

A TRICKLE OR A FLOOD:
Commitments and Disbursement for
HIV/AIDS from the Global Fund, PEPFAR, and the World Bank's Multi-Country
AIDS Program (MAP)*

Michael Bernstein and Myra Sessions
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This paper provides an analytical framework for understanding funders' disbursement policies and practices while also offering an overview of the total volume of resources being committed and disbursed by each funder. The analysis is focused on the global-level, but does provide brief country case studies to help understand some of the implications of these large inflows of funding for HIV/AIDS at the country-level.

Key Findings:

- 1) Although the resources available for HIV/AIDS programs in developing countries is still far less than what is estimated to be required for a comprehensive global response, significant new funding has been made available in recent years. Analyses presented in this paper highlight the rapid increase in funding, and the dominance of the US PEPFAR program as a source of new monies. They also indicate how challenging it is to effectively use dramatically scaled-up resources in countries that have had historically very low levels of spending on health.
- 2) Since 2004, the Global Fund, PEPFAR, and the World Bank's MAP (ie. the big three) have been providing large volumes of new money for HIV/AIDS programs. By 2005, the three funders were transferring (ie disbursing) more than \$3 billion per year, with over 70% of this total coming from PEPFAR. This money is provided by the funders in various ways to governments, local NGOs, international NGOs, consulting agencies, and other implementing entities.
- 3) The new resources provided by the big three funders represents a huge increase in funds at the country-level. In Uganda and Ethiopia, once AIDS money began flowing from all three funders in 2004, the amount of money provided quickly approached, and by 2005 had exceeded, the governments' 2003 budgets for the entire health sector.
- 4) The large scale of the new resources provided, and the differences among the funders in disbursement procedures, meant that money from the big three was difficult to manage in the two country cases examined in this paper, Ethiopia and Uganda. The Global Fund, which has provided information to the public about in-country financial flows, found that both governments encountered challenges when trying to spend money: the use of resources was delayed, and accelerating progress in implementing the grant required turning to actors outside the government.
- 5) Total annual disbursements from the big three funders lag behind total annual commitments. This difference may be a result of the difficulty that recipients have had in absorbing large new sums of money.
- 6) Data availability varies by funder. PEPFAR does not provide disbursements data disaggregated by country. The World Bank and PEPFAR do not publicly release expenditure data for their recipients. The Global Fund does provide such expenditure data, which allows us to offer some preliminary insights about governments' capacity to manage AIDS funds in two country specific contexts.

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Introduction

In response to both public health imperative and unprecedented political pressures, the HIV/AIDS pandemic has garnered massive increases in donor assistance in recent years, relative to other global health problems. According to the Joint United Nations Programme on HIV/AIDS (UNAIDS), global funding to combat HIV/AIDS in low- and middle-income countries has more than tripled since 2001, from \$2.1 billion to an estimated \$6.1 billion in 2004, \$8.3 billion in 2005, and \$8.9 billion in 2006.^{1,2} UNAIDS estimates that the available funding will continue to grow in the near term but at a slower pace, with approximately \$10 billion available in 2007.³

To cope with the emergency nature of the HIV/AIDS epidemic and the need to mobilize resources quickly, the global community has established three new funding mechanisms: the Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund); the U.S. President's Emergency Plan for AIDS Relief (PEPFAR); and the World Bank's Multi-Country AIDS Program (MAP). Together, these three funders – referred to in this paper as the “big three” – provide a majority of donor resources to combat HIV/AIDS; in 2004, they committed 57% of the total \$3.6 billion provided by all donors.⁴

In addition to donor spending to fight AIDS, three other major sources of AIDS funding are developing country governments, out-of-pocket expenditures by affected people, and modest contributions by the corporate sector. Although contributions from all sources have risen in recent years, the funding available is still far short of the resources required for comprehensive HIV/AIDS prevention, care and treatment programs, projected by UNAIDS to amount to \$14.9 billion in 2006 and \$18.1 billion in 2007.⁵ These figures suggest that the worldwide AIDS funding gap for 2006 alone is \$6 billion.

While much of the attention of the advocacy community has been focused on addressing this funding shortfall, policy discussions can benefit from an improved understanding of how much funding is already available – and what “available” means in this context. As shown in Figure 1, several important questions relate to how funding flows, particularly within the big three funders whose programs are all relatively new. How much money do programs provide? Where does the funding come from and how does it move from agent to agent, and ultimately to its final purpose? How quickly is this funding disbursed? What do these global funding trends imply for funding of national AIDS responses?

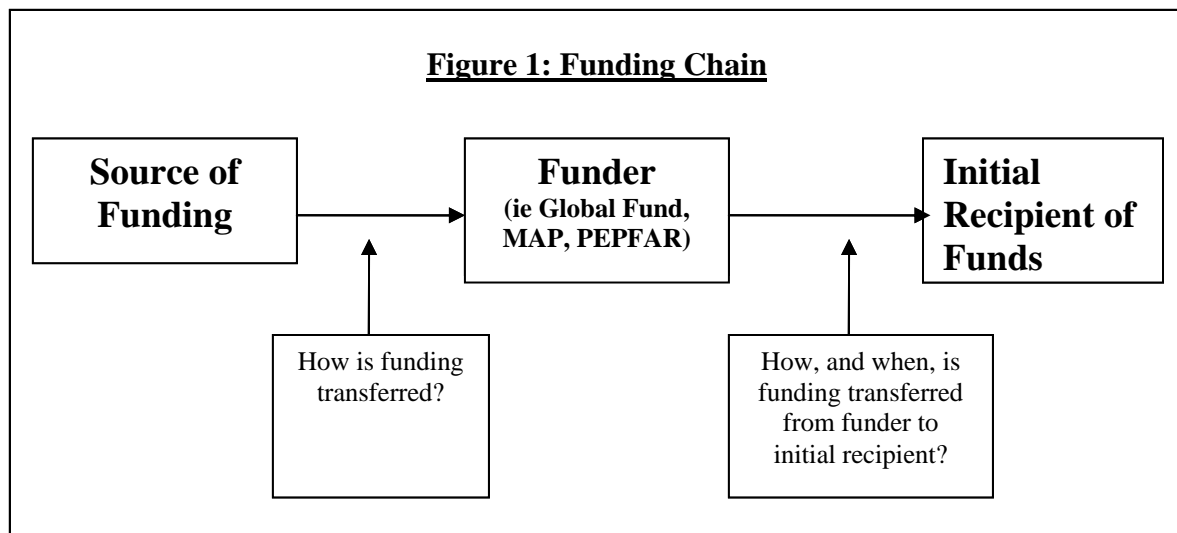
¹ Kates, Jennifer. “Financing the Response to HIV/AIDS in Low and Middle Income Countries: Funding for HIV/AIDS from the G7 and the European Commission.” Kaiser Family Foundation. 2005.

² All figures in this paper are in nominal dollars.

³ UNAIDS. “2006 Report on the global AIDS epidemic.” 2006.

⁴ *Aid in Support of HIV/AIDS Control: An Online Database*. OECD DAC. 21 September 2006 <http://www.oecd.org/document/34/0,2340,en_2649_201185_32124066_1_1_1_1.00.html>. Also see UNAIDS. “Resource needs for an expanded response to AIDS in low- and middle-income countries.” 2005.

⁵ UNAIDS (2006).



Aggregating and comparing across sources is not straightforward. Efforts to compare funding levels and procedures are complicated by differences among the big three funders, including in fiscal years and other temporal references, as well as terminologies and reporting processes. Table 1 displays basic characteristics of each funders’ disbursement process.

This paper attempts to explain differences among the funders by describing relevant disbursement processes, and by analyzing the amount of money committed and disbursed by each of the funders. It serves to provide basic, reference information as part of the Center for Global Development’s HIV/AIDS Monitor Program, which seeks to track and analyze key features of the way aid for HIV/AIDS is allocated and disbursed, while identifying lessons relevant to broader questions about the effectiveness of development assistance. (For more information, see <http://www.cgdev.org/section/initiatives/active/hivmonitor>)

Data for this analysis, including funding commitments and disbursements, were provided by the funders themselves through publicly available program documents and reports. At times, this publicly available information was supplemented with data obtained from sources within the institutions. Interviews were also conducted with current and former officials from the three funding mechanisms. Relevant staff from each of the three funders were provided with the opportunity to review drafts of this paper, and we are grateful for several corrections of fact provided.

For the purposes of this paper, funding **commitment** is defined as the point at which funding that is readily available to the funder is legally promised to recipients. **Disbursement** is defined as the point at which funds are transferred from the funding mechanism to a recipient. A detailed definition of each funders’ commitment and disbursement points are provided in sub-section 1A through 1C below.

The paper is organized as follows: The first section of the analysis reviews the disbursement policies of each of the big three funders. Section two examines the total commitments and disbursements made by each of the funding mechanisms. In section three, we use case studies in Ethiopia and Uganda to provide a picture of how disbursement policies and funding levels translate to specific country contexts. Section four concludes.

Table 1: Basic Characteristics of Disbursement			
	World Bank MAP	Global Fund	PEPFAR
Year Launched	2000 (fiscal year 2001)	2002	2003 (fiscal year 2004)
Source of Funds	International Development Association, or IDA, funds (accumulated through contributions by donor member countries and interest earned on World Bank loans)	Primarily governments but some funds raised through foundations, private companies, and individual contributions	US Government Appropriations
Fiscal Year	July 1 – June 30	Determined by grant start date	October 1 – September 30
Years Per Funding Commitment	3-5 years	2 years initially, with option of renewing for 1-3 years	1 year
Advance/Reimbursement	Advanced	Advanced	Varies by award mechanism – grants and cooperative agreements provide advanced funding; contracts are reimbursed
Initial Recipient of Funds	In most cases, a recipient government entity known as a National AIDS Council	In most cases, a government ministry or agency, such as the Ministry of Health, Ministry of Finance, or a National AIDS Council; in some cases, NGOs or UN agencies	Varies – NGOs, academic institutions, for-profit contractors, Ministries of Health, faith-based organizations, multilateral organizations, etc.

