Background Paper

How the big three AIDS donors define and use performance to inform funding decisions

An analysis of policies and approaches taken by the U.S. President's Emergency Plan for AIDS Relief, the Global Fund to Fight AIDS, Tuberculosis and Malaria, and the World Bank's Africa Multi-Country AIDS Program

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Preface

The HIV/AIDS Monitor studies the policies of large donors to international AIDS programs at the global level and how they are reflected in practices in specific countries. In this report, we've asked a simple question: How, if at all, do the major funders of AIDS programs (the Global Fund to Fight AIDS, Tuberculosis, and Malaria, the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), and the World Bank's Africa Multi-Country HIV/AIDS Program (the MAP) take performance into account in their decisions about HIV/AIDS funding? Specifically, the report examines:

- Each donor's definition of "performance"

- Each donor's stated policies on the allocation of resources on the basis of performance

- The tools and processes that each donor uses to measure performance and allocate resources.

There is much information to use for this analysis, but each of the big three donors is continually learning and adapting, so the report may not fully capture the current state of these large, complicated programs. Despite this limitation, the report provides important information that forms the context for the analyses of practices in Uganda, Zambia, and Mozambique presented in the HIV/AIDS Monitor report, "Are Funding Decisions Based on Performance?"

Summary

This report examines how the three major international AIDS donors take program performance into consideration when making decisions about funding. The three donors are the Global Fund to Fight AIDS, Tuberculosis and Malaria, the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), and the World Bank's Multi-Country HIV/AIDS Program (the MAP). Complementing country-level studies conducted by the HIV/AIDS Monitor in Mozambique, Uganda, and Zambia, we analyze performance-based funding policies and their potential effects on aid design, delivery, and management of donor-funded HIV/AIDS programs.

The question of how funders take performance into consideration in allocating resources is central to the challenge of more effective aid. In concept, funding decisions based on an assessment of performance can help to specify accountabilities and create clear incentives for the collection, use, and reporting of performance information. Performance-based funding systems also can provide early warning of lagging program performance and the need for modifications and capacity enhancement, as well as a basis for concentrating resources on programs with demonstrated capacity.

This report focuses on:

- The three major AIDS donors' stated policies on performance and resource flows, with reference to the six characteristics of performance-based funding (box 1.1).

- Each donor's tools and processes for using performance in practical resource decisions

- Each donor's definition and measurement of performance

- Strengths and weaknesses of each donor's approach.

Box 1.1. What is performance-based funding?

Donors using performance-based funding assess recipients' performance against measurable programmatic targets as the primary criterion for decisions about funding allocations. The targets used to measure progress may be based on outputs (such as the number of patients on antiretrovirals), outcomes (such as the rate of antiretroviral coverage in a district), impact (such as mortality resulting from AIDS), or a combination of these.

Six features commonly characterize performance-based funding systems:

- General goals reflecting the interests of main stakeholders

- Performance indicators that are measurable and related to the goals; such indicators may include inputs, processes, outputs, outcomes, and impact

- Targets established for each indicator

- Performance data to measure achievement relative to targets

- Funds allocated according to a uniformly applied, easily understood mechanism relating funding to attainment of targets

- Evaluation and adjustment to respond to the changing goals of the performance-based funding system, and to refine and correct operational problems in its application.

In general, we find that:

- The extent to which mandates, policies, and procedures exist for using performance as a determining factor in funding decisions varies greatly among the three donors.

- The three donors are only beginning to use performance-based funding, even in the most advanced case of the Global Fund, where all six features of a performance-based funding system are present (table 1.1).

- Timely, credible information on performance is not consistently available for any of the three donors.

Table 1.1. Six features of performance-based funding and the big three AIDS donors

Feature		The Global Fund	PEPFAR	World Bank/ MAP
Essential to both results-based management and performance-based funding	Do goals articulate project or program objectives?	Yes	Yes	Yes
	Do performance indicators define progress toward the goals?	Yes	Yes	Yes
	Do benchmarks set targets for each indicator?	Yes	Yes	Yes
	Do data allow progress toward the targets to be measured?	Yes	Yes	Yes
Not essential to results-based management, but essential to performance-based funding	Are funds allocated according to a uniformly applied and easily understood mechanism that bases funding on the achievement of targets?	Yes	No	No
	Are processes in place for evaluating and adjusting the system in response to changing goals, and to correct problems in its application ?	Yes	No	No

Source: Author's construction based on document review

The Global Fund

The Global Fund is the only donor using a true performance-based funding system (table 1.1). The Global Fund's performance-based funding approach has considerable strengths, including:

- Basing the system on an overall approach that emphasizes learning and adaptation. The performance-based funding system has been examined almost continuously through both internal assessments and more formal external reviews.

Findings from the reviews are acted on and rapidly incorporated into system improvements. This approach has allowed tools, such as those introduced to verify and bolster data quality, to be developed and used as needed. The secretariat is now analyzing its grant procedures, with the main aim of simplifying them.

- Embodying a principle of "radical transparency." Information on individual grant performance is made available throughout the life cycle of each grant—from the approved proposal and grant agreement, to ratings for individual disbursements, to the detailed grant scorecards prepared for the board's funding decision in Phase 2, to the grant performance reports that are updated during the lifetime of the grant.

- Starting with a "blank slate." With board oversight, the secretariat was able to build a system from scratch with the sole purpose of using performance to inform funding decisions. Performance information, though not perfect, is considered good enough to make the required decisions. Creating a new performance-based system entailed an enormous effort, yet was probably more efficient and far less time-consuming than retrofitting or retooling an existing system.

The Global Fund's performance-based funding system also has notable weaknesses or imperfections:

- Changes have not always been communicated effectively. While the system has rapidly evolved, some grant applicants, recipients, and partners have been left unclear about current processes and procedures.

- Parts of the system are at worst too ambiguous, at best too complicated. Questions have been raised about biases in grant ratings (because of the preponderance of B1-rated grants) and about how contextual information is used in funding decisions. The review now in progress is, in part, a response to concerns about excessive complexity.

- Elements of the Local Fund Agent model have not been implemented as intended. The model surely facilitated the Global Fund's rapid startup and disbursement of grant funds. But in some cases the premise that Local Fund Agents would seek out the expertise needed for program monitoring was not adequately fulfilled. This has placed the Global Fund at risk for making decisions based on poorly verified program information. These shortfalls are being addressed, in particular through new Local Fund Agent arrangements, introducing new procedures for LFAs to do site verification of data, and hiring more specialized technical consultants.

- Like other donors, the Global Fund lacks sufficient credible information on grant performance and population-level outcomes. The Global Fund has worked to compile and disseminate international standards for indicators through the monitoring and evaluation toolkits. But indicators are ultimately proposed by country coordinating mechanisms, so there is little standardization across the portfolio. That makes it difficult for the Global Fund to aggregate across grants and countries, except for their top 10 indicators (including insecticide-treated bed nets distributed, antiretroviral drugs provided, and the like). The current grant

portfolio includes many instances of poorly constructed and inappropriate indicators being used as the basis for performance reports.

PEPFAR

PEPFAR emphasizes the achievement of concrete results in its funding approach, but it has not yet set up a clear system for linking funding to programmatic performance. Strengths of PEPFAR's approach include the fact that the program has:

- Reached agreement on a common set of indicators across agencies and countries

- Taken steps to increase and standardize the use of performance information in decision-making, although taken together these efforts do not yet represent a performance-based funding system

- Benefited from building on the United States Agency for International Development's (USAID's) well-established results-based management practices, the technical expertise of the U.S. Centers for Disease Control (CDC), and long-term investments in data collection by such mechanisms as the Demographic and Health Surveys and the CDC Reproductive Health Surveys.

PEPFAR's approach to using performance information also has some weaknesses, including:

- Of the three donors, PEPFAR provided the least performance information for its funded programs. Limited data access makes it difficult to discern what information is used in judgments of performance.

- No clear and compelling statement about how PEPFAR uses performance information is available. PEPFAR provides only general descriptions of how central-level Country Operational Plan reviews and annual progress reports use performance information. For example, no document clarified whether central-level decisions on funding are based on the 3-12-12 targets alone or the more comprehensive set of 46 programmatic measures.

- Previously, the Office of the U.S. Global AIDS Coordinator had not provided country teams with uniform guidance on the use of performance for annual reviews. The lack of standard practices may mean that judgments of good and poor performance have varied from country to country. But uniform guidelines have now been developed and approved.

World Bank MAP

The MAP uses a results-based management system. Elements of the MAP's approach that enable it to use performance successfully to inform funding decisions include:

- Adherence to the Bank's long-established practices of results-based management. Interviews and documents offer examples of midterm reviews or quality enhancement reviews being used effectively to review program progress, identify areas requiring further attention or effort, and focus remaining project resources. The midterm review was used to modify overall project development objectives in The Gambia and prompted the use of additional procurement mechanisms in Eritrea's development assistance credit. And MAP programs in The Gambia and

Nigeria used quality enhancement reviews as a management tool to make program corrections.

- Interviews and documents suggest that MAP Phase II programming is picking up and building on advances achieved under MAP Phase I. Although performance-based funding is not among the many innovative program features envisioned by the MAP's original mandate, MAP task team leaders are now discussing ways to integrate such funding into the program's HIV/AIDS projects.

The MAP's use of performance information in funding decisions also has considerable weaknesses:

- Several features of the MAP may work against each other and against effective results-based management. First, the widened recipient base has diverted management's attention away from monitoring and evaluation and toward financial management reporting. In Ghana and Eritrea, monitoring and evaluation systems lagged because of a focus on financial management and management inattention. Reviewers in Ghana concluded that the MAP created strong incentives to expand the fight against HIV/AIDS—through, for example, the number and range of implementers—and to focus on financial management. But they observed that it created only very weak incentives for collecting and analyzing data to improve program or project impact.

- The ability of Bank staff to create incentives for strong performance appears limited. In the MAP Phase I project in The Gambia, recommended actions and improvement measures were not consistently followed; Bank staff concluded that

the problems resulted partly from a lack of clear accountability and from the weakness of performance incentives, while Bank reviewers suggested that to ensure greater accountability, performance-based contracts with recipients should be considered.

Looking forward

We acknowledge that important questions related to performance-based funding and longer-term development outcomes cannot yet be answered. Is performance-based funding helping substantially to make aid more effective? Is it promoting long-term growth in the capacity to achieve results? Findings now emerging from several analytical initiatives, including the HIV/AIDS Monitor, the Global HIV/AIDS Initiatives Network, and the Five-Year Evaluation of the Global Fund, are creating an opportunity to examine performance-based approaches across countries and levels to determine their overall effect and impact. A complementary HIV/AIDS Monitor analysis, "Are Funding Decisions Based on Performance?," analyzes how the big three donors are using programmatic performance to inform their funding decisions in three African countries, offering a perspective on how global policies are actually playing out on the ground.

Given the current constraints on HIV/AIDS budgets resulting from the economic crisis, among other factors, performance-based funding can be an important tool for donors to do more with less. It is the hope that these analyses, along with analysis from other initiatives, will help the donors figure out the best approach for linking funding to programmatic performance.

