIV/AIDS monies are used in a broad range of sectors, from health to education to transportation and mining, complicating the task of sorting out both amounts and uses; the funding flows through a diverse set of channels – some within the public accounting system in-country and some outside of it – making it hard to account for all funds; and finally, the in-country researchers encountered difficulties in gaining access to and information from some government and donor officials. Other concurrent resource-tracking studies that utilize methodologies, such as the National AIDS Spending Assessments (NASA) developed by UNAIDS⁷ or the National Health Account (NHA), may provide the level of detail about expenditures that was impossible in this study.

³ This analysis is the first in a series of six thematic research papers to be produced by the HIV/AIDS Monitor in this period.

⁴ Our collaborating research partners were: in Uganda – the Department of Health Policy, Planning and Management, School of Public Health, Makerere University; in Mozambique - Austral Cowi Consulting; in Zambia - the Health Economics & Research Training Programme, Economics Department, University of Zambia.

⁵ A purposive sampling method was used; for example, a sample, not all, of each donor's recipients were interviewed.

⁶ Of particular note is the fact that data on the expenditures of funding recipients were available in only a very limited number of cases.

⁷ For more information, see

http://data.unaids.org/pub/Manual/2007/20070411_ungass_core_indicators_manual_en.pdf, page 24

Sources of HIV/AIDS Funding

Since 2003, funding for HIV/AIDS from the government and donors has increased dramatically in Mozambique, Uganda and Zambia.⁸ Further, since 2004, when spending began to rise most rapidly, most increases can be attributed to PEPFAR alone. By 2006, PEPFAR money constituted 62 percent of HIV/AIDS resources in Zambia, 73 percent in Uganda, and 78 percent in Mozambique.

During this same period, as donor support has expanded, the absolute levels of government resource commitments in all three countries have remained flat. Government funding now comprises a very small share of total resources for HIV/AIDS. In Uganda and Mozambique, national government contributions made up 5 and 2 percent, respectively, of total 2006 AIDS funding. There is no room for doubt that the financing of AIDS programs is squarely on the shoulders of the donors.

What the Donors Are Doing

PEPFAR: An Emergency Response Based on Achieving Targets

- PEPFAR provides the most funding in the countries studied.
- PEPFAR funding is largely allocated based on requirements set by the U.S. Congress for the treatment, prevention, and care of patients as well as orphans and vulnerable children (OVCs). The distribution of funds is strikingly similar across the three countries, with the largest share going to treatment.
- PEPFAR recipient organizations (ROs), chosen largely by their ability to meet targets, have few capacity constraints. Funds tend to flow quickly and predictably.
- Most PEPFAR funding goes to international (mainly U.S.) non-governmental entities. Although some money is transferred to recipient governments, overall funding is managed and overseen by U.S. government personnel.
- The annual process for preparing the Country Operational Plan (COP) is very time-consuming, requiring the full attention of PEPFAR staff as well as substantial time from RO staff.

⁸ In this section, we examine the AIDS funding provided by government and donors but do not attempt to comprehensively document all sources of AIDS monies. Two well-established processes for conducting these comprehensive funds-tracking exercises exist: the National AIDS Spending Assessments (NASA) and the National Health Account HIV/AIDS sub-account. For more information, see www.unaids.org and <http://www.who.int/nha/what/en/>. A completed NHA sub-account analysis or NASA tracking exercise has not been conducted in any of our three countries in the past four years, ever since all three donors began providing large sums of money to these countries. In the next two months, however, we do expect a NASA for Mozambique to be released, and we will make use of this report in future analyses.

The Global Fund: Flexible Funding Based on Country Ownership and Performance-Based Funding

- The Global Fund offers a moderate amount of funding in the countries studied.
- The Fund allocates funding in a highly flexible way both within and between countries.
- Via the Country Coordinating Mechanism (CCM), recognized stakeholders in recipient countries determine which programs get Global Fund money. In recent years, an increasing share has been dedicated to AIDS treatment.
- Global Fund money usually is disbursed to the national government, with money spent according to country-designed procedures and by country-selected recipients.
- Global Fund money has encountered significant bottlenecks within countries, primarily due to ROs' lack of capacity to manage funds.

World Bank MAP: Strengthening the National Response by Targeting Recipients, Building Capacity, and Strengthening Institutions

- Although modest compared to the amounts from other donors, MAP funding uniquely focuses on strengthening the national AIDS response by allocating its money to particular types of recipients, such as National AIDS Councils; it also places priority on capacity building and institutional strengthening rather than particular programmatic areas, such as prevention, treatment, or care.
- All MAP funding is disbursed first to the national government, but money is spent according to MAP-specific procedures aimed at ensuring the proper use of funds.
- MAP funding encounters significant bottlenecks moving through the government system because of a combination of extensive procedural and reporting requirements, overburdened government staff, and bureaucratic entanglement.

Comparing Donors against Six Key Funding Practices

The three donors differ markedly with respect to their adherence to dimensions of “aid effectiveness” that can be derived from the Paris Declaration: working with the government; building local capacity; flexible funding; selecting appropriate recipients; making the money move; and collecting and sharing data.

1) Working with the Host Government as the Steward of the National Response

Donors should work with the government to ensure that it is able to lead the national AIDS response, and can work with other stakeholders to design, plan, and oversee donor-funded activities, in accordance with a national AIDS plan. Over time, working with the government can also build public capacity.

- Government representatives are involved in the planning and design of activities supported by MAP and the Global Fund, but less so in PEPFAR-funded programs. Although there is little joint planning with government, PEPFAR shares information about its program with the recipient governments, including seeking approval of the annual COP.
- Government representatives play an integral role in overseeing all funding provided by MAP and the Global Fund, but have a more limited role in the PEPFAR program.
- PEPFAR and MAP require the government to manage their funding using donor-specific procedures. The Global Fund allows countries to use existing systems and procedures. Each host government is dealing with multiple funding systems, each with distinct requirements to be followed.

2) Building Local Capacity: Governments, Civil Society, and the Private Sector

By building the capacity of the government and local organizations to address the epidemic, donors help to foster the broader “aid effectiveness” aims of ownership, alignment, and management for results.

- All donors support activities that build the capacity of the government to oversee the national response, but only MAP can systematically demonstrate that a significant share of its resources are dedicated to such activities.
- Funding from all three donors also is used for capacity building among local civil society and private sector actors. In particular, MAP focuses on building the capacity of community groups, PEPFAR focuses on training service providers, and the Global Fund allows recipients to determine capacity-building needs.
- The impact of this spending is unknown; donors have not assessed whether capacity-building activities are improving the ability of recipients to manage and use AIDS funds.

3) Keeping Funding Flexible

Flexibility permits donor-funded activities to be consistent with national AIDS plans, oriented to countries’ distinct epidemiological characteristics and other contextual factors, and shaped by the activities of other parties.

- In terms of the types of activities supported by each donor, the Global Fund’s money demonstrates the most flexibility, and PEPFAR’s the least, with MAP coming somewhere in between.

- PEPFAR funding is least conducive to allowing recipients to implement comprehensive approaches that combine elements of treatment, prevention and/or care.
- Overall resources from all three donors appear disproportionately focused on treatment and care at the expense of prevention.

4) Selecting Recipients: Balancing Efficiency and Sustainability

Donors must balance competing priorities when selecting recipients. On one hand, donors want to provide funding to the government and other local organizations to encourage ownership, alignment, and sustainability. But on the other hand, donors also want to fund recipients who can best manage and use funds efficiently to achieve results.

- In selecting recipients, PEPFAR places priority on achieving targets, whereas the World Bank prioritizes capacity building and institutional strengthening. The Global Fund allows countries to set their own priorities in choosing recipients.
- The contrasting approaches of the donors underscores a trade-off between selecting recipients that can implement programs quickly (but often are international organizations), and selecting local recipients with lower capacity (but potentially more sustained engagement in the countries). In choosing the former, PEPFAR funds are channeled primarily to international – mainly U.S. – recipients. All World Bank money and most Global Fund resources are channeled through local governments.

5) Making the Money Move

Effectiveness depends on funding being predictable and available to be used quickly. These aims must be balanced against priorities of efficiency and sustainability.

- MAP and Global Fund monies that flowed through the public system encountered major bottlenecks that delayed subsequent disbursement.
- PEPFAR avoids many of these bottlenecks by awarding the bulk of its money to non-governmental groups.
- The sub-granting process from recipients to sub-recipients was reasonably quick and predictable under PEPFAR, but often slow and unpredictable for MAP and the Global Fund.
- PEPFAR provides funding once a year to each recipient, making funding more easily available for implementation than the multiple-installment approach employed by MAP and the Global Fund.

6) Collecting and Sharing Data

Collecting data about the uses of AIDS funding and results achieved is a critical component of managing for results: allocating resources more appropriately, designing better programs, and keeping programs on track. Accountability requires publicly disclosing collected data and working with governments to strengthen national monitoring and evaluation systems.

- PEPFAR has the most comprehensive financial data capture system but does not publicly share most of its data.
- The Global Fund publicly discloses the largest share of its financial data.
- All three donors could significantly increase the amount of information shared publicly.

Doing Better: Recommendations to Donors

Recommendations to All Three Donors

- ***Jointly coordinate and plan activities to support the National AIDS Plan.*** All three donors should coordinate to avoid duplication, and ensure that resources are distributed across the range of programming needs. Coordination should be based on supporting the strategies articulated in each country's National AIDS Plan. All three donors should work – either directly or through their ROs – with other country-level stakeholders to finance activities that are consistent with the national plan. Where a host country's plan is weak or has gaps, donors should coordinate efforts to assist the government and other country-level stakeholders to strengthen it.
- ***Assist the government in tracking total national AIDS funds.*** The World Bank and the U.S. government should work with the host government to ensure that all AIDS funds – not only funds going to the government – are tracked and documented.⁹ Governments could use existing methodologies such as the National AIDS Spending Assessments (NASA) or the National Health Accounts (NHA). AIDS funding in the health sector should be tracked as part of, and not separate from, broader efforts to track health funds.
- ***Focus on building and measuring capacity.*** To support a nationally-led response for the long term, all three donors should place priority on capacity development, making it an integral component of their efforts to strengthen governmental and civil society organizations engaged in the national AIDS response. Emphasis should not simply be placed on enhancing organizations' ability to meet donor-mandated accountability requirements. Importantly, donors should develop metrics to help them assess the effectiveness of various capacity-building activities.
- ***Develop strategies with host governments and other donors to ensure financial sustainability.*** Overall funding for AIDS has increased dramatically, creating high recurrent cost burdens for countries that far outpace the current annual AIDS

⁹ Given its role as a financing entity, the Global Fund may not be able to do this.

- contributions of the three governments. Donors should work with governments and other donors to begin developing clear financing strategies to ensure that AIDS programs can be sustained in the long term.
- ***Strengthen financial data collection and disclosure.*** Donors should focus on more closely tracking the programmatic breakdown of expenditures by their ROs and sub-recipient organizations (SROs). If precise figures prove difficult to collect, estimates can be used.¹⁰ Further, all three donors should publicly disclose the full range of financial data that they collect. Donor decisions about collecting financial data should be based on several factors: balancing the need for data for accountability at all levels; using data to allocate resources more appropriately and to design better programs; using data to monitor programs to keep them on track; minimizing the burden placed on program implementers; and documenting program progress to inform future programs.

Recommendations to PEPFAR

- ***Make the government a true partner in PEPFAR programs.*** To support a sustainable national response, PEPFAR should enhance its work with the government, including more systematic information-sharing and coordination. In particular, PEPFAR should ensure that financial and performance data for its programs are routinely provided to government officials at key times, such as during the development of annual budgets. PEPFAR also should consider further involving country governments in the selection of new recipients.¹¹ As public capacity improves, PEPFAR, along with other donors, should increasingly involve the host government in conducting the oversight of programs.¹² PEPFAR could work with other donors to develop a systematic approach to assess a host country government's "readiness" to shoulder an increasing share of oversight responsibilities.
- ***Increase flexibility of programming and funding.*** PEPFAR should allow for greater flexibility in its funding model so that programs can be tailored to suit country-specific contexts. In particular, PEPFAR should remove funding earmarks to allow its country-level staff greater flexibility in designing programs that are consistent with host country priorities and local epidemiological contexts. Even if funding earmarks are not removed, PEPFAR should consider a more balanced allocation in each focus country so that treatment efforts are not scaled up at the cost of prevention.
- ***Strengthen capacity-building activities in host country.*** PEPFAR should place greater priority on increasing the share of funds that go to local recipients, with the goal of transferring knowledge and expertise systematically. PEPFAR also

¹⁰ The World Bank already uses estimates in its "ACTAfrica Questionnaire" but these questionnaires are not publicly available.

¹¹ This involvement could come, for example, in the form of having a government representative serve on the technical review panel that assesses and rates applications for new PEPFAR awards.

¹² PEPFAR guidance on its 2008 Country Operational Plan process already calls for its staff to work with governments "where feasible" to "begin considering costs that can be transitioned to host country financing." However, this transition should be dealt with systematically, including the possibility of using indicators to determine when the transition is feasible.

should develop specific strategies for transitioning local SROs to ROs, drawing on examples, such as Uganda, where a greater share of resources is provided to local groups. Building local capacity is critical to sustain programs, and should be pursued even at the risk of delaying the achievement of PEPFAR's global targets.

- ***Adopt two-year cycles for Country Operational Plans.*** The COP process should be conducted biannually, rather than annually, to reduce the burden placed on PEPFAR and RO staff. A two-year planning cycle would allow recipient country governments to plan their future budgets with more precision.¹³ This two-year planning process would be separate from the actual process of committing (i.e., obligating) funding to recipients. Funding commitments would continue to occur annually, consistent with current practices.
- ***Publicly disclose data.*** PEPFAR should publicly release, on an ongoing basis, the extensive financial data that it already collects. In particular, PEPFAR should post the following information on its website: annual commitments (i.e., obligations) to each RO *and* SRO, including the breakdown of funding by program area; and total annual disbursements (i.e., outlays) for each RO. PEPFAR should consider posting annual RO expenditures on its website. At a minimum, it should ensure that country-level staff have access to such expenditure data so that they can assess funding against targets achieved.

Recommendations to the Global Fund

- ***Keep the focus on funding gaps.*** The Global Fund is right to focus on filling funding gaps. It should continue to ask Country Coordinating Mechanisms (CCMs), as part of the grant application process, to identify all major AIDS activities ongoing in their country. This will help ensure that Global Fund money is made available, where warranted, to support under-resourced priorities such as prevention activities.
- ***Re-examine strategies to build local capacity.*** Global Fund ROs continue to face capacity constraints, suggesting that the Global Fund should re-examine how it identifies and/or addresses such constraints.¹⁴
- ***Simplify procedures for good performers.*** The Global Fund should streamline reporting requirements for ROs that have demonstrated an ability to effectively use earlier Global Fund grants. For example, these ROs could receive larger individual disbursements to cover at least 12 months. The Global Fund will soon

¹³ Recipient countries' fiscal years rarely align with the U.S. government's, so recipient governments are often planning for a future fiscal year before PEPFAR has completed the COP process for that same period. As a result, when the Ministry of Finance asks PEPFAR staff to provide funding figures for a future fiscal year, PEPFAR staff can offer only very rough estimates.

¹⁴ Other reports have pointed to the need to provide funding for capacity and improve technical support to build it. For example, see "Challenges and Opportunities for the New Executive Director of the Global Fund: Seven Essential Tasks," Center for Global Development, <http://www.cgdev.org/content/publications/detail/10948/>

- adopt a streamlined procedure for “good performers” to access new funding (for up to six years) at the end of a current grant.¹⁵
- **Publicly disclose data.** The Global Fund should publicly disclose additional financial data that it already collects from ROs. In particular, the Global Fund should consider posting to its website the following information: first-year budgets and second-year budget estimates which are prepared at the outset of each grant; grant-specific documents known as “Sources and Uses of Funds”; and the Fiscal Year Progress reports submitted by each RO. By disclosing these data, the Global Fund will enhance its demonstrated ability to share information with multiple stakeholders and increase the effective use of its resources.

Recommendations to the World Bank MAP

- **Focus resources on building government capacity.** The World Bank MAP should build public-sector capacity by determining the key areas in need of strengthening and then working with the government and other donors to ensure that these areas are addressed. The MAP is particularly well-suited to take on this role, given the World Bank’s expertise in public-sector capacity and fiduciary management.¹⁶ In particular, MAP should help address the major bottlenecks to program implementation described in this report. In so doing, it should shift resources away from programmatic interventions and into capacity building. The Bank should actively share knowledge regarding capacity-building with other donors. Furthermore, the World Bank should work with other donors to develop metrics that could be used to assess a particular government’s “readiness” to handle more donor resources and/or take greater responsibility for the oversight of donor programs. This would particularly help PEPFAR determine when it can begin shifting oversight responsibilities for its programs to the government.
- **Increase focus on prevention.** The MAP should maintain its focus on prevention activities especially in light of the heavy emphasis on treatment by PEPFAR and the Global Fund. However, with its modest resources, the Bank could commit to improving the knowledge base about effective approaches to fight HIV/AIDS. Studying which proven prevention interventions are effective in different contexts and sharing lessons learned with other stakeholders could help correct the imbalance in the emphasis of funds for treatment and prevention observed in this study.
- **Transition to existing government systems.** The World Bank should consider aligning its funding procedures with existing government systems to manage and report on funding. In doing so, the World Bank should identify ways to ensure appropriate accountability. A recent decision to contribute MAP money to the

¹⁵ See Decision Point GF/B15/DP19 on the establishment of a Rolling Continuation Channel or RCC at the Fifteenth Board Meeting of the Global Fund.

<http://www.theglobalfund.org/en/files/boardmeeting15/GF-BM15-Decisions.pdf>

¹⁶ These competencies are specifically cited by the World Bank in the Africa region’s new AIDS Agenda for Action. See http://siteresources.worldbank.org/EXTAFRREGTOPHIVAIDS/Resources/WB_HIV-AIDS-AFA_2007-2011_Advance_Copy.pdf.

- donor common fund for the National AIDS Council in Mozambique provides an ideal opportunity for studying ways to balance alignment with accountability.
- ***Increase individual disbursement amounts.*** The World Bank should consider disbursing adequate funding for 12 months of program implementation. Such an approach would reduce the reporting burden that comes with requesting funding.
 - ***Publicly disclose data.*** The World Bank should publicly release, on an ongoing basis, the financial data that it already collects. In particular, the World Bank should post the following information on its website: the amounts and timing of individual disbursements to its ROs; the amount of funds spent by its ROs; and the estimated funding breakdowns for each MAP by recipient type and by program area, as listed in the annual ACTAfrica questionnaire.

Conclusion

In our comparison of the three donors' financial transfers in three countries fighting AIDS, we find that each donor has clear strengths and weaknesses relative to the others. PEPFAR scores well on making its money move and on collecting data; the Global Fund ranks high on tailoring programs and sharing data; and the World Bank stands out for its long-term commitment to working with the government, strengthening systems and building local recipients' capacity. Given these comparative strengths (and some corresponding shortcomings), donors can greatly increase their collective effectiveness by jointly planning and coordinating their efforts, and working hand-in-hand with recipient country governments and other stakeholders involved in the national response. By learning from each other to fix what is not working and by sharing what is working, PEPFAR, the Global Fund and the World Bank MAP can individually and collectively improve their performance in the fight against AIDS in Africa.

1. Introduction

Donor funding for HIV/AIDS has reached levels unprecedented in the history of global health interventions. According to UNAIDS, available annual funding for AIDS in low- and middle-income countries increased 30-fold from 1996 to 2006, from US\$ 300 million to US\$ 8.9 billion.¹⁷ While funding remains far short of the estimated need, international donor commitments for HIV/AIDS are significant, and likely to be so, well into the future.¹⁸ The resources for AIDS are a topic of considerable interest and debate internationally, yet little is understood about how these resources are actually being spent, and whether they are being made available as efficiently and effectively as possible for the fight against AIDS.¹⁹

This paper focuses on three of the world's largest HIV/AIDS donors—the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), and the World Bank's Multi-Country HIV/AIDS Program for Africa (MAP). Drawing on country-level research undertaken by collaborating local research organizations, we describe the levels and types of funding from these donors, and highlight the procedures through which funds are committed, released and accounted for in three countries in which all of the programs are active: Mozambique, Uganda, and Zambia. Through this close look at how money moves from donor to specific purposes, we describe bottlenecks and other difficulties in the disbursement of funds, document the way donors' disbursement systems attempt to build national capacity to fight AIDS, and identify specific ways in which the donor agencies could make the resources move more efficiently.

While it is critical to assess how donor funds flow to beneficiaries, we limit the scope of our inquiry to track the processes and mechanism by which funds flow from donors to recipients, and one level down to sub-recipients. This approach allows us to focus our analysis on donors' policies and practices and their resulting interactions with national governments and other stakeholders in supporting a national HIV/AIDS response—a dynamic set of processes that have not been well described in global HIV/AIDS policy research. The timeframe for our analysis is from 2000, when the MAP became the first *major* donor program to address the global HIV/AIDS epidemic in Africa, through 2006.

No existing base of evidence permits us to relate donor procedures and their execution to the ultimate impact of the funding; no one knows with certainty, for example, the relative impact on public health of allocating donor funds on the basis of a national strategy compared to allocating them in a uniform way across all countries, or implementing

¹⁷ Kates et al. "Financing the Response to AIDS in Low- and Middle-Income Countries." UNAIDS and the Kaiser Family Foundation. 2007. Note that this estimate includes domestic spending, approximately US\$ 2.6 billion in 2006. Much of this spending, however, is in lower-middle income countries. Low-income countries have contributed a significantly smaller share of domestic resources.

¹⁸ To meet the needs for HIV/AIDS prevention, treatment and care in low-income countries, UNAIDS estimates that \$15 billion was required in 2006. The sum would rise each year thereafter. See UNAIDS, 2007. Financial Resources Required to Achieve Universal Access to HIV Prevention, Treatment, Care and Support

¹⁹ Ibid.

programs through international versus local organizations. However, an international consensus does exist about what constitutes appropriate donor behavior to achieve “aid effectiveness.” Specifically, we can assess consistency of the observed practices of PEPFAR, the Global Fund and the World Bank’s MAP with the tenets of the Paris Declaration on Aid Effectiveness, which all three agencies have endorsed.²⁰ To do this, we use an array of information from the three countries to examine how each agency: works with the government; builds local capacity; keeps funding flexible; selects recipients; makes the money move; and collects and shares data. This study yields recommendations for how each donor can improve its program to increase the effectiveness of aid, as defined in this way. We anticipate building on and refining these findings and recommendations during the HIV/AIDS Monitor’s subsequent information-gathering and analyses in these countries.²¹

This paper is organized as follows. Section 2 provides background information on the donors, related details about aid effectiveness, and a description of the study’s methodology, including limitations. Section 3 addresses issues related to national funding (commitment and disbursements) for HIV/AIDS in our three focus countries. Sections 4, 5 and 6 analyze the in-country flow of funds from PEPFAR, the Global Fund and the World Bank MAP, respectively. Section 7 discusses our key findings, and Section 8 lists our recommendations. Section 9 concludes.

²⁰ While each donor has its own goals, we believe that the framework used here – ie. assessing donors funding systems against standards that are based on the Paris Declaration – is a valid way to examine the practices of PEPFAR, the Global Fund, and the MAP.

²¹ This analysis is the first in a series of six thematic research papers to be produced by the HIV/AIDS Monitor in this period.

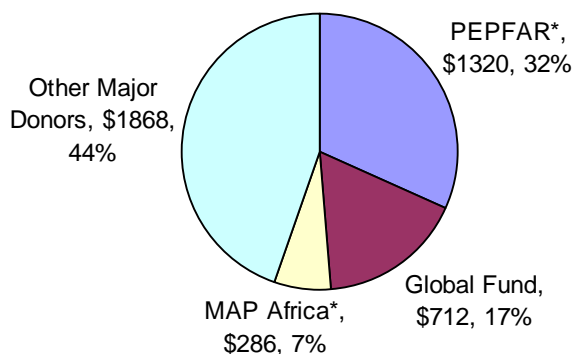
2. Background and Methodology

HIV/AIDS Donors and Aid Effectiveness

We focus on PEPFAR, the Global Fund, and MAP both because of the magnitude of funding they provide (see Figure 1) and because of the distinct and innovative models they use in providing it. In effect, these three donors are conducting a large-scale experiment using a range of methods to deliver and manage aid for HIV/AIDS programs.

Each donor is driven by different guiding principles: for PEPFAR, achieving its globally-set programmatic targets and its accountability to Congress take precedence over any other feature; for the Global Fund, financing a country-developed and owned plan is the highest priority, along with its performance-based funding approach for disbursing funds; and for the World Bank, it is building the capacity of particular types of recipients in the context of larger development goals. These principles are at the core of many of the similarities and differences between the donors, although other principles also influence each donor. The goal of the HIV/AIDS Monitor is to better understand how these different approaches are working, and the ways in which they could be further strengthened.