Section 1: Disbursement Policies

(1A) The World Bank MAP

The World Bank has been providing assistance to combat HIV/AIDS since the mid-1980s, and in 2000 it launched the Multi-Country AIDS Program (MAP) to scale-up programs in Africa, and to encourage recipient governments to focus attention on developing and implementing a national response. This section focuses on the disbursement policies of the MAP, which currently operates in two regions, Africa and Latin America and the Caribbean. Although this section will focus on the MAP, the graphs below for commitments and disbursements from all three funders contain numbers for both MAP alone and for World Bank AIDS funding as a whole. This is done to give the reader a sense of the global reach of each funder. PEPFAR and the Global Fund disburse money across the entire developing world and focusing on MAP exclusively would exclude World Bank AIDS funding disbursed to regions not covered by the MAP.

The MAP structure is meant to mobilize additional resources and use streamlined World Bank procedures so funding can be made available more quickly than under standard World Bank operations. Drawn out of the World Bank reserves and member countries' dues, funding for the MAP initially came from specific funding authorization for the program by the World Bank Board of Directors in December 2000. Increasingly, however, MAP funding is being integrated into broader lending programs.⁶

MAP funding may be provided as a grant or credit (ie loan); the mechanism chosen is dependent on the overall mix of World Bank grant and credit funding available to a given country.⁷ The World Bank only commits funds for a MAP that it could readily disburse at the time of the signing of a grant or loan agreement.⁸

To qualify for MAP funding, countries must establish "a high-level HIV/AIDS coordinating body, with broad representation of key stakeholders from all sectors."⁹ These coordinating bodies, known as National AIDS Councils (NACs) or their secretariat, are almost always the initial recipients of MAP funding.¹⁰ Each NAC sets up a special bank account for the MAP project which the World Bank uses to disburse funding to the NAC. To transfer money to MAP sub-recipients - including government ministries, district governments and NGOs – the NAC often opens individual accounts for each sub-recipient (subject to their capacity to manage funds) which are linked to the main account for the MAP project.

⁶ Oomman, Nandini. "An Overview of the World Bank's Response to the HIV/AIDS Epidemic in Africa, with a Focus on the Multi-Country HIV/AIDS Program." Center for Global Development. 2006.

<http://www.cgdev.org/section/initiatives/_active/hivmonitor/funding/map_overview>

⁷ The mix of World Bank grant and loans provided to a given country is determined by the World Bank's Board of Directors. Whether a MAP project is provided as a grant or loan does not affect the net amount of World Bank loans and grants provided to a recipient country.

⁸ Personal communication with World Bank official. October 25, 2006.

⁹ "Multi-Country HIV/AIDS Program." World Bank. 15 September 2006:

<<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/AFRICAEXT/EXTAFRHEANUTPOP/EXTAFRREGTOPHIVAIDS/0,,contentMDK:20415735~menuPK:1001234~pagePK:34004173~piPK:34003707~theSitePK:717148,00.html>>

¹⁰ In rare cases, the World Bank might also disburse directly to the Ministry of Health or Ministry of Finance. Interview with World Bank officials. October 12, 2006.

In addition to establishing a NAC, a country must meet several other requirements to qualify for MAP funding: satisfactory evidence of a strategic approach to HIV/AIDS developed in a participatory manner; appropriate financial management procedures; commitment to transferring funds to multiple sources, including directly to communities, civil society, and the private sector; and agreement by the government to use NGOs and community-based organizations as one of its implementing agents for the MAP funds. In addition, only countries that qualify for credits from the International Development Association (IDA) arm of the World Bank may receive MAP funding, since all MAP resources are provided through IDA funds.¹¹

The World Bank operates on a July 1 fiscal year, but disbursements to programs are not constrained to this timetable. The entire three- to five-year grant amount is committed when the agreement is signed and is available to be disbursed as needed. Disbursements tend to begin with smaller amounts of funding and expand as the program matures.¹²

The World Bank often disburses a small amount of money even before a MAP agreement is signed. This money is advanced to the recipient government, upon request, in order to cover expenses associated with proposal preparation. An equal amount of money is then deducted from the total project amount if the project is later approved.¹³

The legal agreement for a MAP contains a disbursement schedule outlining the planned annual disbursements of MAP funds over the life cycle of the project. The agreement also disaggregates total disbursements by expenditure categories, with each category having its own disbursement ceiling. These disbursement categories might be goods, civil works, consultant services, operating expenses, or grants for sub-projects.¹⁴ Once the project agreement is signed, and in advance of the implementation of program activities, the World Bank disburses a portion of the grant amount, as agreed with the government, to the NAC's bank account. Subsequent disbursement requests by the NAC must be approved by the World Bank but may occur in two different ways, depending on how the NAC chooses to report on its expenditures.

Under the first reporting method, a NAC submits disbursement requests along with a form called a Statement of Expenditures (SOE) which asks the NAC to itemize and briefly describe all expenditures made with MAP money since the submission of the last SOE. For all expenditures over a defined threshold, the NAC must also furnish supporting documentation such as invoices,

¹¹ The International Development Association is the arm of the World Bank which provides interest-free loans and grants to the world's poorest countries. For more information, see <http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/IDA/0,,menuPK:51235940~pagePK:118644~piPK:51236156~theSitePK:73154,00.html>

¹² A full and updated list of World Bank disbursement activity can be found at: <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTHEALTHNUTRITIONANDPOPULATION/EXTHIVAIDS/0,,contentMDK:20385424~menuPK:376498~pagePK:148956~piPK:216618~theSitePK:376471,00.html> (accessed 13 September 2006)

¹³ Such an advance is made under the project preparation advance process. Interview with World Bank official. October 12, 2006

¹⁴ These categories are offered as examples. They were the categories contained in a sample reporting form viewed by the authors.

and proof of delivery.¹⁵ The SOE and supporting documents are then submitted to a World Bank regional disbursement office where a World Bank loan officer checks the reported expenditures against the legal agreement. If the request is deemed consistent with the legal agreement (ie. no ineligible expenditures have been made and no expenditure categories have exceeded their disbursement ceilings), funds are transferred from the World Bank to the recipient government's special bank account for the MAP.¹⁶

Under the second method, a NAC completes a form called an Interim Financial Report (IFR), which requires more detailed information than an SOE regarding the uses of MAP funds, and asks the NAC to forecast, by expenditure category, all MAP-related expenditures over the proceeding six months. The IFR is completed at regular intervals - most projects submit IFRs on a quarterly basis - with the goal of ensuring that the MAP project always has enough money to cover six months of expenditures. In fact, the IFR is structured so that the disbursement request is calculated by taking the six-month forecast of expenditures and subtracting by the amount of money remaining in the MAP project's bank account.

Once the NAC completes the IFR, it sends its report to the regional disbursement office, copying the World Bank staff member overseeing the MAP project, known as a Task Team Leader (TTL).¹⁷ The TTL then sends the IFR to another member of the project team, known as a Financial Management Specialist (FMS). The FMS reviews the IFR and makes a recommendation to the TTL on whether the disbursement request should be approved on a "no objection" basis. In practice, it is quite rare for a TTL to reject a NAC's disbursement request.¹⁸ After FMS and TTL approval, the IFR can be processed by the regional disbursement office in a similar manner to the SOE.

To date, most MAP projects have been reporting using an SOE, but the World Bank is encouraging countries to use the IFR. All recipients of World Bank funding are required to fill out IFRs, even if they are still using the SOE system, so that they can become accustomed to IFR reporting. Once a disbursement request is approved, it takes an average of five days, and no more than 15 days before funds are transferred into the NAC's bank account.¹⁹

For the purposes of the following sections, World Bank funding commitments are defined as the amount of money contained in the legal agreement signed at the outset of a new MAP project. World Bank disbursements are defined as money physically transferred into the recipient government account which is specifically designated for the MAP project.

¹⁵ The threshold will vary both by project and by component within a project. An example of a threshold might be \$200,000 for civil works, or \$100,000 for consultants. Personal communication with World Bank official. February 14, 2007.

¹⁶ Previously, there was a ceiling under the SOE system on the amount of money that could be provided in any individual disbursement request. This ceiling varied by project but tended to be around 10% of total project funds. This ceiling on individual disbursements has been eliminated. Personal communication with World Bank staff member. February 14, 2007.

¹⁷ In cases where the NAC does not copy the TTL, the loan officer forwards a copy of the IFR to the TTL for his/her review and approval. Personal communication with World Bank official, February 13, 2007. sa

¹⁸ Interview with World Bank official. October 12, 2006

¹⁹ Ibid

(1B) The Global Fund

The Global Fund was founded in 2002 to mobilize and disburse funding to combat AIDS, tuberculosis and malaria in low- and middle-income countries.^{20, 21} Although the Global Fund receives the vast majority of its funding from voluntary contributions by donor countries, it is not a multi-lateral institution, such as those that are part of the UN system, but rather a foundation incorporated under Swiss law.

The Global Fund's current Executive Director regularly explains that the Global Fund's mission is to "raise it, spend it, prove it," a mantra meant to emphasize the drive to raise large sums of money to combat these three diseases, to disburse it quickly, and then to demonstrate results at the country-level. The Global Fund's founding principles state that "The Fund is a financial instrument, not an implementing entity."²² This philosophy informs the unique model upon which the Global Fund is based: the Fund's grants are active in over 120 countries but it has no in-country presence or technical assistance expertise. Instead, the Fund aims to operate within a broader network of partners, whereby its funding is complemented by the activities, expertise and resources of other agencies, national governments, NGOs, civil society organizations, and private sector partners.