1. Performance-based funding: benefits, challenges, and long-term development objectives

In recent years, unprecedented resources have been dedicated to fighting the global HIV/AIDS epidemic. Annual funding levels increased from 1996 to 2007 from about US$300 million to about US$10 billion.[1]

These mounting resources are being programmed with an ever greater emphasis on accountability and aid effectiveness. A growing concern in development assistance, accountability imposes several obligations on partners, including:

- Acting according to clearly defined roles, responsibilities, and performance expectations

- Demonstrating that work has been conducted in compliance with those roles (or with mandated plans)

- Reporting performance results accurately.[2]

Increasingly, development agencies are seeking to strengthen their accountability and that of their partner countries by linking requested funding levels to concrete, measurable results, rather than to inputs and activities.[3] Many agencies have adopted systems, such as results-based management, to link expected results more closely with requested funding levels.

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[1] Kates, Izazola, and Lief 2008.
[2] OECD/DAC 2000.
[3] Lehtinen 2002; Jamison and Radelet 2005; Hecht, Batson, and Brenzel 2004.

Some agencies are going further: they are applying, experimenting with, or considering the adoption of performance-based funding.[4] Such funding enhances financial accountability by linking continued or increased funding to good performance. Its requirements, however, are more stringent and explicit than those of results-based management.

What is performance-based funding?

This report defines performance-based funding as a management approach that uses performance information to influence resource allocation, through a set of explicit rules and processes, based on reviews of past performance and commitments to achieve explicit and defined results. Development agencies, for example, can allocate resources based on agreed-on commitments to achieve outcomes such as an increase in the number of adults using condoms or lowered morbidity from AIDS.

Performance-based funding thus constitutes a departure from common activity-level monitoring and expenditure accounting. It also differs essentially from results-based management, with which performance-based funding is sometimes confused. Results-based management (sometimes called performance management) is a strategy focused on achieving explicit, defined results, with budgets and planning documents organized around a program's stated objectives.[5] In results-based management, performance information is used for management learning and decision-making (for example,

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[4] Center for Global Development 2006; Lehtinen 2002.
[5] Roberts 2003.

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managers adjust programs in response to their reported results) and for external reporting to stakeholders.[6] However, results-based management does not necessarily include explicit rules and processes for directing funds toward well-performing and away from poorly performing activities—the hallmark of a performance-based funding approach.[7]

Six features commonly characterize performance-based funding systems:[8]

- General goals reflecting the interests of main stakeholders

- Performance indicators that are measurable and related to the goals; such indicators may include inputs, processes, outputs, outcomes, and impact

- Targets established for each indicator

- Performance data to measure achievement relative to targets

- Funds allocated according to a uniformly applied, easily understood mechanism relating funding to attainment of targets

- Evaluation and adjustment to respond to the changing goals of the performance-based funding system, and to refine and correct operational problems in its application.

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[6] World Bank 1997; Binnendijk 2000; OECD and World Bank 2006.

[7] Many programs under results-based management systems use traditional forms of evaluation (midpoint and terminal) to identify areas for improvement and to document lessons learned. Under such systems, actual results—as opposed to targeted results—can be considered formally only when a project reaches completion: a clear difference from performance-based funding.

[8] A background report prepared by the Counsel of Ontario Universities (2001) for the Working Group on Performance Funding, "Lessons from Other Jurisdictions" provides a working definition of performance-based funding that is used as a basis for the descriptions and analysis offered here. Clearly it does not capture the range of experiences at all development partners. Every performance-based funding system should be tailored to the goals and context of the organization for which it was designed.

This list reflects the difference between results-based management and performance-based funding. Whereas the first four features are essential to both, the fifth—a uniformly applied, easily understood mechanism for allocating funds based on performance against targets—is essential only to performance-based funding. Similarly, the sixth feature on the list (evaluation and adjustment processes) is essential to performance-based funding, but not to results-based management.

Benefits and challenges to development agencies

To individual development agencies, performance-based funding systems can bring both potential benefits and considerable challenges. Their benefits include:[9]

- Making funders and other stakeholders more confident that development aid is being used effectively to help those in need

- Helping development partners to make recipient organizations more accountable and to create clear incentives for their program managers to gather, use, and report performance information

- Giving early warning of lagging program performance and the need for modifications, as well as contributing to new program design

- Providing a sound basis for stepping up investment where strong performance is demonstrated.

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[9] Center for Global Development 2006; Lehtinen 2002.

Among the challenges are:

- ***Making performance-based funding work for the countries in greatest need.*** Performance-based funding requires skills to design, negotiate, and oversee performance that not all organizations have.[10] Accommodations can be necessary to prevent the countries in greatest need—or others with little institutional capacity—from being penalized by the approach.

- ***Ensuring valid, credible performance information.*** An underlying assumption of the approach is that performance measures and targets can be defined, developed, and applied reliably and with the stated periodicity. Certain critical areas of health—such as service quality, prevention efforts, or capacity building—present unique challenges to measurement and can be difficult to include in performance-based systems. In addition, a system in which future funding depends on demonstrated success can create an incentive for reporting false performance data.

- ***Clarifying that results are not being attributed solely to a single donor organization or agency.*** Tying results to a donor's dollars can create an unwarranted impression that these results are being attributed solely to that donor. Agencies should acknowledge that many actors—governments, nongovernmental organizations, communities, and other donors—are required to achieve significant development results.

The next three chapters (2-4) lay out how the Global Fund, PEPFAR, and the World Bank MAP define and use performance to inform funding decisions. A final chapter

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[10] Hecht, Batson, and Brenzel 2004.

reflects on what we know about performance-based funding, what we still need to learn, and prospects for performance-based funding in the future.

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

Of the big three global AIDS donors, only the Global Fund has stated policies and established practices for performance-based funding (table 2.1). In addition to systematically using performance as a determinant of funding, the Global Fund has a mandate to act as a grant-making "financing instrument" and not an implementing agency. Among the major challenges facing the Global Fund is the need to encourage grantees to take whatever remedial actions are necessary to improve poorly performing grants, including amending work plans and budgets to respond to the challenges and to seek assistance where this may be called for. This could include, for example, shifting funding from organizations that have been unable to expend resources at a reasonable pace to organizations that have been more successful in rapidly scaling up programs, or it could include shifting funds toward technical assistance to help build stronger monitoring and evaluation systems if data quality had been a problem in grant implementation.

The Global Fund has shown that it is fully aligned with an essential and distinguishing feature of performance-based funding: the means to evaluate and adjust the funding system. The Global Fund examines its model on a regular basis and, in response, actively revises its systems and procedures. For example, between 2003 and 2007, it made 42 separate board-level decisions to adjust and advance its performance-based system.[11]

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[11] Not including decisions related to technical review processes, approval of new funding rounds, or consideration of individual country/grant Phase 2 decisions.

Table 2.1. The Global Fund and the six features of performance-based funding

	Feature	Feature
Essential to both results-based management and performance-based funding	Do goals articulate project or program objectives?	Yes
	Do performance indicators define progress toward the goals?	Yes
	Do benchmarks set targets for each indicator?	Yes
	Do data allow progress toward the targets to be measured?	Yes
Not essential to results-based management, but essential to performance-based funding	Are funds allocated according to a uniform, easily understood mechanism?	Yes
	Are processes in place for evaluating and adjusting the system in response to changing goals, and to correct problems in its application?	Yes

Note: The fourth essential feature of performance-based funding—availability of data to measure indicators—is flagged in yellow to reflect difficulties in this aspect.

Source: Author's construction based on document review

Evolution of a tailor-made performance-based funding system

In creating the Global Fund, a transitional working group made up of representatives from developing countries, donor countries, nongovernmental organizations, the private sector, and the United Nations system incorporated performance-based funding as an integral principle. The Global Fund was instructed to support proposals that focus on performance by linking resources to the achievement of clear, measurable, sustainable results, and to make disbursements "in tranches based on results as measured by ex-ante indicators and independent assessments and surveys."[12]

Since its inception in 2002, the Global Fund has been mandated to create a system for accountability. The outline for that system included select monitoring and evaluation results from grantees to make results-oriented disbursements, a group designated to make

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[12] The Global Fund 2001.

such disbursement decisions based on indicator results, and the release of subsequent tranches of funding to grantees provided sufficient progress. Grantees not making sufficient progress would not receive additional funds.

The initial design of the performance-based funding approach sought to:

- Provide incentives to encourage grant recipients to focus on results rather than on inputs
- Serve as a management tool for principal recipients of grants to identify early opportunities to expand efforts and address potential problems
- Furnish the Global Fund with the performance information needed to decide on further disbursements
- Provide performance information to a Country Coordinating Mechanism for oversight and monitoring
- Communicate periodic progress updates to the Global Fund's board and to its wider constituency.[13]

To support implementation, the board approved a monitoring and evaluation strategy incorporating:

- Preliminary reviews to ensure that only technically sound proposals are approved to receive grant financing

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[13] The Global Fund 2003a.

- Preliminary assessments to ensure that grant recipients have the required minimum capacities to implement approved grant proposals successfully

- Performance-based funding with periodic disbursement of funds to grant recipients linked to the monitoring of program results against the objectives of approved grant proposals; a retrospective review of program progress before the end of each initially approved two-year funding period (as a basis for continued funding); and provisions for evaluations as appropriate.[14]

Two of the Global Fund's first grant-making processes were the technical review process for proposals and the grant negotiation and agreement process. The technical review panel—an independent, impartial team of international experts on health and development appointed by the Global Fund's board—ensures the integrity of the proposal review process. Although the Global Fund's secretariat supports the panel's operations, the panel is entirely independent of the secretariat. Eligible proposals are reviewed and graded based on their technical merit (feasibility, soundness of approach, and potential for sustainability; the specific criteria used are detailed in Annex A). Proposals are graded on a four-point scale, from recommended for funding with no or minor modification to rejected. Based on these grades, the panel makes funding recommendations to the board for final decision. Over seven rounds of review, about 40 percent of proposals were considered successful or recommended for funding. The complete list of proposals submitted, with their recommendation categories after review by the panel, is publicly available.

> "At the heart of the Global Fund is a system of performance-based funding, which was hoped to establish a new standard of accountability in development aid".
> —Feachem and Sabot 2006.

Grant negotiation and agreement defines the legal obligations of the Global Fund and each principal recipient, and it specifies the program budget and intended program results to be measured by key indicators against periodic targets. A typical grant agreement contains intended quarterly program results for the first year of the grant, as well as intended results for the end of the two-year grant period. Country ownership is promoted with implementation plans and targets proposed by countries through Country Coordinating Mechanisms and agreed to by the Global Fund. When actual performance is judged against targets, the comparison is thus based on targets that the country itself proposed and "owns".[15]

Initial guidance to grantees outlined a quarterly disbursement process for funding tranches to recipient organizations, based on projected cash requirements and proven progress reported in disbursement requests and progress updates. When a principal recipient transferred all or part of a grant to subrecipients, it was intended that the principal recipient would have its own appropriate systems in place to assess and monitor subrecipient implementation, including reporting and audit requirements. Before the end of the initial two-year grant period, the Global Fund would determine whether to continue funding a program for up to three more years. That decision would be based on a request for continued funding from the Country Coordinating Mechanism, a review of overall program performance at the output or outcome level, and the financial accountability of principal recipients. This extensive review, known as Phase 2 review, would result in

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[15] The Global Fund 2003a.

continued funding as planned, reduced funding, or grant termination. In certain rare circumstances access to funding could also be accelerated.