Figure 2.1: AIDS Disbursements by Major AIDS Donor, 2006 (USD MILLIONS)



Source: Authors' construction using data from public reports and from the donors.²²

* MAP Africa funding does not include other HIV/AIDS disbursements from the World Bank. PEPFAR funding does not include disbursements made to the Global Fund.

In 2005, the U.S. government, the Global Fund and the World Bank, along with nearly 100 countries and dozens of multilateral and civil society organizations, endorsed the Paris Declaration, which contains five key principles for ensuring donor aid effectiveness, including:

²² Data was obtained from Kates et al. (2007) for PEPFAR and "other major donors," from the Global Fund website for the Global Fund, and from World Bank (2007) for the Africa MAP. See Kates et al. "Financing the Response to AIDS in Low- and Middle-Income Countries." Kaiser Family Foundation. 2007. Also see World Bank, "The Africa Multi-Country AIDS Program, 2000-2006." 2007.

- *Ownership.* Partner countries exercise effective leadership over their development policies and strategies, and coordinate development actions
- *Alignment.* Donors base their overall support on partner countries' national development strategies, institutions, and procedures
- *Harmonization.* Donors' actions are more harmonized, transparent, and collectively effective
- *Managing for results.* Donors manage resources and improve decision-making for results
- *Mutual accountability.* Donors and partners are accountable for development results.²³

In addition, donors have further committed themselves to a more specific objective: to support country-led national AIDS responses. This commitment was made by all members of the United Nations in a declaration passed by the U.N. General Assembly Special Session in 2001, and was reaffirmed as recently as June 2006.²⁴ To support a country-led national AIDS response, key donors endorsed the “Three Ones” principle in 2004—one coordinating body, one national plan, and one Monitoring and Evaluation Framework—to achieve the most efficient and effective use of their resources.²⁵

Host Country Selection

We selected Mozambique, Uganda, and Zambia for this study because they vary in size, HIV prevalence, development indicators, stages of evolution of the epidemic, and the nature and strength of government responses and donor involvement.²⁶ At the same time, their location within sub-Saharan Africa facilitates comparisons between these countries, allowing more in-depth lessons to be learned. Studying the flow of donor funds to these countries offers special opportunities for insight into how donor policies are implemented “on the ground” in countries with different epidemics, as well as different economic and political contexts. Although the number of countries is too small to support broader inferences, looking at the donors' practices in countries that are different from one another in important ways generates hints about underlying patterns of donor behavior.

²³ For details on these principles, see the Paris Declaration on Aid Effectiveness at http://www.oecd.org/document/18/0,2340,en_2649_3236398_35401554_1_1_1_1,00.html

²⁴ See UN General Assembly Resolution 60/262: http://data.unaids.org/pub/Report/2006/20060615_HLM_PoliticalDeclaration_ARES60262_en.pdf

²⁵ See UNAIDS. “The Three Ones”: http://www.unaids.org/en/Coordination/Initiatives/three_ones.asp

²⁶ Ethiopia was also selected, but research there has been delayed by the long process required to get study clearances.

Country Specific Features

- **Mozambique.** (HIV prevalence rate among adults aged 15 to 49 is 16.1 percent.)²⁷ Most donor funding for AIDS is provided through the country's Sector-Wide Approach (SWAp) for health sector financing, making the country an interesting study on attempts to coordinate donor programs. The Global Fund provides money through the SWAp, and the World Bank MAP has announced that it too will join the SWAp.
- **Uganda.** (HIV prevalence rate among adults aged 15 to 49 is 6.7 percent.)²⁸ The national government's strong and relatively early commitment to fighting the disease has been notable, although donor programs have been largely uncoordinated. PEPFAR has been providing an unusually high share of total AIDS funding to the country.
- **Zambia.** (HIV prevalence rate among adults aged 15 to 49 is 17.0 percent.)²⁹ A pioneering, innovative structure has four different recipients managing AIDS grants from the Global Fund. The country is also notable for the very large amount of donor resources relative to its small population.

Country-Level Research

The in-country research for this study was conducted by partners in each country, including Austral Cowi Consulting in Mozambique, the Department of Health Policy Planning and Management at the School of Public Health of Makerere University in Uganda, and the Health Economics and Research Training Programme at the Economics Department of the University of Zambia. Field research was coordinated by a field director based in Nairobi, Kenya, and the overall effort was managed and coordinated by the HIV/AIDS Monitor team at the Center for Global Development in Washington, D.C.

Data collection included a desk review of donor documents, and interviews with donor officials, government officials, funding recipients, and other stakeholders in each country.³⁰ Key informants were selected for their specific knowledge about donor funding flows and practices in all three countries. A draft of this paper was reviewed by technical experts as well as informed individuals in each of the donor organizations to ensure accuracy.

Study Limitations

One limitation of our country selection method is that the way donor programs are being implemented in these three countries may not be indicative of these donors' practices in

²⁷ UNAIDS. Mozambique Webpage.

http://www.unaids.org/en/Regions_Countries/Countries/mozambique.asp

²⁸ UNAIDS. Uganda Webpage. http://www.unaids.org/en/Regions_Countries/Countries/Uganda.asp

²⁹ UNAIDS. Zambia Webpage. http://www.unaids.org/en/Regions_Countries/Countries/zambia.asp

³⁰ A purposive sampling method was used; for example, a sample, not all, of each donor's recipients were interviewed.

other African nations. However, by selecting these countries, we aim to provide some insight on the variation of donor practices in different country contexts, as highlighted in the box above. Lessons learned from this comparative analysis may be broadly applied to other African countries that share similar characteristics to one or more of the three countries highlighted in this paper.

Despite limiting the scope of our study to national and sub-national levels of inquiry, tracking the flow of AIDS funds has proven challenging for several reasons. First, some donors do not publicly release key funding data, which limits the opportunity for in-depth analysis.³¹ Second, HIV/AIDS spending is multi-sectoral in nature, making it difficult to account for flows to multiple sectors. Third, the sources of funding for HIV/AIDS are largely heterogeneous, making it hard to account for all funds from a diverse set of donors. Finally, our country research teams have had difficulties getting access to government and donor officials in some instances. In Mozambique, in particular, researchers were unable to interview PEPFAR staff. We expect that other concurrent resource-tracking studies that utilize methodologies, such as the National AIDS Spending Assessments (NASA) developed by UNAIDS³² or the National Health Account (NHA), will provide the level of analysis around expenditures that was not possible in this study.

The data available to our researchers varied across countries; as a result, we were not always able to find pertinent information for each country. Throughout the paper, we try to clearly note which countries our evidence comes from, and to draw our conclusions accordingly.

The availability of funding data varied considerably across donors, with data on actual expenditures being largely unavailable because donors often do not release these. As a result, our analysis centers primarily on commitments and disbursements. A summary of data availability by donor can be found in Annex 1.

This paper contains a considerable amount of detail about how each donor's programs are operating in our three focus countries. Given that very little is currently understood about this topic, we have erred on the side of including more rather than less detail in order to equip those engaged in the global fight against AIDS with as much knowledge as possible about how donor programs are operating on the ground. Additional supplementary information, including case studies of recipients from each donor and funding data collected during our research, will shortly be made available on our website at www.cgdev.org/hivmonitor.

³¹ Of particular note is the fact that data on the expenditures of funding recipients was available in only a very limited number of cases.

³² United Nations General Assembly Special Session on AIDS (UNGASS). Monitoring the Declaration of Commitment on HIV/AIDS. UNAIDS.
http://data.unaids.org/pub/Manual/2007/20070411_ungass_core_indicators_manual_en.pdf, page 24

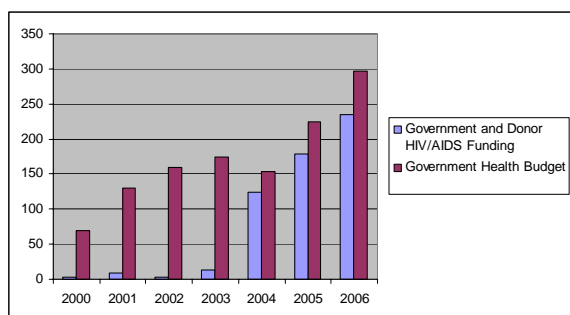
3. National Funding For Health and HIV/AIDS

Health Sector Budgets and HIV/AIDS Funding

Comparing HIV/AIDS funding to the government health budgets in Mozambique, Uganda, and Zambia allows us to illustrate the enormous increase in HIV/AIDS resources over the last several years. Figures 3.1-3.3 show that while government health budgets have increased only modestly in these years, the resources for HIV/AIDS have increased dramatically, especially since 2004 when PEPFAR began disbursing money. In fact, HIV/AIDS funding in Zambia is nearing the total for all health sector funding combined. In 2006, AIDS funding from donors and the government was US\$ 20.60 per capita in Zambia, as compared to a national per capita health budget of US\$ 25.96.³³

These figures must be interpreted with caution. The comparisons we make here are for the sole purpose of better understanding the scale of AIDS funding provided in the context of these particular countries. Precise comparisons between health funding and AIDS funding are not possible because they are not wholly distinct categories—some health funding is HIV/AIDS funding and much HIV/AIDS funding is health sector funding.³⁴ Still, comparing resources for HIV/AIDS to national health budgets puts into perspective the large increases in the level of funding for HIV/AIDS in recent years.

Figure 3.1: Zambia National Funding for Health and HIV/AIDS (USD MILLIONS)

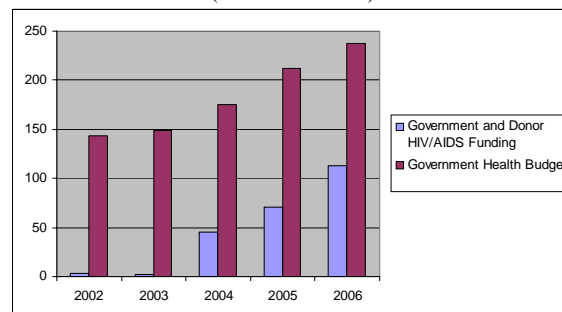


Sources:

Total National HIV/AIDS Funding equals national allocations for HIV/AIDS from the GRZ “Estimates of Revenue and Expenditure” or Yellow Books plus planned PEPFAR funds for a given year from the PEPFAR website. World Bank and Global Fund money is accounted for in the Yellow Books.

National Health Funding equals the national health (MOH) budget from the GRZ “Estimates of Revenue and Expenditure” or Yellow Books.

Figure 3.2: Mozambique National Funding for Health and HIV/AIDS (USD MILLIONS)



Sources:

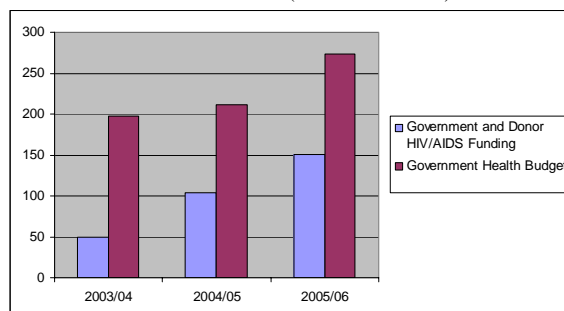
Constructed with planned expenditure data from the PEPFAR website, disbursements data from the Global Fund website, disbursements data provided by the World Bank, and Mozambique government reports.

Total National HIV/AIDS Funding equals national allocations for HIV/AIDS from all sources, including state and donor contributions to CNCS and PEPFAR planned expenditures. National Health Funding equals the total health budget from the State General Accounts of MOF.

³³ A 2001 WHO-commissioned report by the Commission on Macroeconomics and Health (CMH) set US\$ 34 per capita in total health spending as the target to meet minimum health requirements in low-income countries by 2007.

³⁴ In this analysis, national health funding generally includes health sector HIV/AIDS funding from all donors except PEPFAR. HIV/AIDS funding includes national HIV/AIDS funding from all sources.

Figure 3.3: Uganda National Funding for Health and HIV/AIDS (USD MILLIONS)



Sources:

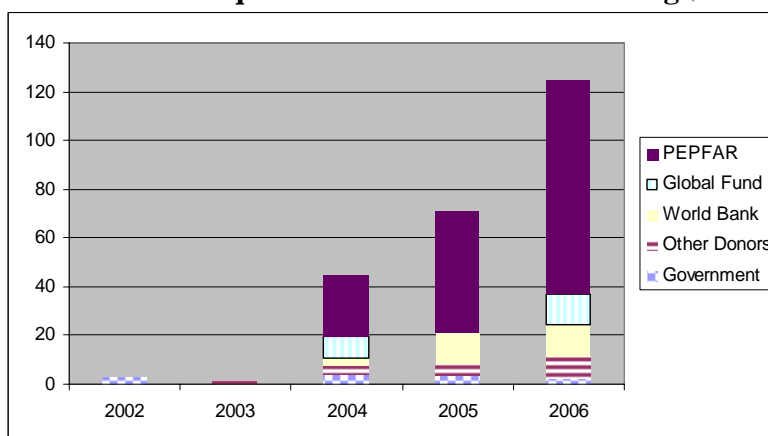
Lake, “Sector Based Assessment of AIDS Spending in Uganda 2006” and Uganda Ministry of Health Annual Sector Performance Reports.

Note: Based on the Ugandan fiscal year.

Sources of HIV/AIDS Funding

Since 2003, funding for HIV/AIDS from the government and donors has increased dramatically in our three focus countries.³⁵ In Uganda, funding has more than tripled since 2003; in Zambia it has increased more than ten-fold; and in Mozambique by more than 30-fold.³⁶ While funding increased most sharply in 2004, it has continued to increase steadily at rates of 44 percent to 58 percent in 2005, and 9 percent to 59 percent in 2006. This rise in funding is largely due to a sharp increase in donor funds (see Figures 3.4-3.6).

Figure 3.4: Mozambique National HIV/AIDS Funding (USD MILLIONS)



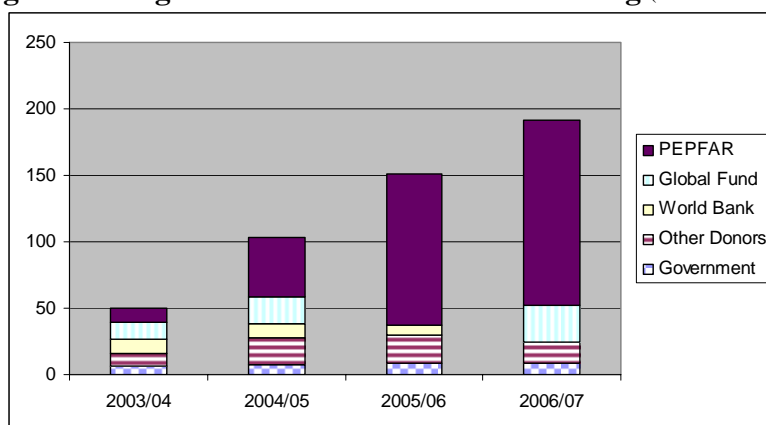
Sources:

Constructed with planned expenditure data from the PEPFAR website, disbursements data from the Global Fund website, disbursements data provided by the World Bank, and Mozambique government reports. World Bank funding includes both MAP and TAP.

³⁵ In this section, we examine the AIDS funding provided by the government and donors. We do not attempt to comprehensively document all sources of AIDS monies. There are two well-established processes for conducting these comprehensive funds-tracking exercises for HIV/AIDS: the National AIDS Spending Assessments (NASA) and the National Health Account HIV/AIDS sub-account (NHA). For more information, see www.unaids.org and <http://www.who.int/nha/what/en/>

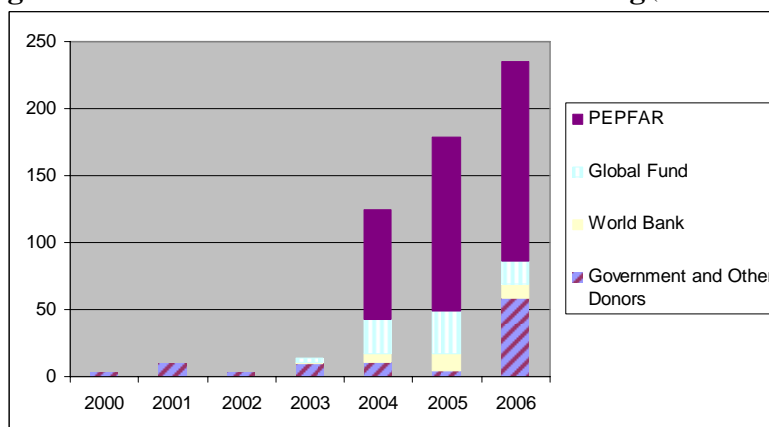
³⁶ The figures presented here may not include some small contributions made by donors.

Figure 3.5: Uganda National HIV/AIDS Funding (USD MILLIONS)



Source: Lake, "Sector Based Assessment of AIDS Spending in Uganda 2006."
 Note: Based on the Ugandan fiscal year.

Figure 3.6: Zambia National HIV/AIDS Funding (USD MILLIONS)



Sources: Constructed with planned expenditure data from the PEPFAR website, disbursements data from the Global Fund website, disbursements data provided by the World Bank, and the Zambian government's Yellow Books.

Further, the large majority of increases since 2004, when spending began to rise most rapidly, can be attributed to PEPFAR alone. By 2006, PEPFAR money constituted 62 percent of HIV/AIDS resources in Zambia, 73 percent in Uganda, and 78 percent in Mozambique.

During this same period, as donor support has expanded, the absolute levels of government resource commitments in all three countries have remained largely flat.³⁷ Government funding now comprises a very small share of total resources for HIV/AIDS. In Uganda and Mozambique, national government contributions made up only 5 percent and 2 percent, respectively, of total 2006 AIDS funding. There is no room for doubt that the financing of AIDS programs is squarely on the shoulders of the donors. If the high

³⁷ An exception can be found in the apparent increase in funding from "government and other donors" in Zambia in 2006. Because this figure comes from the Zambian government's annual budget, the increase may be due to the expectation that a higher share of donor funds would be disbursed in 2006 than actually was. Notably, by 2007, the funding levels for "governments and other donors" returned to its 2004 levels, suggesting that there has not been a significant increase in government AIDS funding.

recurrent cost burdens created by donor programs are to be supported over the long-term, donors and host countries would be wise to work together to develop financing plans.

4. The U.S. President’s Emergency Plan for AIDS Relief (PEPFAR)

Description of Program in Focus Countries

PEPFAR provides funding to well over 100 countries, but the bulk of its money is sent to 15 “focus countries.”³⁸ The PEPFAR portfolio is overseen by the Office of the U.S. Global AIDS Coordinator (OGAC) based in Washington, D.C. The program is managed by a number of implementing agencies and departments, but the vast majority of funds go to the U.S. Agency for International Development (USAID) and the Centers for Disease Control and Prevention (CDC).³⁹

In creating PEPFAR, the U.S. Congress legislated certain programmatic targets: treat 2 million people with anti-retroviral therapy (ARV); prevent 7 million new infections; and offer care to 10 million people infected or affected by AIDS. Progress against these targets is the principal way that Congress assesses PEPFAR’s performance; as a result, PEPFAR is highly oriented toward meeting these numerical targets. Each PEPFAR focus country has its own share of the targets, and each PEPFAR recipient is expected to take on a portion of these country targets.

Congress also legislates the way that PEPFAR allocates its funding. These allocation requirements are known as “earmarks” and they specify that PEPFAR use 55 percent of its funds for treatment, 20 percent for prevention, 15 percent for care, and 10 percent for orphans and vulnerable children (OVCs). Some of these earmarks are mandatory, while others are suggested. There are also further earmarks that have been imposed within the prevention category (discussed in more detail below).

In each focus country, the design and implementation of PEPFAR programs is managed primarily by field staff at U.S. government (USG) agencies, with oversight from staff in Washington, D.C, and in consultation with staff in the host country government. Each year, PEPFAR staff prepare a country-operational plan (COP) for each focus country, which serves as the framework through which all PEPFAR-supported activities are undertaken. Most of the COP development occurs in the focus countries—after consulting with their ROs, PEPFAR field staff submit a detailed plan to OGAC which includes: a list of proposed funding levels to each RO; a partial list of sub-recipients (SROs) and their funding levels; the programmatic areas that each RO or SRO will address; and the programmatic targets to be met. The plan is then submitted to OGAC for review and approval.⁴⁰

³⁸ The details provided in this section are those most relevant to the PEPFAR program in these focus countries, namely, Botswana, Cote d’Ivoire, Ethiopia, Guyana, Haiti, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, Vietnam, and Zambia. In addition to its support to particular countries, PEPFAR also provides a substantial amount of funding to the Global Fund. For further details of PEPFAR’s structure and funding approach, see Bernstein, Michael and Myra Sessions. *A Trickle or a Flood*. CGD. 2006; Kates et al. (2007); and the PEPFAR website at www.pepfar.gov

³⁹ Other agencies receiving PEPFAR funds include: the Department of Health and Human Services, the Department of Labor, the Department of Defense, and the Peace Corps.

⁴⁰ For more information about the COP process, see www.pepfar.gov

In the proceeding sections, we continue to refer to direct recipients of PEPFAR funds as ROs and to recipients of sub-granted money as SROs. We do this for consistency with the other donor sections, but it should be noted that PEPFAR refers to ROs as “prime partners” and to SROs as “sub-partners.”⁴¹

Data Availability

PEPFAR collects data on its commitments and disbursements, as well as recipients’ expenditures, but disaggregated information is only available for commitments (i.e., obligations). PEPFAR’s annual commitments (i.e., obligations) to its ROs are listed, by focus country, on its website. Further details about these commitments—including a breakdown by programmatic area, and a listing of the amount of funds sub-granted to SROs—are collected by PEPFAR; such data have not previously been made publicly available, but CGD will release these numbers on its website in the coming months.⁴² Aggregate figures on disbursements (i.e., outlays) from PEPFAR to individual recipients and the amount of money expended by recipients are collected by the U.S. government but are not made publicly available.⁴³ A detailed list of data availability by all three donors is presented in Annex 1.

Expenditure reporting depends both on the type of agreement and the U.S. agency (USAID, CDC, etc.) that disburses funds to the RO. However, these data are not available to the public, to the recipient government, or to all in-country PEPFAR staff. ROs report on their expenditures as part of their requests for additional disbursements. These data, however, are sent to the U.S. Treasury and not routinely shared with PEPFAR country-level staff, which limits the ability of these staff members to assess whether programmatic goals are achieved in a cost-effective manner.⁴⁴ Some USG agencies have their own supplementary systems for collecting financial data from their recipients; USAID, for example, requires its recipients to fill out a form that describes disbursements, and funds “on hand” by quarter. CDC has no such requirement.

PEPFAR’s expenditure data are not disaggregated by program area, resulting in concerns about the cost-effectiveness of PEPFAR programs. While PEPFAR can monitor whether recipients are meeting their targets, it is difficult for PEPFAR staff to determine whether these targets are being reached in a cost-effective manner, since staff

⁴¹ In some cases, PEPFAR asks its ROs to partner with specific SROs. In other cases, ROs independently decide to use SROs, and take responsibility for their selection.

⁴² The Center for Public Integrity has provided CGD with data obtained from OGAC that it has not yet publicly released.

⁴³ CGD has obtained, from OGAC, a list of the total amount disbursed worldwide by quarter, but this does not help us better understand how these disbursements were divided by recipient, by program area, or even by country. For further details on data availability, see Annex 1, and Bernstein and Sessions (2006).

⁴⁴ All PEPFAR recipients are required to submit quarterly reports on the amount of money disbursed to them and the amount of money spent by them. This reporting is mandated for all U.S. government grantees and contractors (i.e., it is not specific to PEPFAR), with the forms being sent to the Treasury Department. Copies of these forms are not sent to PEPFAR implementing agencies, such as CDC and USAID, so these agencies are unable to help oversee recipient organizations.

do not have access to expenditure data by program area for individual ROs.⁴⁵ Further, there is concern that a large proportion of PEPFAR funds are spent in the United States and/or for U.S. technical expertise.

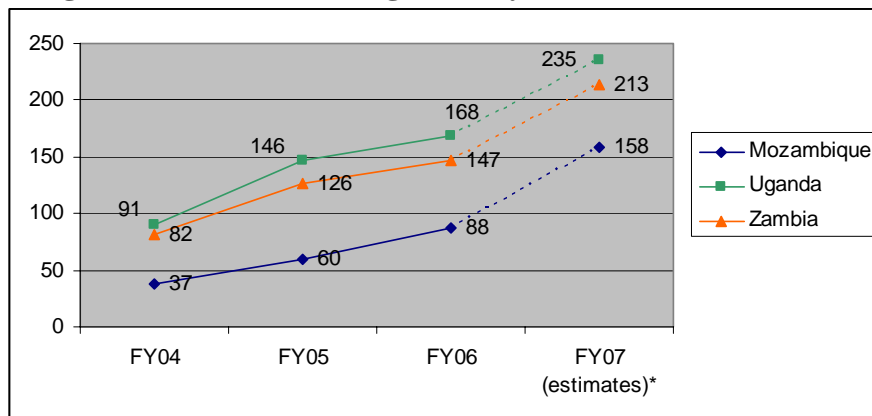
“You find in this country we spend about US\$ 200-300 million on HIV/AIDS through different ministries and agencies but still we don’t cover a big ground. So there is a problem on how to manage that money. Aid comes but somehow it goes to wrong targets.”