The Global Fund receives more than 95% of its funding from donor governments, although private foundations and corporations also have made some substantial contributions.²³ In addition, several new financing schemes such as the RED campaign have recently been launched and show promise for diversification of funding in the future.²⁴

Money contributed to the Global Fund is held in trust in an interest-bearing account at the World Bank, until the Global Fund requests funds for disbursement to a grant's designated recipient of funds, known as a Principal Recipient. Principal Recipients are typically a government ministry such as the Ministry of Health, or a government agency such as a National AIDS Council. In some cases, a Principal Recipient may be a non-governmental organization or a UN agency. Principal Recipients are the initial recipients of funding but they transfer a portion of their funding to other entities, known as sub-recipients. When sub-grants are made, the Principal Recipient remains responsible for reporting to the Global Fund on the use of funding.

Once a proposal has been approved for funding by the Board of the Global Fund, an entity known as a "Local Fund Agent" – typically an international accounting firm like

²⁰ Schocken, Celina. "Overview of the Global Fund to Fight AIDS, TB and Malaria." Center for Global Development. 2006. <http://www.cgdev.org/section/initiatives/_active/hivmonitor/funding/gf_overview>

²¹ In certain special circumstances, Upper Middle Income countries are also eligible for funding if they have a high disease burden. Personal communication with a Global Fund staff member. November 7, 2006.

²² The Global Fund. "The Framework Document for the Global Fund to Fight AIDS, Tuberculosis and Malaria." 2002. <http://www.theglobalfund.org/en/files/publicdoc/Framework_uk.pdf>

²³ A full list of pledges and contributions to the Global Fund can be found on the Global Fund website, at <<http://www.theglobalfund.org/en/files/pledges&contributions.xls>>

²⁴ The RED campaign is led by Bobby Shriver and Bono, and earns funds for the Global Fund through the sale of products and services branded "Red". Providers of "Red" goods and services dedicate a percentage of each sale to the Global Fund. According to the Product RED website, the RED campaign has contributed \$11.3 million to the Global Fund to date and expects to contribute an additional \$10 million shortly. For more information, see <http://www.joinred.com/default.asp>

PricewaterhouseCoopers that is under contract with the Global Fund – must assess the financial management capacity of the grant’s Principal Recipient and provide an opinion on whether such capacity meets the Global Fund’s minimum standards. If satisfied that these standards have been met, the Global Fund Secretariat prepares and negotiates the terms of a grant with the Principal Recipient.

The vast majority of grants have two phases with each phase requiring separate approval by the Board. The phase 1 agreement spans two years. If the program is deemed successful by the Global Fund, the Board will approve phase 2 funding and make relevant changes to the existing legal agreement signed at the outset of Phase 1, including extending funding to the PR for an additional one to three years.²⁵ Generally, phase 1 agreements are smaller than phase 2 agreements, but all grants are evaluated on their individual technical merits.

Funds are disbursed to Principal Recipients in advance of program activities. The terms of each grant agreement include a figure for the overall budget as well as the expected frequency and quantity of individual disbursements.²⁶ A grant agreement typically includes plans for quarterly or semi-annual disbursements, but actual disbursements only occur after the Principal Recipient submits a specific request for funds.^{27, 28} The Principal Recipient usually requests an initial disbursement with the signing of the grant agreement, and submits subsequent disbursement requests, which include detailed reports on progress made towards programmatic targets that are outlined in the grant agreement. Future disbursements are directly linked to the demonstration of progress in programming and in financial accountability, including the past and projected future expenditure of funds.²⁹ According to guidance documents, Principal Recipients are encouraged to think ahead, and request funding sufficient for the next two disbursement periods so that the program will have funds to continue implementation while the Global Fund Secretariat considers future disbursement requests.³⁰

In this paper, Global Fund commitments are defined as the amount contained in a signed agreement between the Global Fund Board and the grant’s Principal Recipient. Because the Global Fund’s Board approves phase 1 and phase 2 portions of grants separately, commitments for phase 2 are only included in this paper where such funding has already been signed into agreement.³¹ Disbursements are defined as the transfer of money from the Global Fund’s specially designated account at the World Bank to the account of the grant’s Principal Recipient.³²

²⁵ Personal communication with Global Fund official. January 26, 2007.

²⁶ For more information about the proposal preparation and approval process, see Schocken (2006).

²⁷ The Global Fund. “Fiduciary Arrangements for Grant Recipients.” 2003.

²⁸ For a complete list of disbursements, including date and size of disbursement, see <http://www.theglobalfund.org/en/files/disbursementdetails.pdf>.

²⁹ The Global Fund (2003).

³⁰ Ibid.

³¹ Such an interpretation of Global Fund commitments differs from that employed by the Global Fund because the Global Fund counts all commitments from phase 2, including those that have not yet been signed into agreement. The definition of Global Fund commitments used here allows us to generate commitment figures that can be appropriately compared with commitments from PEPFAR and the World Bank MAP, since all commitment figures are produced using the general definition of commitments described in the paper’s introductory section.

³² The World Bank serves as the trustee for the Global Fund. According to the Fund’s Framework Document, the trustee has four principal responsibilities: 1) collection, investment and management of funds; 2) disbursement of

(1C) PEPFAR

PEPFAR is a five-year, \$15 billion bilateral program to provide concentrated assistance to 15 countries affected by HIV/AIDS and moderate assistance to more than 100 other countries. Launched in fiscal year 2004, the program is coordinated by the Office of the Global AIDS Coordinator (OGAC) which sits within the US Government's State Department. The program is managed by a number of implementing agencies and departments, including: the Department of State, the Department of Health and Human Services including the Centers for Disease Control and Prevention, the Department of Commerce, the Department of Labor, the Department of Defense, the US Agency for International Development, and the Peace Corps. Of these implementing agencies, the vast majority of PEPFAR funds are channeled through the US Agency for International Development (USAID), and the Centers for Disease Control and Prevention (HHS/CDC).

As a US Government program, PEPFAR receives all funding from the US Treasury at the direction of Congress through the federal budget process. Although President Bush has pledged to commit \$15 billion over 5 years, and Congress has passed legislation endorsing this multi-year pledge, PEPFAR is bound by the Congressional budgetary cycle – it cannot legally commit money that has not already been approved (ie. appropriated) by Congress during the annual budget process. As a result, PEPFAR implementing agencies cannot make legally binding multi-year funding commitments.

In the first four years of the PEPFAR program, Congress has appropriated a growing amount of funding in each subsequent budget.³³ Such appropriations are supposed to occur by October 1, the beginning of the fiscal year, but Congress frequently does not pass appropriations legislation until after that date. In some cases, appropriations may not occur until the beginning of the new calendar year. When such delays occur, Congress passes a Continuing Resolution which provides additional short-term funding to federal government departments and agencies to continue operating at the previous year's budget levels.³⁴

Once Congress finalizes the budget, the US Government agencies which implement PEPFAR receive an annual appropriation to support both new and ongoing programs and activities. These agencies may enter into a funding agreement with any organization that meets the standards laid out in the US Government's Federal Acquisitions Regulations. Qualifying organizations include academic institutions (e.g. Columbia's School of Public Health), developing country governments (Botswana's Ministry of Health), NGOs (Save the Children), multilateral agencies

funds to national-level entities, on instruction of the Global Fund's Board; 3) financial reporting to stakeholders; and 4) conducting independent audits. See The Global Fund. "Framework Document." 2002.

³³ Congress appropriated \$2.3 billion in FY 2004, \$2.7 billion in FY 2005, \$3.3 billion in FY 2006, and \$4.5 billion in FY 2007. The 4 year total is \$12.8 billion and President Bush has requested \$5.4 billion for FY 2008. This request is subject to Congressional approval, but even if Congress were to underfund the President's request, it does appear likely that the 5 year PEPFAR funding total will exceed the original \$15 billion pledge. For more information, see <http://www.pepfar.gov/press/80064.htm>

³⁴ Under a Continuing Resolution, funding can not be used to begin new programs.

(UNICEF), and for-profit contractors (ABT Associates). These organizations are referred to here as recipient organizations.

Unlike the Global Fund and World Bank who disburse all funds in advance of program activities, the timing of PEPFAR disbursements varies by agreement. The two primary implementing agencies for PEPFAR, USAID and HHS/CDC, use three major types of agreements to disburse funds – grants, contracts, and cooperative agreements.

In the case of a grant or cooperative agreement, USAID or HHS/CDC enters into a legally binding agreement to pay a recipient organization – a process known as obligating money – by issuing a Federal Letter of Credit.³⁵ A Federal Letter of Credit provides a recipient organization with the authority to withdraw money from the US Treasury up to the amount listed in the specific credit letter. Through the use of a Federal Letter of Credit, USAID and HHS/CDC may obligate money to a recipient organization one or more times during a fiscal year. Once obligation occurs, the recipient organization may withdraw funds in advance of program activities. Funds are usually withdrawn by a recipient organization no more than 30 days in advance of planned expenditures.³⁶ These withdrawals are counted as “outlays” in the federal accounting system. An outlay is officially defined as “payment to liquidate an obligation”.³⁷

Under a contract, contractors receiving PEPFAR funds are required to spend their own money on program activities. Contractors then submit invoices to the US Government at regular intervals, typically monthly.³⁸ USAID or HHS/CDC reimburses contractors for expenses incurred. Under US law, a contractor must be reimbursed within 30 days of the time that an invoice is received by the federal government.³⁹

In the case of a contract, an obligation is made when a PEPFAR implementing agency enters into a legal agreement to reimburse a contractor for expenses incurred. An outlay is defined as money physically transferred to a contractor as reimbursement.