The Global Fund's system was designed to operate with no Fund presence in countries. Instead, Local Fund Agents are contracted to oversee, verify, and report on grant performance. The Local Fund Agent works closely with the Global Fund to assess country capacities, work plans, and budgets before grants are signed; to review and verify program performance and the accountable use of funds during implementation; and to assist with grant closure.

The Global Fund's performance-based funding system in practice

In January 2002 the Global Fund's board convened its first meeting and established a secretariat with the mandate to issue the first call for proposals. Since that time, US$10 billion has been approved, more than US$8 billion committed in signed grant agreements, and US$5 billion disbursed.[16] Underpinning performance-based decision-making is the principle that funds can be reallocated from poor performers, either to new requests or to well-performing grants with a proven ability to use funds effectively. Indeed, more than US$500 million,[17] or 12 percent of all funding requested over the first five years, has been made available through either budget cuts or grant cancellations to poor-performing grants. These funds are then available to fund new requests, typically though new funding rounds.

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[16] The Global Fund 2008b.
[17] Feachem and Sabot 2006.

The underlying systems and procedures have evolved rapidly, even while adhering to the mandate and principles originally outlined. Some of the major changes in performance-based decision-making procedures across the Global Fund have occurred in its processes for technical review and disbursement decisions, the Local Fund Agent model, and Phase 2 grant renewal and continuation.

Technical review structure and processes. These have remained relatively consistent at the Global Fund over seven rounds. Detailed process descriptions, self-assessments, and recommendations for improvement are submitted to the board by the technical review panel in each round, together with the proposals recommended for funding. But as the performance-based funding system has changed, so have the demands made on the independent technical review process. Initially, the panel was primarily responsible for reviewing and judging proposals submitted in response to a call for proposals issued in funding rounds. That scope has now grown to include independent review in cases where a material reprogramming is requested by the Country Coordinating Mechanism at any time, when requests for Phase 2 continued funding are determined by the secretariat to constitute a revised go, and when proposals for the continuation of expiring grants are submitted through the Rolling Continuation Channel.[18]

Perhaps the most significant change to the Global Fund's performance-based funding has been the technical review panel's increased reliance on performance information from

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[18] A mechanism that allows well-performing grants to continue for six additional years without the need for reapplication under the round system.

past or existing Fund grants to the same recipient organizations. The panel views the existence of previous Fund grants, their disbursement history, and their performance as integral to the technical issues in reviewing proposals.

Starting in Round 5, a large number of applicants already had one or more Fund grants for the same disease component.[19] In these cases, the technical review panel uses the grant scorecards and other information on disbursements and performance for the existing grants in the applicant countries. When considering proposals from countries where existing Fund grants show a poor track record, the panel takes this information into account in its technical judgment about the feasibility, absorptive capacity, and likelihood of effective implementation. Likewise, when information on current grants is positive—with effective use of funds and successful grant performance—this improves the panel's judgment of the proposal.

The technical review panel not only takes note of poor performance in previous or existing grants, but also considers the response of management to flagging performance. It takes particular note of cases where no convincing evidence shows that the applicant took action to improve performance. Conversely, the panel is more likely to approve grants to countries that have experienced grant implementation problems but have clearly taken steps to address them when such steps are acknowledged and explicitly described in the proposal.

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[19] The Global Fund 2005b; 2006b; 2007a.

To the technical review panel, using a country's track record when assessing a new proposal is appropriate and consistent with the Global Fund's performance-based funding philosophy. The criteria for assessing proposals have been modified to include whether the proposal demonstrates sufficient country capacity for implementation, based on past performance and a history of efficient use and disbursement of funds.

Disbursements. For the first two years of a grant, funding decisions are made based on performance against targets included in the grant agreement.[20] Decisions are prompted by the submission of a progress update and disbursement request report, which is prepared by the principal recipient, verified by a Local Fund Agent, and then submitted to the Global Fund secretariat on a quarterly, semiannual, or annual basis.[21]

In a 2005 assessment, the U.S. Government Accountability Office (GAO) found that Fund Portfolio Managers inconsistently documented the basis for their decisions that grantees' performance warranted additional disbursements, or for their recommendations regarding Phase 2 continued funding.[22] In response, the Global Fund introduced a new disbursement decision-making form that requires managers to show the basis for each disbursement decision more consistently.

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[20] U.S. Government Accountability Office 2005.

[21] Grant agreements initially specified that principal recipients would progress and request additional disbursements on a quarterly basis. In 2004, the secretariat modified the reporting/disbursement request cycle to every six months. Some grant recipients choose to remain on a quarterly schedule. In other cases, the secretariat may decide, based on a grant's risk profile, to disburse only one quarter at a time. If performance is adequate and no serious risks are identified, the Global Fund will allow grants to move to an annual cycle of reporting.

[22] http://www.theglobalfund.org/en/files/links_resources/library/studies/IE12_full.pdf; http://www.gao.gov/new.items/d05639.pdf.

Funding decisions are now substantiated with an explanation of performance ratings, specifically addressing any discrepancy between ratings by the Global Fund Portfolio Manager and the Local Fund Agent, and verifying that the manager has considered any problems raised by the agent concerning data quality and reporting, program progress, or expenditures. In addition, contextual information related to disbursement decisions is documented (for example, natural disasters, governance problems, currency fluctuations, or grant management weaknesses).

A subsequent GAO assessment concluded that the Global Fund had improved its documentation for decisions to disburse funds and renew grants: in 2007, the GAO reviewed 80 grant disbursements and 45 grant renewal decisions and confirmed that Fund grant files consistently contained explanations of the information used in its funding decisions.[23]

The disbursement decision form, the principal recipient's report on the achievement of targets, and the Local Fund Agent's verification of that report together constitute the documentary basis for funding decisions during implementation. Implementation monitoring generates a single rating of grant progress for each disbursement request, graded A (expected or exceeding expectations), B1 (adequate), B2 (inadequate but potential demonstrated), or C (unacceptable). These ratings are available on the Global Fund website and updated at each disbursement.

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[23] U.S. Government Accountability Office 2007.

More recently, as part of the Global Fund's five-year evaluation, a team of independent external evaluators questioned the validity of the ratings generated by the progress update and disbursement request process.[24] In an examination that entailed rescaling disbursement ratings (the Global Fund had changed the disbursement rating scale at one point) to allow a view across the entire portfolio, the five-year evaluation found that ratings consistently fell in the B1 category. How contextual factors were taken into consideration was not always clear, and grants with seemingly similar performance could receive ratings of either B1 or B2. Based on this finding, the five-year evaluation questioned the validity of B1 or B2 scores for discriminating between different grants performance. The Global Fund has recently revised the rating system with more detailed guidance for assigning scores and incorporating contextual variables.

Local Fund Agents. The Local Fund Agent is a critical part of the Global Fund's performance-based funding system. Agents review and validate both programmatic and financial information for disbursements and requests for continued funding, and they perform independent assessments to inform Phase 2 decisions. As the Global Fund's "eyes and ears," the Local Fund Agents can highlight achievements and flag possible problems in their oversight of grant performance.

A Fund-commissioned evaluation of the Local Fund Agents found that the model has many strengths, including allowing the Global Fund to disburse more than US$5 billion

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[24] Ryan and others 2007.

to grant recipients, adapting as the Global Fund developed new systems, and giving the Global Fund the "distance to make difficult choices."[25]

Against these strengths, the evaluation team identified areas for concern. It found that Local Fund Agents do not always have, nor do they consistently acquire, the necessary skills to monitor program performance—a finding that also emerges from other independent assessments.[26] The team further found that the agents' methods of verification are incomplete, poorly documented, and not verifiable by the Global Fund. At the time of the evaluation, the Global Fund had already begun addressing these issues through a data verification tool and data-quality audits carried out by external technical consultant. In addition, the Global Fund now plans to include greater competencies for health monitoring and evaluation in the re-bid process for Local Fund Agent contractors.

Phase 2. When a grant is approaching the end of its initial two-year funding period, the Country Coordinating Mechanism typically makes a request for continued funding. This request initiates a detailed analysis of grant progress, which becomes the basis for the decision about whether to continue funding for the next three years. In making its assessment, the Global Fund considers information including the recipient's reports on performance and expenditures and an independent progress verification by the Local Fund Agent. Each grant receives performance ratings from both the Local Fund Agent and the Global Fund secretariat. Based on these processes, a recommendation is prepared

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[25] Euro Health Group 2007.
[26] http://www.theglobalfund.org/en/files/links_resources/library/studies/IE12_full.pdf;
http://www.gao.gov/new.items/d05639.pdf.

for the board's decision. The possible actions include stopping grants, reducing funding, or in rare instances accelerating funding.[27]

A study by Low-Beer et al. has found that 75 percent of programs demonstrated satisfactory to excellent performance, 21 percent inadequate performance, and 4 percent unacceptable performance.[28] Fund staff report that the most difficult decisions were for the 21 percent of programs performing inadequately. It was not easy to determine whether, given poor performance against current targets, the programs showed any potential to improve implementation.

The Phase 2 process has been adapted over time. For example, when the board disagrees with a secretariat recommendation of no go at Phase 2, it can have an independent review panel consider the reasons for the divergence between the assessments and report its conclusions to the board.[29] This has occurred on several occasions when a sufficient number of board constituencies object to a secretariat-recommended no-go. In considering no-go recommendations, the board has strongly urged the Global Fund to bolster its early identification of poor performers, its clear communication with country actors, and its active search for technical support or other ways to improve performance. The Global Fund had been developing an Early Alert and Response System intended to do this, but has opted instead to mobilize technical assistance for grants that receive B2 and C performance ratings on the reporting for their disbursement requests.

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[27] Low-Beer and others 2007.
[28] Ibid.
[29] The Global Fund 2005a.

The independent evaluation of the Local Fund Agent model found that Agents' Phase 2 ratings, though mostly appropriate, were sometimes not well documented. A global comparison of Phase 2 ratings by Local Fund Agents and the Global Fund secretariat showed agreement in two-thirds of the ratings, while concluding that the Global Fund was likely to give a higher rating than the Local Fund Agent—especially where the Agent had initially given a B2 rating.[30]

Perhaps the most significant change to grant renewal and continuation is the introduction of the Rolling Continuation Channel, which enables well-performing grants to receive continued funding beyond the initial five-year term for a further six years. This funding channel is intended to streamline continuation for grants that are highly rated (grants rated A in more than half of their disbursements for the last 18 months). In the Rolling Continuation cycle, a Country Coordinating Mechanism applies for funding after the secretariat has determined eligibility. The process includes a review by the technical review panel and board approval.

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[30] Euro Health Group 2007.

Partly successful efforts to simplify and standardize performance definition and measurement

Emphasizing the benefits of having few key indicators and clear and meaningful targets, the Global Fund urges aspiring grantees to simplify reporting by focusing on a few key areas of performance measurement.[31] Those areas include:

- *Capacity building*, from grant inception, with measures of people trained and service points supported
- *People reached by services*, within 12 months of grant start-up, for the areas of prevention, treatment, or care (as appropriate)
- *Fighting the diseases*, from the first through fifth years of the grant, with measurement of behavioral change and disease impacts.