Government official, Uganda

Amount of Funding

In all three countries, PEPFAR funding has rapidly escalated every year since the inception of the program. As Figure 4.1 indicates, funding increased by more than 50 percent between FY2004 and FY2005, increased at a slower but still substantial rate between FY2005 and FY2006, and is expected to increase significantly again between FY2006 and FY2007.⁴⁶ Exact obligation figures for FY2007 are not yet available, but based on PEPFAR allocation data and past funding trends, we have estimated that obligations to Mozambique, Uganda, and Zambia will reach approximately US\$ 158, US\$ 238, and US\$ 213 million, respectively. These figures would represent an increase of 40 percent or more in each of the three countries.

Figure 4.1: PEPFAR Obligations by Fiscal Year (USD MILLIONS)



Source: Authors’ construction using data provided by OGAC for FY2004-FY2006 and data on the PEPFAR website for FY2007.

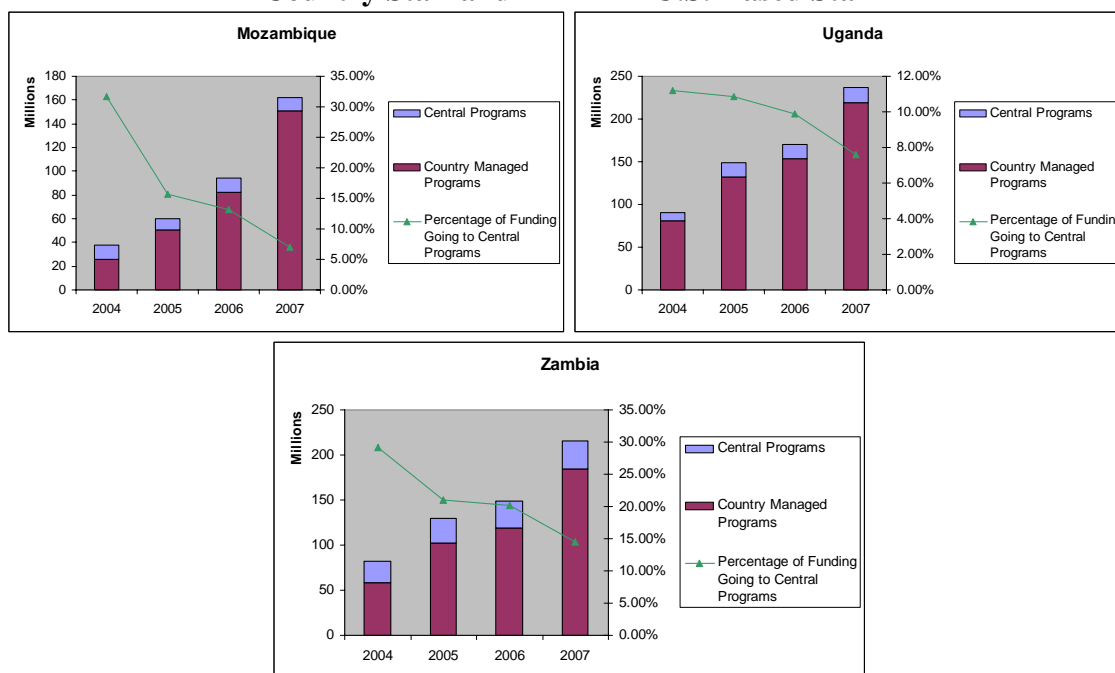
Note: FY2007 figures are constructed based on allocations data. The average percent of allocations that were obligated in FY2004-FY2006 was first calculated for each of the three countries (this average was 97 percent or higher in all countries). This percentage was then multiplied by the allocation figure in order to estimate obligations.

PEPFAR provides the largest share of funds in our three focus countries. In 2006, PEPFAR’s share of total HIV/AIDS funding ranged from 62 percent in Zambia to 78 percent in Mozambique.

⁴⁶ Funding in Mozambique started at a lower level than the other two countries but has increased at an even faster rate. Compared to the previous year, funding increases for FY2005, FY2006, and FY2007 were 59 percent, 47 percent, and 80 percent, respectively.

PEPFAR’s approved funding figures suggest that the proportion of centrally-managed funding is decreasing over time, with the bulk of funds being channeled through programs managed by PEPFAR’s in-country staff (see Figures 4.2-4.4). In Mozambique, for example, centrally-awarded funding decreased from about 30 percent in 2004 to about 5 percent in 2007.⁴⁷

Figures 4.2, 4.3 and 4.4: PEPFAR Funding For Programs Managed by PEPFAR In-Country Staff and PEPFAR U.S.-Based Staff



Source: Authors’ construction from data on www.pepfar.gov

Flow of Funds

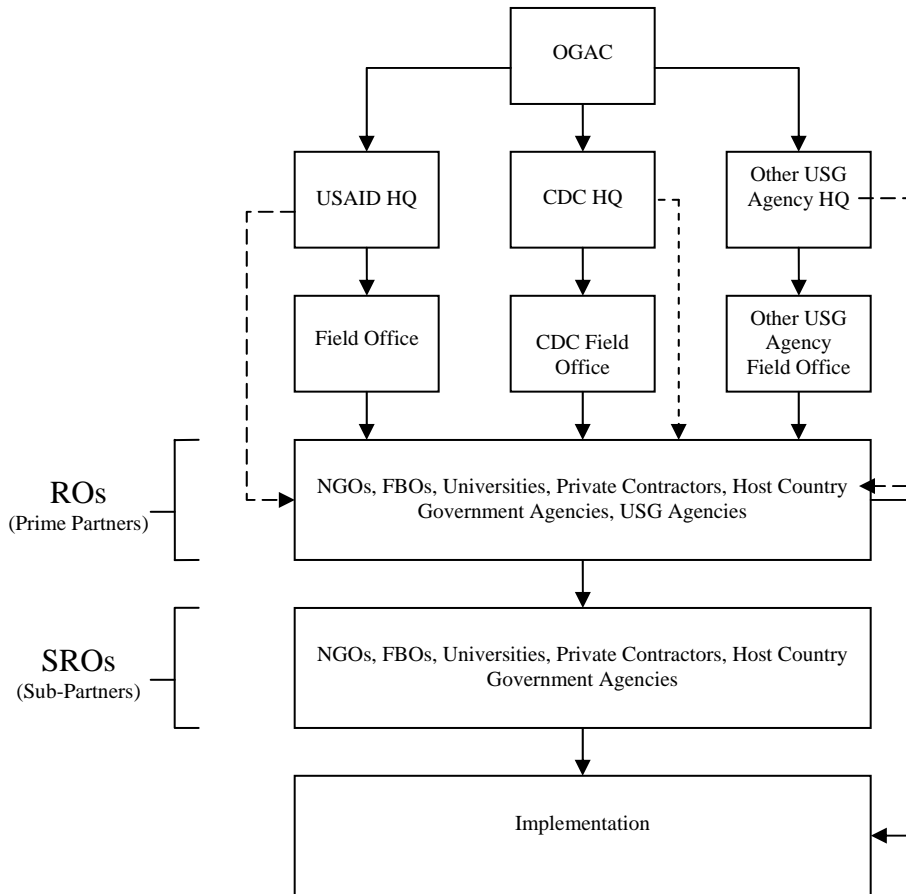
PEPFAR funding is sent from a variety of U.S. government agencies to a host of ROs. In the three countries examined here, there were at least 34 ROs in each country for fiscal year 2006.⁴⁸ Most ROs receive their funding from the in-country field offices of U.S. agencies (“country-managed” funding), but a portion of funding is provided directly from U.S. agencies’ headquarters in Washington or Atlanta (“centrally-awarded” or “Track 1” funding). As Figure 4.5 illustrates, some ROs implement programs directly, while other

⁴⁷ Centrally-awarded funding was seen by PEPFAR as a way to quickly begin program implementation in the early years of funding. Now that PEPFAR’s country-based operations are well-established, it is not surprising to see a smaller share of funds being provided through central awards. Note that the absolute amount of centrally-awarded funding has not declined, even though the share of this funding as a percentage of total PEPFAR funds has decreased.

⁴⁸ In Mozambique, Uganda, and Zambia, there were 34, 37, and 52 ROs respectively in FY2006. The full list of FY2006 ROs (i.e., prime partners) for all PEPFAR focus countries is available on the PEPFAR website at www.pepfar.gov

ROs sub-grant a portion of their funds to SROs who are then responsible for implementing program activities.

Figure 4.5 PEPFAR Funding Flows



Source: Authors' construction based on CGD Country Team reports and publicly available PEPFAR data.
 Note: Solid lines represent country-managed funds. Dashed lines represent centrally-managed or Track 1 funds.

Working with the Government

PEPFAR funding is channeled to a focus country largely outside of the government system, and follows PEPFAR-specific procedures. Government ministries can be recipients of PEPFAR funding, as is the case in Zambia, Uganda and Mozambique, but monies channeled to the government must still follow PEPFAR-specific accounting and reporting requirements, which are separate from standard government procedures.⁴⁹ Despite these PEPFAR-specific procedures, money provided to the government is used

⁴⁹ PEPFAR does offer technical support – often through its ROs – to train government staff in its accounting and reporting requirements.

more slowly than when provided to other types of ROs; this was cited as one possible reason that PEPFAR does not channel more of its money to the public system.⁵⁰

“PEPFAR doesn’t come through our funding mechanism, although we know how much they normally invest through the partnership that we have with the Ministry of Foreign Affairs, and before we sign any agreement with whoever comes to help Mozambique in fighting the AIDS pandemic, we have to first see the program, the project, how much is going to be invested.”

Government official, Mozambique

PEPFAR field staff are encouraged to consult with the host government when designing programs, and to share information about planned activities with the government.⁵¹ There is no particular system or specific guidance for how PEPFAR staff should undertake these activities. Given the heavy workload of PEPFAR field staff, consultation and information-sharing tend to occur on an ad hoc basis. In Uganda, however, the procedures are more systematic. A PEPFAR board has been established, with representation that includes the government and private sector, to provide input on the design of PEPFAR’s programmatic activities.

Although it varies across countries, host government involvement in the oversight of PEPFAR programs is limited. U.S. government staff, both in-country and at headquarters in the United States, coordinate the activities of various PEPFAR recipients, and monitor progress against established targets. The host government may request information about the progress of PEPFAR ROs, but is not routinely involved in the oversight process. In some cases, however, PEPFAR staff and government officials do conduct joint site visits of PEPFAR recipients’ programs as part of routine monitoring.⁵²

PEPFAR actively participates in donor groups that aim to harmonize donor and government activities. In Mozambique, PEPFAR representatives participate in the annual planning activities undertaken by the Ministry of Health (MOH) and the National AIDS Council (NAC) in the context of the Sector Wide Approach (SWAp) to health. The SWAp’s goal is to align donor priorities with the national AIDS strategies and related operational plans. PEPFAR does not contribute funds directly to SWAp. In Uganda, PEPFAR has established a Board of government officials, PEPFAR staff, and other civil society stakeholders who review and approve PEPFAR’s annual Country Operational Plan (COP) for Uganda.⁵³

⁵⁰ A key informant in Mozambique, for example, explained that PEPFAR staff would like to channel much more money to the government but it was hesitant to do so because only a small percentage of the money that had already been disbursed to the government had been expended.

⁵¹ OGAC. COP Guidance, FY2008. Page 1.

⁵² Interview with key informant on September 15, 2007.

⁵³ We were told this type of Board is unique to PEPFAR in Uganda but were unable to confirm this fact. The Board was established at the request of a former Minister of Health. Details about the COP are provided below. Source: personal communication with PEPFAR RO official working in Uganda.

Activities Funded

PEPFAR-funded activities are organized into four principal categories: anti-retroviral treatment, prevention of new infections, care for HIV infected and affected individuals, and other costs. Activities are then further classified into one of 15 specific programmatic areas, which are displayed in Table 4.1.

PEPFAR monies are allocated based on worldwide funding earmarks legislated by Congress. Each focus country program is required to spend 55 percent of its funds on treatment, and 10 percent of its funds on Orphans and Vulnerable Children. Focus countries are also encouraged, but not required, to spend 20 percent of funds on prevention and 15 percent on care. Countries are further encouraged to spend 50 percent of prevention funds on sexual transmission. Regardless of whether this 50 percent target is met, countries are required to spend 66 percent of their sexual transmission funding on Abstinence/Be Faithful programs (AB).

Table 4.1: PEPFAR Program Areas, Funding Earmarks and Funding Ceilings

<u>Program Category/Area</u>	<u>Earmark/Funding Ceiling</u>
Prevention	20 percent of total funding for prevention, treatment and care (suggested)
1. Prevention of Mother-to-Child Transmission (PMTCT)	
2. Abstinence/Be Faithful	66 percent of total funding for prevention of sexual transmission (i.e., activities 2 & 5) (required)
3. Blood Safety	
4. Injection Safety	
5. Condoms and Other Prevention	
Care	15 percent of total funding for prevention, treatment, and care (suggested)
6. Palliative Care	
7. Palliative Care: TB/HIV	
8. Orphans and Vulnerable Children (OVC)	10 percent of total funding for prevention, treatment and care (required)
9. Counseling and Testing	
Treatment	55 percent of funding for prevention, treatment and care (required)
10. Treatment: ARV Drugs	
11. Treatment: ARV Services	
12. Laboratory Infrastructure	

Other	
13. Strategic Information	Maximum of 7 percent of total funding (required)
14. Other/Policy Analysis and System Strengthening	Maximum of 7 percent of total funding (required)
15. Management and Staffing	

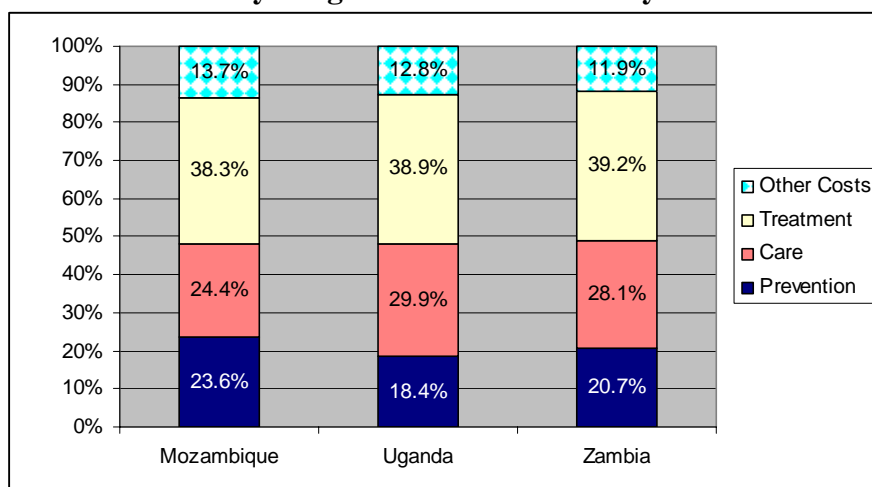
Worldwide funding earmarks for treatment, OVCs and AB can be waived but countries must write a justification to OGAC explaining why these earmarks cannot be met.

When countries spend less than 55 percent on treatment, for example, other countries would need to spend more than 55 percent so that the total funding complies with the global earmarks. Interestingly, Figure 4.6 demonstrates that none of the three countries studied in this report were meeting the 55 percent treatment earmark.

“Some people think some of the earmarks are good. For example it is only because of earmarks that more resources are now going to OVCs. Before the 10 percent earmarks, OVC was overlooked. But on the other hand, it should in reality be dependent on the epidemiology of the country and be tailored to that. Also currently when you look at the ABC approach, it doesn’t give us room for biomedical interventions for prevention like male circumcision⁵⁴ or anything else that may come up.”

PEPFAR field staff

Figure 4.6: PEPFAR FY2007 Approved Funding by Program Area and Country



Source: Authors’ construction from data on www.pepfar.gov

Note: “Approved funding” refers to money allocated to particular focus countries but not yet obligated. These figures were used since we did not have access to the actual FY2007 obligations. Generally, over 95 percent of the amount approved is eventually obligated.

PEPFAR funding allocations by program area are remarkably consistent across countries (see Figure 4.6). The similarity of funding allocations is striking given the

⁵⁴ PEPFAR has since changed its policy and will support male circumcision as a prevention strategy when a country requests this through a letter from the Ministry of Health. See <http://www.washingtonpost.com/wp-dyn/content/article/2007/08/19/AR2007081900885.html>.

epidemiological differences among these three countries.⁵⁵ The uniformity is likely due to the fact that global earmarks are driving funding allocations, regardless of country-specific epidemiology and health systems capacity, among other factors.⁵⁶

The funds devoted to prevention are modest, compared to funds provided for treatment and care. HIV incidence levels in all three countries are still quite high, but less than one in every four PEPFAR dollars goes toward preventing new infections.⁵⁷ Furthermore, the countries themselves have different levels of HIV incidence, but the share of the total PEPFAR resources devoted to prevention is similar across countries (between 18-24 percent).⁵⁸

Health systems strengthening is funded by PEPFAR, but its accounting system makes it difficult to determine the exact amounts spent on such activities. PEPFAR does have a dedicated accounting category for “other policy analysis and systems strengthening” (included in the “other costs” category in Figure 4.6) but most systems strengthening activities are mixed into program activity categories, such as treatment or prevention. An examination of PEPFAR-funded activities that were building health systems capacity in Uganda revealed that a large part of the capacity-building efforts were focused on the public health delivery system. Specific activities funded included: establishing management information systems, building laboratory capacity, and strengthening procurement systems.

Global AIDS advocates and country-level stakeholders often raise concerns about PEPFAR ROs’ overhead costs. Such costs, however, are nearly impossible to estimate, both because the relevant data are not publicly available and because different recipients account for their expenses differently. The majority of recipient organizations are U.S.-based NGOs, which presumably retain a proportion of the funding for their own internal operations (such as management, administration, overheads, technical assistance, and consultancies). Similarly, SROs most likely experience disparate disbursement rates, and retain proportions of their grants to pay for their own operations. Different recipients may account for their expenses under programmatic and/or management categories, making it difficult to estimate the true cost of overheads or to compare overhead costs across recipients.

Selecting activities and recipients for an upcoming year is a long and time-consuming process for both PEPFAR and RO staff. Each year in June, PEPFAR country teams begin a two- to three-month process of preparing a COP. This is a detailed workplan

⁵⁵ Despite the uniformity of the amount spent on, say, prevention, there may be differences across countries in the way prevention funding is allocated among various types of interventions. We hope to further explore this possibility in a future paper.

⁵⁶ Funding earmarks can help ensure that funding goes to areas, such as OVCs, that may otherwise be under-resourced.

⁵⁷ Incidence levels are not readily available but prevalence rates for Uganda, Mozambique, and Zambia respectively are 6 percent, 16 percent, and 17 percent, respectively. See www.unaids.org

⁵⁸ Unlike most other AIDS donors, PEPFAR includes counseling and testing as part of care, rather than prevention, which necessarily reduces the total percentage of its funding recorded under prevention. According to PEPFAR, when counseling and testing is included under prevention, the global percentage of PEPFAR resources committed to prevention rises to 29 percent.

itemizing the amounts of funding planned for each recipient, the types of activities to be undertaken with these funds, and so on. The annual process for preparing the COP is very time-intensive, requiring the full attention of PEPFAR staff, as well as substantial time investments from RO staff.

“On one hand, the COP forces the countries to think through their projects and plans carefully for the coming year. On the other hand, the process is incredibly time-consuming and takes away time from program implementation. PEPFAR agencies [i.e., USAID, CDC, etc.] come to a complete standstill for the two or so months while COP is going on. Virtually no program implementation occurs during this period. Moreover, our partners must participate in this process, so they lose a lot of program implementation time as well. And this is only at the country level. If you include the HQ and OGAC efforts, the costs of doing the COP are unfathomably high.”

PEPFAR field staff

In the first few years of PEPFAR, funding provided through central awards (i.e., Track 1 funding) was not well integrated into the country-operational plans, but the two funding streams are becoming more harmonized. Centrally-awarded funds were initially provided outside of the COP process, creating challenges for harmonization, and causing some confusion among country-level stakeholders about the difference between these two types of funding. Recently, though, centrally-awarded funds have become better incorporated into the country-level planning processes, although staff at headquarters still determine the types of activities and amounts of funding that will go to these centrally-awarded recipients. Further, centrally-awarded recipients do not always have experience in the countries in which they are supposed to be working, creating the potential for implementation challenges.

“We are not particularly happy with this [centrally-awarded] prime contract arrangement. It creates problems for us to bring these groups to the table and ensure we are all moving in the same direction. Some are very new to the context and it takes them a long time to find partners and to get started.”

PEPFAR field staff

Speed and Predictability of Funding

Annual funding to overall country programs and to individual recipients can be estimated but is not highly predictable well in advance because the timing of commitments (obligations) depend on the U.S. congressional budget approval cycle.⁵⁹

No commitments can be made before the U.S. budget is finalized, and the budget is passed at different times each year.⁶⁰ Recipient organizations closely monitor the budget process and maintain regular dialogue with PEPFAR staff in order to make predictions about when they will receive funding. Still, the budget process can sometimes present challenges for both PEPFAR staff and recipients. Extensive programmatic planning—through the COP process—occurs prior to final U.S. budget approval based on educated

⁵⁹ See Bernstein and Sessions (2006) for details.

⁶⁰ The budget is supposed to be finalized by October 1, which is the beginning of the fiscal year, but often takes several additional months to be approved. For example, the 2004 budget did not get finalized until January 23, 2004, nearly four months into the fiscal year.

guesses about how much funding will be available to particular countries. At times, however, the actual amounts available are either lower or higher than planned for, forcing PEPFAR staff and recipients to quickly and unexpectedly adjust to new circumstances. In Uganda, for example, the country team had finalized a 2007 annual program of work for US\$ 235 million when information from Washington came through that the Uganda program had been awarded US\$ 22.2 million in additional, or “plus-up funds”:

“We had to go through the process of planning again. It is a hectic process. We had to get back on the table and sort out how to use the added funds. It is becoming difficult to absorb more funds. We had set up the annual plans and targets. Going back to negotiate all these is hard. All partners are all at the limit. New ones (partners) take time to bring on board. There may not be sufficient time to get them going before the year ends.”

PEPFAR field staff, Uganda

*The speed of PEPFAR disbursements (outlays) was praised by recipients in all three countries, and the system for requesting funds is credited as being user-friendly.*⁶¹ The high rating of the speed of PEPFAR disbursements was described in Uganda by an interview respondent as “magical” and “efficient,” especially for CDC, where ROs have an automated system of disbursement.⁶² One recipient organization receiving funding from all three donors stated that PEPFAR’s funding is much “less bureaucratic than the Global Fund and the World Bank” and that once the funding amount was committed, they always received the promised funds. While PEPFAR requires submission of quarterly reports, the RO does not have to face delays in requesting the next disbursement (as they are required to do for the World Bank and Global Fund). This is viewed as a much simpler and quicker process for disbursements.

“The speed of disbursement of PEPFAR funds has been tremendous. Making a request and receiving money in the bank has been handled very spontaneously. It’s a one day transaction process.”

Staff member, CDC RO, Uganda

“The system is the most efficient that I have seen. You can even request for money every two weeks, when you need the money you ask for it. We have not had a problem with it. Our accounts are handled by Acclaim, an American-based firm. We hire external auditors at the end of each year to audit our books.”

Staff member, CDC RO, Uganda

PEPFAR’s active vigilance of public sector recipients ensures that funding moves through the government system quickly to accomplish the targets set for the country program. Even when funding is awarded to an RO that is a government institution (e.g., the MOH), this funding moves faster than other donor funds because of “active vigilance” by PEPFAR staff.

⁶¹ However, recipients also commented on the lengthy and complex process that follows the awarding of a cooperative agreement or contract, but precedes the implementation of activities. This process can often take many months.

⁶² The system delivers the funds from the holding account in Washington, D.C., to the implementer’s account in Uganda within 24 hours. The system is web-based; authorized persons log on to the Internet and fill in the required information to request funds.

“I have known CDC as a good donor. You sit and agree together on how much they will give you and they monitor you, support you, so that you are able to reach the targets. If you lag behind they also raise their flag. When they feel there is a gap, they will descend on us and ask why? Why this? Why that? The word “target” has been hammered into our heads. They have been very supportive.”

Staff member, CDC RO, Uganda

“These people (PEPFAR staff) are all over the place. One group comes today to see how PMTCT is doing. Tomorrow another team comes to check on OVCs. Others come to pick the records. Today a team was here and is now in the field to look at the laboratories.”