PEPFAR’s annual process of obligating money can make long-term planning difficult for recipient organizations which must operate with a degree of uncertainty about future year funding levels.⁴⁰ In practice, however, recipient organizations can estimate their future year funding levels with a reasonable degree of accuracy – these forecasting exercises have long been necessary for recipients of US Government money. Agencies like USAID and HHS/CDC sign multi-year agreements with recipient organizations. These agreements – typically five years in length – list a maximum funding amount, known as a funding ceiling, and this ceiling is often reached. At the beginning of each year’s budget process, implementing agencies also initiate a

³⁵ The major difference between a grant and cooperative agreement is that a cooperative agreement includes more detailed provisions on how the recipient organization must use its funding.

³⁶ Interview with former USAID official. November 1, 2006.

³⁷ Office of Management and Budget. “OMB Circular No. A-11.” 2006.
<www.whitehouse.gov/omb/circulars/a11/current_year/s20.pdf>

³⁸ The actual process could take as long as 90 days. Interview with former USAID official. September 28, 2006.

³⁹ *Regulations and Guidance: Prompt Payment*. US Department of the Treasury. 25 October 2006
<<http://www.fms.treas.gov/prompt/regulations.html>>

⁴⁰ This constraint on planning is particularly acute in the context of treatment where PEPFAR partners do not want to begin funding a treatment program which cannot be sustained through additional obligations in subsequent years.

dialogue with recipient organizations regarding how much money each recipient might need for the upcoming fiscal year. As the budget process moves forward, recipient organizations and US Government agencies remain in regular contact about how much money is expected to be available for obligation. The fact that a recipient organization often receives multiple obligations during the year adds a further layer of uncertainty to this process. Again, recipients must maintain frequent contact with US Government agencies to inquire about when pending obligations might occur, and how much these obligations will be worth.⁴¹

When a PEPFAR implementing agency obligates funds to a recipient organization, the recipient may spend the money it receives in either the current or future fiscal years. In practice, a large portion of money obligated in a given fiscal year is not spent by recipient organizations until future years.⁴² This is partially a result of the fact that recipient organizations may not receive obligated money until halfway or more through a fiscal year. PEPFAR implementing agencies typically obligate money in several tranches during the fiscal year, with a small amount obligated within the limited funding available under continuing resolutions and the remainder of funding being obligated once Congress has completed the annual appropriations process. Following Congressional appropriation, the implementing agencies, under the coordination of OGAC, must finalize programming decisions and complete various internal procedures to prepare for the obligation of funds.⁴³ As a result, the bulk of PEPFAR money is obligated beginning in March, with the majority of obligations occurring in the final quarter of the fiscal year, between July and September.⁴⁴ A small amount of funds – roughly 10% of the total appropriated - are obligated after the conclusion of the fiscal year since, unlike many federal programs, money appropriated to PEPFAR is not legally required to be obligated in the same fiscal year it was appropriated.⁴⁵

PEPFAR's disbursement processes, as currently constituted, tend to favor recipient organizations with considerable existing capacity and a long history of working with US Government agencies. In an effort to attract new local partners, the Office of the US Global AIDS Coordinator has launched a New Partners Initiative (NPI).⁴⁶ The NPI is a newly designated pool of \$200 million that will go to faith-based and community organizations in PEPFAR focus countries. To qualify, an organization must not have received more than \$5 million from the US Government over the previous five years. PEPFAR has also adopted other policies to diversify its base of recipient organizations, such as limiting the percentage of funding that goes to any individual recipient in a country to 8% of all PEPFAR funding for that country.⁴⁷

In the above description of PEPFAR, the terms obligations and outlays have been used. In the proceeding sections of this paper, US Government obligations are referred to as funding commitments. US Government outlays are referred to as disbursements.

⁴¹ Interviews with several former USAID officials. September 28, 2006 and November 1, 2006.

⁴² Interview with former USAID official. September 28, 2006.

⁴³ An example of an internal procedure would be the process whereby HHS transfer funds to CDC through an intra-departmental delegation of authority.

⁴⁴ Data obtained through personal communication with OGAC official on November 22, 2006.

⁴⁵ The explanation provided here relies partially on information obtained through a personal communication with OGAC. February 7, 2007.

⁴⁶ For more information, see <http://www.pepfarnpi.com/index.htm>

⁴⁷ Personal communication with OGAC official. February 7, 2007.

Section 2: Commitments and Disbursements

(2A) Commitments: How Much Money Has Been Promised?

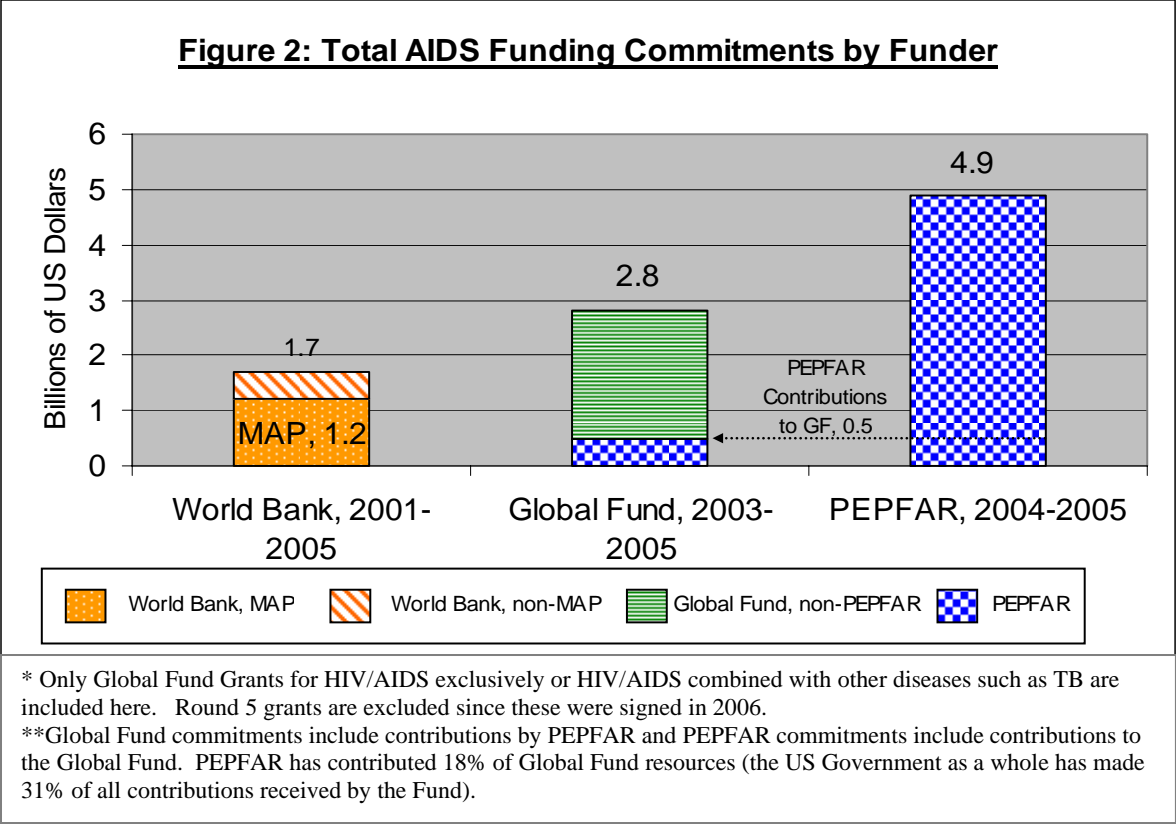
Because each of the funding mechanisms has a unique structure, the mechanisms can be compared in a variety of ways. As a starting point, this section will examine the dollar amount that each funder has committed for HIV/AIDS activities since its inception.

In making this comparison, it is important to note that the programs have existed for different periods of time and make commitments using different time horizons. The World Bank MAP, for example, was launched in FY 2001; it commits funding for between three and five years. On the other end of the spectrum, the President's Emergency Plan for AIDS Relief was established in 2003; PEPFAR commits funding for one year at a time. The Global Fund was established in 2002 and commits funding initially for two years, with the potential for a subsequent commitment of follow-on funding for an additional one to three years.

Figure 2 displays the dollar amounts that have been committed by each funder from their inception until 2005. The World Bank's MAP is the smallest player, having committed \$1.2 billion in AIDS funding between 2001 and 2005 (as shown on the graph, an additional \$500 million was committed by the World Bank for non-MAP projects). Over its four-year history, the Global Fund has committed \$2.8 billion. PEPFAR committed \$4.9 billion in its first two years of operation, making it by far the largest funder of the three.

The US Government provides money directly to the Global Fund. From 2001 to 2005, the US Government provided a total of \$1.5 billion to the Global Fund. Of this \$1.5 billion, \$873 million has been committed since the inception of PEPFAR in 2003.⁴⁸ For this reason, a percentage of Global Fund commitments have been made using contributions by PEPFAR. Since the \$873 million contributed by PEPFAR amounts to 18% of all contributions made to the Global Fund, we assume that 18% of Global Fund commitments for HIV/AIDS were made using PEPFAR contributions. This assumption is used to construct Figure 2.

⁴⁸ Pledges and contributions to the Global Fund from all sources, including the United States, can be found on the Global Fund website at <http://www.theglobalfund.org/en/files/pledges&contributions.xls>



(2B) Disbursement: How Much Money Has Been Transferred?

The characterization of the HIV/AIDS pandemic as an emergency has inspired repeated calls for the rapid mobilization and scale-up of available funds for affected countries. How quickly are these committed resources being disbursed? Have there been increases in annual disbursements as programs have matured?

