



## **Following the Funding for HIV/AIDS**

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

**Authors:**

**Nandini Oomman  
Michael Bernstein  
Steven Rosenzweig**

**With Contributions from:**

**Field Director  
William Okedi**

**Principal Investigators:  
Caesar Cheelo  
Dirce Costa  
Freddie Ssenooba**

**Other Team Members:  
Bona Chitah  
Elizabeth Ekirapa Kiracho  
Sylvia Mwamba**

**October 10, 2007**

---

The authors gratefully acknowledge comments provided by Rene Berger, Teresa Guthrie, Jose Antonio Izazola, Jen Kates, Eva Kiwango, Ruth Levine, Sharmila Mhatre, Lindsay Morgan, A.K. Nandakumar, Rachel Nugent, and Steve Radelet. We also thank staff at the World Bank, the Global Fund, and the Office of the US Global AIDS Coordinator for their assistance, including feedback provided on this paper. Any errors or omissions of fact remain the responsibility of the authors.

## Executive Summary

### Introduction

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

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

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

---

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

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

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

## Methods

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

In each country, our research partner<sup>4</sup> collected information through reviewing documents and interviewing officials from the donor agencies, the government and funding recipients, as well as other stakeholders.<sup>5</sup> A draft of this paper was reviewed by technical experts as well as informed individuals in each of the donor organizations, to ensure accuracy.

Tracking the flow of funding for AIDS has proven challenging for several reasons: none of the donors publicly discloses all of the funding data that would be required to truly trace monies from source to ultimate use;<sup>6</sup> HIV/AIDS monies are used in a broad range of sectors, from health to education to transportation and mining, complicating the task of sorting out both amounts and uses; the funding flows through a diverse set of channels – some within the public accounting system in-country and some outside of it – making it hard to account for all funds; and finally, the in-country researchers encountered difficulties in gaining access to and information from some government and donor officials. Other concurrent resource-tracking studies that utilize methodologies, such as the National AIDS Spending Assessments (NASA) developed by UNAIDS<sup>7</sup> or the National Health Account (NHA), may provide the level of detail about expenditures that was impossible in this study.

---

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

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

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

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

<sup>7</sup> For more information, see

[http://data.unaids.org/pub/Manual/2007/20070411\\_ungass\\_core\\_indicators\\_manual\\_en.pdf](http://data.unaids.org/pub/Manual/2007/20070411_ungass_core_indicators_manual_en.pdf), page 24

## Sources of HIV/AIDS Funding

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

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

## What the Donors Are Doing

### *PEPFAR: An Emergency Response Based on Achieving Targets*

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

---

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

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

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

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

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

**Comparing Donors against Six Key Funding Practices**

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

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

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

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

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

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

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

## **3) Keeping Funding Flexible**

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

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

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

#### **4) Selecting Recipients: Balancing Efficiency and Sustainability**

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

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

#### **5) Making the Money Move**

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

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

## 6) Collecting and Sharing Data

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

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

## Doing Better: Recommendations to Donors

### Recommendations to All Three Donors

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

---

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



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

### **Recommendations to PEPFAR**

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

---

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

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

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

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

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

### **Recommendations to the Global Fund**

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

---

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

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

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

### Recommendations to the World Bank MAP

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

---

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

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

<sup>16</sup> These competencies are specifically cited by the World Bank in the Africa region’s new AIDS Agenda for Action. See [http://siteresources.worldbank.org/EXTAFRREGTOPHIVAIDS/Resources/WB\\_HIV-AIDS-AFA\\_2007-2011\\_Advance\\_Copy.pdf](http://siteresources.worldbank.org/EXTAFRREGTOPHIVAIDS/Resources/WB_HIV-AIDS-AFA_2007-2011_Advance_Copy.pdf).

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

## **Conclusion**

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