District government official, Uganda

Selection of Recipient Organizations

Initial selection of ROs in FY2004 was based primarily on historic relationships between PEPFAR implementing agencies such as USAID and established recipients who had already been working on AID-funded projects. Working through existing groups allowed PEPFAR to quickly expand its program, make progress toward targets, and respond to an emergency situation. In Uganda and Zambia, for example, during the startup phase of PEPFAR in 2004, PEPFAR staff turned to ROs with historic ties to the USAID or CDC “for quickly pushing of the money out.” Similar reasons for selecting ROs for PEPFAR in FY2004 were reported in Zambia. Organizations that had existing Cooperative Agreements with any of the U.S. government (USG) agencies for AIDS programs had these agreements expanded to include PEPFAR activities. Such an approach was favored over selecting new ROs to prevent delays due to the administrative burden of making new awards.

“You probably need to understand the pressure of pushing out huge amounts of money too fast. There’re not many organizations that could absorb this kind of money and get the targets they (PEPFAR) demanded. Resorting to adverts and solicit proposals take a lot of effort and is a slow process – you need to advertise in papers, go through the bid proposals to evaluate, short list, interview them and negotiate the deal. All these (steps) have a life of their own and can take several months. So the trick was for CDC to make a supplementary appropriation to the existing Cooperative Agreement we have with them.”

CDC RO, Uganda

*PEPFAR now relies mainly on the competitive bidding process to select new recipient organizations.*⁶³ Given the quickly expanding size of PEPFAR, USG agencies needed to bring on new recipients beyond those who received the initial 2004 funding. In most cases, competitive bidding has been used to select new ROs. Competitive bidding has been especially important in allowing PEPFAR to expand its program, especially to under-served areas. There has also been a realization that the capacity of the well-established organizations has been stretched to the point that they are no longer able to expand as rapidly as they could until recently.

⁶³ PEPFAR has also established a pool of funding that is dedicated to supporting “new partners.” This initiative is designed to specifically provide funding to faith-based and community organizations who have received less than US\$ 5 million from the U.S. government over the previous five years. More information can be found at www.pepfarmpi.com

“They want to see if you have a plan, what your planned output was, your performance against the targeted outputs of that plan, you must have an M&E plan, issues of governance are also considered, your organizational capacity to deliver the activities that they want you to carry out, then of course your financial accountability. Do you have audited books of accounts, a sound financial management system, with a financial monitoring system, and staff with the required skills.”

PEPFAR RO, Uganda

“Most of these partners were chosen through competitive means. So as a start the idea was that whoever could get things moving would be brought in, but certainly the commitment is to increase local capacities and build the capacity of indigenous organizations.”

PEPFAR field staff

Types of Organizations Receiving Funding

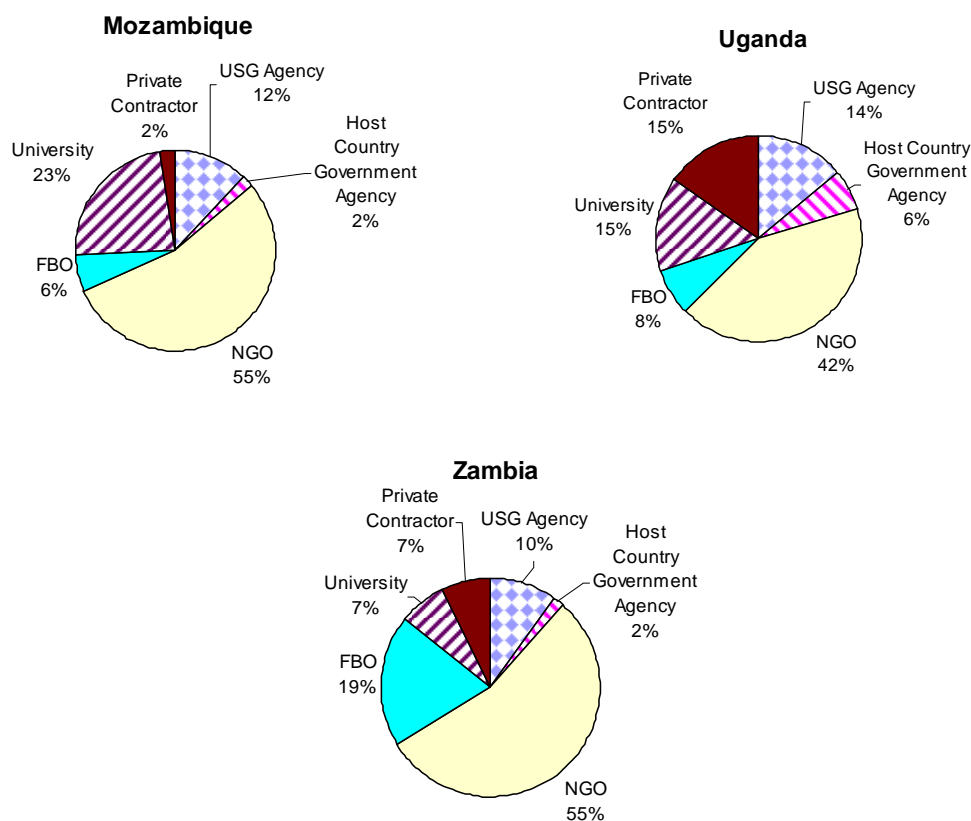
PEPFAR has a large number of ROs in each country, with some ROs also sub-granting to SROs. In 2005, Zambia had 43 ROs, while Mozambique had 48.⁶⁴ While many ROs implement programs themselves, some use sub-recipient organizations to implement program activities.

The largest proportion of PEPFAR funds in all three countries goes to NGOs.

PEPFAR data obtained by CGD show that PEPFAR classifies most of its recipients as NGOs. Figures 4.7 - 4.9 illustrate that in 2006, NGOs received the bulk (between 42 percent to 56 percent) of PEPFAR funds in all three countries, followed by universities in the case of Mozambique and Uganda, and by USG agencies themselves in Zambia. Remarkably few resources are provided to the public sector, ranging from 1 percent in Mozambique to 6 percent in Uganda.

⁶⁴ USAID and CDC have different ROs, as agencies are not supposed to fund the same recipient. Results from Mozambique suggest that USAID tends to have a large number of ROs, while CDC has fewer ROs who work on major programs.

Figures 4.7 - 4.9: 2006 PEPFAR Obligations by Recipient Organization Type



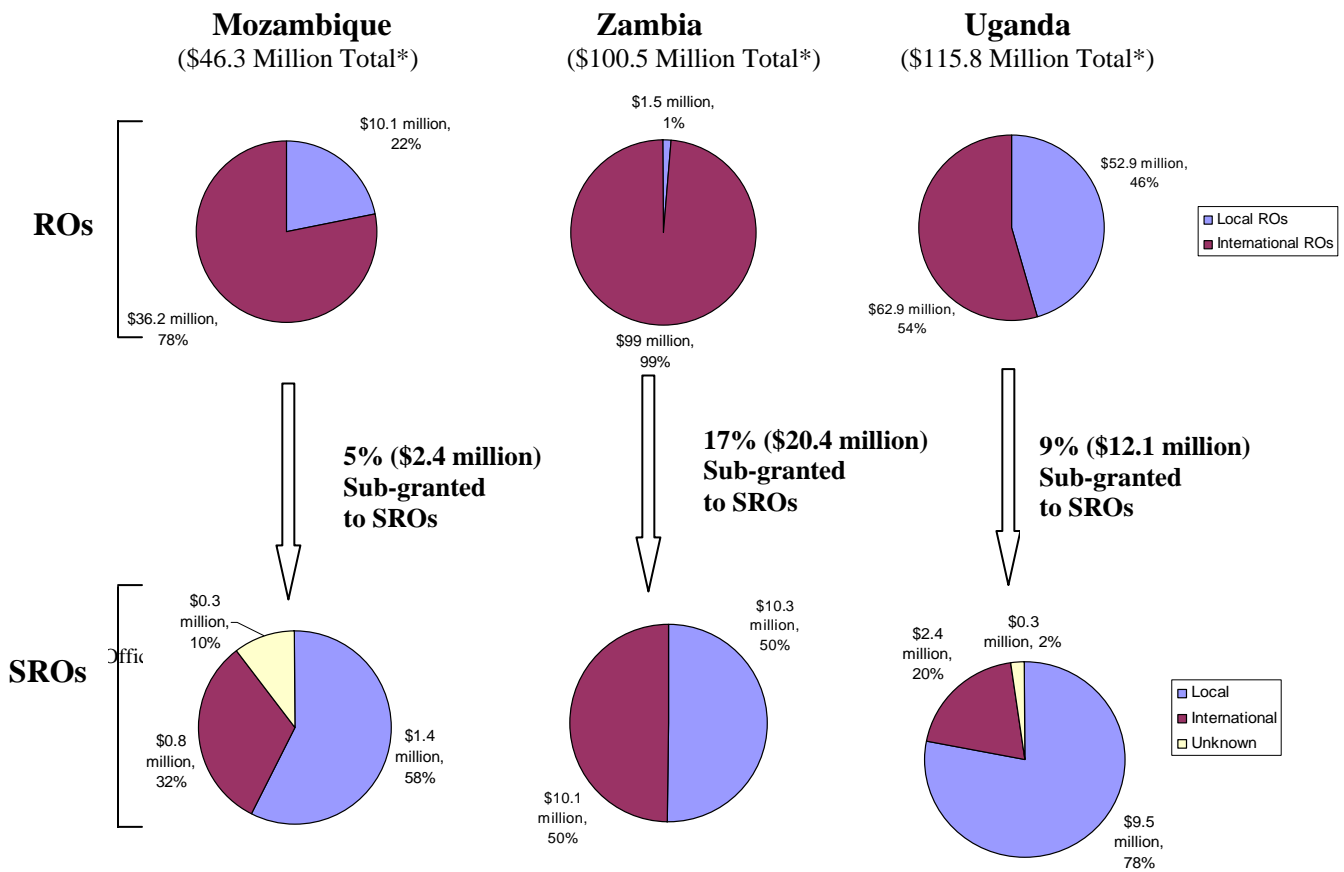
Source: Authors' construction using OGAC obligations data for 2006 available at www.pepfar.gov
 Note: Based on PEPFAR categorizations, which considers FBOs separate from NGOs.

PEPFAR guidance emphasizes the importance of increasing the number of local ROs, but most PEPFAR ROs are non-local recipients, many of which have organizational headquarters in the United States. PEPFAR's guidance for the FY2008 COP goes to great lengths to underscore the importance of channeling an increasing share of each country's PEPFAR resources to locally-based ROs. Despite this policy guidance, however, the majority of PEPFAR funds are still being channeled to non-local groups. Figures 4.10 - 4.12 demonstrates that in FY2005, 78 percent of the funds committed to ROs in Mozambique, and 99 percent of the funds committed to ROs in Zambia, were going to international groups (the majority of which are U.S.-based). In Uganda, however, the funding balance is quite different—almost half of all funds (47 percent) are committed to local ROs, with 54 percent going to internationally-based ROs.⁶⁵ One explanation for the difference in these funding patterns is that greater local capacity exists in Uganda than in Mozambique and Zambia, and PEPFAR staff in Mozambique and

⁶⁵ CGD has financial data for FY2004 through FY2006, but we chose to use figures for FY2005 because some money that was appropriated by Congress in a given year may not be obligated until the following year. If we had used FY2006 funding figures, we would not have captured as complete a story since some obligations of FY2006 funds were made in FY2007. In fact, obligations to SROs are particularly likely to occur in the year following appropriations and would not have been fully captured in the figures below had FY2006 funding been used.

Zambia are not able to identify local ROs that have adequate capacity to handle U.S. funding, including following U.S. government requirements for recipients. PEPFAR guidance for the FY2008 COP recognizes the limited capacity of local ROs: “Many local indigenous organizations have limited technical expertise in accounting, managerial and administrative skills, auditing practices and other activities required to receive funding directly from the USG.”⁶⁶ Where these capacity constraints exist, PEPFAR guidance encourages staff to engage local organizations as SROs with the goal of transitioning these groups into ROs over time.⁶⁷

Figures 4.10 - 4.12: PEPFAR Obligations to Local and Non-Local ROs in FY2005 Using Country-Managed Funds



Source: Authors' calculations using OGAC data provided to CGD via the Center for Public Integrity.

*Note: Total funding amounts do not include centrally-awarded funding, and have been calculated differently than in Figure 4.1⁶⁸

⁶⁶ PEPFAR. COP Guidance for FY2008. Page 6.

⁶⁷ The COP guidance states that “Efforts should be made to support and provide technical assistance to assist these indigenous organizations [i.e., local SROs] to ‘graduate’ to full partner status and enable them to be direct recipients of PEPFAR funds. The fiduciary accountability of local organizations is essential to building sustainable capacity; technical assistance in this area should be made available to partner organizations.” PEPFAR. COP Guidance for FY2008. Page 6.

⁶⁸ All funding that was appropriated in FY2005, whether obligated in FY2005 or FY2006, was included in the total funding numbers listed in these figures. Using the amounts of FY2005 funding obligated in

Half or more of PEPFAR’s SRO funding goes to local recipients, but the total funding provided to local SROs is modest because most PEPFAR funds are not sub-granted.

Figures 4.10 - 4.12 show that of the amount sub-granted in 2005, the percentage of funding going to local SROs ranges from 50 percent in Zambia to 78 percent in Uganda; however, no more than 17 percent of funds in any of our three countries were sub-granted to SROs. Thus, while a large share of sub-granted PEPFAR funds goes to local groups, the amount of money provided to these groups as a share of total funds remains modest.

In the past, PEPFAR selected organizations mainly in urban areas, but it is now trying to expand to rural/under-served areas by having existing ROs build the capacity of new groups, including current SROs and other local organizations. Specific methods for expanding to rural and under-served areas varies by country, but one method that is commonly employed is providing funding to an RO that acts as an “umbrella organization.” This umbrella organization is tasked with sub-granting funds to new local partners in previously under-served areas.⁶⁹ Another strategy employed by PEPFAR is the New Partners Initiative (NPI). The NPI is a designated pool of US\$ 200 million that is being provided to faith-based and community organizations that have not previously received significant amounts of PEPFAR funding.⁷⁰ Recipients of NPI funding include both local and international groups.⁷¹

“And again if we are looking at rolling out pediatric care and treatment, we also need to build capacity. So we are looking at how we train service providers to be able to provide services in rural areas because the PEPFAR program is the main provider of pediatrics and AIDS care treatment services, and it is predominantly in the urban centers. So we are doing what we need to do to get to the rural centers.”

PEPFAR RO, Uganda

“The strategy of getting back to [the large traditional PEPFAR ROs in Uganda]⁷² to take on more and more activities has worked well. But I feel we have reached a point where we just have to get new partners on board.”

PEPFAR field staff, Uganda

FY2006 is particularly important in this case because a significant share of the FY2005 funding that was sub-granted to SROs was obligated in FY2006.

⁶⁹ In Uganda, for example, the John Snow Institute (JSI) has served as an umbrella organization. Its UPHOLD project sub-grants funding to dozens of local organizations, including district governments and community-based groups.

⁷⁰ For more information, see <http://www.pepfar.gov/c19532.htm>

⁷¹ Beginning in FY2007, no RO could receive more than 8 percent of PEPFAR funds for a particular country (with a few exceptions, including the host country government). This rule is also expected to increase the number of new ROs, including local groups.

⁷² Names of specific organizations listed here by the interviewee have been removed to preserve anonymity.

Capacity of Recipients

PEPFAR selects ROs with high capacity to manage and quickly use funding.

Research in Mozambique, Uganda, and Zambia shows that PEPFAR ROs have the necessary human resources, financial management, and other capacities that are crucial to managing and using funding efficiently.

“PEPFAR requires technical and management capacity. This is because it gives quick money to be spent in a short time. There is no equal opportunity with Global Fund since even new or non-established civil organizations were given funds without thorough scrutiny.”

PEPFAR field staff, Uganda

PEPFAR policy recognizes the importance of building local capacity, and a significant number of its programmatic targets are focused on training new health care workers and other relevant staff or volunteers. The PEPFAR guidance document for the 2008 COP states that “developing the capacity of local indigenous organizations” should be a key consideration.⁷³ It further notes that capacity building is a fundamental part of ensuring program sustainability, and asks PEPFAR staff to discuss how sustainability considerations have been incorporated into each program area (e.g., PMTCT, OVC, AB, etc.).⁷⁴ Furthermore, the targets established in each program area include a target specifically related to the number of new individuals trained.⁷⁵

PEPFAR relies on its ROs to build the capacity of the government and other local organizations. Most funding is provided to U.S.-based ROs, but these ROs are required to strengthen the technical and management capacities of local organizations. ROs must list these efforts at strengthening local capacities in annual workplans and performance reports. According to PEPFAR, these capacity-building activities will, over time, allow local SROs to become ROs. The ultimate goal is for PEPFAR’s non-local ROs to be “working themselves out of service delivery...and program management.”⁷⁶ As of the writing of this paper, however, most PEPFAR funding continues to go to non-local ROs, and there are only limited examples of PEPFAR SROs becoming ROs.

“If the organization has not received U.S. government funding in the past, it is difficult then to start to receive money through PEPFAR...It takes a while to create capacity to do this. That is why we still have lots of organizations that are sub-contracted from larger organizations, because it is difficult for them to receive money directly from the U.S. government. It is easier for the donors to manage a larger organization that manages a smaller organization, which guarantees that they will follow the U.S. government regulations.”

RO official, Mozambique

“Initially I would say that until the local organizations can learn how the system works, it would be best to partner with a more experienced organization that is bidding for the contract, and then be a sub-contractor. Then when you learn the routes you can become a

⁷³ PEPFAR. COP Guidance for FY2008.

⁷⁴ The only exceptions to this rule are the category of “ARV: Drugs” and “Management and Staffing.”

⁷⁵ Given publicly available data, we were unable to judge the effectiveness of these capacity-building activities.

⁷⁶ PEPFAR. COP Guidance FY2008.

prime contractor. It is a tough call. At one level you are looking at trying to help individual organizations, but then where do you draw the line? Because some organizations are very weak in terms of capacity and you need to spend all this time building capacity, when you also don't have the capacity to do that.”

PEPFAR official, Uganda

“It is necessary for indigenous organizations to improve their capacity and be able to win some of these bids. This however will take time, and eventually they may have to partner with more experienced organizations. Secondly, the donors would have to spend a lot of resources (human, financial, time) building capacity if they decided to work with local organizations that do not have the capacity to deliver.”

PEPFAR official, Uganda

PEPFAR supports capacity-building activities in the public sector, both at the national and district/local level. These activities are undertaken primarily by non-governmental ROs who work with the government to build capacity. The focus of capacity development in the public sector is on training and helping strengthen policy. Existing staff salaries are typically not supported, nor are additional staff hired because such actions are viewed as unsustainable. A description of capacity-building activities from Uganda is provided in Box 4.1 and is illustrative of the different kinds of PEPFAR support for systems-strengthening activities in the focus countries.

**Box 4.1: Capacity Building for Public Sector (National and Local Level)
Health Delivery Systems, Uganda**

Activities funded by PEPFAR that support systems-strengthening for HIV/AIDS service delivery in Uganda include:

1. Commodity procurement and distribution support for two national procurement agencies.
2. Laboratory capacity building for public (and private) providers, including purchase of new equipment.
3. Expansion of the Health Management Information System (HMIS) of the Ministry of Health, and training of managers to help them use the information in the HMIS.
4. Human resource support to establish a Management Information Systems (MIS) for human resources at the district and national level.
5. Technical assistance for the district AIDS committees to generate HIV/AIDS strategic plans for their districts.
6. Training for teachers to implement revised school curricula on HIV/AIDS.

PEPFAR funding can be used to hire new staff, and to top-off salaries of existing staff in the private sector, but funding cannot be used for this purpose in the public sector.

This is due to the fact that government employees are perceived as staff that must be retained indefinitely, while staff hired by NGOs using PEPFAR funds know they will be supported only for the life cycle of the funding agreement.⁷⁷ Still, PEPFAR staffing policies can be controversial. In Uganda, for example, PEPFAR hiring policies have been criticized by the government for negatively affecting the public health system, because PEPFAR ROs have attracted the best health workers from the government systems, especially doctors and high cadre nurses.⁷⁸

“Project staffing has a negative impact on the creation of different salary scales for people doing things together [as a team].”

RO official, Uganda

“We do fund the hiring of staff. If you are going to deliver a service, and the people are not enough, you better do something otherwise the service won’t be delivered. So we do top up the programs that we support with additional nurses, doctors, etc.”

PEPFAR Official, Uganda

Summary of Key Findings

The PEPFAR program is driven by the need to meet legislatively-mandated targets on prevention, treatment, and care. The emphasis on targets leads PEPFAR to prioritize speed and efficiency over factors like sustainability. In so doing, PEPFAR works primarily with non-governmental entities based in the United States who have high capacity to quickly implement programs. As a result, funding is disbursed from PEPFAR to ROs, and then on to SROs in a quick and predictable fashion. The one area that constrains the smooth flow of funds is the unpredictable nature of annual commitments, which are themselves contingent on the erratic timing of the U.S. budget process.

In our focus countries, PEPFAR provides the majority of AIDS resources.⁷⁹ Funding has expanded quickly, with increases each year since the program’s inception. Money is allocated based on global funding “earmarks.” In all three countries, PEPFAR funding was allocated across prevention, treatment, and care with remarkable consistency, regardless of country-specific epidemiology and/or systems capacity issues. Examining this breakdown reveals that funds for prevention are quite modest compared to treatment and care.

PEPFAR money is channeled primarily outside the government system. Recipient governments are not involved in PEPFAR oversight, although they do receive information about planned activities from PEPFAR staff. PEPFAR attempts to build

⁷⁷ Interview with former PEPFAR field staff. August 15, 2007.

⁷⁸ Official PEPFAR guidance for the FY2008 COP does state that PEPAR ROs should “harmonize local compensation practices with the Ministry of Health’s compensation for health workers” and should not exceed these compensation levels. However, this principle is not always adhered to.

⁷⁹ Our research was not able to comprehensively capture all AIDS resources to the countries studied, but we have captured the major sources of government and donor funding. We do not believe that any AIDS funding which was not included in our analysis would alter the statement made in the text.

public capacity by providing funds to government ministries, and by supporting ROs who then work with the government to strengthen public systems.

5. The Global Fund to Fight AIDS, Tuberculosis and Malaria

Description of Program

The Global Fund is unlike traditional aid donors in that it was designed as a financing mechanism. The Global Fund’s founding principles state that “the Fund is a financial instrument, not an implementing entity.”⁸⁰ This philosophy informs the unique model upon which the Global Fund is based: its grants are active in over 135 countries and territories but it has no in-country presence or technical assistance expertise. Instead, the Fund aims to operate within a broader network of partners, whereby its funding is complemented by the activities, expertise and resources of other agencies, national governments, NGOs, civil society organizations, and private sector partners.

The Global Fund provides grants for HIV/AIDS, tuberculosis and malaria. To receive money from the Global Fund, a country must establish a Country Coordinating Mechanism (CCM) made up of stakeholders from government and civil society. The CCM submits a grant proposal to the Global Fund in Geneva in which it proposes program activities to be undertaken and the organization(s) that will receive and manage this funding. If the proposal is approved by an independent expert committee—the Technical Review Panel—then a Local Fund Agent (LFA), usually a well-established international accounting firm, is selected to assess the capacity of the RO(s) to implement the proposal and to recommend a disbursement amount. Once this process is complete, the Global Fund disburses funds to one or more ROs (or “principal recipients (PRs)” in the terminology used by the Global Fund).

Critical to the Global Fund model is the principle of performance-based funding. Global Fund programs are approved for five years; however, after 18 months, the LFA evaluates program performance and makes a recommendation to the Global Fund Board as to whether the program should be continued, terminated, or adjusted after two years. At that point, the Board decides on the appropriate course of action and the level of continued funding support.

Data Availability

The Global Fund publicly shares the following data: Global Fund disbursements, RO expenditures, and RO sub-grants to SROs. It also collects detailed data on the way funding is used, but these data are not publicly shared.⁸¹ These detailed data are

⁸⁰ The Global Fund. “The Framework Document for the Global Fund to Fight AIDS, Tuberculosis and Malaria.” 2002. Available at http://www.theglobalfund.org/en/files/publicdoc/Framework_uk.pdf

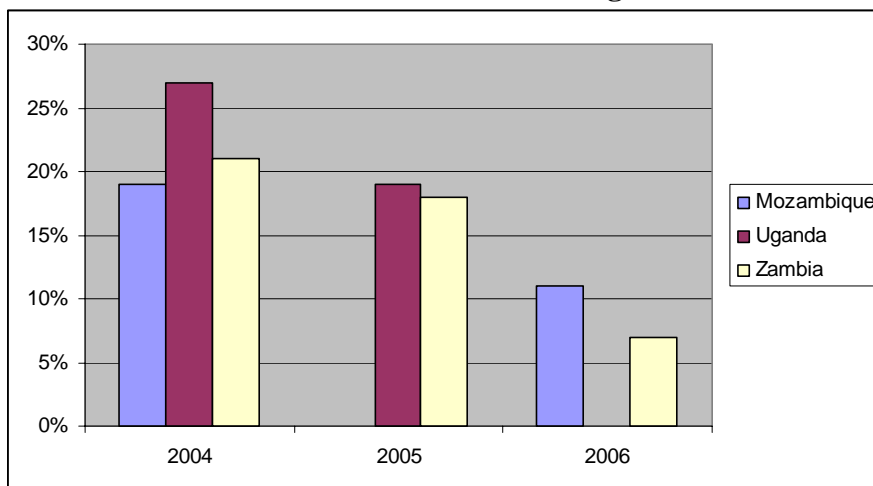
⁸¹ The Global Fund Board has approved in principle a financial tracking pilot program to track expenditures by program area in several countries. The Global Fund is currently investigating whether the benefits of this new system would outweigh any costs that might come in the form of burdensome additional reporting for ROs. The program is pending final approval by the board.

contained in the “Sources and Uses of Funds” document, submitted along with ROs’ periodic disbursement requests, as well as in their annual Fiscal Year Progress Report.⁸² The Global Fund further requires ROs to maintain records about transfers made to SROs. This information is not part of routine reporting to the Global Fund, although LFAs do sometimes conduct “spot-checks” of RO records.