Figure 3 shows annual disbursement from each of the big three funders. Disbursements from each funder have been expanding over time. Annual disbursement by the World Bank Africa MAP, for example, has grown from \$8.8 million when it was launched in fiscal year 2001, to \$228 million in fiscal year 2005.⁴⁹ Although MAP has a much smaller volume of resources than the other two major funders, the program is expanding quickly and MAP funding continues to make up an increasingly large share of the World Bank’s total annual disbursements for HIV/AIDS.⁵⁰

⁴⁹ Data provided by the World Bank Actafrica Office. October 2006.
⁵⁰ In 2005, MAP funding accounted for 76 % of the \$301 million in total HIV/AIDS money disbursed by the World Bank.

Global Fund HIV/AIDS disbursements have grown steadily from \$141 million in 2003 to \$607 million in 2005.⁵¹ Like the World Bank, the Global Fund continues to see growth in year-to-year disbursements. As more phase 2 agreements are approved, Global Fund annual disbursements are likely to rise further.

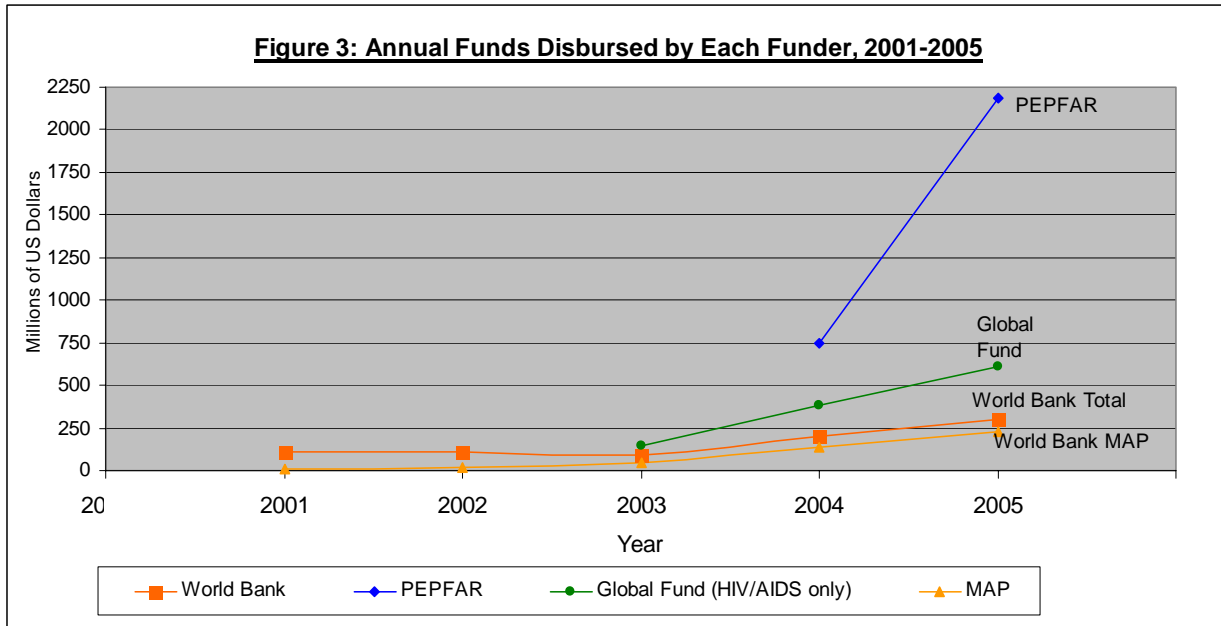
The increases in annual disbursements from the Global Fund and MAP reflect both the models of assistance, which emphasize beginning with smaller amounts of funding to build capacity in new programs before expansion, and the increasing number of countries that are accessing resources through these funding organizations. When launched in 2001, the World Bank Africa MAP, for example, disbursed funding to two countries; by the end of fiscal year 2005, it was providing resources to 30 countries.

The recent establishment of PEPFAR makes determining trends in disbursement difficult, although the large scale of resources provided is evident. In fiscal year 2004, during its first year of funding, PEPFAR disbursed \$746 million, making it the largest disburser of HIV/AIDS funding in the world. In its second fiscal year, PEPFAR disbursements nearly tripled, as total disbursements reached \$2.19 billion.

The pace of start-up and expansion of PEPFAR is remarkable. Its quick roll-out, however, was aided by the pre-existence of US Government supported programs in almost all PEPFAR countries, including 14 of the 15 focus countries. Existing bilateral programs, management structures and agreements with recipient organizations meant that the start-up phase was characterized more by the rapid expansion and reorientation of existing programs than the launch of new programs (although as PEPFAR has evolved, it has launched many new programs and brought on new recipient organizations). In fact, the notion of a new funding mechanism may be somewhat of a misnomer in the case of PEPFAR because the US Government was already disbursing large sums for HIV/AIDS prior to 2004. An examination of OECD figures reveals that the US Government disbursed at least \$400 million to its focus countries alone during 2003.⁵²

⁵¹ Global Fund disbursements for 2003 include a single disbursement for \$428,000 made in the final weeks of 2002. Since this was the first disbursement made for HIV/AIDS by the Global Fund and does not reflect a true first year total, we have added it to the 2003 disbursements. All Global Fund Disbursement data is publicly available on the Global Fund website – www.theglobalfund.org

⁵² *Aid in Support of HIV/AIDS Control: An Online Database*. OECD DAC. 21 September 2006
<http://www.oecd.org/document/34/0,2340,en_2649_201185_32124066_1_1_1_1,00.html>.



(2C) Comparing Commitments and Disbursements

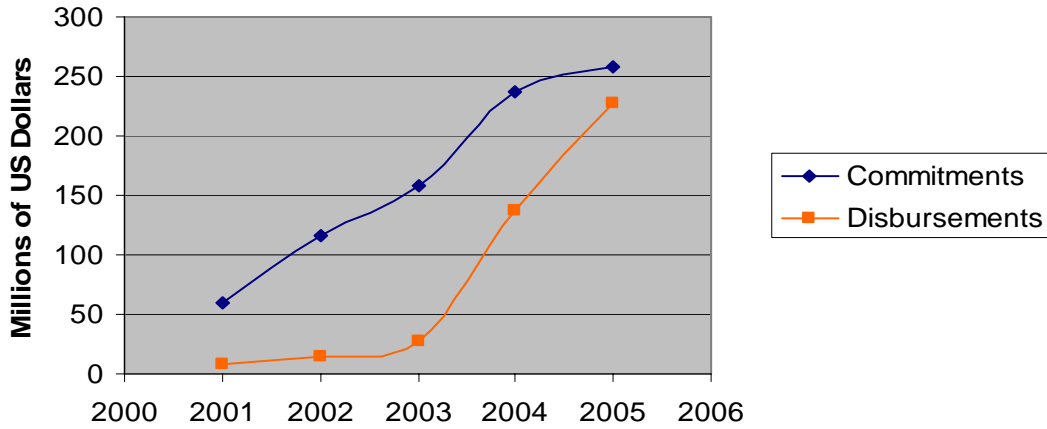
Understanding the relationship between commitment and disbursement levels is particularly important when considering the fact that some reports on AIDS funding use commitments, not disbursements, as a way of measuring available AIDS resources during a given year.⁵³ Although the big three funders have committed roughly \$9 billion in AIDS funding since their inception, it is striking that combined annual disbursements from these funders have just reached a third of that amount – \$3 billion in 2005.

One of the major reasons for this gap is that commitments can be made for multi-year periods, but this explanation does not tell the whole story. If multi-year commitments were the only reason for the difference between the level of commitments and disbursements, calculating the commitment per year made by each donor should yield data that closely resembles actual annual disbursement levels. In the case of the Global Fund and World Bank, however, we should not expect this to be the case since both mechanisms have a policy of scaling up funding over time. Both funders have also gradually increased their number of grant recipients.

Figures 4 and 5 below compare disbursement and commitment trends for the World Bank and Global Fund respectively. Both graphs show a similar pattern – disbursement levels are much smaller than commitment levels in the first year of funding but disbursements increase quickly over time. By 2005, both the Global Fund and World Bank were disbursing an amount of money that was approaching the amount of funds they were committing per year.

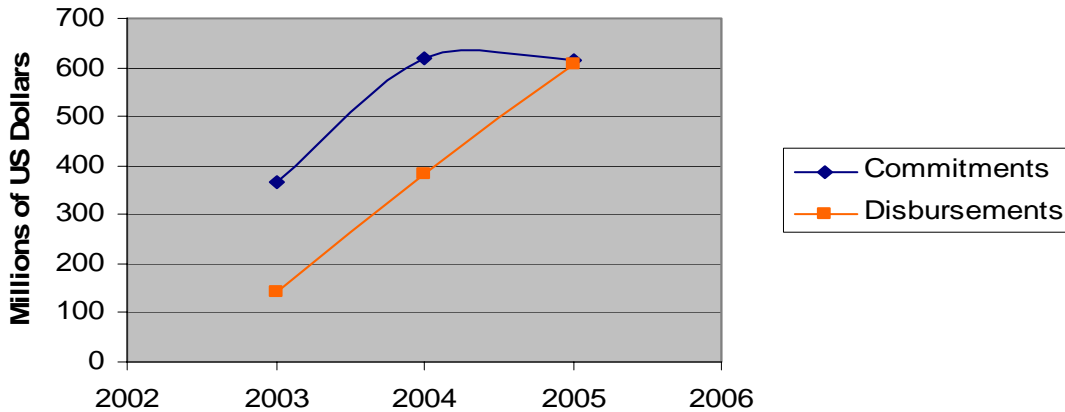
⁵³ Reports often use commitments because of the difficulty in obtaining disbursement figures. The regular use of commitments data is noted, for example, in: UNAIDS. “2006 Report on the global AIDS epidemic.” 2006. Chapter 10, Page 15.