The Global Fund has provided guidance to its grantees through a monitoring and evaluation toolkit that incorporates indicators already used by partners and countries and reflects existing agreements on core indicators across the three diseases. It now actively seeks to match their needs for technical assistance in monitoring and evaluation with available providers.

To further standardize its grant portfolio, the Global Fund introduced two sets of top 10 indicators, for services and for outcomes and impacts. In Round 7, applicants were

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[31] The Global Fund 2006a.

provided with disease-specific spreadsheets to identify the intended performance indicators and programmatic outcomes.[32] Applicants were advised to select from the top 10 lists, where appropriate to the planned interventions and overall planned outcomes. To help applicants select indicators, each disease-specific spreadsheet listed the top 10 and other indicators routinely reported on. Applicants were further advised to select about 8 to 18 indicators for each disease component.

The first report of the Global Fund's five-year evaluation found that, in spite of its focus on measurement and performance-based funding, the Global Fund has only limited information on key service indicators for its grant portfolio. The top 10 service indicators show progress, but must be interpreted carefully. Fund records indicate that only partial information is available for several of these service indicators, and only since 2005. There are limits to interpreting the existing data, and Fund staff are cautious in drawing conclusions.[33]

The external evaluation team further identified variables systematically lacking in Fund data sets and analyses. They include information on compliance with treatment, quality of services, population-based and service-based results, per capita expenditures, cost per unit of service, and any information about what happens at the subrecipient level. It was also found that this information is not standardized across the portfolio and therefore hinders the production of consistent reports.

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[32] The Global Fund. 2007b.
[33] Ryan and others 2007.

Performance-based funding with unique strengths—and some notable weaknesses

The Global Fund's performance-based funding approach has considerable strengths:

- *Basing the system on an overall approach that emphasizes learning and adaptation.* Funded grants first began to reach the Phase 2 decision point in early 2005. As of May 2009, 326 grant agreements had passed through that point and US$4.6 billion had been committed through the Phase 2 mechanism.[34] The performance-based funding system has been examined almost continuously through both internal assessments and more formal external reviews. Findings from the reviews are acted on and rapidly incorporated in system improvements. This approach has allowed tools, such as those introduced to verify and bolster data quality, to be developed and used as needed. The secretariat is now analyzing its grant procedures, with the main aim of simplifying them it.

- *Embodying a principle of "radical transparency."*[35] Information on individual grant performance is made available throughout the life cycle of each grant— from the approved proposal and grant agreement, to ratings for individual disbursements, to the detailed grant scorecards prepared for the board's funding decision in Phase 2, to the grant performance reports, which are updated during the lifetime of the grant.

- *Starting with a "blank slate."* With board oversight, the secretariat was able to build a system from scratch with the sole purpose of using performance to inform funding decisions. Performance information, though not perfect, is considered

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[34] Global Fund Grants—Progress Summary (in USD).
http://www.theglobalfund.org/en/commitmentsdisbursements/?lang=en accessed 6 May 2009.
[35] Bezanson 2005.

good enough to make the required decisions. Creating a new performance-based system entailed an enormous effort by many committed individuals, yet was probably more efficient and far less time-consuming than retrofitting or retooling an existing system.

The Global Fund's performance based funding system also has notable weaknesses or imperfections:

- ***Changes have not always been communicated effectively.*** While the system has evolved rapidly, some grant applicants, recipients, and partners have been left unclear about current processes and procedures.

- ***Parts of the system are at worst too ambiguous, at best too complicated.*** Questions have been raised about biases in grant ratings (because of the preponderance of B1-rated grants) and about how contextual information is used in funding decisions. The Global Fund is working to introduce a new rating methodology and to reform its architecture to simplify the grant process.

- ***Elements of the Local Fund Agent model have not been implemented as intended.*** The model surely facilitated the Global Fund's rapid startup and disbursement of grant funds. But in some cases the premise that agents would seek out the expertise needed for program monitoring was not adequately fulfilled. This has placed the Global Fund at risk for making decisions based on poorly verified program information. These shortfalls are being addressed, in particular through new Local Fund Agent arrangements.

- *Like other donors, the Global Fund lacks sufficient credible information on grant performance and population-level outcomes*. The Global Fund has worked to compile and disseminate international standards for indicators through the monitoring and evaluation toolkits. But indicators are ultimately proposed by country coordinating mechanisms, so there is little standardization across the portfolio. That makes it difficult for the Global Fund to aggregate across grants and countries, except for a small number of easily countable measures (insecticide-treated bed nets distributed, antiretroviral drugs provided, and the like). The current grant portfolio includes many instances of poorly constructed and inappropriate indicators being used as the basis for performance reports. The top 10 indicators aimed at standardizing performance measures, and are slowly being incorporated through the portfolio. Finally the Global Fund spends around 6 percent of grant funds on monitoring and evaluation —within the recommended allocation of 5–10 percent—but this is not always spent systematically and in coordination with partners.[36]

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[36] Personal communication with a senior Global Fund official.

3. The President's Emergency Plan for HIV/AIDS Relief (PEPFAR)

The President's Emergency Plan for HIV/AIDS Relief, or PEPFAR, has been positively cited for its strong results orientation.[37] Annual reports to Congress describe progress toward a small number of measurable performance targets based on the program's founding legislation and its resulting strategy.[38] This performance basis is centered on predetermined, program-wide targets: providing ARV treatment to 3 million people, preventing 12 million new infections, and caring for 12 million people affected by the disease (the global 3-12-12 targets).[39] The Office of the U.S. Global AIDS Coordinator coordinates PEPFAR across agencies and departments.[40]

While PEPFAR clearly has results-based management, it is not applying performance-based funding. No discernable mechanism exists to allocate funds based on the achievement of performance indicators (figure 3.1).

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[37] Sepulveda and others 2007.

[38] Notable within the founding legislation is a set of earmarks directing the manner in which funds would be allocated as follows: 55 percent of funding for treatment of people with HIV/AIDS; 20 percent of funding for HIV prevention activities, of which 33 percent must be spent on abstinence-until-marriage programs; 15 percent of funding for palliative care of people with HIV/AIDS; and 10 percent of funding for support of orphans and vulnerable children.

[39] PEPFAR's original five-year treatment, prevention, and care goals were 2, 7, and 10 million, respectively. The new targets are cumulative targets to be met by the end of the program's second five-year phase.

[40] The Office of the U.S. Global AIDS Coordinator also manages and disburses the U.S. government's contribution to the Global Fund. The United States is the largest single donor to the Global Fund, with pledges totaling US$2.5 billion paid since its inception. See http://www.theglobalfund.org/en/files/pledges&contributions.xls, April 7, 2008.

Table 3.1. PEPFAR and the key characteristics of performance-based funding

	Feature	PEPFAR
Essential to both results-based management and performance-based funding	Do goals articulate project or program objectives?	Yes
	Do performance indicators define progress toward the goals?	Yes
	Do benchmarks set targets for each indicator?	Yes
	Do data allow progress toward the targets to be measured?	Yes
Not essential to results-based management, but essential to performance-based funding	Are funds allocated according to a uniform, easily understood mechanism?	No
	Are processes in place for evaluating and adjusting the system in response to changing goals, and to correct problems in its application?	No

Note: The fourth essential feature of performance-based funding—availability of data to measure indicators—is flagged in yellow to reflect difficulties reported by the Inspector General of USAID and based on audit findings.
Source: USAID Office of Inspector General 2006.

Original legislative mandate for performance-based resource flows

In creating PEPFAR, the U.S. Congress requested that it identify and develop monitoring and devaluation mechanisms to promote successful models and to revise or terminate poorly performing programs. Population need, country context, and performance were to be used as factors in program decision-making, with poor performance a cause for terminating funds.[41]

> "Funding decisions will be based upon performance in reaching annual prevention, treatment, and care targets."
> —The Presidents' Emergency Plan for AIDS Relief. U.S. Five-Year Global HIVAIDS Strategy. February 2004

In response to the legislative direction, plans were made to use performance as a factor in decision-making, at both the country program level and for individual partners and activities.[42] Annual country allocations were to be based on performance in reaching

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[41] Public Law 108–25—May 27, 2003 117 Stat. 719. Sec. 101. Development of a Comprehensive, Five-Year, Global Strategy.
[42] PEPFAR 2004; 2005.

annual prevention, treatment, and care targets, while funding of individual partners and activities was to be based on performance against targets set by the country teams and partners.

PEPFAR's performance and resource decisions in practice

In reporting to Congress, PEPFAR describes its practice as tying funding to results,[43] with funding and continuation of partnerships dependent on partners' performance against the targets set and finalized in planning documents.[44] This annual planning and reporting cycle underlies PEPFAR's use of performance information as a factor in decision-making. A simplified depiction of this process appears in figure 3.1.

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[43] PEPFAR 2006.

[44] Key points in this annual planning cycle are the semiannual progress reports (March), which influence proposed budget allocations (May), followed by preparation and submission of Country Operational Plans (Country Operational Plans) in September, which are reviewed and approved in November.

Figure 3.1. Cycle of PEPFAR funding decisions and country program planning
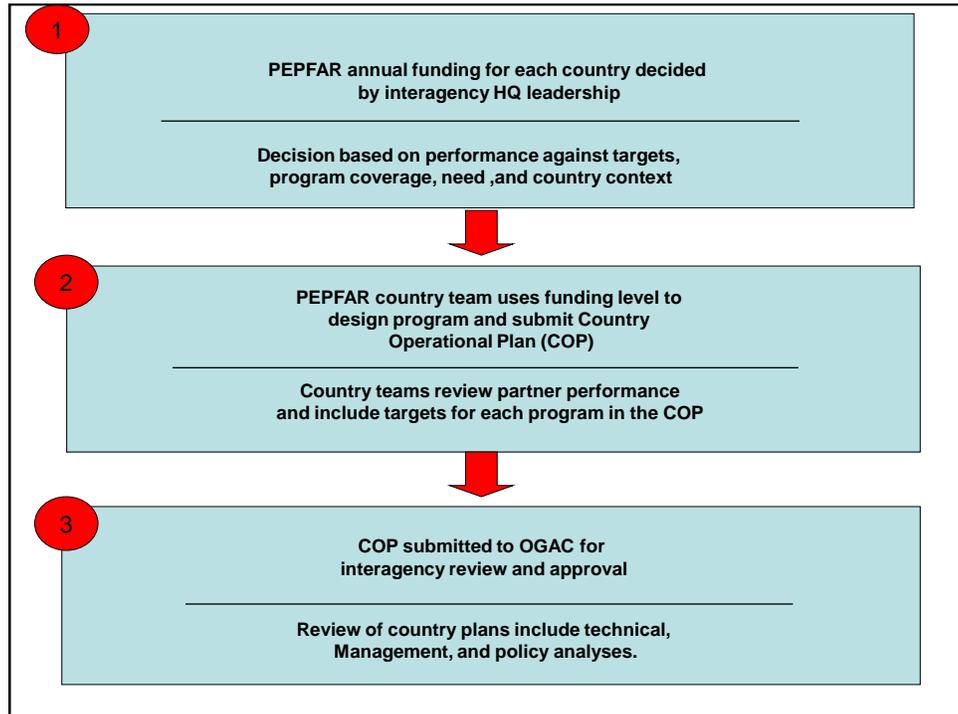
Source: Author's construction based on document review.