Amount of Funding

Disbursements from the Global Fund have made up a small to moderate proportion of total AIDS spending in the three countries studied. The Global Fund has approved grants in Mozambique, Uganda, and Zambia ranging from US\$ 30 million to US\$ 117 million. Figure 5.2 shows commitments and disbursements to each country through 2006. Although a significant amount of money, these funding levels are fairly modest when compared to total available AIDS resources in these three countries. Global Fund disbursements, as a proportion of total funding from governments and donors, have varied considerably over the last several years. It was at its highest levels in 2004: 19 percent in Mozambique, 27 percent in Uganda, and 21 percent in Zambia.⁸³ After 2004, however, Global Fund money as a percentage of total AIDS funding has declined in all three countries, a fact that is at least partially attributable to the large increases in PEPFAR funding.

Figure 5.1: Global Fund Disbursements as a Percentage of Total HIV/AIDS Funding



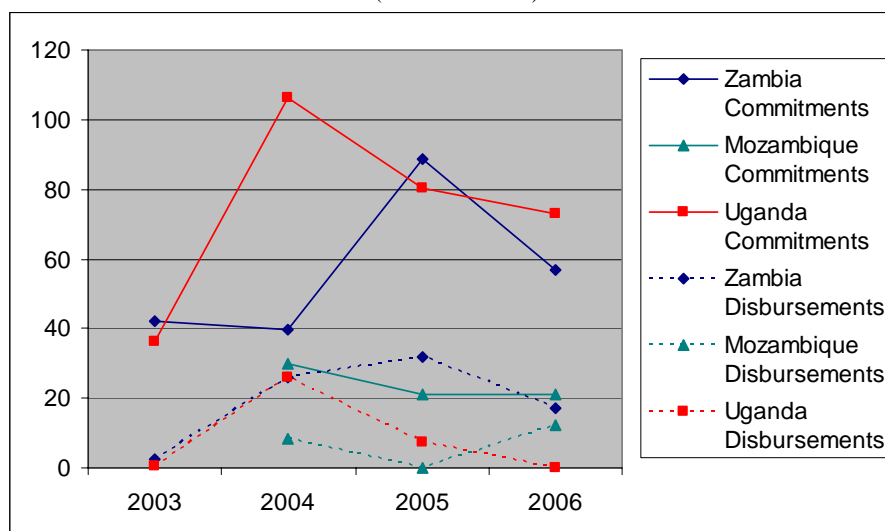
Source: Derived from Figures 3.4, 3.5, and 3.6.

⁸² Due to efforts to accommodate countries’ existing reporting procedures, there is no standardized format for these documents across countries, so the exact type of data provided varies. The inconsistency across countries is one reason that the Global Fund has cited for not releasing this data publicly.

⁸³ The Zambia figure is based on Global Fund money as a percentage of total HIV/AIDS spending, as listed in the “Zambia Estimates of Revenue and Expenditure.” It also relies on an estimated 62 percent of total HIV/AIDS spending (on- and off-budget) in 2006 being provided by PEPFAR (Craviolatti and Elemu 2007).

Disbursement rates have varied across countries, but recent declines in disbursements are evident across all three countries (see Figure 5.2). In Zambia and Uganda, disbursements were very low in the first year of the grant, increasing substantially in the second year, but with little to no progress in the third year. Uganda’s funding trends are a result of a rapid roll-out of the grant in the first two years, followed by the temporary suspension of grant funds in 2005.⁸⁴ In Mozambique, no funding was disbursed to one of the grant’s two ROs until nearly two years after the grant agreement was signed. Overall, the delays in initial disbursements and the declines in later-year disbursement rates can be partially explained by implementation challenges faced by the recipients of Global Fund money (see below for details).⁸⁵

Figure 5.2: Global Fund Commitments and Disbursements
(USD MILLIONS)



Source: Global Fund website.

Notes: For the Global Fund, Phase II funding commitments are counted as being committed in the year the Phase II program was approved, not as part of the original 5-year grant.

Flow of Funds

*In our three focus countries, Global Fund money is channeled primarily to the government, and is generally on-budget.*⁸⁶ As Figure 5.3 illustrates, Zambia is an exception: two of four ROs receiving approximately half of all funding are non-public sector entities. In Uganda and Mozambique, all Global Fund money goes through public

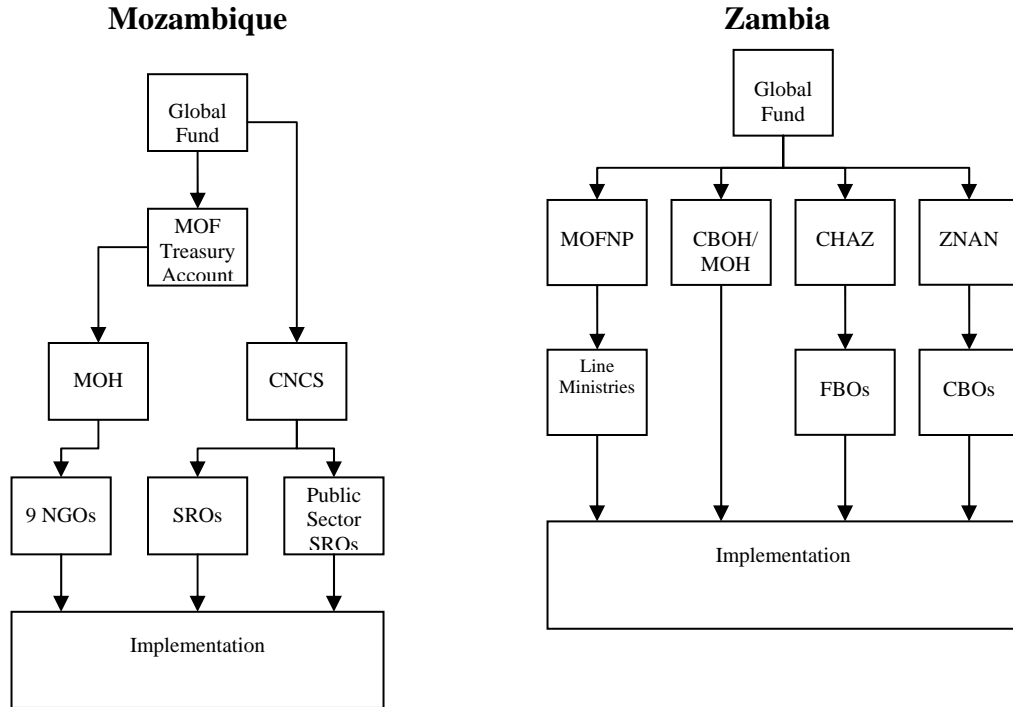
⁸⁴ In August 2005, the Global Fund suspended all grants to Uganda, after an external review of the project management unit revealed “serious mismanagement” of Global Fund money. This suspension was lifted following an agreement between the Global Fund and the Ugandan government on a series of reforms related to grant administration. For details, see: Global Fund. “Global Fund Suspends Grants to Uganda.” 2005 (Press Release).

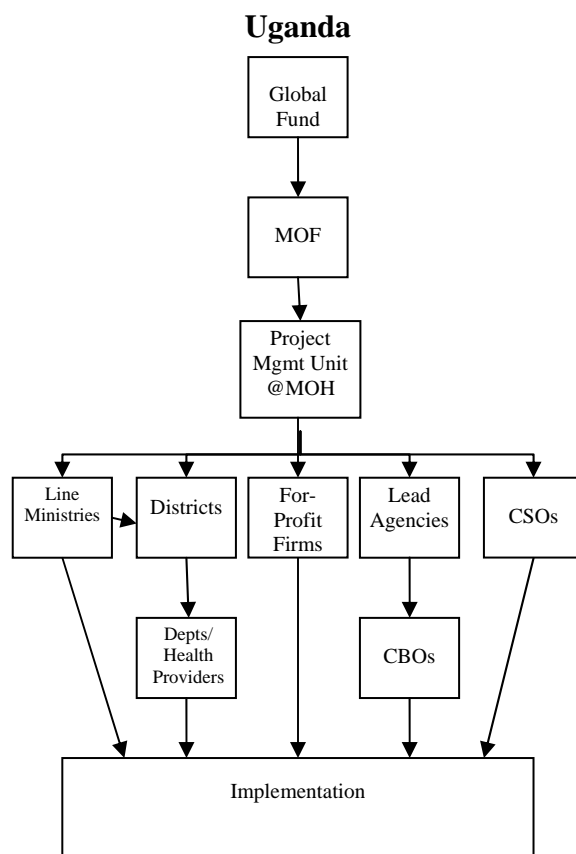
⁸⁵ Zambia also saw a large increase in commitments in 2005 due to a newly approved grant, and Phase II approval for its first grant agreement.

⁸⁶ “On-budget” is defined as funding that is: registered in the national budget document; flows through the national central bank and/or treasury accounts; and is reported using the national accounting system.

sector ROs. The Global Fund program in Mozambique is unique in that money for MOH goes through a Sector Wide Approach (SWAp) for health. While the Global Fund generally follows SWAp procedures, it does request some additional information and “triggers” for disbursements. In general, however, reporting requirements are aligned with MOH sector-wide Monitoring & Evaluation and reporting systems, as set out in the SWAp Memorandum of Understanding.

Figure 5.3: Global Fund Flow of Funds





Working with the Government

The Global Fund involves the government in its grants through the Country Coordinating Mechanism (CCM). CCM membership includes a diverse set of country-level stakeholders, but host government representatives typically play a prominent role, often serving as chair or vice-chair of the CCM.⁸⁷ Through the CCM, the government has the opportunity to participate in planning the way grant funds will be used, and in conducting oversight of the project.

The CCM is responsible for designing and submitting the grant application. In developing the application, the CCM proposes particular programmatic activities to be funded and nominates the RO(s) that will manage the grant. The Global Fund's principle of country ownership means that it is not involved in the development of this application. CCMs develop these applications, often with the help of a consultant, and submit them to the Global Fund for review and approval.

In principle, oversight of the grant is also the responsibility of the CCM, although some CCMs have played a more limited oversight role. CCMs are supposed to monitor

⁸⁷ For a breakdown of CCM membership by constituency type for the first four rounds of Global Fund grant-making, see http://www.theglobalfund.org/en/about/structures/ccm_analysis/

progress by ROs, assist the RO with implementation challenges, and approve funding requests submitted by the RO to the Global Fund. CCMs also receive copies of all reports prepared by the RO. Despite this extensive list of responsibilities, CCMs vary in quality and in the degree to which they are able to conduct proper grant oversight.⁸⁸

Global Fund money disbursed to the government can usually be managed according to established public procedures for handling funds.⁸⁹ The Fund requires an assessment of RO accounting procedures prior to signing a grant agreement to ensure certain minimum financial capacities, but does not require special procedures or separate bank accounts to handle its funds. In Uganda, however, a special account, the Project Management Unit (PMU), was set up at MOH in order to circumvent government budget-ceiling restraints for the health sector. Where the Global Fund co-finances a program with other donors, such as in a SWAp, annual audits for the program as a whole are accepted, as long as the Global Fund grant and program expenditures are clearly delineated and the auditor complies with certain minimum standards.

Activities Funded

The Global Fund does not publicly disclose country-specific funding data disaggregated by program activities, so the exact amount spent on such activities is unknown. Nonetheless, CGD researchers were able to collect data disaggregated by program area for Uganda and for two ROs in Zambia. These data are used in the analysis below.

Programmatic activities supported through Global Fund grants varied significantly by country. Prevention, for example, made up only a small share of total Global Fund monies to Uganda but a substantial share of funding to Zambia. Even within funding categories, resources often go to different types of interventions. For instance, 41 percent of disbursements for prevention in 2004, and 88 percent in 2005, went toward condom distribution in Uganda, while the available data for Zambia show an emphasis on outreach and behavior change, and only small amounts for condom distribution.

The variation notwithstanding, a significant and increasingly larger share of Global Fund money is being allocated for treatment activities. As illustrated in Figure 5.4, the percentage of disbursements going to ARV treatment and services in Uganda went from 21 percent in 2004 to 33 percent in 2005 and 72 percent in 2006.⁹⁰ While no programmatic data are available for overall Global Fund disbursements in Zambia, data from two ROs, ZNAN and CHAZ, reflect the trend toward funding for ARV treatment—ZNAN disbursements for treatment went from 0 percent of total disbursements in 2004 to 51 percent in 2006, while CHAZ saw an increase from 0 percent to 15 percent of funding

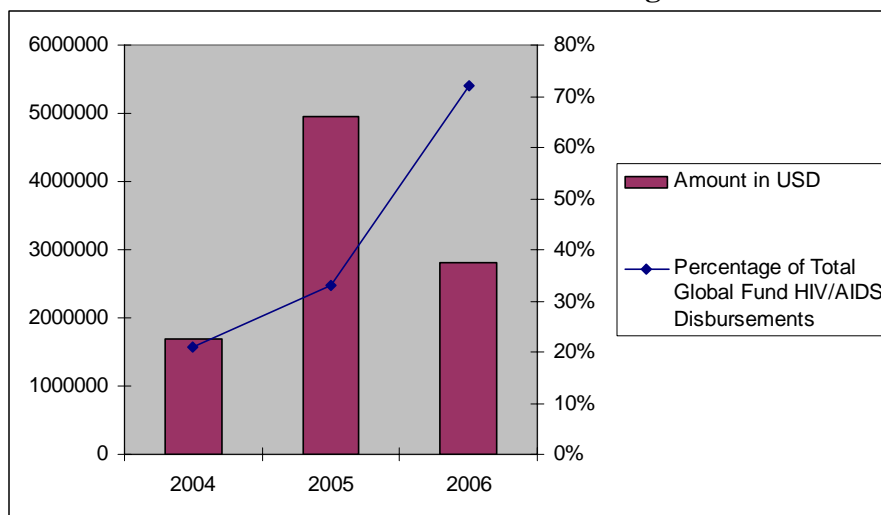
⁸⁸ See CGD. “Challenges and Opportunities for the New Executive Director of the Global Fund: Seven Essential Tasks.” 2006. See also Brugha et al. Managing Great Expectations. *Lancet*. 2005.

⁸⁹ The same is true for money going to civil society and private sector recipients.

⁹⁰ Some of this large increase in ARV treatment and services as a percentage of total disbursements in 2006 in Uganda can be attributed to the suspension of Uganda’s grants in 2005, and the Global Fund’s decision to continue funding most facilities that were providing life-saving ARV drugs.

in the same period. In addition, the Chief of Party for the MOH’s component of the grant has noted that most money going to his ministry was programmed for ARV treatment.⁹¹

Figure 5.4: Global Fund Disbursements to SROs for ARV Treatment and Services in Uganda



Source: Care Taker Firm for Uganda Global Fund Project.

Speed and Predictability of Funding

*Global Fund grants have encountered considerable problems with the speed and predictability of funding; most of these problems appear to originate with the RO, not the Global Fund.*⁹² For instance, capacity problems have caused delays in disbursements from the Global Fund to ROs. In Mozambique, disbursements to the Mozambique National AIDS Council (CNCS) for a grant approved in 2002 and signed in 2004 were postponed until 2006 due to a lack of capacity to use the funds. In Zambia, disbursement rates to non-governmental ROs were better than those to public sector ROs, possibly lending credence to the Global Fund’s view that its potential new policy of dual-track financing, in which both public sector and non-governmental entities are to be chosen as ROs, will lead to “increased absorption capacity” and “accelerated implementation and performance of grants.”⁹³ Even so, delays were observed for all recipients in Zambia, including the two non-governmental ROs.⁹⁴

⁹¹ Cheelo et al. Following the Funding: Zambia Country Report. 2007 (forthcoming).

⁹² The issue of speed and predictability is tied to the Global Fund principle of performance-based funding, since a failure to demonstrate results achieved with previously disbursed funds could delay subsequent disbursements.

⁹³ Decision Point GF/B15/DP14, Fifteenth Board Meeting of the Global Fund, April 2007. Final approval of the dual-track financing model is likely to be made at the Sixteenth Board Meeting in October 2007, following a report by the Finance and Audit Committee about the budgetary implications of this proposed policy.

⁹⁴ Cheelo et al. Following the Funding: Zambia Country Report. 2007 (forthcoming).

Lack of capacity among ROs has also caused delays in disbursements to SROs. The two ROs in Mozambique, for example, lack the technical and managerial capacity to monitor NGO activities and expenditures, which creates delays in disbursements from the RO to SROs. In the case of the MOH in Mozambique, delays in disbursements are as long as six months.⁹⁵ In addition to capacity constraints, the delays in disbursements seem to be a result of bureaucratic entanglement within the MOH, where financial and progress reports must be submitted to several departments, and disbursement requests must be approved by the minister and several other persons and departments. The other RO in Mozambique, the National AIDS Council, has also been quite slow to disburse funding to its SROs.⁹⁶

Uganda's Global Fund programs have faced similar problems. The Project Management Unit within the MOH which was tasked with disbursing funds to SROs was slow to set up the monitoring systems for its sub-grants, and ended up disbursing large amounts of money to SROs before proper systems were in place. This lack of monitoring capability may have contributed to the temporary suspension of Global Fund programs in Uganda. This suspension had deleterious effects on the predictability of funding, as many SROs had to interrupt programming and/or look for alternative sources of funds.⁹⁷

The Global Fund and its agents may also have been responsible for some of the disbursement delays. The most notable examples come from Zambia where ROs noted that it was difficult to navigate the complicated and inconsistent requirements on the part of the LFA and/or the Global Fund secretariat in Geneva. Staff at one RO also noted that delays were often caused by complicated reporting requirements, as well as a high turnover rate among the Global Fund's portfolio managers, resulting in unresponsiveness and long waits for approval of disbursements.⁹⁸ Finally, the LFA in Zambia faced the unique difficulty of managing four separate grant agreements with four ROs, limiting the LFA's ability to administer funds quickly and effectively.⁹⁹

Funding to ROs was predictable, but the sub-granting process was often unpredictable and, in some cases, affected implementation. District health officials in Uganda have reported unpredictable funding, as have SROs in Zambia and Mozambique. The erratic nature of Global Fund sub-granting has pushed some of these organizations to seek money from other sources to ensure the continued operation of essential services.¹⁰⁰

“For the Global Fund, it was very irregular because you would receive some money then takes long to get another installment. They had no clear system of reporting in the

⁹⁵ Interview with Global Fund SRO in Mozambique.

⁹⁶ Dirce Costa. *Following the Funding: Mozambique Country Report*. 2007 (forthcoming).

⁹⁷ As noted above, the exception to this was organizations providing life-saving ARV drugs, which largely continued to receive funding.

⁹⁸ CGD Cheelo et al 2007. The Global Fund's Portfolio Managers are designated staff from the Secretariat who manage a number of country grant portfolios.

⁹⁹ The challenge of overseeing a grant with multiple ROs should be carefully studied by the Global Fund as it considers adopting a policy of “Dual-Track Financing,” since this policy will encourage the use of multiple ROs in implementing new grants.

¹⁰⁰ Cheelo et al 2007. Also, Costa 2007 (forthcoming).

beginning but they later gave us reports to fill every quarter but that's the time they developed problems. For example they would release 20 millions instead of 100 millions which would affect the implementation of the programmes. They kept sending installments like they would another 50 million then another 30 million until they paid up the 100 million.”

District health official, Uganda

Selection of Recipient Organizations

The ROs for Global Fund grants are proposed by the CCMs as part of the application process. Finalization of the RO(s) occurs following grant approval by the Board, and prior to the official signing of the grant agreement. The Global Fund does not participate in RO selection, but nominated ROs are subject to an LFA assessment of their capacity to fill this role.

CCMs have significant representation from government representatives, many of whom serve as chairs or vice-chairs of the CCM. The considerable influence of government officials on CCMs may explain why public sector institutions were chosen as ROs in the three countries examined here despite weak financial, management, and technical capacity. There is also evidence that once an RO is chosen, there is a certain momentum created that makes it hard to choose a different RO for future funding rounds. In Mozambique, for example, a key source from the CCM said that when choosing ROs for a recent grant application, CCM members discussed the “possible risk” of choosing a different RO and the need to ensure funding to sub-recipients.¹⁰¹ Therefore, despite their sub-optimal performance, the CCM decided to keep MOH and the NAC as ROs.¹⁰²

The selection process for Global Fund ROs will likely change with the introduction of “dual-track” financing. Under this new funding policy, endorsed in principle at the Fifteenth Board Meeting of the Global Fund and awaiting final approval pending a review of its budgetary implications,¹⁰³ CCMs will be required to nominate at least one public sector and one civil society entity RO for their grant proposal; if no civil society organization is included in the proposal, the CCM must explain why. This new directive means that future grants are likely to more closely resemble the model used in Zambia, where funding is split between public sector and civil society ROs.

Sub-recipients are determined by the ROs without direct involvement by the Global Fund. The Global Fund does not play a role in the selection of SROs although it does provide some general guidelines about adherence to principles such as efficiency, transparency, and accountability. Within those guidelines, the Fund allows ROs to make its own determinations about appropriate implementation arrangements for the grant, including procedures for selecting sub-recipients. This “hands-off” policy may be working well in some countries, but our research uncovered significant problems with

¹⁰¹ Costa 2007, page 57.

¹⁰² It should also be noted that CNCS and MOH made up two of the six organizations represented on the committee tasked with recommending which organizations should be selected as ROs.

¹⁰³ Decision Point GF/B15/DP14, Fifteenth Board Meeting of the Global Fund, April 2007.

this model in Uganda, where many of the NGOs receiving sub-grants had no experience in the districts where they were supposed to implement Global Fund activities.¹⁰⁴ Some of this money was misused by the NGOs receiving it, which contributed to the temporary suspension of Global Fund grants in Uganda.

“Those guys did their recruitment of the NGOs/CBOs in Kampala. We only came to know about the organizations through other meetings. We complained to the RO during some workshop and they brought on board only one local NGO. Therefore in our district we had 5 NGOs of which 4 were Kampala-based and only one from our district.”

District government official, Uganda

Types of Organizations Receiving Funding

The Global Fund disburses funding to various types of ROs; in all three countries, money flowed to the Ministry of Finance (MOF) or MOH (or both) but other money was disbursed to the NAC or civil society organizations. (Figure 5.3 shows the details of the flow of funds from the Global Fund to ROs, and down to SROs.)

Sub-recipients have included both public and private organizations. In Mozambique, most funds have remained in the public sector, while in Uganda most money is sub-granted to civil society and the private sector. Zambia is somewhere in between, with funding approximately evenly split between sectors.

The variety of organizations funded seems to support the Global Fund’s assertion that its programs are country-driven and reflect the country-specific context. The types of organizations funded have varied widely across countries, a good indication that the selection of recipients has been a country-driven process.

Capacity of Recipients

The Global Fund’s Local Fund Agents (LFAs) conduct capacity assessments of ROs prior to their approval by the Global Fund. These assessments are intended to ensure that ROs possess minimum capacity, but the effectiveness of these assessments is unclear. The LFA’s assessments are intended to evaluate RO capacities in four areas:¹⁰⁵

- Financial Management Systems
- Institutional and Programmatic Arrangements
- Procurement and Supply Chain Management

¹⁰⁴ Freddie Ssenooba and Elizabeth Ekirapa Kiracho. Following the Funding: Uganda Country Report. 2007 (forthcoming).

¹⁰⁵ The Global Fund has developed a specific set of suggested questions for LFAs to use in conducting these assessments but it is unclear whether LFAs tend to follow these guidelines. The LFA assessment requirement is waived in cases where similar assessments of the RO have already been conducted. In Mozambique, for example, there was no LFA assessment of RO capacity because an assessment of MOH’s common funding pool for donors had already been undertaken (Mozambique Report, page 58).

- Monitoring and Evaluation.

Based on this assessment, the LFA makes one of the following three recommendations: the RO has the minimum capacities required; the RO needs certain additional capacities; or the RO requires major capacity strengthening which may be excessive under the grant circumstances.¹⁰⁶ LFA assessments are not publicly released so it is not possible to assess the degree to which they uncovered capacity shortcomings in the ROs proposed by CCMs.