Figure 4: World Bank MAP - Commitments versus Disbursements*



*Commitments made by the World Bank MAP are for multi-year periods. Cumulative commitments for each year are calculated by dividing new project commitments by the time period for the project being funded (either 3, 4 or 5 years) and then adding this figure to a similarly calculated total for past years' new commitments, in cases where those projects are still ongoing. Commitments for 2003, for example, are calculated in the following way: all new commitments from projects started in 2003 are individually divided by the number of years of the project. This total is then added to new commitments, divided by the number of years of the project, for 2002 and 2001 for all projects which began in 2001 and 2002 and were still ongoing in 2003.

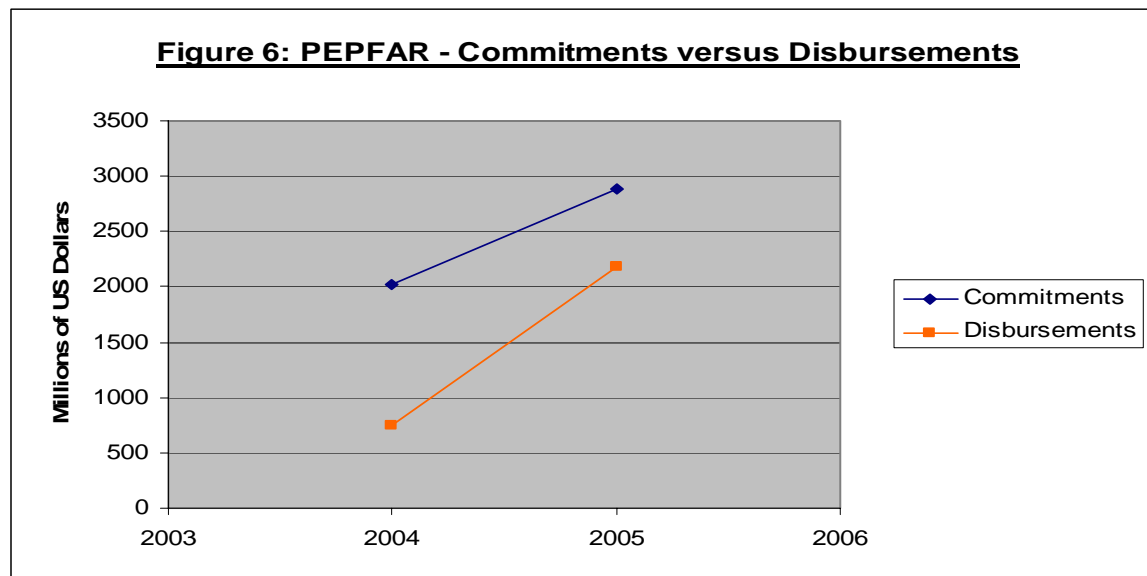
Figure 5: Global Fund - Commitments versus Disbursements*



*Commitments made by the Global Fund are for multi-year periods. Cumulative commitments for each year include commitments made for all phase 1 grants and phase 2 grants for which there is already a signed grant agreement. Cumulative commitments are calculated in the same way as commitments for the World Bank MAP, although the time horizon for the grants is different. New commitments are divided by two for funding committed in phase 1, and new commitments are divided by the number of the years of funding planned for phase 2. Cumulative commitments for 2005, for example, are calculated in the following way: all new commitments made in 2005 for phase 1 grants are divided by 2. This is added to new commitments made in 2004, divided by 2. This total is then added to new commitments in 2005 made for phase 2, with each of these phase 2 commitments divided by the number of years for phase 2 (ie. between 1 and 3 years). No phase 2 commitments for 2004 are added since 2005 was the first year where phase 2 commitments were made.

PEPFAR is an entirely different case because it commits funding for one-year periods. In this case, we might expect annual disbursements to closely parallel annual commitments. The data, however, tell a different story. Figure 6, which plots PEPFAR commitments against

disbursements during the program’s first two years of funding, shows that disbursements are much lower than commitments in year 1. In year 2, disbursements rise at a faster rate than commitments but a large gap between the two still remains. One possible reason for this gap is the nature of the PEPFAR disbursement process. PEPFAR funding is often committed to recipient organizations during the latter half of a fiscal year. In 2004, for example, 78% of PEPFAR funding was committed in the last two quarters of the year. As a result, a large portion of the money committed in 2004 was not disbursed until fiscal year 2005, or even later. A similar phenomenon occurs for funding committed in fiscal year 2005.



Section 3: Money Available in Recipient Countries

The above analysis of global commitments and disbursements has revealed general funding trends among the big three funders. Programs to combat AIDS, however, are not implemented at the global level; they are implemented in particular countries. For this reason, it is especially valuable to look at AIDS funding at the country level. In this section, we will look in-depth at the amount of money available from the big three funders in two African countries: Ethiopia, and Uganda.⁵⁴

Debates about in-country funding often highlight an inherent tension between efforts to mobilize sufficient resources to mount aggressive campaigns, and concern about capacity to use funds effectively (often referred to as “absorptive capacity”). We hope to provide some context to this debate by detailing how much money is reaching Ethiopia and Uganda each year. Although we can not comprehensively address the tension between resources and capacity, we offer some preliminary findings on the ability of the Ethiopian and Ugandan governments’ to use external funding.⁵⁵

⁵⁴ These examples cannot tell us anything conclusive about AIDS funding in other countries, but the similarities between the two country examples may warrant further study.

⁵⁵ In mid-2007, CGD’s HIV/AIDS Monitor plans to release more detailed in-country research from both Uganda and Ethiopia as part of research we are conducting in four African countries (the other two countries are Mozambique

In this section, references to both funds available and funds provided at the country level refer to disbursements from the Global Fund and World Bank, but commitments from PEPFAR. We use PEPFAR commitments primarily because disbursement figures at the level of the country are unavailable for PEPFAR. It should be noted, however, that PEPFAR commitments have the effect of making money available to recipient organizations, since recipients can begin spending money on approved activities as soon as PEPFAR funding is committed to them.⁵⁶ Still, our analysis would benefit from having PEPFAR disbursement figures disaggregated by country and we hope that such data will be made available in the near future.⁵⁷

(3A) Ethiopia

With a population of more than 75 million spread over a vast territory, Ethiopia is one of Africa's largest countries in terms of land mass and population size. Ethiopia's HIV prevalence rate for adults 15-49 years old is estimated to be between 0.9 and 3.5%.⁵⁸ The country was among the first recipients of World Bank MAP financing; it has subsequently added grants from the Global Fund and is also one of PEPFAR's focus countries.

Fiscal year 2004 (FY04) was the first year in which the three funders all disbursed money to Ethiopia.⁵⁹ As Figure 7 illustrates, Ethiopia received a total of US \$71.4 million from the three funders in that year.⁶⁰ The next year, in FY05, funding from these three donors nearly doubled, climbing \$59 million to a total of \$130.4 million.

The new resources being provided to Ethiopia by PEPFAR, the Global Fund, and MAP represent a dramatic spike in the overall resources available for HIV/AIDS in Ethiopia. In FY03, Ethiopia's federal budget for all health programs was US \$113 million.⁶¹ The following year, in

and Zambia). We hope that this research will be able to more comprehensively address the tension we refer to here. Details about our country-level research are available on our website at

<http://www.cgdev.org/section/initiatives/active/hivmonitor>

⁵⁶ See section 1(C) for the precise definition of PEPFAR commitments.

⁵⁷ In an interview with an official at OGAC, the authors were informed that US implementing agencies will begin reporting disbursement data in a format that will allow disaggregation by country, starting in the summer of 2007.

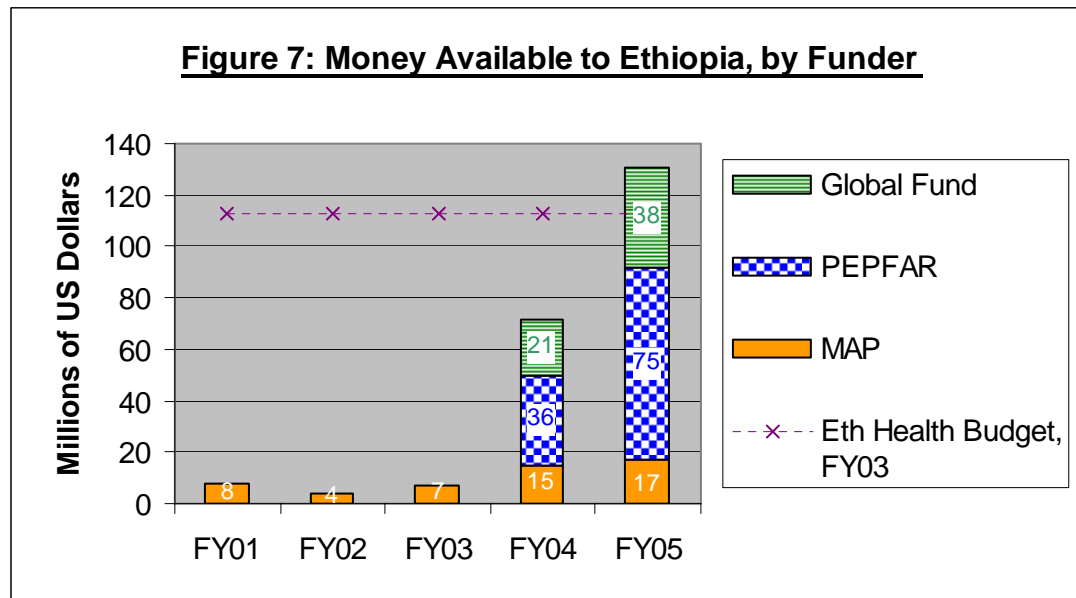
⁵⁸ UNAIDS. "2006 Report on the global AIDS epidemic." 2006.

⁵⁹ All references to Fiscal Years in this section refer to the Ethiopian fiscal year, which starts on July 8. Fiscal Year 2004, for example, refers to the period from July 8, 2003 until July 7, 2004.