Decisions on total annual PEPFAR funding for individual countries are made by an interagency team at headquarters. Such decisions are based on performance against targets as well as on analyses of program coverage, need for services, and country contexts. Each PEPFAR country team learns its overall funding level several months before the fiscal year beings. Working with the host country government, the country team designs the program for the coming fiscal year and submits a Country Operational Plan describing that program. Each plan defines activities to be implemented during the year, including funding amounts, implementing partners, and targets for a set list of

indicators (described further in the next section) that the country team plans to reach during the fiscal year.[45]

As part of this country-level planning process, PEPFAR country teams conduct a performance review before submitting their Country Operational Plans for the next year. The review assesses each partner's overall performance, based on program indicators and targets, as well as the partner's technical approach, program and financial management, data quality, and management and staffing.[46] If program partners fail to meet performance measures and targets, the country teams work with the grantees to identify barriers to achievement.[47] In certain cases, funding has also been withheld until program performance issues were resolved.[48]

This use of performance information to modify and improve programs is consistent with the principles of results-based management. But it is not a performance-based system, because performance does not directly influence continued funding.

Each Country Operational Plan is submitted to the Office of the U.S. Global AIDS Coordinator, where a review process—including technical, management, and policy analyses—culminates in approval by the Global AIDS Coordinator. At about the same time, annual progress reports are developed and submitted. Notably, though, neither the technical nor the programmatic review criteria used at headquarters to judge activity

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[45] PEPFAR 2005.
[46] PEPFAR 2008.
[47] http://www.whitehouse.gov/omb/expectmore/summary/10004620.2005.html.
[48] Personal communication with Office of the U.S. Global AIDS Coordinator staff, Washington, D.C.

plans explicitly include past performance. (The review process for country plans is outlined at the end of this chapter in box 3.3.)

According to an Office of Management and the Budget program rating of PEPFAR, in 2006 the Office of the U.S. Global AIDS Coordinator was urged to conduct an internal review of budget allocations to focus countries based on performance data and pipeline capacity.[49,50] Since that time, PEPFAR has developed and used new tools for performance-based budgeting aimed at increasing and making more standard the tie between performance and budgets.[51] These newly developed tools suggest a move away from using reported information primarily to enforce legislative earmarks and toward using it to improve programs. Nevertheless, they do not yet meet the definition of performance-based funding given in chapter 1 of this report. The new tools, and accompanying steps, are summarized below.

- In fiscal 2005, a performance analysis was used to identify high-performing countries to receive additional resources for the next fiscal year: countries performing below expectations were maintained at fiscal 2005 levels (table 3.2). PEPFAR planned to continue applying and refining these tools, but, despite requests, no further description of the process has been made available.

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[50] http://www.whitehouse.gov/omb/expectmore/summary/10004620.2005.html.
[51] PEPFAR 2006. The Program Assessment Rating Tool is used to assess and drive the improved performance of U.S. government programs by examining all factors that affect and reflect program performance, such as program purpose and design, performance measurement, evaluations, strategic planning, program management, and results.

Table 3.2. Percent increases in budget allocations to PEPFAR focus countries, fiscal 2005/06

Focus country	*Percentage increase in budget allocations, fiscal 2005 to fiscal 2006*
Botswana	6.0
Côte d'Ivoire	5.0
Ethiopia	46.8
Guyana	12.0
Haiti	7.4
Kenya	45.7
Mozambique	56.8
Namibia	34.7
Nigeria	48.4
Rwanda	26.7
South Africa	49.5
Tanzania	19.5
Uganda	14.4
Vietnam	23.6
Zambia	14.6
Total	30.6

Source: PEPFAR 2007c, p. 14.

- More standardization of performance reporting was introduced in fiscal 2007, when PEPFAR country teams reviewed and accounted for their partners' financial and programmatic performance in annual program results reports. The reports measured partners' performance against targets established in the Country Operational Plans.[52]

- Country teams evaluate and report on partner performance annually. But the review process differs by country; no central guidance has yet been issued by the Office of the U.S. Global AIDS Coordinator. According to interviews with office staff, a template

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[52] PEPFAR 2007b.

offering greater standardization and consistency between country teams in this performance review process was developed and has now been approved.[53]

- Starting in fiscal 2008, focus country teams have been informed if they are in the top tier of performance or coverage for selected services in treatment, counseling and testing, and preventing mother-to-child transmission. Country teams that exceed performance goals or expected coverage benefit from reduced planning requirements, and their activities can be approved without further description.[54]

Common indicators and a single reporting system strengthen performance definition and measurement

Indicators. Each focus country has annual targets that build toward PEPFAR's long-term, global 3-12-12 goals for treatment, prevention, and care, to be reached by the end of 2013. Progress toward the 3-12-12 goals is reported semiannually in the focus countries, and annually in nonfocus countries, based on reports submitted by the country teams.

Progress toward PEPFAR's goals is increasingly measured through a common, consistent set of core indicators. Early in the program, country programs and partner agencies used different measurement indicators, methods, and timeframes.[55] Between 2005 and 2007,

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[53] Personal communication with Office of the U.S. Global AIDS Coordinator staff, March 25, 2008.
[54] PEPFAR 2008.
[55] USAID Office of Inspector General 2006.

PEPFAR partner agencies took important steps to agree on a common set of performance-based reporting indicators. All country offices programming over US$1 million annually are now using these common indicators and a single performance reporting system.

A total of 46 indicators across 15 program areas allow countries to set targets and report annually on results in areas such as prevention, counseling and testing, laboratory infrastructure, strategic information and training, and preventing mother-to-child transmission. The Office of Management and the Budget's (OMB's) PEPFAR program rating cited these standardized performance measures as a possible way to strengthen the link between budget requests and achievement of annual and long-term performance goals. The OMB further found PEPFAR focus countries better prepared to measure, use, and report on performance information than nonfocus countries.[56] In nonfocus countries, performance measures for HIV/AIDS programs have not been consistent across agencies and did not, in all cases, include baseline or target information.

In addition to the 46 programmatic indicators, PEPFAR relies on longer-term outcome and impact indicators to measure joint progress with other international donors. These prescribed indicators are defined in accordance with international standards and measurement tools wherever possible. Outcome and impact indicators are measured using a variety of data sources, including population-based surveys, targeted facility surveys, sentinel surveillance systems, and sero-surveys.

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[56] http://www.whitehouse.gov/omb/expectmore/summary/10004620.2005.html.

In PEPFAR's annual progress reports, focus countries provide updated estimates of the outcome and impact indicators for which new data have become available during each fiscal year. Baselines for these indicators were to be in place by the end of fiscal 2004 or mid-fiscal 2005. Countries were advised to at least collect and analyze a second data point for each required outcome and impact indicator before PEPFAR's first phase formally ended in September 2009.[57]

Global Targets. The U.S. Congress did not provide a rationale for PEPFAR's global targets for treatment, prevention, and care. The Institute of Medicine evaluation team reports that the prevention target for the first five years represented roughly half of the new infections that otherwise would be expected in focus countries.[58] Guidance to country teams preparing Country Operational Plans describe the targets as five-year goals to be achieved by the U.S. government, in collaboration with all the host country governments and other donors working in the country. PEPFAR considers the targets as constant, fixed values. It aimed to achieve the country-level total care and treatment goals for its first phase by September 30, 2009 and the country-level prevention goals by September 30, 2010.[59]

Performance audit and verification. The OMB found that PEPFAR's implementing departments and agencies—USAID; the Department of Health and Human Services; the Departments of Defense, State, and Labor; and the Peace Corps—collect quality

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[57] PEPFAR 2007a.
[58] Sepulveda and others 2007.
[59] PEPFAR 2008.

performance data on an annual basis.[60] That statement, based on a 2005 assessment, seems incongruous with findings from other assessments of data quality, notably that of USAID's Inspector General. A major implementing agency under PEPFAR, USAID is responsible for programming 58 percent of all available PEPFAR dollars in focus countries and other country-level activities between fiscal years 2004 and 2007.[61]

During 2005–06, the Office of the Inspector General at USAID audited USAID missions in 10 PEPFAR focus countries, seeking to determine if USAID's PEPFAR prevention and care activities were progressing as expected toward the planned outputs.[62] Across countries, the audit noted two areas of concern: the quality of output data and the measurement of output progress and achievements.

The Office of Inspector General concluded that it was unable to determine whether USAID's PEPFAR prevention and care activities were progressing as expected.[63] The underlying reasons included inconsistent application of start and end dates for measuring the audited missions' progress and achievement of outputs. A related reason was a lack of clarity in the guidance issued by the Office of the U.S. Global AIDS Coordinator for the preparation of Country Operational Plans. Specific problems cited in the audit included:

- Poor data-quality issues (USAID/South Africa)

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[60] http://www.whitehouse.gov/omb/expectmore/summary/10004620.2005.html.
[61] http://www.pepfar.gov/documents/organization/101384.pdf.
[62] PEPFAR 2007b.
[63] USAID Office of Inspector General 2006.

- Inconsistent performance targets among the Country Operational Plan, contracts, and various work plans (USAID/Guyana)

- Inaccurate or unsupported results by an implementing partner and its subgrantees (USAID/Guyana) and discrepancies in the data used to track partners' progress in achieving outputs (USAID/Nigeria)

- USAID's weak monitoring of its partners and activities (USAID/Tanzania)

- A lack of targets for outputs and insufficient information on actual accomplishments (USAID/Guyana and USAID/Nigeria).

USAID responded to these findings by strengthening its commitment to standardized indicators, its adherence to agreed-on timeframes for reporting performance, and its efforts to ensure data quality through training and tools development.[64]

Use of performance information—though improving—remains far too vague and ambiguous

PEPFAR's approach to the use of performance information in decision-making has some strengths. The program has:

- Reached agreement on a common set of indicators across agencies and countries

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[64] USAID Office of Inspector General 2006.

- Taken steps to increase and standardize the use of performance information in decision-making, although taken together these efforts do not yet represent a performance-based funding system

- Benefited from building on USAID's well-established results-based management practices, the technical expertise of the CDC, and long-term investments in data collection by such mechanisms as the Demographic and Health Surveys and the CDC Reproductive Health Surveys.

PEPFAR's approach to using performance information also has serious weaknesses:

- Of the three donors, PEPFAR provided the least performance information for its funded programs. Limited data access makes it difficult to discern what information is used in judgments of performance.

- No clear and compelling statement about how PEPFAR uses performance information is available. PEPFAR provides only general descriptions of how central level Country Operational Plan reviews and annual progress reports make use of performance information. For example, no document clarified whether central-level decisions on funding are based on the 3-12-12 targets alone or the more comprehensive set of 46 programmatic measures.

- It seems improbable that, in managing its financial resources, PEPFAR could both ensure compliance with legislative earmarks and direct resources according to demonstrated performance against targets. How could both be fully, rigorously, and simultaneously implemented? According to the Institute of Medicine evaluation,

PEPFAR's mechanisms for planning, implementation, and measurement are structured around the need to report on adherence to the legislative earmarks. To improve accountability for results, the Institute of Medicine evaluation recommended that PEPFAR use alternative means to link spending directly with performance targets.[65] Interviews and recent documentation suggest that the approach is slowly evolving.