Where capacity shortfalls are identified by the LFA, the Global Fund requires the RO to address these shortfalls during the early stages of the grant. Despite these requirements, ROs in our three focus countries continue to demonstrate capacity challenges. The Global Fund uses the LFA assessment to determine capacity requirements that particular ROs must meet before receiving either the first or a subsequent disbursement of Global Fund money.¹⁰⁷ Still, ROs have experienced a variety of capacity challenges, and many of these challenges seem to persist over time despite the Global Fund requirements. Our research has not been able to pinpoint the reason for the persistence of such capacity concerns, but their existence suggests the need to improve either the process of identifying these capacity constraints, or the requirements for addressing these constraints, or both.

ROs are responsible for ensuring that SROs have the minimum capacities needed to successfully implement their programs. Since ROs determine the eligibility requirements for their respective SROs, the specific requirements vary across countries but do tend to share a number of common features, including:

- Financial management capacity
- Program management capabilities, including experience in the designated service area
- Programmatic alignment with national priority interventions
- Proof of legal status or registration

The eligibility requirements for SROs in Zambia and Mozambique are quite similar, but Uganda's RO has put in place distinct criteria for each organization type.¹⁰⁸ Regardless of selection criteria, the Global Fund does require ROs to have SRO audit reports on file and accessible to the LFA.

The financial management capacities of Global Fund ROs in Mozambique, Uganda, and Zambia are in need of strengthening. The MOH and NAC in Mozambique have had trouble managing and disbursing funds. At the same time, many of their SROs have

¹⁰⁶ In the case of the third recommendation, the Global Fund may ask the CCM to identify alternative options for the RO. See Global Fund. "Fiduciary Arrangements for Grant Recipients." June 2003.

¹⁰⁷ These requirements are contained within the grant agreements with particular ROs. See Global Fund. "Fiduciary Arrangements for Grant Recipients." June 2003.

¹⁰⁸ The differing criteria for implementing agencies is based on whether the organization is a public service organization, district local government, lead agency, or CSO (direct implementer not under the auspices of a lead agency or local government).

lacked the capacity to manage complex initiatives and have struggled to complete financial reports. In Uganda, the RO began disbursing funds before it had set up the proper systems to properly monitor SRO activities.

Global Fund money has supported capacity-building activities, including the training of health personnel.¹⁰⁹ In Uganda, for instance, capacity-building activities averaged 14.5 percent of expenditures from 2004-2006.¹¹⁰ The focus of capacity-building activities has been on short-term training. In Zambia, available data show that one non-governmental RO used 12 percent of its funds for capacity-building activities, while a second RO used no funding for such purposes. Further details about the Global Fund's support for capacity building are not available; the Global Fund relies on existing RO systems for reports on expenditures and therefore does not require specific reporting on matters such as capacity building.¹¹¹

Summary of Key Findings

The Global Fund's philosophy of country-ownership is evident both in the variation across countries of the programmatic activities supported, and in the type of ROs that manage this funding. The variation notwithstanding, there are some common trends observed across countries. A significant share of all three countries' grants support treatment activities. All three countries also had at least one public-sector RO.

The flow of Global Fund monies has been impeded by bottlenecks that were primarily caused by challenges faced by ROs in managing resources. Funding from the Global Fund to ROs was generally predictable, but the sub-granting process was often unpredictable, and led to some obstacles in implementation.

While official policies are in place to ensure prospective recipients have the capacity to implement programs, it is not clear whether these assessments adequately identify capacity challenges or whether the Global Fund's policies are effective in addressing these challenges once identified. Once grants are signed, Global Fund monies can be used for capacity-building activities. The limited information available about such activities indicates that capacity building often lays emphasis on training programs.

¹⁰⁹ Funding generally does not support the hiring of additional staff, focusing instead on improving the capabilities of existing systems and staff.

¹¹⁰ Capacity-building activities are defined as Administrative Strengthening + Human Resources – Monetary Incentives. Calculations were made based on data provided by the caretaker firm for Global Fund grants in Uganda. The data set for these calculations will be posted on the CGD website shortly.

¹¹¹ Although not specifically identified in our own country research, there are two additional points related to Global Fund capacity building which have been documented in other reports. First, the Global Fund's initial design assumed that other donors and stakeholders would take on a large portion of the responsibility to provide technical assistance to ROs supported by the Global Fund. This assumption turns out to have been misguided in many countries. Second, the Global Fund is often recognized as having built significant capacity within civil society, through, among other means, ensuring that CSOs were represented on CCMs.

6. The World Bank’s Multi-Country AIDS Program for Africa

Description of Program

The Multi-Country AIDS Program for Africa (MAP) is different from other types of World Bank assistance. Established in December 2000 after specific funding authorization by the World Bank’s Board of Directors, MAP programs are designed as a way to strengthen a country’s capacity to develop a national response to the AIDS epidemic. All countries that wish to receive MAP funding are required to develop a national AIDS plan; they must also establish a NAC to oversee and coordinate the implementation of this plan.¹¹²

MAP funding is designed to be multi-sectoral, with a particular emphasis on supporting a community response to the epidemic. NACs provide funding to a wide variety of stakeholders, including multiple line ministries (not only the MOH), district governments, civil society organizations, and for-profit entities. In particular, all MAP projects place high priority on building the community response to the epidemic. As the first donor to channel significant sums of AIDS monies to the community level, MAP projects have often built local capacity where none existed. Further details on these efforts are presented in the following sections.

The NAC oversees all MAP funding, even though it often does not directly handle a large share of MAP resources. In many cases, MAP money is first sent to the MOF.¹¹³ From there, money is either sent through the NAC or is sent directly to implementing agencies—both within and without the government—upon NAC request.¹¹⁴ In either case, the NAC acts as the coordination and oversight body for the project.

MAP funding may be provided as a grant or credit (i.e., loan); the mechanism chosen is dependent on the overall mix of World Bank grant and credit funding available to a given country.¹¹⁵ Among our focus countries, MAP funding is provided as grants to Mozambique and Zambia, and as a loan to Uganda.

¹¹² Note that the National AIDS Council has different names in different countries. In Uganda, Mozambique, and Zambia, these bodies are called the Uganda AIDS Commission, the Conselho Nacional de Combate ao HIV-SIDA (CNCS), and the National AIDS Council, respectively. In this report, we refer to all three bodies as NACs.

¹¹³ In some countries, the MOF is the official borrower, but funding is channeled directly to other entities such as the NAC.

¹¹⁴ In Mozambique, the MOH has its own special account and makes independent requests to the World Bank for funds replenishment. In Zambia, some money is channeled to sub-recipients without NAC request/approval.

¹¹⁵ The mix of World Bank grant and loans provided to a country is determined by the World Bank’s Board of Directors. Whether a MAP project is provided as a grant or loan does not affect the net amount of World Bank loans and grants provided to the country.

Data Availability

Publicly available data from the World Bank on MAP funding disaggregated by program area and recipient type are limited. As the World Bank does not require funding data to be disaggregated by program activities, the exact amounts spent on each activity are unknown.¹¹⁶ Instead, financial reporting for World Bank projects is based on accounting categories such as civil works, goods, and operating expenses. There are also no consistent data across countries about the amounts of money being received by different types of organizations, as this information is not required by the World Bank. Each year, the World Bank does ask NACs to submit estimates of the amounts of funding spent on particular program areas, and sent to different types of recipients, but these estimates are not publicly available. Further details about data availability are presented in Annex 1.¹¹⁷

Amount of Funding

MAP funding is small relative to the total annual amounts currently being provided for AIDS in each focus country. MAP funding ranges from US\$ 42 million (Zambia) to US\$ 55 million (Mozambique).¹¹⁸ Each project spans five years, so an average of US\$ 8 million to US\$ 10 million can be expected to flow from the World Bank each year. In our three focus countries, there was at least US\$ 130 million in AIDS funding, meaning MAP funding comprised less than 10 percent of the total annual AIDS resources. In 2005, for example, the percentage of AIDS resources provided by MAP relative to each country's overall resources for AIDS ranged from just 4% in Uganda to 9% in Mozambique.

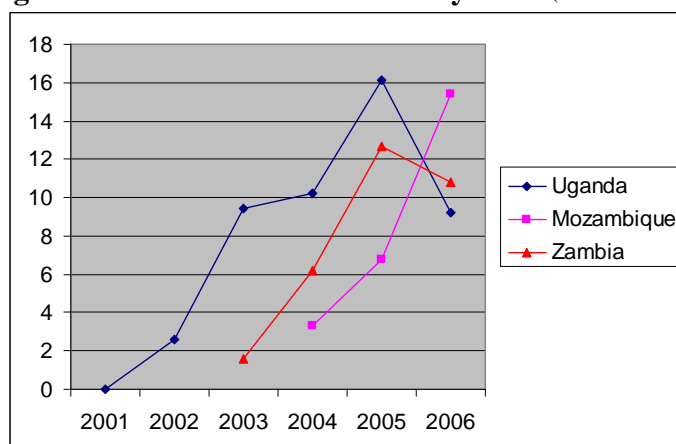
MAP funding tends to start slow, then increase, and gradually decline. Figure 6.1 shows the pattern of funding first increasing and then decreasing through the MAP projects' life cycle. First-year funding is modest, since the early days of the project are focused on establishing appropriate systems (e.g., financial management and procurement) for future implementation. Funding expands over time, but tends to decline in the last one to two years because, by that time, most of the project's money has already been disbursed and large procurements have been completed.¹¹⁹

¹¹⁶ Host country officials who oversee the MAP do collect financial data on MAP-funded activities. The type of data and the level of detail vary by country. CGD researchers attempted to collect such data from government officials and were successful in some cases. Some of this data is presented below, and the raw data will be made available on the CGD website in the coming months.

¹¹⁷ The World Bank's Africa Region is currently developing a Regional Results Monitoring System which, according to World Bank officials, will provide some additional relevant data at the RO-level. The launch of this new system is expected in October 2007.

¹¹⁸ Actual World Bank commitments are made in "Special Drawing Rights" which is a special currency that shields recipients from the volatility of exchange rate fluctuations. In the case of Mozambique, the amount committed at the outset of the MAP project was equivalent to US\$ 55 million, but the depreciation of the U.S. dollar has meant that the project is now worth US\$ 62.6 million.

¹¹⁹ Disbursements to the Mozambique MAP do not exhibit the final years' decline because the program has not yet reached its final two years; it is currently scheduled for completion on December 31, 2009.

Figure 6.1: MAP Disbursements by Year (USD MILLIONS)

Source: Data collected by country researchers, and data provided by the World Bank.

MAP funding to ROs was typically disbursed in small increments, subject to reporting on the use of previously released monies. MAP recipients are expected to request funding for six months of activities, and then account for a portion of their expenditures before receiving subsequent tranches of money. As a result, money is often provided in small amounts—a sum of US\$ 3 million, for example, is not uncommon. Such small amounts can impede the smooth flow of funds down the funding chain to implementers, especially because the World Bank will not make new disbursements until it receives reports on the use of previous disbursements.

“When the districts were ready sometimes, we were not ready, because we had to get money from Washington; this was because the fund was revolving. So if they said that the total funding for the project is 50 million dollars, they just give us 3 million, we use it, account for it and then get more. So we got stuck, because you could only get more money after sending reports and accounting.”

Government official, Uganda¹²⁰

Flow of Funds

All MAP funding is sent initially to the government, although significant sums of money are later sub-granted to entities inside and outside the government. As figure 6.2 illustrates, in most cases, MAP funding flows first to the MOF. A portion of this funding is then transferred to the RO, which is typically the NAC.¹²¹ Some funds are transferred directly to SROs, but such sub-grants are first approved by the NAC. The figures below demonstrate that there are some exceptions to this general pattern. In Mozambique, for example, there are two ROs: the NAC and the MOH.

¹²⁰ Ssengooba, Freddie and Elizabeth Ekirapa Kiracho. Following the Funding: Uganda Country Report. Page 35. (forthcoming)

¹²¹ The issue of which entity should be considered the RO is not always clear in the case of the MAP. We refer to the NAC as the RO, given its role as the coordinator and overseer of the MAP funds once they reach a country. Note, though, that it is often the MOF which is responsible for submitting reports, and even disbursement requests, to the World Bank.

Working with the Government

MAP projects follow standard World Bank processes rather than necessarily following standard government practices. Like other public revenue, MAP funding is usually first deposited into an account controlled by the MOF; however, MAP funding is typically provided as project—not budget—support and is thus earmarked for particular recipients and specific activities.¹²² Before providing funds, the World Bank requires that the recipient government establish a series of special bank accounts designated for particular components of the MAP project. As the project begins, MAP funds are used to hire project staff to oversee accounting, procurement, and other functions of the project.¹²³ These staff sit within government ministries (e.g., the MOH), and are trained in MAP-specific procedures. In Zambia, for example, MAP staff were trained in a new financial management system based on World Bank reporting requirements.¹²⁴

“First of all you have to acknowledge our money was not totally in the budget, so we could track our money. We had our special accounts where you were obliged to identify special accountants to handle the account and for that reason we were able to push to some extent. In other words, ours is more of a hybrid between a situation where you would have total money within the system and money which has been more or less ring fenced.”

MAP staff, Government of Uganda

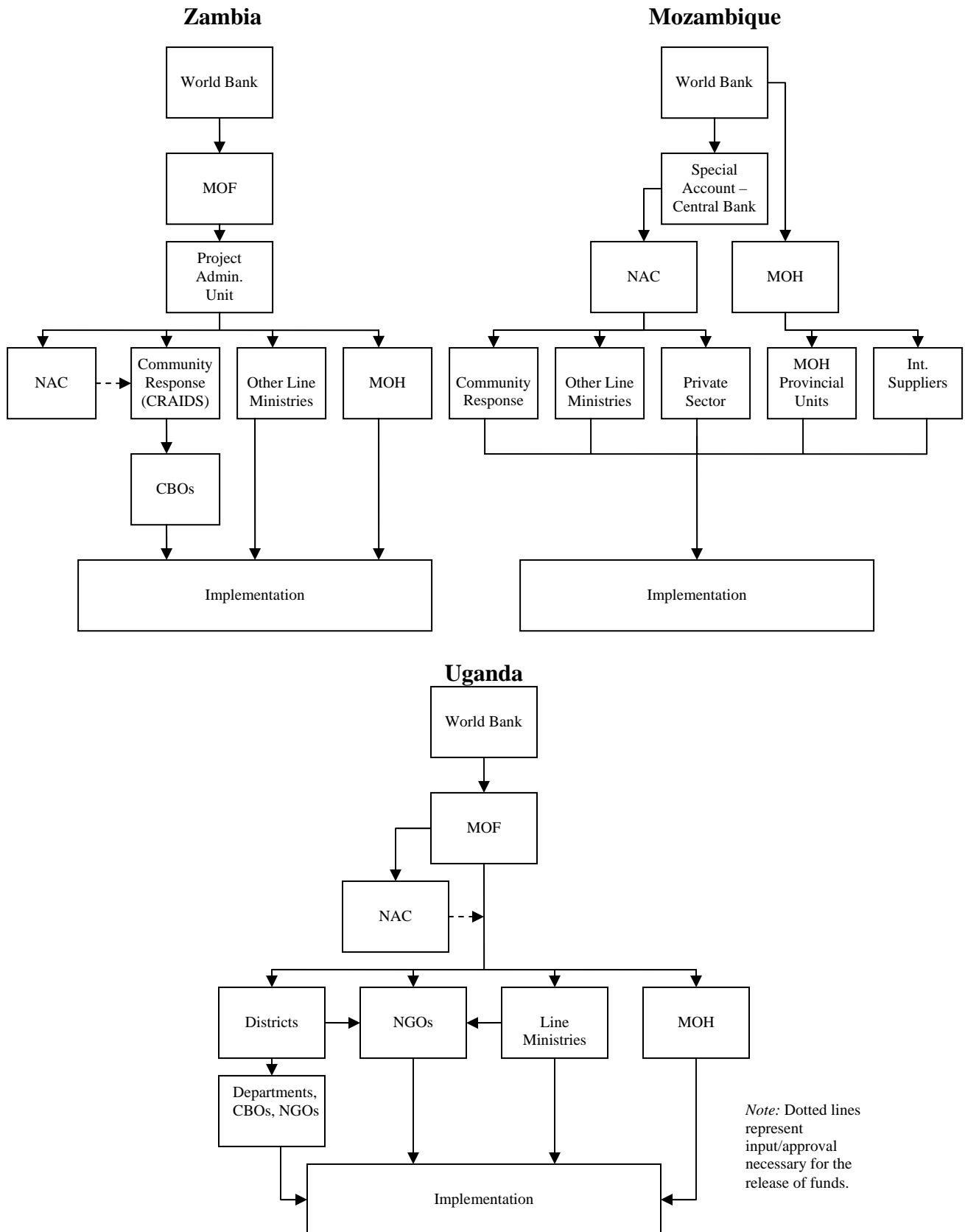
Host country governments assume the lead role in designing, planning, and overseeing the MAP project, with the close involvement of World Bank staff. In particular, World Bank officials work closely with host government staff to design the project and plan the way it will be implemented. These pre-implementation activities involve selecting the activities to be supported with MAP funds and the types of recipients to receive funding. Government staff then take the lead in implementing the project, and monitoring the progress and performance of all organizations (ROs and SROs) receiving MAP funds.

¹²² In Mozambique, the World Bank has committed to begin providing MAP funding to the NAC as budget support. Funding for the MOH will continue to be channeled as project support.

¹²³ Staff are typically only hired for the national level, not the district level.

¹²⁴ World Bank. Project Appraisal Document for Zambia MAP. Page 25.

Figure 6.2: World Bank MAP: Funds Flow to Zambia, Mozambique, and Uganda



Activities Funded

MAP funding, though modest, fills a particular role in the national AIDS response.

MAP funding has three special features: first, MAP projects channel a significant share of funding to the community level. These funds flow directly to community-based organizations (CBOs), or to district governments and NGOs that help support and oversee the community response. Second, MAP money supports a multi-sectoral response, with MAP funding supporting at least ten different ministries, many of which are unlikely to get AIDS funding from other sources.¹²⁵ Third, a large percentage of MAP funding provided to the NAC and MOH is intended to build government capacity and strengthen systems. In Mozambique, for example, a quarter of the total MAP funds were designated for capacity building, strengthening monitoring and evaluation systems, and other administrative costs.¹²⁶

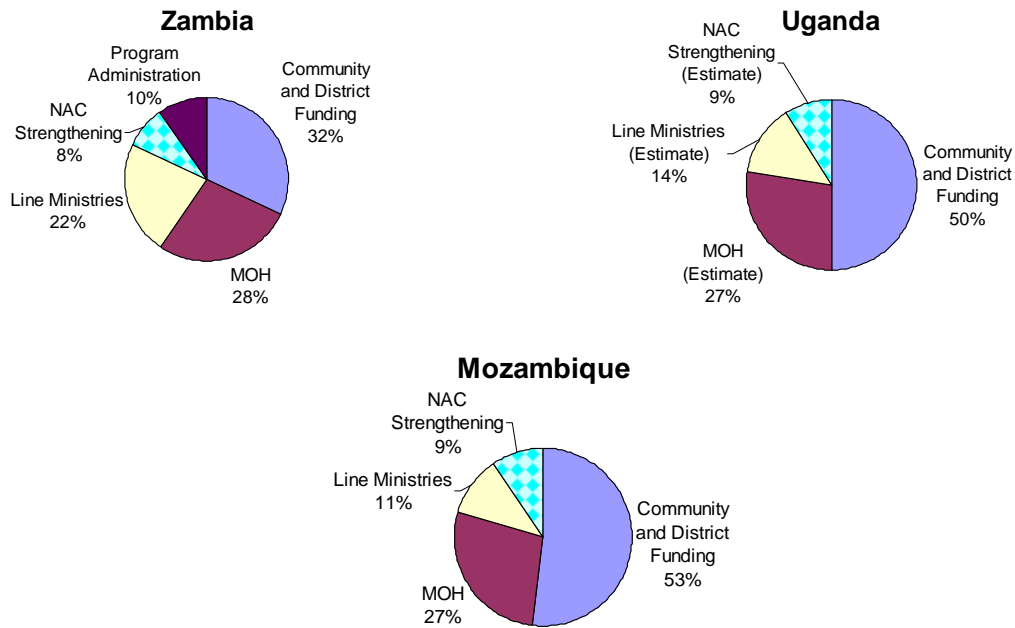
MAP project components tend to be designed and reported around types of implementing entities (e.g., CBOs), rather than programmatic activities (e.g., treatment). The bulk of MAP resources are provided to CBOs, district governments, and civil society organizations as part of the community response.¹²⁷ Figures 6.3 - 6.5 illustrate this phenomenon, showing the average amounts allocated to different project components in the three countries.

¹²⁵ In Mozambique, the MAP committed funds to 15 different ministries or other government entities. In Zambia, up to 15 line ministries were funded, and in Uganda, 13 line ministries were supported.

¹²⁶ ACTAfrica Questionnaire for Mozambique 2006. Data from this questionnaire will shortly be posted on the CGD website.

¹²⁷ In Mozambique, some funding also went to provincial governments.

Figures 6.3 - 6.5: MAP Funding by Project Component



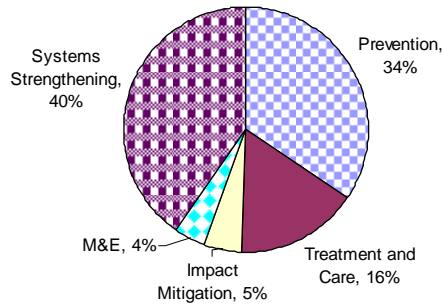
Source: Authors' construction using World Bank PADs.

*The World Bank seeks estimates from NACs on an annual basis to determine how funding is disaggregated by program activity in each MAP country, but these data are not publicly disclosed.*¹²⁸ The World Bank has aggregated this country-specific data for all MAP projects in Africa and has disclosed the aggregate data (see Figure 6.6). The country-specific data upon which these aggregate figures are based has yet to be released by the World Bank.¹²⁹

¹²⁸ All of these numbers are estimates because the disbursement policies for MAP do not require precise reporting on programmatic activities (e.g., prevention and treatment). Reporting mandated by the World Bank for projects including the MAP is based on accounting categories such as civil works, goods, and operating expenses. For further details, see Bernstein and Sessions (2007).

¹²⁹ CGD requested this data from the World Bank but was told that the Bank was legally unable to release it because of disclosure agreements signed with each country's NAC.

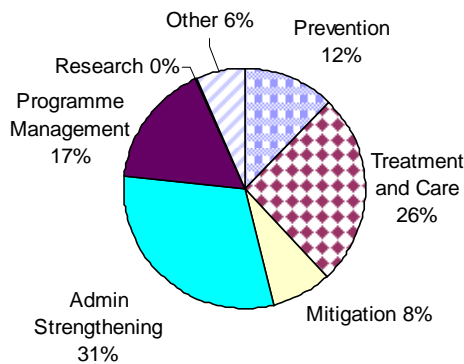
Figure 6.6: Africa MAP Commitments by Program Area, 2000-2006



Source: Africa MAP Results Report (2007).

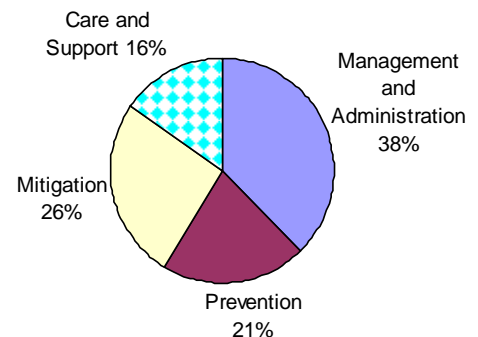
Although not required by the World Bank, some ROs and SROs collect more detailed financial data, including expenditure data, based on programmatic categories. CGD researchers in Zambia were able to collect data that could be categorized according to programmatic area; these data are presented in Figure 6.7.¹³⁰ Comparing this to Figure 6.6 above illustrates that prevention received less relative attention in Zambia than it did for all MAP programs combined. Many of the other Zambia numbers do follow trends observed in Figure 6.6. A separate chart, Figure 6.8, presents a breakdown of one particular component of the Zambia MAP project—the community response. Since the bulk of MAP funding goes toward the community response, it is particularly important to understand how this money is spent.

Figure 6.7: Zambia Disbursements by Program Area, 2001-2006



Source: Authors' construction using data provided by the Zambia MAP.

Figure 6.8: Zambia MAP Funding For Community Response by Program Area



Source: Authors' construction based on data provided by the Zambia MAP.

¹³⁰ Figures obtained for the Zambia MAP were categorized in accordance with UNAIDS' National AIDS Spending Assessments (NASA). In some cases, funding was labeled with very general descriptions such as "coordination," so the authors used their best judgment in categorizing such line items. Source: Cheelo, Caesar et al. Following the Funding: Zambia Country Report. 2007. (forthcoming).