⁶⁰ A difficulty in making these calculations is that all three funders have different fiscal years. For the sake of consistency, we have used the Ethiopian government's fiscal year as the base of comparison here. The World Bank's fiscal year runs from July 1st to June 30th. We have therefore made no adjustments to the money reported by the World Bank according to its own fiscal years. The Global Fund provides dates for each disbursement to Ethiopia so we have placed disbursements into the appropriate Ethiopian fiscal year. PEPFAR's fiscal year runs from October 1st to September 30th. To make PEPFAR funding consistent with an Ethiopian fiscal year, we divided each PEPFAR fiscal year spending into 12, giving us a crude monthly average for PEPFAR spending. We then include the appropriate number of months from each PEPFAR fiscal year into new fiscal year totals according to the Ethiopian fiscal year. For Fiscal Year 2005, for example, we re-calculate PEPFAR annual spending by including three months from PEPFAR's FY04 budget and nine months from PEPFAR's FY05 budget.

⁶¹ This figure is taken from the 2003 PRSP Progress Report submitted to the World Bank by the Ethiopian Ministry of Finance and Economic Development. The report states that 913.9 million Ethiopian Birr was budgeted for the health sector, which at the 2003 exchange rate of 0.124 Birr per US Dollar, amounts to 113 million US Dollars. This figure includes all external loans and foreign assistance provided to the Ethiopian government, including a \$7.2

FY04, resources provided by the big three funders' for HIV/AIDS activities alone was equal to 63% of the entire national health budget from the previous year. By FY05, these three funders were providing more money for HIV/AIDS – a combined \$130.4 million – than the Ethiopian government was able to budget in all areas of health during FY03.



In a proposal submitted to the Global Fund, the Ethiopian government estimated that \$210 million was needed for the national response to AIDS in 2004, and \$220 million was needed in 2005.⁶² If correct, these figures suggest that an AIDS funding gap still exists in Ethiopia, despite the large new flows of resources from the three funders.⁶³ But a focus on this funding gap alone can overlook important lessons about how existing resources are being utilized.

Adjusting the national response to AIDS to account for the large new resource flows from the three funders is a major challenge for countries like Ethiopia. The task is only made more difficult by the fact that each funder has a different fiscal year and unique disbursement procedures. Money flowing into Ethiopia from the big three funders comes at different times, through different mechanisms, and is provided to different recipients.

Global Fund money is provided in response to requests made by Ethiopia's HIV/AIDS Prevention and Control Office (HAPCO), the Principal Recipient of the grant. Between FY03 and FY05, the Global Fund made six separate disbursements to Ethiopia. These disbursements

million grant provided by the World Bank's MAP program. The figure does not include money transferred by donors to recipients outside the Ethiopian government. For more information, see: Ethiopian Ministry of Finance and Economic Development. "Ethiopia: Sustainable Development and Poverty Reduction Program. Annual Progress Report (2002/2003)." 2003. p. 77

⁶² The Global Fund. "Round 4 Proposal from Ethiopia." 2004.

⁶³ Ethiopia projected that this funding gap to be \$120 million in 2005, but our data suggests this gap was closer to \$80 million.

did not follow a predictable pattern since disbursements can only be approved in response to requests by HAPCO for additional funds.

PEPFAR transfers money to dozens of recipient organizations – in FY05, PEPFAR committed funds to 36 different recipients in Ethiopia.⁶⁴ Each recipient signs a separate agreement with a US Government agency – in most cases, either USAID or HHS/CDC – and money begins flowing to these organizations at different points in PEPFAR’s fiscal year, which starts October 1. In most cases, because of the annual funding cycle noted above, money that is appropriated does not reach recipient organizations until the spring or even summer. Depending on the mechanism used to disburse funding, when money does become available, it may be provided as an advance, or on a reimbursable basis once expenditures have already been made.⁶⁵

The World Bank’s fiscal year starts July 1. All money provided through MAP is transferred directly to the National AIDS Council, or its secretariat. The secretariat of Ethiopia’s NAC is comprised of staff from HAPCO.⁶⁶ The end result is that MAP funds are handled by the same federal government body – HAPCO – that receives Global Fund money, in addition to other donor financing. Until late 2006, separate project coordination units (PCUs) within HAPCO administered funds from the Global Fund and MAP respectively, but all PCUs have recently been abolished.⁶⁷

With such large sums pouring into the country in the various ways described above, it is important to understand whether Ethiopia has been able to use the HIV/AIDS resources it has received. To shed some light on this issue, we can look at if, and how quickly, grant recipients in Ethiopia have been able to spend the money provided by the big three funders. Due to the nature of disbursement procedures for both PEPFAR and MAP, however, no publicly available data exists on when grant recipients spent their money. We must rely, therefore, on data provided by the Global Fund.⁶⁸ Note that such an analysis of Global Fund grants can only help us learn about the capacity of the federal government. This limitation is particularly important in the case of PEPFAR funds because a large share of its resources are transferred to entities outside of the government. The issues described below may very well apply to PEPFAR and World Bank funding as well, but we cannot determine this in the absence of appropriate data.

The Global Fund’s first grant agreement with Ethiopia for HIV/AIDS, worth a total of \$40.4 million, was signed in November 2003. In the first year of the grant, the principal recipient, HAPCO, experienced some implementation challenges. HAPCO planned to spend the Global Fund’s initial disbursement of \$21.3 million over the grant’s first six months; nine months after receiving this funding, however, HAPCO reported that it had spent only \$10.8 million.⁶⁹ In a

⁶⁴ Office of the US Global AIDS Coordinator. “Country Operational Plan for Ethiopia 2005”. 2005.

⁶⁵ Interview with former USAID official. September 28, 2006.

⁶⁶ HAPCO was established in 2002 through the MAP project as part of the effort to ensure a multisectoral response to HIV/AIDS. Personal communication with World Bank official. February 15, 2007.

⁶⁷ Personal communication with World Bank official. February 15, 2007.

⁶⁸ Examining Global Fund data seems particularly appropriate when considering that the Global Fund is designed to provide resources where capacity exists but there is an unfunded need to scale-up programs. Still, it is unfortunate that publicly available expenditure data does not exist for PEPFAR and the World Bank.

⁶⁹ 2nd Disbursement Request from HAPCO. Global Fund. 13 September 2006

<http://www.theglobalfund.org/search/docs/2ETHH_234_0_dr2.pdf>

report to the Global Fund, HAPCO explained that the delay in spending money was caused by “a delay in commencement of procurement tendering activities.”⁷⁰ A separate Global Fund assessment noted that an additional challenge was “a lack of bureaucratic processes” within HAPCO.⁷¹

To accelerate grant implementation, HAPCO outsourced the task of procurement to UNICEF. HAPCO also addressed bureaucratic difficulties - Global Fund documents note that there was a significant improvement in program performance and governance by HAPCO.⁷² As a result of these reforms, Ethiopia was able to improve the speed at which it disbursed funds. Eighteen months into the grant, HAPCO had spent \$34.4 million of the \$40.4 million received from the Global Fund. As importantly, all monies budgeted to Ethiopia for the first two years of its grant were expected to be either spent or transferred to sub-recipients by the end of the period initially planned for their use.⁷³

(3B) Uganda

Located in East Africa with a population of 28 million, Uganda is a PEPFAR focus country and a recipient of funding from both MAP and the Global Fund. Uganda has seen significant decline in its HIV prevalence rate over the last 15 years: in 1990, HIV prevalence among women at antenatal clinics in Kampala reached 31%; by 2002, that number had declined to 8.3%.⁷⁴ As of 2005, overall HIV prevalence for the population aged 15-49 was 6.7%.⁷⁵

Although figures for the amount spent by the Ugandan government on HIV/AIDS are unavailable, we know how much the government budgets annually for all health activities. In fiscal year 2003 (FY03), the Ugandan government budgeted an estimated US \$112 million for the health sector.^{76, 77} Included in this total are modest contributions from the World Bank MAP (US \$9.0 million) and the Global Fund (US \$0.3 million) as well as monies from other donors who provide direct budget support to the government.⁷⁸

⁷⁰ Ibid

⁷¹ Global Fund. “Grant Score Card for Ethiopia.” 2005.

⁷² Ibid

⁷³ Ibid

⁷⁴ “Uganda”. UNAIDS. 27 December 2006.

<http://www.unaids.org/en/Regions/Countries/Countries/Uganda.asp>

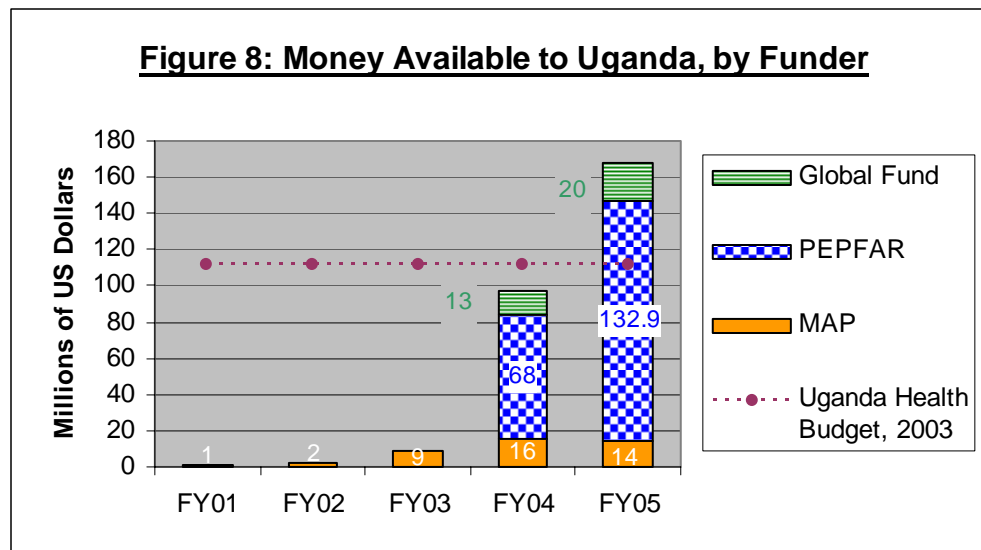
⁷⁵ UNAIDS. “2006 Report on the global AIDS epidemic.” 2006.