- Previously, the Office of the U.S. Global AIDS Coordinator had not provided country teams with uniform guidance on the use of performance for annual reviews. The lack of standard practices may mean that judgments of good and poor performance have varied from country to country. But uniform guidelines have now been developed and approved.

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[65] Ibid.

Box 3.2. PEPFAR review processes

Office of the U.S. Global AIDS Coordinator: review of country plans

Once submitted to the Office of the U.S. Global AIDS Coordinator, country plans undergo a review process, as follows, which includes technical, management, and policy analyses.[66]

Step 1. An interagency team assesses the technical quality of proposed activities and consistency with PEPFAR global strategy according to established criteria (below). On an activity-by-activity basis, this technical review team also considers overarching program issues including whether the activity:

- Represents best practice in the technical area
- Provides rationale that population/geographic areas are being addressed to have major impact
- Is consistent with the national HIV strategy
- Leads to results needed to meet targets
- Is implemented through appropriate mechanism(s)
- Adequately addresses gender issues and sustainability
- Appropriately leverages other U.S. government investments.

Step 2. Programmatic teams review the Country Operational Plan from a more strategic perspective while incorporating the technical review findings. This program review identifies program strengths and weaknesses, flags issues with "yellow lights" and "red lights" as needed, and uses a checklist to review aspects of the program (below).
Step 3. Based on technical and program reviews, a "report card" is prepared to feedback to the country team and prompt Country Operational Plan modification, if needed.
Step 4. After discussion with country teams, the program team submits recommendations to a committee composed of senior managers from each of the implementing departments and agencies and chaired by the U.S. Global AIDS Coordinator. Final decisions regarding funding of country program activities are made by the coordinator and communicated back to the PEPFAR country team.

PEPFAR activity-specific technical criteria[67]

Activity-specific technical criteria for all technical reviews:
1. The proposed specific technical activity has an achievable, measurable result.
2. Activity is in keeping with Emergency Plan policy and strategic direction.
3. Activity contributes to achieving the U.S. country five-year strategy.
4. The proposed partners are appropriate and, where possible, the activity includes work with new, indigenous partners.
5. The budget is appropriate for the proposed activity.
6. The focus of the activities is/includes downstream (direct) service delivery.
7. If not, there is sufficient description/evidence that the activities are essential to program success.

Overall program assessment
1. The proposed activities reflect implementation of best practices in the technical area.
2. The text provides reasonable rationale that the proposed activities address populations or geographic areas where the programs will have major impact.
3. The overall approach reflected in the proposed activities corresponds with the country five-year PEPFAR strategy.
4. The text describes a plan that is consistent with the national HIV strategy, including coordination and where appropriate facilitation and implementation with other donors and the Global Fund.
5. No critical activities are missing in this technical area. (Technical areas being addressed by other donors should be described).
6. The activities lead to achieving the results needed to meet the targets in this technical area.
7. The implementation mechanisms are appropriate for the technical activities proposed.
8. The technical areas adequately address gender issues.
9. The technical areas adequately address sustainability.
10. The plan appropriately leverages other U.S. government investments including, for example, activities being conducted in other technical areas (such as wraparound services or research sites).

Specific technical review criteria are used for the following areas of programming: counseling and testing, gender, general population and health, human capacity development, laboratory support, male circumcision, most-at-risk

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[66] PEPFAR 2005.
[67] PEPFAR 2008, Appendix 20: FY2008 Country Operational Plan Review Technical Criteria.

populations, medical transmission and blood safety, medical transmission and injection safety, orphans and vulnerable children, palliative care, pediatric treatment, preventing mother-to-child transmission, procurement, public affairs, public-private partnerships, public health evaluation, strategic information, tuberculosis/HIV, treatment, and workplace programs.

PEPFAR Criteria used for programmatic review of Country Operational Plans[68]

Targets
- The goals of the Country Operational Plan link to the overall Emergency Plan 2-7-10 targets and country five-year strategy goals and builds on the previous years.

Budgets
- The budget is justified and appropriate for the proposed activities.
- Budget allocations meet the budgetary requirements for AB, OVC, and treatment
- Management costs are within 7 percent of the overall budget and adequately account for staffing and management needs and contracting services in country.

Partners
- The plan adequately brings in new partners (including faith-based, indigenous, private sector, and other nongovernmental partners).
- No more than 8 percent of the overall budget is allocated to one partner.

Activities
- The activities are appropriately balanced among prevention, care, and treatment.
- Activities are geographically appropriate and according to country epidemiology.
- The activities show an increased emphasis toward strengthening TB-HIV, pediatric treatment, and counseling and testing.
- Program linkages among various technical areas (among voluntary counseling and testing and treatment, incorporating the network model, and so forth) are clearly developed.
- The plans for procurement of commodities and drugs (for example, condoms and antiretrovirals) are reasonable and realistic and ensure continuity of supply over the time period.
- The plan is consistent with the national HIV strategy and program.
- The plan accounts for Global Fund and other donor investments, how they will be coordinated, and how the U.S. government is leveraging those resources.
- Activity narratives articulate how specific targets will be met.
- Staffing plans and management mechanisms for new and existing partners are included in proposed activities.
- The plan includes, if appropriate, programs targeted at vulnerable populations, including women, refugee populations, and migrant workers.
- The plan addresses the needs of the military.
- The plan adequately addresses gender issues.
- The plan includes activities that leverage and link with U.S. government investments in other sectors, such as education and food security (wraparound programs)
- The activities adequately meet technical standards and criteria as defined by the technical working groups.
- There are no major elements missing from the Country Operational Plan.

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[68] Ibid.

4. The World Bank's Africa Multi-Country AIDS Program

The World Bank's Africa Multi-Country AIDS Program, or the MAP, embodied a new approach at the Bank when it was initiated in 2000. The program was intended to move speedily through design and implementation phases, with innovative financial mechanisms, fast project approval by the Bank, and "learning by doing" (project modification was to be based on early monitoring and evaluation results—not exhaustive upfront technical analysis).[69] In addition, the program was to emphasize flexibility, partnership, capacity building, and using multisectoral and multiagency implementation systems in the public sector and in civil society.[70]

From results-based management to performance-based funding?

The World Bank since 2003 has used an aid effectiveness approach that it calls "managing for results."[71] As that phrase implies, the MAP now practices results-based management—not performance-based funding.[72]

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[69] MAP website: (http://go.worldbank.org/I3A0B15ZN0).
[70] Görgens-Albino and others 2007.
[71] Rodriguez-García and Kusek 2007.
[72] See the distinction made on pp. 2-3 of this paper.

Table 4.1. The World Bank MAP and the six features of performance-based funding.

Feature		World Bank/ MAP
Essential to both results-based management and performance-based funding	Do goals articulate project or program objectives?	Yes
	Do performance indicators define progress toward the goals?	Yes
	Do benchmarks set targets for each indicator?	Yes
	Do data allow progress toward the targets to be measured?	Yes
Not essential to results-based management, but essential to performance-based funding	Are funds allocated according to a uniform, easily understood mechanism?	No
	Are processes in place for evaluating and adjusting the system in response to changing goals, and to correct problems in its application?	No

Source: Author's construction based on document review

Several key junctures, tools and processes support results-based management at the MAP, including:

- Project Appraisal Documents (in particular, the annexes describing each project's results framework, indicators, and targets)

- Quality at Entry Reviews (evaluating the quality of project design)

- Financial Monitoring Reports (in particular where output-based disbursements are used)

- Implementation Status Reports

- Midterm Reviews

- Implementation Completion Reports (providing final reporting of performance against indicators and targets).

Although the MAP uses performance information to tailor and strengthen project approaches and priorities, no evidence suggests that it systematically uses performance information in funding decisions. (However, at least one major review—the Interim Review—has recommended that future MAP projects incorporate explicit incentives to

encourage and reward good performance, and that the program as a whole consider a performance-based approach to link disbursements to agreed-on goals and indicators.[73])

One of the MAP's main objectives was to allow scaling up programs without the Bank's traditional upfront technical assessments of program efficiency and effectiveness.[74] Instead, funding decisions would take performance and effectiveness into account through early monitoring and evaluation results.[75] The MAP was also designed to provide small amounts to a large numbers of actors with latent capacity, enabling them to learn by doing while executing their own small projects.[76]

> "…future [MAP] projects should incorporate explicit incentives to encourage and reward good performance … a performance-based approach linking disbursements to agreed goals and indicators should be considered."
> —Interim Review of the Multi-Country HIV/AIDS Program for Africa. 2004.

In the next few years, performance-based approaches could be increasingly adopted around—if not within—the MAP.[77] The Bank's newly approved World Bank Health, Nutrition, and Population Sector Strategy tightens the link between lending and demonstrable results.[78] Specifically, it seeks to increase output-based or performance-based funding according to country need and context, and to experiment and learn from innovation in results-based lending (lending based on outputs and outcomes, not inputs) through collaboration with client countries and global partners. The Bank plans to pilot

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[73] World Bank 2004.

[74] World Bank 2001.

[75] MAP website: (http://go.worldbank.org/I3A0B15ZN0); Brown, Ayvalikli, and Mohammad 2004; World Bank 2001.

[76] Ainsworth, Vaillancourt, and Gaubatz 2005.

[77] The World Bank does have precedent for suspending HIV/AIDS program funding based on poor performance. In 2006, the World Bank suspended disbursement of the US$60 million Tuberculosis and HIV/AIDS Control Project in Ukraine because of lack of progress in implementing the program and the government's failure to distribute funds.

[78] World Bank 2006c; 2007f.

and evaluate the impact of output-based and performance based financing for projects and programs related to the Health, Nutrition, and Population Sector Strategy, with a target of allocating most loan proceeds for 14 active projects through an output-based approach by fiscal 2010.

How performance is used in practice as a factor in program decisions

This section draws from internal and external reviews of the MAP that have been conducted over the life of the program; from the first five Implementation Completion Reports for MAP projects; and from an independent review of a MAP project.[79] Because some of the materials describe decisions made years ago, the following account of central MAP funding decisions could contain dated information.[80]

Decisions about funding at the MAP have departed from what was initially envisioned for the program in many areas, including several that pertain to the use of performance information and efforts at performance improvement. Among those areas are:

- The use of monitoring and evaluation to support "learning by doing"

- The integration of financial management reporting systems with monitoring and evaluation systems

- The contracting of services out of the MAP to avoid creating national AIDS council bureaucracies.

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[79] World Bank 2007e.
[80] For example, the Implementation Completion Reports are available only for the very first set of MAP projects (those that have already ended).

Monitoring and evaluation and the "learning-by-doing" principle are not supported in practice. Both internal and external reviews have consistently pointed to difficulties with monitoring and evaluation, indicating a need to strengthen this component of the MAP.