Speed and Predictability of Funding

Although the World Bank quickly disbursed funds to recipient governments, MAP money faced major delays once transferred to ROs in all three countries. MAP funding relies on government agencies to channel funding to implementing entities, both inside and outside the government, and these agencies experienced significant problems in smoothly channeling money through the system. Among the major bottlenecks observed were:

- Lengthy approval processes for disbursements and reporting
- Delays in submitting reporting needed for subsequent disbursements
- Overburdened staff at all levels of government (district through national level)
- Low absorptive capacity of sub-grantees (particularly in Zambia)
- Incremental nature of funding (particularly in Uganda)

“That Washington (World Bank office), I really have to credit them, those people are very efficient. Because every problem we had (in disbursement speed), we were the cause. It’s not easy to assemble all information in time. That has been a challenge.”

Government official, Uganda¹³¹

MAP faces a significant trade-off between facilitating quick disbursement and ensuring financial accountability. The financial management, reporting, and accounting systems established by MAP were intended to ensure that money was spent appropriately, but these requirements often create and/or exacerbate funding bottlenecks.¹³² In Uganda, for example, MAP funding to community groups had to be authorized or processed by at least four different district officials before being reviewed by NAC officials and MOF staff, and then being approved on a “no objection” basis by the World Bank.¹³³ It is worth noting that although these steps significantly delay funding disbursements to community groups, they do appear to have reduced the potential for corruption or waste.¹³⁴

“At national level, there were delays, we set a target of disbursing within 14 days but often we took 30 days. There were delays because disbursement is not a function of only finance. You had to go through several different controlling desks by sector. From the community it goes to the community specialist, then to the audit department and then to finance. While at the district it first had to go to the district program officer and then the program specialist.”

Government official, Uganda

“I know what is happening with the MOH, it has to do with planning and with justification of the funds. If you don’t bring all the evidences that the funds were used in

¹³¹ Ssengooba, Freddie and Elizabeth Ekirapa Kiracho. Following the Funding: Uganda Country Report. 2007. Page 33. (forthcoming).

¹³² In Mozambique, MAP will soon begin channeling its support for the NAC through the donors’ common fund. If this model is judged to work well, it could serve as a model for other MAP projects.

¹³³ Approval on a “no objection” basis means that information must be shared with the World Bank and can be considered to be approved by World Bank staff as long as they do not explicitly state otherwise.

¹³⁴ Funding provided to community groups in Uganda by the Global Fund, for example, did not have similar accountability requirements, and Global Fund grants were suspended in 2005 due to concerns that the money had been misused. See Global Fund section for details.

a proper way, then it delays. You keep getting some further questions from the managers of the World Bank, asking you to provide more data.”

Government official, Mozambique

Funding delays were also caused by the weak absorptive capacity of government institutions and/or civil society sub-grantees. In Uganda, for example, the difficulty faced by the RO in managing MAP funds meant that it took more than a year for funds to be transferred from the MOF to the Ministry of Gender.¹³⁵ In Zambia, the entity in charge of sub-granting to civil society organizations (CSOs) postponed transfers to a large number of sub-recipients due to concerns about their absorptive capacity.¹³⁶

Efforts to address key bottlenecks to fund transfers were only partially successful. To facilitate the completion of work, the Uganda MAP tried to provide additional remuneration to AIDS focal people within the district government. This strategy had only a limited effect, as staff remained overwhelmed by the volume of work required by their positions. In an effort to ease the blockage to new disbursements caused by the need for reporting, several MAP projects adopted an “impress” system whereby sub-recipients were only required to report on a portion of their expenditures—typically 70 percent to 80 percent—before requesting a new installment of funds. While this system accelerated the transfer of funding, it did not fully address the reporting bottlenecks; many MAP recipients and sub-recipients still struggled to complete reporting requirements in a timely fashion.¹³⁷

Delays in channeling funds through the public system made the timing of disbursements unpredictable and affected implementation, even though the amounts of funding to be received by various sub-recipients were well known. In some instances, sub-recipients had to wait for months, or even years, before committed funding finally arrived. Occasionally, these delays hurt organizations’ ability to implement programs.

“This waiting period is very painful; the national NGOs do not have internal sustainability, their function depends on these funds.”¹³⁸

NGO staff, Mozambique

Selection of Recipient Organizations

All MAP funding is sent first through the public system, with the recipient organization or organizations determined through consultations between the World Bank and the host government during the project preparation phase. In most cases, MAP funding is sent first to the MOF, but the coordination and oversight roles are played by the NAC. In this respect, the NAC can be thought of as the recipient organization. Although not all money passes through the NAC before going out to sub-recipients, NAC typically

¹³⁵ Ssengooba, Freddie and Elizabeth Ekirapa Kiracho. Following the Funding: Uganda Country Report. (forthcoming)

¹³⁶ Cheelo, Caesar et al. Following the Funding: Zambia Country Report. 2007. (forthcoming)

¹³⁷ Ssengooba, Freddie and Elizabeth Ekirapa Kiracho. Following the Funding: Uganda Country Report. (forthcoming)

¹³⁸ Costa, Dirce. Following the Funding: Mozambique Country Report. 2007. (forthcoming)

approves these funding transfers.¹³⁹ A notable exception to this rule comes from Mozambique, where both the NAC and MOH serve as recipient organizations.

Procedures for selecting sub-recipients are also established through consultation between the host government and the World Bank, with procedures differing by type of recipient. A list of typical procedures for selecting sub-recipients is presented in Table 6.1. In some cases, the actual selection of recipients may deviate from the procedures. In Mozambique, for example, despite the existence of extensive eligibility criteria for CSOs, there is evidence that recipient selection did not follow these established procedures.¹⁴⁰

“The national CSOs needed to submit a proposal and a history of what they had done, audited accounts. We needed to be sure of their capacity.”

Government official, Uganda

Sub-granting procedures for community-based organizations (CBOs) were overseen by district government authorities, but also required approval at the national level. CBOs wishing to apply for funding completed pre-designed forms which contained a list of the types of activities eligible for MAP funding.¹⁴¹ Applications were reviewed by a district HIV/AIDS committee, and suitable applications were sent to the NAC for review/approval.¹⁴² In the case of Uganda, the World Bank country staff also had to approve the selection of CBOs on a “no objection” basis.

“In the MAP project, communities form groups from amongst themselves and even come up with activities which they would like to have funded. The district helps identify the communities and mobilizes them to come together through sensitizations so that they form CBOs, which sit and develop proposals using pre-designed forms from MAP, showing activities they would like to implement, then they can access funding. Proposals are forwarded to the District HIV/AIDS Committee (DAC) for review and approval, and then to the MAP project offices. The DAC does desk screening and even goes to the communities to satisfy that the groups are actually present on the ground.”

District government official, Uganda

As part of facilitating the community response, MAP also provided funding to district governments and CSOs. District governments apply for funding and must fulfill basic requirements as listed in Table 6.1. CSOs can apply to serve as “facilitating agents” for the community response. In this capacity, they help train and assist CBOs to manage, implement, and report on program activities.

¹³⁹ In Zambia, the NAC approves only those fund transfers that are related to the community response and amount to over US\$ 20,000.

¹⁴⁰ Costa, Dirce. *Following the Funding: Mozambique Country Report*. 2007. Page 45. (forthcoming)

¹⁴¹ CBOs could also write-in their own proposed activities which were not included in the pre-designed form. Source: World Bank. *Project Appraisal Document for the Zambia MAP*. 2002.

¹⁴² In Zambia, the community response component (known as “CRAIDS”) was overseen by the Zambia Social Investment Fund (ZAMSIF). ZAMSIF, not the NAC, was responsible for reviewing community response proposals that were forwarded from the district level. NAC approval, however, was still required for projects of US\$ 20,000 or more.

Table 6.1: Selection Criteria for MAP Sub-recipients

Type of Recipient	Process for obtaining funding
Line Ministries	<ul style="list-style-type: none"> - opening a separate bank account - selecting a focal staff person - preparing an AIDS workplan
District Gov.	<ul style="list-style-type: none"> - opening a separate bank account - selecting a focal staff person - forming an HIV/AIDS committee - preparing an AIDS work plan - assigning dedicated accounting staff
CSOs	Competitive bidding based on demonstrating: <ul style="list-style-type: none"> - financial and programmatic capacity - relevant past experience - (site visits are sometimes conducted before award)
CBOs	<ul style="list-style-type: none"> - completing pre-designed forms and submitting to districts for approval

Source: World Bank PADs and CGD researchers' country-specific reports.

Types of Organizations Receiving Funding

MAP documents suggest that most of its resources go toward strengthening the community response, but significant shares are also provided to the MOH, other line ministries, and the NAC. The World Bank does not collect comprehensive data on the amounts of money committed or disbursed to different types of recipients.¹⁴³ For this reason, we must rely on data concerning the breakdown of funding by project component, which are presented in the three pie charts in Figures 6.3 - 6.5 above. These charts illustrate that, on average, 30 percent of MAP funding goes to MOH; 20 percent to other line ministries; and 10 percent is used by the NAC. The remaining 40 percent is distributed to a wide array of actors including district governments, NGOs, faith-based organizations (FBOs), CBOs, and for-profit companies. Among these sub-grantees, there are many more CBOs funded than, say, NGOs, but the amount of money channeled to each CBO is often very small.

The amount of funding received by different types of SROs varies across countries; the number of SROs of any particular type also varies by country. In Mozambique, for example, MAP funding has been allocated to an estimated 420 CBOs, but a significant share of funding for the community response was channeled to NGOs (including

¹⁴³ This data, however, is often collected by host country governments, as in Zambia and Uganda.

international NGOs) and for-profit companies.¹⁴⁴ In Uganda, MAP money funded over 3,500 CBOs, and only very small amounts of money went to international NGOs and for-profit companies.¹⁴⁵ More detailed comparisons across countries are not possible due to data constraints.

Capacity of Recipients

Various types of recipients experienced capacity constraints; CSOs had the most severe constraints. Many CSOs could not demonstrate adequate financial and management capabilities; in Zambia, for example, the government body overseeing the sub-granting process delayed issuing a large number of sub-grants to CSOs due to concerns about their capacity to manage and use these funds.

“Of course the biggest challenge was the CSOs. You could find some with good people, but of course they tended not to invest much in the structure. For example, you could find them with a good counselor, someone doing home visits, but to find them with an elaborate system for managing the accounts, audited accounts, of course these were not there.”

Government official, Uganda

Capacity constraints were a pervasive problem within the public system. In Mozambique, the NAC struggled to establish appropriate systems to manage funding, and was limited in its ability to conduct monitoring and evaluation of sub-grantees. In Uganda, district level staff working on MAP were overwhelmed by the work load, especially given the fact that MAP activities were additional to their pre-existing responsibilities. Further, the Project Management Unit for MAP in Uganda was also understaffed and overworked.

The World Bank does not have a clear set of capacity requirements for prospective ROs, choosing instead to focus on building the necessary capacity during the early part of the grant. Before signing MAP agreements, the World Bank conducts a capacity assessment of ROs to determine their grant readiness in areas such as financial management and procurement. These assessments are used to determine the level of capacity building that will be required at the beginning of the project. Typically, the World Bank supports the hiring of project staff who are then trained in World Bank procedures in areas such as procurement and financial management. The World Bank also provides funding to establish and/or strengthen the project’s financial, procurement, and other related systems.¹⁴⁶

¹⁴⁴ These numbers were calculated using data from the ACTAfrica Questionnaire filled out by CNCS and sent to the World Bank. In the 2005 questionnaire, CNCS reported that it had already funded 256 CBOs and that it planned to fund an additional 143 sub-projects (this was revised upward to 206 in a later form). Since 80 percent of all sub-projects until then had been funded through CBOs, we added 80 percent of the 206 sub-projects to the total for CBOs. Our figures are admittedly an estimate, but even if they are off by, say, 50 percent, the point is the striking difference between the number of CBOs funded in Mozambique and Uganda.

¹⁴⁵ One explanation for this discrepancy could be the differing levels of existing capacity at the community level in the two countries, but this hypothesis cannot be verified.

¹⁴⁶ World Bank Project Appraisal Documents for Mozambique, Uganda, and Zambia MAPs.

More specific selection criteria are established for prospective sub-recipients, but requirements differ by type of recipient. Public entities (i.e., line ministries and district governments) must fulfill basic requirements (as described above), which are assumed to demonstrate adequate capacity to absorb and use funding. In contrast, CSOs are required to demonstrate financial and programmatic capacity, and must have experience managing funding above pre-defined thresholds.¹⁴⁷ There are no capacity requirements for CBOs, except for a presence in the communities where they work. MAP provides support to build the capacity of CBOs during the period of the sub-grant.

The World Bank funded an extensive list of capacity-building activities, with the activities varying by type of recipient, and the most effective capacity building occurring at the community level. The capacity-building activities supported by the MAP could be divided into four categories: national government, CSOs, district government, and community level. Specific capacity-building activities for each type of recipient are listed in Table 6.2. One common feature across all levels was that a significant share of capacity-building money was dedicated to short-term training.

Table 6.2: MAP Capacity-Building Activities by Type of Recipient

Type of Recipient	Capacity-Building Activities
National Government	<ul style="list-style-type: none"> • Hired staff and trained them in World Bank procedures • Established financial, human resource, and M&E systems • Purchased relevant equipment (trucks, computers, CD4 machines, etc.)
CSOs	<ul style="list-style-type: none"> • Programmatic training (e.g., Voluntary Counseling and Testing) • Management training (e.g., accounting)
District Governments	<ul style="list-style-type: none"> • Management training in accounting and auditing • Salary top-offs (in Uganda)
CBOs	<ul style="list-style-type: none"> • Comprehensive training in project management—preparing proposals, managing funds, implementing activities, reporting on expenditures, etc. • Funded district governments to train and oversee CBOs • Contracted with CSOs to support CBOs

“[MAP] taught us the accounting procedures and packages for both organizations at the beginning. Then some CSOs were selected to help and they were also trained for two weeks. Then even at the community level the chairman, secretary, and treasurer were selected for training. It was detailed training because they were taught management and

¹⁴⁷ Exact capacity requirements vary by country. Further details are available in Annex 1.

administration, finance, and implementation of activities. We even had scouts in all the villages.”

District official, Uganda

“The CRAIDS Component [i.e., community-response component of the MAP project] is the single most important HIV/AIDS program touching the lives of people at household level in all the provinces.”

Independent Assessment of MAP’s community response in Zambia

Summary of Key Findings

MAP offers a modest amount of funding compared to the other donors, but its funding is unique in its focus on strengthening the national AIDS response. This focus leads MAP to target its funding to particular types of recipients (such as NACs, MOHs, and CBOs) instead of particular types of programmatic areas (such as prevention and treatment). The largest share of funding goes to building the community response, and MAP seems to have built significant capacity in this area. Major beneficiaries of community-response funding are CBOs, district governments, and CSOs. Other MAP funding is channeled to the NAC, MOH, and government line ministries.

All MAP funds travel first through the government system, but bottlenecks (including overburdened government staff, bureaucratic procedures and complex reporting requirements) mean that the flow of money is slow and unpredictable. In some cases, the slow flow of funds constrains program implementation.

MAP projects come with extensive procedural and reporting requirements. These procedures aim to build systems that will ensure proper use of MAP funds and compliance with World Bank procedures. These same procedures, though, can act as a further bottleneck to the flow of funds. The tradeoff between efficiency (quick implementation) and accountability (proper use of funds) is a clear tension faced by many donors. In the case of MAP projects, the World Bank gives priority to accountability.

7. Key Findings: Comparing Donors against Six Key Funding Practices

The discussion that follows assesses donors’ funding behavior relative to each other, and against donor commitments to use resources effectively.¹⁴⁸ Specifically, we assess consistency of six observed practices of PEPFAR, the Global Fund and the World Bank’s MAP with the tenets of the Paris Declaration on Aid Effectiveness, which all three agencies have endorsed (See Figure 7.1):

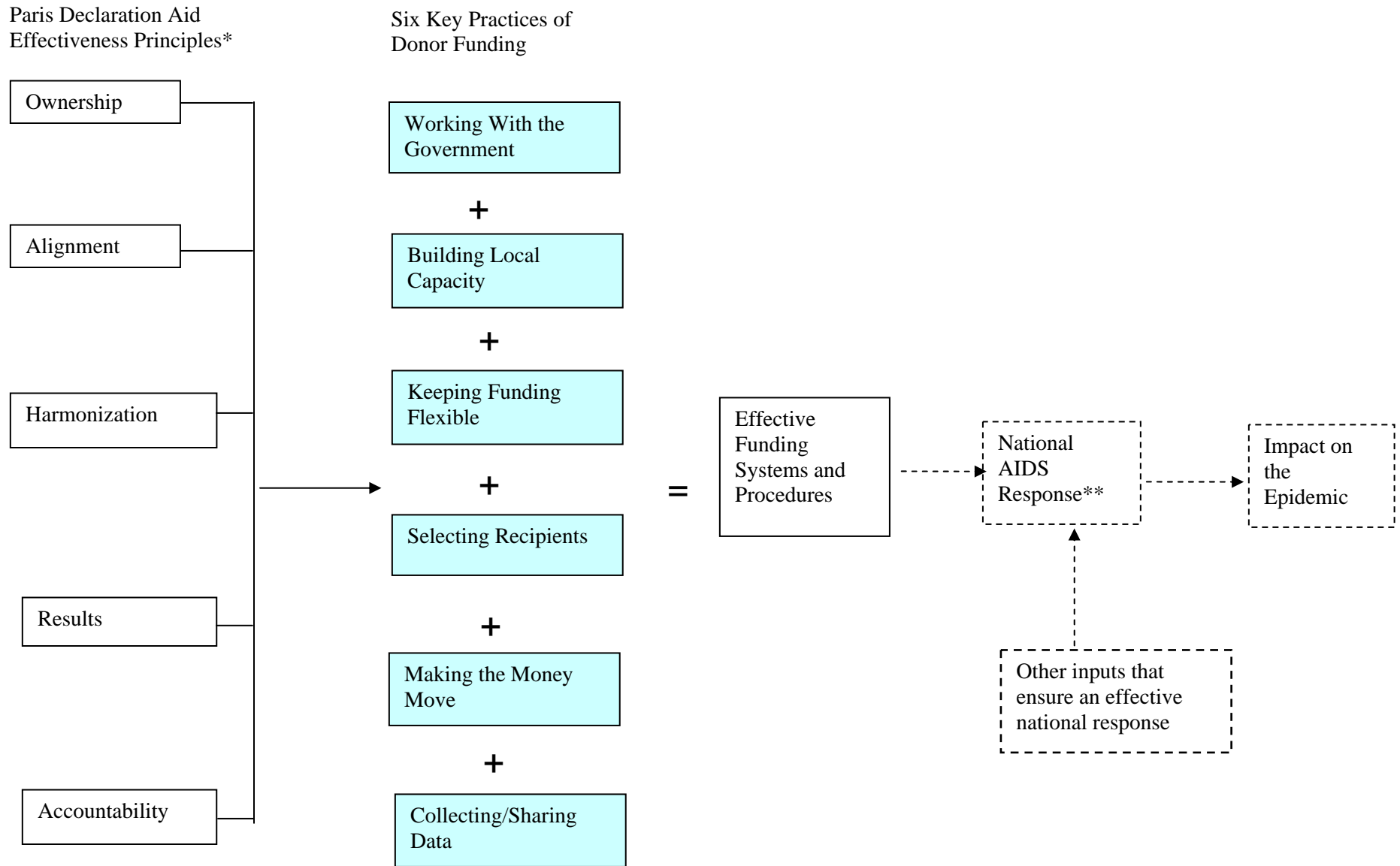
- 1) Working with the host government as the steward of the national response
- 2) Building local capacity: Governments, civil society, and the private sector
- 3) Keeping funding flexible: Supporting host country priorities
- 4) Selecting recipients: Balancing efficiency and sustainability
- 5) Making the money move: Balancing speed and sustainability
- 6) Collecting and sharing data: A tool to improve aid effectiveness

By addressing these “best practices,” donors can improve their funding systems and processes, and are likely to increase their individual and collective effectiveness. As defined in this way, the more closely donors adhere to the Paris Declaration, the more likely it is that efficiencies will increase, and resources will be used more effectively in supporting a national response, even if we cannot match these directly to the desired public health outcomes and impact.

In the remaining part of this section, we elaborate on each of the six practices. We describe the importance of each practice and then compare and contrast donors’ efforts in the area.

¹⁴⁸ These commitments are based on the Paris Declaration on Aid Effectiveness, the declaration passed during the 2001 United Nations General Assembly Special Session on HIV/AIDS (UNGASS), and the “Three Ones” principles. For details, see the introduction to this report.

Figure 7.1: Six Best Practices for Effective Donor Funding Systems



*Other AIDS-specific commitments and principles which inform the six funding practices include the UNGASS declaration, and the “Three Ones.”

** Dotted arrows and boxes represent relationships that are hypothesized.

Six Key Practices of Effective Funding Systems

1) Working with the Government as the Steward of a Cohesive and Sustainable National AIDS Response

Why it matters: Donors need not channel their funding exclusively to the government, but donors should work with the government to ensure that it is able to lead the national AIDS response. Further, donors should work with stakeholders including the government to design, plan, and oversee donor-funded activities, in accordance with a national AIDS plan (harmonization). Of course, working with the government will depend, in part, on the government's fiduciary management capacity, planning and coordinating expertise, and other factors. Over time, working with the government can build public capacity—especially if existing government systems are used to manage and utilize aid (alignment).

Government representatives are closely involved in the planning and design of activities supported by the World Bank MAP and Global Fund, but less so in PEPFAR-funded programs. Instead, PEPFAR relies on country-level teams to share information such as the COP and seek host government “approval” of its plan. The critical issue here is whether donors jointly plan and design their programs with government staff and provide them with timely and detailed information about the activities funded so that they can effectively coordinate the national AIDS response. All three donors share information with the government, but this is not always done in a systematic way, especially in the case of PEPFAR.

Government representatives play an integral role in the oversight of funding provided by MAP and the Global Fund. In PEPFAR, however, their role is more limited; even though U.S. government officials consult extensively with the recipient government, these officials retain responsibility for planning and oversight. In the case of MAP, money is also provided to strengthen the underlying systems that allow the government to conduct such oversight. While PEPFAR does work closely with the government in trying to build public capacity, it is USG staff who perform the oversight role that would need to be assumed by recipient government officials should PEPFAR funding wane.

MAP and PEPFAR require the government to manage their funding using donor-specific procedures. The Global Fund allows countries to use pre-existing systems and procedures. For example, MAP and PEPFAR have specific accounting categories that countries must use to keep track of their funding. The Global Fund allows countries to determine accounting procedures as long as these procedures are consistent with international standards. This implies that even when donors work closely with governments, they are not necessarily aligning themselves with national systems, or coordinating their efforts with other donors. Each host government is dealing with multiple funding systems, each with distinct requirements that must be followed.

2) Building Local Capacity: Governments, Civil Society, and the Private Sector

Why it matters: By building the capacity of the government and local organizations to address the epidemic, donors help to foster the broader “aid effectiveness” aims of ownership, alignment, and management for results.

All donors support activities that build the capacity of the government to oversee the national response, but only MAP can systematically demonstrate that a significant share of its resources go to such activities. All three recipient country governments studied here demonstrate weak capacity, especially in the area of financial and management systems.¹⁴⁹ MAP dedicates a share of its resources in each country for strengthening the NAC’s ability to manage and oversee funding. PEPFAR helps build government capacity primarily by having its ROs work with the government to strengthen systems. There is also evidence that some Global Fund money is being used for capacity building, including systems strengthening, with the degree of support varying by country.

Funding from all three donors can also be used to fund capacity of local civil society and private sector actors. In particular, MAP focuses on building the capacity of community groups, PEPFAR focuses on training, and the Global Fund allows the CCM and recipients to determine capacity-building needs. The World Bank was the first donor to fund the community response, and the MAP program is designed to create capacity among community groups to address the epidemic, although this has not been demonstrated in a quantifiable way. PEPFAR capacity building has a strong emphasis on training new workers and volunteers to deliver services. As the largest AIDS funder, PEPFAR funds a variety of capacity-building activities, although such efforts would be further bolstered if more of its funding went to local ROs. The Global Fund relies on country stakeholders—both CCMs and ROs—to design capacity-building activities, but it uses the LFA assessment to highlight particular areas in need of strengthening.

The donors have not done assessments to determine whether capacity-building activities are actually improving recipients’ ability to manage and use AIDS funding. Although we have uncovered numerous examples of capacity-building activities, it is difficult to determine whether they are truly effective, especially in the absence of donor assessments on this topic. One worrying fact is that the public systems in each country do not seem to have shown much improvement in efficiently channeling money from first recipients down to the implementation level.

¹⁴⁹ System-strengthening activities vary by country but could include establishing/improving systems for financial accounting, information, monitoring and evaluation, and so on.

3) Keeping Funding Flexible

Why it matters: Flexibility permits donor-funded activities to be consistent with national AIDS plans (alignment), oriented to countries' distinct epidemiological characteristics and other contextual factors, and shaped by the activities of other parties (harmonization).