⁷⁶ Funding figures are taken from the 2003 PRSP Progress Report submitted by the Ugandan government to the World Bank. The Ugandan government reported spending 196 billion Ugandan shillings, which at the 2003 exchange rate of 0.00057 Shillings per dollar, amounts to 112 million American dollars. For more information see: Ugandan Ministry of Finance, Planning, and Economic Development. “Uganda Poverty Status Report 2003”. 2003. p. 24.

⁷⁷ All references to fiscal year in this section refer to the Ugandan fiscal year which starts on July 1. Fiscal year 2004, for example, refers to the period from July 1, 2003 to June 30, 2004.

⁷⁸ The figure provided above is provided for comparative purposes and not meant to be a comprehensive tally of all health, or even AIDS money, spent in Uganda in 2003. Significant sums of donor money for health were spent outside of the 2003 central government budget and are thus not reflected in the figures provided here. The OECD has estimated that donors spent \$44.55 in 2003 on HIV/AIDS programs in Uganda. A large portion of this money went to the government – and therefore would be reflected in the public expenditure total listed above – but a portion of this money was disbursed to non-governmental actors.

Let us turn now to the big three AIDS funders. As in Ethiopia, FY04 was the first year in which all three funders disbursed money to Uganda. As Figure 8 demonstrates, the three funders provided a combined \$97.2 million to Uganda in fiscal year 2004. The following year, in FY05, the three funders spent a collective \$167.3 million, an increase of 72% over FY04.⁷⁹



As in Ethiopia, the injection of resources provided by the big three funders represented a very large increase in HIV/AIDS funds flowing into Uganda. The \$97.2 million spent by PEPFAR, MAP and the Global Fund in FY04 was only \$15 million less than the total amount spent by the government in the entire health sector during FY03. By FY05, the three HIV/AIDS funders were far exceeding what the Ugandan government had budgeted in FY03 for the health sector.

The new HIV/AIDS resources flowing into Uganda have the potential to greatly aid the country's fight against HIV/AIDS. In fact, the \$167 million provided by the three funders in FY05 was remarkably close to meeting the entire estimated funding need for the national response to AIDS, listed by the government as \$200 million for 2005.⁸⁰ The scale of these new resources, however, raises questions about the country's ability to make good use of all resources provided by the big three funders. As noted above in discussing Ethiopia, the task of deploying large amounts of new funding is made much more difficult by the variation in the ways each funder disburses its money. To examine the Ugandan government's capacity to absorb large new increases in AIDS resources, we will look more closely at the government's use of Global Fund money.

In June 2003, the Global Fund signed a grant agreement with Uganda's Ministry of Finance, Planning and Economic Development (MOFPED), the grant's principal recipient.⁸¹ In the

⁷⁹ The methodology used for calculating the amount of money provided by each funder in a particular year is the same methodology described in the Ethiopian example discussed above. All annual disbursements are calculated using the Ugandan fiscal year, which starts on July 1.

⁸⁰ Global Fund. "Round 3 Proposal from Uganda." 2003.

⁸¹ For a more thorough discussion of this topic, as well as other challenges in implementing the Global Fund grant in Uganda, see: Brugha, Ruairi et al. "Global Fund Tracking Study: Country Summaries and Conclusions." London School of Hygiene and Tropical Medicine. 2005.

agreement, the Global Fund committed to transferring \$36 million to MOFPED in the first two years of the grant. As a result of implementation difficulties, however, the Global Fund did not disburse any money to Uganda until nearly six months after the grant agreement had been signed. Twenty months into the two year grant period, the government had spent only \$9.4 million, or 26%, of the total grant amount.

In an assessment of its grant to Uganda, the Global Fund cited “significant procurement bottlenecks” as one of the chief constraints in project implementation.⁸² The assessment also attributed part of the blame for slow implementation on a weak project management unit (PMU) which “was unable to absorb Grant funds in a timely way”.⁸³ As a new body, the PMU took time to establish, and once formed, it was slow to transfer funds to grant sub-recipients, and fell behind schedule in establishing an appropriate monitoring and evaluation system for the grant.⁸⁴

In August 2005, the Global Fund decided to suspend all of its grants to Uganda, after an external review of the project management unit conducted by PricewaterhouseCoopers revealed “serious mismanagement” of Global Fund money.⁸⁵ This suspension was later lifted after agreement was reached between the Global Fund and the Ugandan government on a series of reforms related to grant administration.

In addition to administration reform, Uganda took other steps to expedite grant implementation: it outsourced commodities procurement to an external party and secured the services of a consultant to strengthen the grant’s M & E system.⁸⁶ According to the Global Fund, these reforms have resulted in “improved programmatic performance”, although disbursements from the Global Fund are still behind schedule.^{87, 88}

Section 4: Conclusion

In this paper, we have attempted to disentangle information about the commitments and disbursements made annually by each of the big three funders. Although a large share of the policy discussions at the global level revolve around the amount and source of funding, these figures are poorly understood, in part because obtaining the necessary data is a difficult task.⁸⁹ Even where data are available, providing comparable figures for all three donors is inherently challenging since each of the funding mechanisms is structurally different from the others.

⁸² In particular, the report noted that the Ugandan government had planned to procure 35 million condoms with its Global Fund money, but to date, had not purchased a single one. Global Fund. “Grant Score Card for Uganda.” 2005. Page 2.

⁸³ Ibid

⁸⁴ Brugha et al (2005).

⁸⁵ Global Fund. “Global Fund Suspends Grants to Uganda”. 2005. (Press Release)

⁸⁶ Global Fund. “Grant Score Card for Uganda.” 2005. Page 2.

⁸⁷ Ibid

⁸⁸ According to the Global Fund website, \$26.2 million had been disbursed to Uganda as of February 26, 2007. Further, phase 2 of the grant, which was to span one year, had not been signed into agreement.

⁸⁹ We have noted elsewhere in this paper a number of limitations from the data that restricted our own ability to provide accurate details on money outlaid.

Since 2004, a large volume of new resources has been provided for HIV/AIDS by these three funders. In 2004, the funders committed \$2.9 billion and disbursed \$1.3 billion. In 2005, they committed \$3.8 billion and disbursed \$3.1 billion. These figures provide a sense of the scale of funding made available, while also demonstrating the rapid pace at which disbursements have increased. A large part of both phenomena can be attributed to PEPFAR. In 2004, its first year of operations, PEPFAR immediately established itself as the largest funder for global HIV/AIDS. By 2005, PEPFAR had nearly tripled its total disbursements, and was providing over 70% of all money disbursed by the three funders.

In addition to the uniquely large scale of its funding, there are a number of other distinct features of the PEPFAR program. PEPFAR makes legal commitments for one year and disburses funding to many different types of recipient organizations, the majority of which are non-government entities. PEPFAR advances money to some of its recipients, while providing reimbursements for program expenses to others. In contrast, the Global Fund and World Bank provide multi-year commitments, disburse all funding in advance of program activities, and channel funds primarily to government entities.

In calculating the amount of money provided for global HIV/AIDS, data on commitments are often used as a proxy for disbursements since obtaining disbursement data is not always possible. In this paper, however, we have shown that commitments are not a good predictor of disbursements for the world's three biggest AIDS funders. In the aggregate, total disbursements have lagged behind total commitments for the big three funders, although as funders scale-up annual disbursements, this gap is closing. This finding has an important implication: the many reports that use funders' commitments as a proxy for the amount of AIDS money provided in a given year, are likely overestimating the actual amount of AIDS money being transferred during that year. Going forward, we recommend that these reports try to collect disbursement, not commitments, data.

While global level figures on commitments and disbursements are important, resources available at the national level are the real determinant of a country's ability to fight the AIDS epidemic – and of whether the support voiced at the global level has the potential to be realized in the improved health and economic prospects in heavily affected countries. Recognizing this, we have looked in-depth at the money disbursed by the big three funders to two countries – Ethiopia and Uganda. Understanding how much money is flowing into either of these countries is very difficult because each donor has a different fiscal year, different disbursement mechanisms, and different time horizons for providing money. Given these differences, we can only imagine that tracking the money provided by the big three funders is a major challenge for recipient country governments. This is likely to be particularly difficult in cases where governments wish to accurately forecast the money that will be spent by the big three funders during an upcoming fiscal year, so that these forecasts can be used to make informed decisions on how to program public AIDS resources.

The complexity of programming money from the big three funders is only made more so by the large scale of the resources being provided. We have shown that, beginning in fiscal year 2004, Uganda and Ethiopia received massive new flows of money from the big three funders. Our analysis suggests that both countries' governments initially struggled to spend the new monies

they had been given, although grant implementation was later accelerated through the use of outside assistance, particularly in procurement. We recommend that more research be conducted to determine whether the results from these two countries are representative of a broader trend. We further note that such research could be greatly aided if PEPFAR and the World Bank provided expenditure data for their recipients, as the Global Fund already does. In the case of PEPFAR, we would also benefit from having disbursement data disaggregated by country.

The money provided by the big three funders has dramatically expanded the pool of resources available for HIV/AIDS, even if further funding increases are still warranted. By documenting the capacity challenges faced by recipient country governments, we are not suggesting that funders should reduce their current disbursement levels, nor do we think they should scale back the amount of money being transferred to governments. Rather, we believe that funders must redouble their efforts to work with governments as they try to improve their ability to effectively use AIDS money. Surely, there is no better way to induce increases in future funding than by ensuring current resources are being used effectively.