The World Bank's Independent Evaluation Group found that MAP projects generally showed a weak record practicing monitoring and evaluation to promote "learning by doing."[81] The MAP's sluggish progress toward establishing functional monitoring and evaluation systems was recognized as early as 2001, when it was recommended that national AIDS committees outsource those functions; that Bank staff in MAP countries support them; and that project preparation efforts give more attention to plans and tools for including them.[82] In 2004, when the Interim Review Team visited six projects, it found that although each had developed monitoring and evaluation plans, those plans were not operational, making it difficult to assess accomplishments.[83] In April 2005, just 8 of 29 active MAP projects had a monitoring and evaluation framework, a populated database, and a working program monitoring system.[84]

These and other assessments prompted new efforts to improve monitoring and evaluation for MAP projects—a process that the Bank's management admits has been slow and difficult.[85] In 2002, an operational manual for monitoring and evaluation, jointly prepared with the Joint United Nations Programme on HIV/AIDS, was published.[86] In the same

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[81] Ainsworth, Vaillancourt, and Gaubatz 2005. Exceptions included innovative monitoring approaches piloted in several countries.
[82] World Bank 2001.
[83] World Bank 2004.
[84] Ainsworth, Vaillancourt, and Gaubatz 2005, Appendix L: Management Response.
[85] Ibid.
[86] Ibid.

year, a Global Monitoring and Evaluation Support Team was created at the Bank to facilitate efforts—also cosponsored by the Joint United Nations Programme—to build country-level monitoring and evaluation capacities and to coordinate technical support. Besides staffing the new unit at the Bank, the Support Team has created a network of consultants and has conducted technical assistance visits to help MAP projects (and others) establish and maintain program monitoring and evaluation systems. It also recently published a handbook to guide countries, implementing agencies, and nongovernmental organizations on monitoring and evaluation for HIV/AIDS lending.[87]

The Bank's guidance to MAP implementers strongly encourages that monitoring and evaluation be built into a program's design, and that it becomes operational when grant making begins—not later.[88] MAP Phase 2 projects might now be following that guidance with more regularity. What is certain, however, is that many MAP Phase 1 projects did not follow it. Among the many difficulties cited in the Bank's Implementation Completion Reports for Ghana, The Gambia,[89] Eritrea,[90] Kenya,[91] and Ethiopia[92] are:

- A lack of baselines for some indicators

- Inadequate tracking for other indicators

- A lack of proactive management

- The inability of systems to provide even essential project monitoring data

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[87] Rodriguez-García, and Kusek 2007.
[88] Brown, Ayvalikli, and Mohammad 2004.
[89] World Bank 2007a.
[90] World Bank 2006a.
[91] World Bank 2007d
[92] World Bank 2006b.

- The lack of sufficient attention to monitoring and evaluation in project design and implementation

- A lack of technical expertise in monitoring and evaluation.

- Delays in project monitoring and evaluation because of slow progress with the national monitoring and evaluation system.

From the reports:

> "[Monitoring and evaluation] was treated as an afterthought in HAMSET and was supposed to be strengthened during implementation. This did not happen because the attention of management was taken up by more immediate financial and procurement considerations."[93]

> "In Ethiopia, failure to establish key baseline data and to design and install a monitoring and evaluation system was a missed opportunity for creating a targeted, results-based approach."[94]

Several of the reports—as well as the project assessment report prepared for the Ghana MAP project—found that MAP programs' reporting requirements were skewed to favor tracking financial flows over reporting results. That bias did not support the MAP's announced aim of "learning by doing." Finally, assessments in countries including The Gambia, Ghana, and Ethiopia found that the principle of "learning by doing" is compromised in practice by the lack of strong preparation or incentives for systematic monitoring and evaluation.

Systems for financial management reporting and for monitoring and evaluation have not been integrated as intended. Another element of the MAP's original design was the strong recommendation to integrate financial management systems with monitoring and

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[93] World Bank 2006a, p. 22.
[94] World Bank 2006b, p. 35.

evaluation systems.[95] Although such integration is not an essential feature of performance-based funding, a linkage between the two systems is frequently seen as desirable in performance-based systems.

The World Bank advised that each MAP project's monitoring and evaluation system should be ready together with its financial management system, and that an action plan should be agreed on during negotiations to ensure the timely readiness of both. In practice that did not happen. In two countries—Ghana and Eritrea—financial management systems appear to have attracted attention from management, while monitoring and evaluation systems languished.

The Bank recognizes that, in most countries, the two systems were not integrated or prepared in tandem. It now advises that future projects pursue integration from the outset and that existing projects try to move toward it.[96]

Financial management and monitoring and evaluation have been outsourced. To coordinate each national AIDS council program, the MAP was originally supposed to have a streamlined unit at each national AIDS council secretariat.[97] Each secretariat unit was to contract out many of its specialized activities (financial management, procurement, monitoring and evaluation, program review, and so forth) so that it would not become a public sector bureaucracy and possibly impede the implementation of urgently needed HIV/AIDS activities. In particular, outsourcing was recommended for

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[95] Brown, Ayvalikli, and Mohammad 2004.
[96] World Bank 2001; 2004.
[97] World Bank 2001.

monitoring and evaluation and for the combined functions of financial management and monitoring and evaluation.[98]

In 2004, a survey of Task Team Leaders for 24 MAP projects reported that monitoring and evaluation had been wholly or partly contracted out in a third of the projects, while roughly half of the projects had contracted out financial management functions.[99] Between 86 and 92 percent of Task Team Leaders said that outsourcing had accelerated MAP project implementation. Outsourcing for monitoring and evaluation has increased between MAP Phase 1 and MAP Phase 2.

Moving toward harmonized and simplified indicators for performance definition and measurement

Until now, Project Appraisal Documents have specified performance for MAP projects with overall project development objectives and associated key performance indicators. The documents have contained annexes with performance indicators, baseline data and annual targets, data collection methods and frequencies, and responsibilities; the annexes have also contained intermediate results with associated indicators. Performance against indicators has been reviewed annually, at midterm, or at project completion. The World Bank's operational guidance to MAP implementers stressed that the MAP sought to

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[98] Ibid.
[99] Ainsworth, Vaillancourt, and Gaubatz 2005, Appendix H: Results from The MAP Self-Administered Questionnaire.

support an overall national monitoring and evaluation system, under which MAP-supported elements fall—not to establish its own monitoring and evaluation system.[100]

As stated above, reviews including the Implementation Completion Reports show that the Bank's initial plans for the MAP were not always effectively put into practice. But staff interviews and Bank documents report that MAP Phase 2 projects, building on the efforts initiated under Phase 1, are more likely to succeed in planning for and establishing monitoring and evaluation systems.

In 2007, the Bank's Africa Region HIV/AIDS Agenda for Action introduced a Generic Results Framework and an HIV/AIDS Results Scorecard. Both tools support the measurement and reporting of results for HIV/AIDS assistance in the region.[101]

The Generic Results Framework is intended for use by task teams developing MAP project results frameworks. It has two aims: fostering better harmonization and minimizing data collection and reporting requirements. It includes indicators drawn from global monitoring agreements (the Millennium Development Goals, the United Nations General Assembly Special Session Declaration of Commitment on HIV/AIDS, and the International Development Association). The indicators are not mandatory but can be used by task teams as appropriate.

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[100] Brown, Ayvalikli, and Mohammad 2004.
[101] World Bank 2007c; Görgens-Albino and others 2007.

The HIV/AIDS Results Scorecard lists a smaller number of mandatory indicators, which will be used to monitor progress in HIV/AIDS programs to which the Bank contributes. It appears at the end of this chapter in table 3.2. Scorecard measures will rely both on data compiled from global reporting and on data collected through MAP projects.

Neither the Generic Results Framework nor the HIV/AIDS Results Scorecard attributes performance results specifically to Bank funds. Rather, both tools aim at measuring the contribution of Bank funds to overall country progress. They are designed, not to establish a separate Bank HIV monitoring and evaluation reporting system, but to ensure that relevant data from national HIV monitoring and evaluation systems are regularly reported to the Bank.

Partly effective results-based management—with a need for performance-based funding

The World Bank MAP uses performance to inform funding decisions through some of its practices.

- MAP programs have reproduced the Bank's long-established practices of results-based management. Interviews and documents offer examples of midterm reviews or quality enhancement reviews being used effectively to review program progress, identify areas requiring further attention or effort, and focus remaining project resources. The midterm review was used to modify overall project development objectives in The Gambia and prompted the use of additional procurement mechanisms in Eritrea's development assistance credit. And MAP

programs in The Gambia and Nigeria used quality enhancement reviews as a management tool to make program corrections.

- Interviews and documents suggest that MAP Phase 2 programming is picking up and building on advances achieved under MAP Phase 1. Although performance-based funding is not among the many innovative program features envisioned by the MAP's original mandate, MAP task team leaders are now discussing ways to integrate such funding into the program's HIV/AIDS projects.[102]

The MAP's use of performance information in funding decisions also has considerable weaknesses:

- Several features of the MAP may work against each other and against effective results-based management. First, the widened recipient base has diverted management's attention away from monitoring and evaluation and toward financial management reporting. In Ghana and Eritrea, monitoring and evaluation systems lagged because of a focus on financial management and management inattention. Reviewers in Ghana concluded that the MAP created strong incentives to expand the fight against HIV/AIDS—through, for example, the number and range of implementers—and to focus on financial management. But they observed that it created only very weak incentives for collecting and analyzing data to improve program or project impact.

- The ability of Bank staff to create incentives for strong performance appears limited. In the MAP Phase 1 project in The Gambia, recommended actions and

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[102] World Bank 2007c.

improvement measures were not consistently followed.[103] Bank staff concluded that the problems resulted partly from a lack of clear accountability and from the weakness of performance incentives, while Bank reviewers suggested that to ensure greater accountability, performance-based contracts with recipients should be considered.

Table 4.2. The World Bank MAP's HIV/AIDS Results Scorecard

Indicator	Indicator origin	Unit	Data source
A. Demographics			
1. Total population (million)	World Bank	Number	WDI database
B. Challenge —to understand the overall development challenge created by HIV in the region			
2. Estimated number of adults and children living with HIV	UNAIDS	Number	UNAIDS Global Report
3a. Men and women ages 15–24 who are living with HIV (may need to be estimated from antenatal data)	UNGASS, International Development Association-World Bank Group 14, Africa AIDS Program	Percentage	UNAIDS Global Report / WHO estimates
3b. Most-at-risk populations who are living with HIV	UNGASS	Percentage	UNAIDS Global Report / WHO estimates
C. Intermediate results—to measure results contributed by Bank-funded projects			
4a. Condom use: Women and men ages 15–49 who have had more than one sexual partner in the past 12 months reporting the use of a condom during their last sexual intercourse	UNGASS, Africa AIDS Program	Percentage	Implementation Status Report
4b. Condom use: Female and male sex workers who report using a condom with their most recent client (of those surveyed having sex with any clients in the last 12 months)	UNGASS, Africa AIDS Program	Percentage	Implementation Status Report [a]
5. Women and men ages 15–24 who have had sex with more than one partner in the last 12 months	UNGASS, Africa AIDS Program	Percentage	Implementation Status Report [a]
6. Adults and children with advanced HIV infection receiving antiretroviral combination therapy	UNGASS	Number	Implementation Status Report [a]
		Percentage	Implementation Status Report [a]
7. Pregnant women living with HIV who received antiretrovirals to reduce the risk of MTCT	UNGASS, Africa AIDS Program	Number	Implementation Status Report [a]
		Percentage	Implementation

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[103] World Bank 2007b.