In examining the types of activities supported by each donor, the Global Fund's money demonstrates the most flexibility and PEPFAR's the least, with MAP funding coming somewhere in between. Interestingly, though, PEPFAR funding allocations for prevention, treatment, and care are remarkably similar across the three countries, whereas Global Fund-supported activities vary widely. The World Bank-supported programs provide similar amounts of funding to each type of recipient, but programmatic activities show some variation across countries.

Compared to the other two donors, PEPFAR funding is less conducive to allowing recipients to implement comprehensive approaches that combine elements of treatment, prevention and/or care. Global Fund money has few restrictions so CCMs have the choice of designing programs that combine different elements of fighting the epidemic. MAP's approach (i.e., prioritizing types of recipients over types of programs) also allows space for the development of combination approaches. PEPFAR typically funds recipients to address treatment, or prevention, or care, but not a combination of the three.

Overall resources from the three donors combined appear disproportionately focused on treatment and care at the expense of prevention. As the biggest donor in all three countries, PEPFAR's prioritization of treatment through its funding allocation earmarks implies that treatment programs receive a much greater share of national AIDS resources than prevention programs.¹⁵⁰ Significant sums of Global Fund money have also been used to support treatment, a fact that is somewhat surprising given that the Fund's money is intended to fill financing gaps, and treatment is well-funded relative to prevention.¹⁵¹ Of the three donors, there is evidence that the MAP program is giving greater weight to prevention programs, but the small amounts of money being provided by MAP cannot significantly alter the overall resource imbalance between prevention and treatment. The disproportionate focus on treatment does not bode well for the sustainability or effectiveness of the AIDS response in any country, especially considering that there are as many as six new infections for every person put on treatment.¹⁵² This finding raises questions about the lack of cross-donor coordination at the country level; each donor is

¹⁵⁰ In recent personal communication with CGD, officials at the Office of the US Global AIDS Coordinator (OGAC) have stated that "the President's goals for the next phase of PEPFAR include a greater increase in the prevention goal than in the treatment or care goals, indicating a heightened commitment of resources to prevention."

¹⁵¹ One possible explanation for this phenomenon is that early PEPFAR funding could not be used to purchase cheaper generic versions of ARV drugs, so Global Fund money was used instead. Now that PEPFAR dollars can be used to purchase a substantial number of generic drugs, it will be interesting to see whether Global Fund monies are reallocated toward other areas such as prevention.

¹⁵² This figure is based on worldwide data and not data specific to these three countries. See Global HIV Prevention Working Group Report, June 2007.

http://www.globalhivprevention.org/pdfs/PWG-HIV_prevention_report_FINAL.pdf

allocating resources to the same area, regardless of other donor inputs. Better coordination would help identify where funding gaps exist and resources are most needed.

4) Selecting Recipients: Balancing Efficiency and Sustainability

Why it matters: Donors must balance competing priorities when selecting recipients. On one hand, donors want to provide funding to the government and other local organizations to encourage ownership, alignment, and sustainability. On the other hand, donors want to make sure their funding goes to recipients which will be able to manage and use funds efficiently to achieve results.

PEPFAR chooses its own ROs, the Global Fund relies on country stakeholders—including the government—to choose ROs, and the World Bank makes this selection in consultation with the national government. The degree to which these donors are involved in choosing ROs largely reflects their underlying principles, as discussed above. PEPFAR’s emphasis on targets means that it must choose ROs that can demonstrate their ability to achieve particular results. The Global Fund’s focus on country-led programming means that the Fund has not historically intervened in RO selection, unless the LFA assessment shows the nominated RO to be clearly incapable of implementation. If, as expected, the Global Fund adopts a new policy known as dual-track financing, it will begin encouraging countries to choose a combination of particular types of recipients.¹⁵³ The World Bank’s focus on building the capacity of the national response means that it tends to prefer using the NAC as an RO, but it consults with governments in making this decision.

The types of recipients supported by each donor underscores an important tradeoff between building capacity, which contributes to sustainability, and achieving donor outputs quickly (efficiency). PEPFAR prioritizes achieving targets over building capacity, whereas the World Bank prioritizes capacity building; the Global Fund, by letting countries choose their own recipients, is less involved in making this potential trade-off. MAP funding is unique among the three donors in its focus on types of recipients, rather than programmatic activities. Each MAP program is designed with heavy emphasis on building the capacity of particular types of recipients (e.g., NAC, MOH, and CBOs), with the aim of making the national AIDS response more sustainable. PEPFAR’s focus on targets means that funding goes largely to international groups with pre-existing capacity. Under Global Fund grants, CCMs are the ones faced with addressing this tension as they must choose ROs for the grant, although proposed ROs are vetted by the LFA for, among other things, their capacity to use funding.

Although PEPFAR funds a wide variety and number of organizations including governments and local groups, a much higher share of its resources go to international (mainly U.S.-based) groups, and a much lower share to governments, as compared to the Global Fund and MAP. Since PEPFAR funding levels are much higher than MAP

¹⁵³ The dual-track financing model is designed to encourage funding applications with both a government and a civil society RO. For details, see Decision Point GF/B15/DP14, Fifteenth Board Meeting of the Global Fund, April 2007.

and the Global Fund, there are instances where PEPFAR’s annual commitments (i.e., obligations) to governments parallel the amounts disbursed to the public sector by the other two donors.¹⁵⁴ Still, PEPFAR provides a much smaller percentage of its money to the public system. Further, a very large percentage of PEPFAR funds are channeled to U.S. ROs, although a portion of this money is later sub-granted to SROs which are primarily local groups.¹⁵⁵

The World Bank is the only donor consistently involved in the selection of sub-recipients. Although the extent of involvement varies by country, the World Bank works with governments to establish criteria by which SROs will be chosen and, in some cases, it approves SRO selection on a “no-objection” basis. In limited cases, PEPFAR does ask its ROs to work with particular SROs. The Global Fund lets ROs make their own selection of SROs.

5) Making the Money Move: Balancing Speed and Sustainability

<p><i>Why it matters: Effectiveness depends on funding being predictable and available to be used quickly. These aims must be balanced against priorities of efficiency and sustainability.</i></p>

The way PEPFAR channels money to countries allows its funding to move more quickly than that of MAP or the Global Fund, but there are concerns about the sustainability of its approach. MAP and Global Fund monies which travel through the public system encounter major bottlenecks that delay fund transfers. In some cases, SROs from the MAP and Global Fund, which are primarily government ministries and local organizations, have capacity challenges which can slow program implementation. PEPFAR avoids many of these obstacles by awarding money to non-governmental groups, many of which are U.S.-based groups, but in so doing, it misses an opportunity to build the capacity of the government and local organizations to manage AIDS funds.¹⁵⁶

When donors prioritize sustainability, a further trade-off is revealed between speed and accountability, as exemplified by the MAP and Global Fund experiences. MAP establishes a series of intricate procedural requirements for program implementation on the assumption that such procedures will help ensure accountability and avoid the misuse of money. These procedures constrain efficiency—in fact, they are often a bottleneck to the smooth flow of funds down the funding chain to implementing entities. The Global Fund sets guidelines on accountability and works with ROs to establish programmatic

¹⁵⁴ The comparison of PEPFAR commitments with the disbursements of the other two donors is valid since all of these actions have the effect of making money available to be used by the government. For further details, see Bernstein and Sessions (2006).

¹⁵⁵ CGD has obtained a list of SROs for PEPFAR money committed between 2004 and 2006. We will be releasing this data later in the fall. We hope it will help readers better understand the types of SROs funded by PEPFAR.

¹⁵⁶ Notably, though, the relatively small amount of money disbursed by PEPFAR to government ministries does seem to move more efficiently than money from the other two donors because of the active vigilance of USG field-based staff.

targets; nonetheless, it relies on recipient's systems which are rarely efficient, and demonstrate varying degrees of accountability.

The initial commitments made to recipients are slow for all three donors, but PEPFAR commitments are less predictable than the Global Fund or MAP. PEPFAR makes annual commitments to its recipients, but such commitments occur midway or even later in the fiscal year, and the exact timing of these commitments fluctuates from year to year. MAP agreements take many months to prepare but the process is predictable, given that it involves close collaboration between the World Bank and RO(s). Similarly, the Global Fund approval process takes many months between the submission of a country's application and the signing of a grant, but the process is fairly predictable.

Disbursements from the donors to recipients were both fast and predictable. Recipient organizations often received funding within days of requesting it, and the timing of the actual funds transfer could be predicted with a high degree of certainty. The Global Fund process is slightly slower and less predictable than that of PEPFAR and the World Bank since the approval of disbursement requests is subject to more thorough review; nonetheless, the process is still quick and predictable.

Disbursements from ROs to SROs were reasonably quick and predictable under PEPFAR, but often slow and unpredictable for MAP and the Global Fund. These transfers were largely dependent on the capacity of the ROs and SROs but their ability to be efficient was partly contingent on being able to comply with procedures – particularly accounting procedures -- mandated by each donor. For PEPFAR, ROs proved highly adept at managing and transferring funds to SROs; further, there were few instances of SRO capacity problems (and individual cases of poor compliance would not constrain the overall flow of funds down the funding chain). In contrast, ROs and SROs for MAP and the Global Fund encountered many more challenges in administering funding, including reporting on the use of funds, which resulted in significant delays in the sub-granting process.

PEPFAR's funding installment approach—providing funding once per year to each recipient—seems to work better than the multiple installment approach employed by MAP and the Global Fund. PEPFAR generally obligates (commits) funding to each of its recipient organizations once a year, and this funding is expected to last a minimum of twelve months. MAP and the Global Fund typically provide recipients with enough funding to last six months,¹⁵⁷ but the small amounts of funding being provided and the burden placed on recipients each time they wish to request funding are reasons for these two donors to consider adopting an approach whereby disbursements are made for a twelve-month period.¹⁵⁸

¹⁵⁷ The disbursement period for Global Fund grants varies based on the specific grant agreement. Most agreements are established to ensure that the RO has at least six months of cash on-hand for implementation, with disbursements occurring every three or six months. In practice, though, disbursements occur fairly sporadically. For more information, see Bernstein and Sessions (2006).

¹⁵⁸ The Global Fund may be less inclined to provide twelve-month disbursements because it could be perceived as having weakened its own ability to ensure performance-based funding. In particular, the Fund may be hesitant to provide such funding to all recipients because it would want to avoid increasing

6) Collecting and Sharing Data: A Tool to Improve Aid Effectiveness

Why it matters: *Collecting data about the uses of AIDS funding and the results achieved is a critical component of managing for results: allocating resources more appropriately, designing better programs, and keeping programs on track. Accountability requires publicly disclosing collected data and working with governments to strengthen national monitoring and evaluation systems.*

In terms of collecting data, PEPFAR has the most comprehensive financial data capture system. PEPFAR data collection largely focuses on commitments (i.e., obligations), but its program and funding database (COPRS) can disaggregate annual funding by recipients *and* sub-recipients, and by program activity for each recipient and sub-recipient. Expenditure data from recipients are reported to the U.S. treasury and to specific USG agencies. The World Bank has aggregate information on commitments, disbursements, and expenditures to each recipient but, due to the nature of its funding, financial data by program activity are estimated, rather than precisely tracked.¹⁵⁹ The World Bank does not collect detailed financial information about its sub-recipients. The Global Fund collects data on disbursements to recipients and total reported expenditures. It also asks ROs to track the uses of funding based on ROs' pre-existing financial tracking procedures (see Annex 1 for further details).

Of the three donors, the Global Fund publicly discloses the largest share of its financial data, but all three donors could significantly increase the amount of information shared publicly. The Global Fund provides regularly updated information about individual disbursements to ROs, ROs' expenditures, and amounts sub-granted to SROs. PEPFAR publicly discloses commitments to ROs, while MAP shares total commitments to ROs, and the cumulative amounts disbursed to ROs. Still, all three donors collect other financial data that they do not disclose, such as data on the different programmatic areas in which their funding is used.

disbursement amounts to low or non-performers. At a minimum, though, the Global Fund should consider allowing good performers to access larger disbursements that can last longer. Such funding may even enhance the ROs ability to perform well. Alternatively, the Global Fund could differentiate its approach to different grantees based on the perceived risk of poor performance, drawing on the indicators described by Radelet and Siddiqi (for details, see Radelet and Siddiqi. "Global Fund Grant Programmes: An Analysis of Evaluation Scores." *Lancet*. 2007.)

¹⁵⁹ Such categories include civil works, procurement, and human resources. See Bernstein and Sessions (2006).

8. Recommendations to the Donors

Although each donor has several strengths in its way of providing funding to HIV/AIDS affected countries in Africa, all three could further improve their systems in order to ensure that they are achieving the goal of effectively supporting the national AIDS response. Here we make recommendations to the donors, some of which apply to all three donors and others that are relevant only to particular donors.

RECOMMENDATIONS TO ALL THREE DONORS

- ***Jointly coordinate and plan activities to support the National AIDS Plan.*** All three donors should coordinate to avoid duplication, and ensure that resources are distributed across the range of programming needs. Coordination should be based on supporting the strategies articulated in each country's national AIDS plan. The three donors should work – either directly or through their ROs – with other country-level stakeholders to finance activities that are consistent with the national plan. Where a host country's AIDS plan contains weaknesses or gaps, donors should coordinate efforts to assist the government and other country-level stakeholders to strengthen the plan.
- ***Assist the government in tracking total national AIDS funds.*** The World Bank and U.S. government should work with the host government to ensure that all AIDS funds - not only funds going to the government - are tracked and documented.¹⁶⁰ Governments could make use of existing methodologies such as the National AIDS Spending Assessments (NASA) developed by UNAIDS or the National Health Accounts (NHA). AIDS funding in the health sector should be tracked as part of, and not separate from, broader efforts to track health funds.
- ***Focus on building and measuring capacity.*** To support a nationally-led response for the long term, all three donors should place priority on capacity development, making this an integral component of their efforts to strengthen governmental and civil society organizations engaged in the national AIDS response. Emphasis should not simply be placed on enhancing organizations' ability to meet donor-mandated accountability requirements. Importantly, donors should also develop metrics to help them assess the effectiveness of various capacity-building activities.
- ***Develop strategies with host governments to ensure financial sustainability.*** Overall funding for AIDS has increased dramatically, creating high recurrent cost burdens for countries that far outpace the current annual AIDS contributions of the three governments. Donors should work with governments and other donors to begin developing clear financing strategies to ensure that AIDS programs can be sustained in the long term.
- ***Strengthen financial data collection and disclosure.*** Donors should focus on more closely tracking the programmatic breakdown of expenditures by their ROs

¹⁶⁰ Given its role as a financing entity, the Global Fund may not be able to do this.

and SROs. If precise figures prove difficult to collect, estimates might be used.¹⁶¹ Further, all three donors should publicly disclose the full range of financial data that they collect. Donor decisions about collecting financial data should be based on several factors: balancing the need for data for accountability at all levels; using data to allocate resources more appropriately and to design better programs; using data to monitor programs to keep them on track; minimizing the burden placed on program implementers; and documenting program progress to inform future programs.

RECOMMENDATIONS TO PEPFAR

- ***Make the government a true partner in PEPFAR programs.*** To support a sustainable national response, PEPFAR should enhance its work with the government, including more systematic information-sharing and coordination. In particular, PEPFAR should ensure that financial and performance data for its programs are routinely provided to government officials at key times, such as during the development of annual budgets. PEPFAR also should consider further involving country governments in the selection of new recipients.¹⁶² As public capacity improves, PEPFAR, along with other donors, should increasingly involve the host government in conducting oversight of their programs.¹⁶³ PEPFAR could work with other donors to develop a systematic approach to assess a host country government’s “readiness” to shoulder an increasing share of oversight responsibilities.
- ***Increase flexibility of programming and funding.*** PEPFAR should allow for greater flexibility in its funding model so that programs can be tailored to suit country-specific contexts and locally-identified priorities. In particular, PEPFAR should remove funding earmarks so that its country-level staff have greater flexibility to design programs that are consistent with host country priorities and local epidemiological contexts. Even if funding earmarks are not removed, PEPFAR should consider a more balanced allocation in each focus country so that treatment efforts are not scaled up at the cost of prevention.
- ***Strengthen capacity-building activities in the host country.*** PEPFAR should place greater priority on increasing the share of funds that go to local recipients, with the goal of transferring knowledge and expertise systematically. PEPFAR also should develop specific strategies for transitioning local SROs to ROs, drawing on examples, such as Uganda, where a greater share of resources is provided to local groups. Building local capacity is critical to sustain programs,

¹⁶¹ The World Bank already uses estimates in its “ACTAfrica Questionnaire” but these questionnaires are not publicly available.

¹⁶² This involvement could come, for example, in the form of having a government representative serve on the technical review panel that assesses and rates applications for new PEPFAR awards.

¹⁶³ PEPFAR guidance on its 2008 Country Operational Plan process already calls for its staff to work with governments “where feasible” to “begin considering costs that can be transitioned to host country financing.” Still, this transition should be dealt with systematically, including the possibility of using indicators to determine when this transition is feasible.

- and should be pursued even at the risk of delaying the achievement of PEPFAR's global targets.
- ***Adopt two-year cycles for Country Operational Plans.*** The COP process should be conducted biannually, rather than annually, in order to reduce the burden placed on PEPFAR and RO staff. A two-year planning cycle would allow recipient country governments to plan their future budgets with more precision.¹⁶⁴ A two-year planning process would be separate from the actual process of committing (i.e., obligating) funds to recipients. Funding commitments would continue to occur annually, consistent with current practices.
 - ***Publicly disclose data.*** PEPFAR should publicly release, on an ongoing basis, the extensive financial data that it already collects. In particular, PEPFAR should post the following information on its website: annual commitments (i.e., obligations) to each RO *and* SRO, including the breakdown of funding by program area; and total annual disbursements (i.e., outlays) for each RO. PEPFAR should consider posting annual RO expenditures on its website. At a minimum, it should ensure that country-level staff have access to such expenditure data so that they can assess funding used against targets achieved.

RECOMMENDATIONS TO THE GLOBAL FUND

- ***Keep the focus on funding gaps.*** The Global Fund is right to focus on filling funding gaps. It should continue to ask Country Coordinating Mechanisms (CCMs), as part of the grant application process, to identify all major AIDS activities ongoing in their country. This will help ensure that Global Fund money is made available, where warranted, to support under-resourced priorities such as prevention activities.
- ***Re-examine strategies to build local capacity.*** Global Fund ROs continue to face capacity constraints, suggesting that the Global Fund should re-examine how it identifies and/or addresses capacity constraints.¹⁶⁵
- ***Simplify procedures for good performers.*** The Global Fund should streamline reporting requirements for ROs that have demonstrated an ability to effectively use earlier Global Fund grants. For example, these ROs could receive larger individual disbursements to cover at least twelve months of subsequent program activities. The Global Fund will soon adopt a streamlined procedure for good

¹⁶⁴ Recipient countries' fiscal years rarely align with U.S. government's, so recipient governments are often planning for a future fiscal year before PEPFAR has completed the COP process for that same future period. As a result, when the Ministry of Finance asks PEPFAR staff to provide funding figures for a future fiscal year, PEPFAR staff can offer only very rough estimates.

¹⁶⁵ Other reports have also pointed to the need to provide funding and improved technical support for building capacity. For example, see "Challenges and Opportunities for the New Executive Director of the Global Fund: Seven Essential Tasks," Center for Global Development, <http://www.cgdev.org/content/publications/detail/10948/>

performers to access new funding (for up to six years) at the end of a current grant.¹⁶⁶

- ***Publicly disclose data.*** The Global Fund should publicly disclose additional financial data that it already collects from ROs. In particular, the Global Fund should consider posting to its website the following information: first-year budgets and second-year budget estimates which are prepared at the outset of each grant; grant-specific documents known as “Sources and Uses of Funds”; and the Fiscal Year Progress reports submitted by each RO. By disclosing these data, the Global Fund will enhance its demonstrated ability to share information with multiple stakeholders and increase the effective use of its resources.

RECOMMENDATIONS TO THE WORLD BANK MAP

- ***Focus resources on building government capacity.*** The World Bank MAP should build public sector capacity by determining the key areas in need of strengthening, and then working with the government and other donors to ensure that these areas are addressed. The MAP is particularly well-suited to take on this role, given the World Bank’s expertise in public sector capacity and fiduciary management.¹⁶⁷ In particular, MAP should help address the major bottlenecks to program implementation described in this report. In so doing, it should shift resources away from programmatic interventions and into capacity building. The World Bank should actively share knowledge regarding capacity-building with other donors. Furthermore, the World Bank should work with other donors to develop metrics to assess a particular government’s “readiness” to handle more donor resources and/or take greater responsibility for the oversight of donor programs. This would particularly help PEPFAR determine when it can begin shifting oversight responsibilities for its programs to the government.
- ***Increase focus on prevention.*** The MAP should maintain its focus on prevention activities especially in light of the heavy emphasis on treatment by PEPFAR and the Global Fund. However, with its modest resources, the Bank could commit to improving the knowledge base about effective approaches to fight HIV/AIDS. Studying which proven prevention interventions are effective in different contexts and sharing lessons learned with other stakeholders could help correct the imbalance in the emphasis of funds for treatment and prevention observed in this study.
- ***Transition to existing government systems.*** The World Bank should consider aligning its funding procedures with existing government systems to manage and report on funding. In doing so, the World Bank should identify ways to ensure appropriate accountability. A recent decision to contribute MAP money to the

¹⁶⁶ See Decision Point GF/B15/DP19 on the establishment of a Rolling Continuation Channel at the Fifteenth Board Meeting of the Global Fund <http://www.theglobalfund.org/en/files/boardmeeting15/GF-BM15-Decisions.pdf>

¹⁶⁷ These competencies are specifically cited by the World Bank in the Africa region’s new AIDS Agenda for Action. See http://siteresources.worldbank.org/EXTAFRREGTOPHIVAIDS/Resources/WB_HIV-AIDS-AFA_2007-2011_Advance_Copy.pdf

donor common fund for the National AIDS Council in Mozambique provides an ideal opportunity for studying ways to balance alignment with accountability.

- ***Increase individual disbursement amounts.*** The World Bank should consider disbursing adequate funding for 12 months of program implementation. Such an approach would reduce the reporting burden that comes with requesting funding.
- ***Publicly disclose data.*** The World Bank should publicly release, on an ongoing basis, the financial data that it already collects. In particular, the World Bank should post the following information on its website: the amounts and timing of individual disbursements to its ROs; the amount of funding spent by its ROs; and the estimated funding breakdowns for each MAP by recipient type and by program area, as listed in the annual ACTAfrica questionnaire.

9. Conclusion

In our comparison of the three donors' financial transfers in three countries fighting AIDS, we find that each donor has clear strengths and weaknesses relative to the others. PEPFAR scores well on making its money move and collecting data, the Global Fund ranks high on tailoring programs and sharing data, and the World Bank stands out for its long-term commitment to working with the government, strengthening systems, and building local recipients' capacity. Given these comparative strengths (and some corresponding shortcomings), donors can greatly increase their collective effectiveness by jointly planning and coordinating their efforts, and working hand-in-hand with recipient country governments and other stakeholders involved in the national response. By learning from each other to fix what is not working and by sharing what is working, PEPFAR, the Global Fund and the World Bank MAP can individually and collectively improve their performance in the fight against AIDS in Africa.

Annex 1: Summary of Financial Data Publicly Disclosed by the Three Donors

Each donor differs in the data it collects, and the data it publicly shares. This table summarizes key types of financial data, including whether each donor collects and/or publicly shares these data. “Yes” and “No” categorizations are based on whether the type of data is publicly available.

Type of Data	World Bank MAP	Global Fund	PEPFAR
Donor Commitments to Country	Yes	Yes	Yes
<ul style="list-style-type: none"> By Recipient 	Yes	Yes	Yes
<ul style="list-style-type: none"> By Program Area 	Yes – for broad program areas	No – collected but not publicly shared	Yes – based on allocations.
Donor Disbursements to Country	Yes	Yes	No - collected by some PEPFAR implementing agencies but not publicly shared
<ul style="list-style-type: none"> By Recipient 	No – collected but not publicly shared	Yes	No – collected by U.S. Treasury and some PEPFAR implementing agencies but not publicly shared
RO Disbursements	Varies by country – collection not required by MAP	Yes	No – collected by U.S. Treasury and some PEPFAR implementing agencies but not publicly shared
<ul style="list-style-type: none"> Transfers to SROs 	No – estimates by type of recipient are collected but not publicly disclosed	Yes – collection of total transfers to SROs is publicly disclosed; data on transfers	No – collected by program area for each SRO (based on obligations) but not publicly shared

		disaggregated by SRO are not required by GF - some ROs do submit such data but these are not publicly shared	
<ul style="list-style-type: none"> Disbursements by Program Area 	Yes – estimates only	No – some, but not all, ROs submit such data but these are not publicly shared	No – collected (based on obligations) but not publicly available
SRO Disbursements	No – collection not required by MAP	No – collection not required by GF	No – collection not required by PEPFAR
<ul style="list-style-type: none"> By Program Area 	No – collection not required by MAP	No – collection not required by GF	No – collection not required by PEPFAR

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