				Status Report [a]
8.	Orphaned and vulnerable children ages 0–17 whose households received free basic external support in caring for the child in the past 12 months	UNGASS	Number	Implementation Status Report [a]
			Percentage	Implementation Status Report [a]

D. Outputs—to measure results contributed by Bank-funded projects

9.	Persons ages 15 and older who received counseling and testing for HIV and received their test results	World Bank	Number	Implementation Status Report [b]
			Percentage	Implementation Status Report [b]
10.	Male and female condoms distributed	World Bank	Number	Implementation Status Report [b]
11.	Civil society organizations supported for subprojects (includes nongovernmental organizations, church-based organizations, faith-based organizations)	World Bank	Number	Implementation Status Report [b]
			Amount	Implementation Status Report [b]
12.	Public sector organizations supported	World Bank	Number	Implementation Status Report [b]
			Amount	Implementation Status Report [b]
13.	National AIDS Coordinating Authority that reports annually on at least 75% of the indicators in its national HIV monitoring and evaluation framework and that disseminates the report to national-level leaders in at least three public sector organizations, national civil society leaders, and business leaders in the private sector.	World Bank	Percentage	Implementation Status Report [b]

E. Financing—to quantify funding provided by the Bank, government and other partners to respond to the challenge and achieve the outputs and intermediary results

14.	Estimated investment requirements for HIV/AIDS, US$ million	World Bank	Amount	UNAIDS global data
15.	Total financial commitments for HIV/AIDS, US$ million	World Bank	Amount	Calculation (15a + 15b + 15c)
	15a. Country commitments for HIV/AIDS, US$ million	World Bank	Amount	Implementation Status Report [a]
	15b. World Bank commitments for HIV/AIDS, US$ million	World Bank	Amount	World Bank Business Warehouse
	15c. Other development partner commitments for HIV/AIDS, US$ million	World Bank	Amount	Development partner websites
16.	Financing gap to reach HIV/AIDS targets, US$ million	World Bank	Amount	Calculation (14–15)
17.	World Bank financial disbursements for HIV/AIDS, US$ million	World Bank	Amount	World Bank Client Connection

Source: World Bank 2007c, ANNEX 8 – The HIV/AIDS Results Scorecard.
Note: The Africa region HIV scorecard uses the new UNGASS wording in line with the new 2008 UNGASS guidelines (released April 2007). All of the indicators in the scorecard are based on the latest international thinking in terms of indicator wording. As there are currently efforts underway to harmonize indicators, the indicators in the scorecard may be slightly revised in 2008, when the harmonization process will be complete. Detailed indicator definitions will be released once the global indicator registry has been developed. Projects are only required to report on indicators 9 to 13.
a. Extracted from country UNGASS report.
b. Extracted from country monitoring and evaluation system.

5. Looking forward

Evidence suggests that funding decisions by PEPFAR, the Global Fund, and the MAP are currently guided by factors other than performance, including need and the political unfeasibility of cutting off funds. The three donors are, in the best case (the Global Fund), only beginning to use performance-based funding. The extent to which mandates, policies, or procedures exist for using performance as a determining factor in funding decisions varies greatly among the three donors. Timely, credible information on performance is not consistently available for any of the three donors.

Early evidence from the Global Fund suggests that performance incentives have improved implementation.[104] The Global Fund's board made a significant investment in a five-year evaluation, which aimed in part to answer questions about the intended and unintended effects of performance-based funding.[105] The evaluation found that the Global Fund's performance based financing model had created greater transparency and accountability; it had also evolved to focus more on input and outputs than on development outcomes. Inadequate information system and monitoring and evaluation capacities in countries were found to be the key hindrance to achieving the Global Fund vision of an outcomes-based model.[106] Although the evaluation was not able to measure the impact of the Global Fund on HIV/AIDS, it was clear that "increased funding is resulting in better availability and utilization of services which ultimately will have an impact on disease burden."[107] For HIV/AIDS in particular, the evaluation established a

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[104] The Global Fund 2006c.
[105] Sherry, Mookherji, and Ryan 2009.
[106] Ibid.
[107] Ibid, p. 18.

collective impact of 570,000 life years saved through antiretroviral services and 16,000 infections averted through preventing mother-to-child transmission services.[108]

> "What made the difference is that you [the Global Fund] gave us a clear warning that we were in the red zone, that we could lose our money if we didn't deliver results … performance-based funding helped us think through implementation".
> —Ethiopian Minister of Health Tedros Adhanom Ghebreyesus. Global Fund 2006, p.. 11.

In the longer term, building capacity at the country level to set, measure, and report performance will help to establish stronger accountability mechanisms in recipient countries. Certain countries are able to adopt and successfully practice a performance-based funding approach better than others. For example, many donors point to Rwanda, where performance-based contracting for HIV-related services was introduced and then adopted into national policy.[109] Service targets were set for each facility; staff was able to earn bonus payments by meeting or exceeding the targets. The approach was reported to have caused a rapid expansion in key HIV services and stimulated innovations in service delivery, such as outreach activities to expand HIV testing and promote couples testing. Kenya's national HIV/AIDS coordinating body has also introduced performance contracts, which are seen as an opportunity for putting more emphasis on achieving results and strengthening governance and accountability.[110]

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[108] Ibid.
[109] Görgens-Albino and others 2007.
[110] World Bank 2007d.

The future of performance-based funding

Some actors involved in applying performance-based funding on a large scale have referred to a "paradigm shift" in development assistance. The evidence gathered through this analysis does indicate a significant shift, with more actors venturing into performance-based programming and the demand for performance information ever increasing. However, no definitive information is yet available on the linkage between performance-based funding and impact on HIV/AIDS. It is only through a combination of factors that essential questions about performance-based funding and longer-term development outcomes can be adequately answered. First, performance-based funding must be applied at scale over a sufficient duration and with consistent rigor. Second, an overarching analytical process is needed to track and assess the effects of performance-based funding in a comparable manner across both countries and funding mechanisms.

Findings now emerging from several analytical initiatives, including the HIV/AIDS Monitor country-level analyses, the Global HIV/AIDS Initiatives Network, and the Five-Year Evaluation of the Global Fund, are creating an opportunity to examine performance-based approaches across countries and levels to determine their overall effect and impact. A complementary HIV/AIDS Monitor analysis, "Are Funding Decisions Based on Performance?," analyzes how the big three donors are using programmatic performance to inform their funding decisions in three African countries, offering a perspective as to how global policies are actually playing out on the ground. The report investigates a number of issues including how performance affects the selection of recipient

organizations; how performance targets are set; how performance data are collected and used; and what role performance plays in decisions about continued funding, among others. Given the current constraints on HIV/AIDS budgets resulting from the economic crisis, among other factors, performance-based funding can be an important tool for donors to do more with less. It is the hope that these analyses, along with analysis from other initiatives, will help the donors figure out the best approach for linking funding to programmatic performance.

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Annex A: Global Fund technical review panel: criteria for judging proposals

The technical review panel looks for proposals that demonstrate the following characteristics:[a]

Soundness of approach:
- Use of interventions consistent with international best practices (as outlined in the Stop TB Strategy, the Roll Back Malaria Global Strategic Plan, the WHO Global Health-Sector Strategy for HIV/AIDS, and other WHO and UNAIDS strategies and guidance) to increase service coverage for the region in which the interventions are proposed, and demonstrate a potential to achieve impact
- Give due priority to groups and communities most affected and/or at risk, including by strengthening the participation of communities and people infected and affected by the three diseases in the development and implementation of proposals
- Demonstrate that interventions chosen are evidence-based and represent good value for money
- Involve a broad range of stakeholders in implementation, including strengthening partnerships among government, civil society, affected communities, and the private sector
- Address issues of human rights and gender equality, including contributing to the elimination of stigmatization of and discrimination against those infected and affected by tuberculosis and HIV/AIDS, especially women, children, and other vulnerable groups
- Are consistent with national law and applicable international obligations, such as those arising under World Trade Organization's Agreement on Trade-Related Aspects of Intellectual Property Rights (the TRIPS Agreement), including the Doha Ministerial Declaration on the TRIPS Agreement and Public Health, and encourage efforts to make quality drugs and products available at the lowest possible prices for those in need while respecting the protection of intellectual property rights.

Feasibility:
- Provide strong evidence of the technical and programmatic feasibility of implementation arrangements relevant in the specific country context, including, where appropriate, supporting decentralized interventions and/or participatory approaches (including those involving the public, private and nongovernment sectors, and communities affected by the diseases) to disease prevention and control
- Build on, complement, and coordinate with existing programs (including those supported by existing Global Fund grants) in support of national policies, plans, priorities, and partnerships, including National Health Sector Development Plans, Poverty Reduction Strategies, and sector-wide approaches (where appropriate)
- Demonstrate successful implementation of programs previously funded by international donors (including the Global Fund) and, where relevant, efficient disbursement and use of funds. (For this purpose, the TRP will make use of Grant Score Cards, Grant Performance Reports and other documents related to previous grant(s) in respect of Global Fund supported programs)
- Utilize innovative approaches to scaling up programs, such as through the involvement of the private sector and/or affected communities as caregivers

- Identify in respect of previous proposals for the same component submitted to the Global Fund through the rounds-based channel but not approved, how this proposal addresses any weaknesses or matters for clarification that were raised by the TRP
- Identify for proposals submitted through the Rolling Continuation Channel, how this proposal addresses the implementation challenges and sustainability issues identified by the secretariat during the Rolling Continuation Channel qualification process
- Focus on performance by linking resources (inputs) to the achievement of outputs (people reached with key services) and outcomes (longer-term changes in the disease), as measured by qualitative and quantitative indicators
- Demonstrate how the proposed interventions are appropriate to the stage of the epidemic and to the specific epidemiological situation in the country (including issues such as drug resistance)
- Build on and strengthen country impact measurement systems and processes to ensure effective performance based reporting and evaluation
- Identify and address potential gaps in technical and managerial capacities in relation to the implementation of the proposed activities through the provision of technical assistance and capacity building.

Potential for sustainability and impact:
- Strengthen and reflect high-level, sustained political involvement and commitment, including through an inclusive and well-governed CCM, sub-CCM or RCM
- Demonstrate that Global Fund financing will be additional to existing efforts to combat HIV/AIDS, tuberculosis, and malaria, rather than replace them
- Demonstrate the potential for the sustainability of the approach outlined, including addressing the capacity to absorb increased resources and the ability to absorb recurrent expenditures
- Coordinate with multilateral and bilateral initiatives and partnerships (such as the WHO/UNAIDS "Universal Access" initiative, the Stop TB Partnership, the Roll Back Malaria Partnership, the "Three Ones" principles), and UNICEF's "Unite for Children. Unite against AIDS" campaign) toward the achievement of outcomes targeted by National Health Sector Development Plans (where they exist)
- Demonstrate that the proposal will contribute to reducing overall disease, prevalence, incidence, and morbidity and/or mortality
- Demonstrate how the proposal will contribute to strengthening the national health system in its different components (e.g., human resources, service delivery, infrastructure, procurement, and supply management).

[a] The Global Fund 2007c.
[b] One agreed-on HIV/AIDS action framework that provides the basis for coordinating the work of all partners, one national AIDS coordinating authority with a broad-based multisectoral mandate, and one agreed-on country-level monitoring and evaluation system. See www.unaids.org for more information. Proposals addressing HIV/AIDS should indicate how these principles are put into practice.