

Every Dollar Counts: How Global AIDS Donors Can Better Link Funding Decisions to Performance¹

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Billions of dollars have been allocated to fight HIV/AIDS in poor countries over the past decade, yet less than half of those requiring treatment receive it, and for every two people put on treatment, five more become infected. This situation, in combination with the global economic crisis and the growing pressure to respond to broader global health objectives, is forcing donors to consider how to do more with their available funds. One way to improve the effectiveness of HIV/AIDS programs is to tie funding decisions to performance. Performance-based funding rewards effective programs and gives incentives for poor performers to improve. Donors have experimented with this approach, but they should do much more to ensure that funding decisions reflect and respond to how well funding recipients meet the objectives of their programs.

Tying HIV/AIDS Funding to Performance

In performance-based funding, AIDS donors use recipients' performance against measurable targets as the primary criterion for decisions about funding allocations.² The targets used to measure progress may be based on outputs (such as the number of patients on antiretroviral treatment), outcomes (such as the proportion of people requiring treatment who are receiving it), impact (such as mortality due to AIDS), or a combination of these. Three major donors—the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), the Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund), and the World Bank's Africa Multi-Country AIDS Program (the MAP)—have tried to base funding decisions for HIV/AIDS programs on their recipients' past performance.

The HIV/AIDS Monitor investigated how these three donors define and measure performance of their recipients and how they use these measures to influence future funding decisions in Mozambique, Uganda, and Zambia.³ We found that only the Global Fund

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2. Performance-based funding generally applies to the interface between funders and recipients. This is distinguishable from the concept of performance-based incentives, which in health generally applies to the interface between providers and patient and is the subject of CGD's *Performance Incentives for Global Health* by Rena Eichler and Ruth Levine.

3. This brief is based on findings from Nandini Oomman, Steven Rosenzweig, and Michael Bernstein, *Are Funding Decisions Based on Performance? A Comparison of Approaches as Practiced by the Global Fund to Fight AIDS, Tuberculosis and Malaria, the U.S. President's Emergency Plan for AIDS Relief, and the World Bank's Multi-Country AIDS Program for Africa in Mozambique, Uganda, and Zambia* (Washington, D.C.: Center for Global Development, 2010).

systematically bases funding decisions on past performance, although in practice it is often hampered by poor information. Both PEPFAR and the World Bank use assessments of past performance to inform decisions, but the data and decision processes are not shared with stakeholders, and program performance is often treated as a secondary criterion. Now is the time to link funding decisions specifically to performance.

PEPFAR

PEPFAR has worked to achieve explicit targets since it was first announced in 2003. In its first phase, PEPFAR sought to treat 2 million AIDS patients, to prevent 7 million HIV infections, and to provide care to 10 million people infected by the disease (the “2-7-10 goals”). Country-level targets have been derived from the program’s global performance measures. Targets for individual grants—negotiated between a primary recipient and a PEPFAR country team or between primary recipients and sub-recipients—is based on performance measures outlined in each request for proposals and grant proposal.

Despite explicit global targets, a grant recipient’s actual performance plays an ambiguous and inconsistent role in PEPFAR’s funding decisions. Instead, PEPFAR has primarily chosen recipients with proven programmatic and financial capacity and an ability to adhere to U.S. government requirements. Most funding goes to organizations with existing capacity and a history of working with the U.S. government, not necessarily to those that perform better against programmatic targets.

PEPFAR could use its funding more effectively if it were more transparent about its targets, its grant recipients’ performance, and how funding decisions are made.

Recommendations

- **Release data on performance against targets for individual grants and make funding decisions more transparent.** Shedding light on how decisions are made across the thousands of PEPFAR implementing partners, would increase accountability and help key stakeholders—host country governments in particular—coordinate national AIDS responses.

- **Develop standard, well-documented, and publicly shared guidelines for using performance systematically in funding decisions.** The guidelines should clearly outline the rewards for good performance and the consequences of poor performance against a grant’s targets and define the role of other factors—such as each recipient’s absorptive capacity—in determining funding levels.

The Global Fund

The Global Fund uses an explicit performance-based funding system in which poor performance can result in reduced funding or even grant termination. The Global Fund defines performance by the ability of primary recipients to meet targets established in the grant agreement. These targets are negotiated between the Global Fund and each grant recipient, based on objectives in the countries’ grant proposals. The Global Fund assesses performance each time a recipient submits a request for disbursement. After a grant’s first two years (Phase 1), the Global Fund reviews its performance to determine whether to continue and, if so, the size of the grant for its remaining one to three years (Phase 2). However, poor performance rarely prompts the Global Fund to deny funding requests—it more often leads to reduced funding or to requirements for recipients to make changes before future funds can be released. In practice, this model has been hindered by persistent difficulties with the reliability and validity of performance data.

While the Global Fund is clear and systematic about the performance measures that affect funding decisions, it could do more to improve its effectiveness.

Recommendations

- **Disclose documentation for all disbursement decisions.** Though the Global Fund releases more data on funding and performance than PEPFAR or the MAP, it does not systematically explain the decisions that Fund Portfolio Managers make about grantees’ disbursement requests. Doing so would help country-level stakeholders understand the reasons for funding decisions.
- **Lengthen the time between performance reports to six months or more.** The Global Fund’s frequent reporting requirements can burden recipients, causing disburse-

ment delays and supporting a perception funding is unpredictable. To ease the burden on recipients and to smooth the flow of disbursements, the Global Fund should request performance reports no more frequently than semiannually.

The World Bank

MAP performance-based funding decisions emphasize grant management performance rather than programmatic performance. In principle, the World Bank defines performance as the achievement of programmatic targets, but in practice it places greater emphasis on disbursement rates, timeliness in meeting expenditure goals, and accurate and well-documented financial management and reporting by MAP recipients.

In MAP grant and loan agreements, output, outcome, and impact targets are adopted from National AIDS Strategies. Past programmatic performance, however, is not a primary determinant for selecting prime recipients—who are always governments—or even the subrecipients selected by the governments. This inhibits the potential for reallocating funding among recipients based on programmatic performance.

Recommendations

- **Give greater weight to programmatic outcomes over operational targets.** The MAP's careful review and auditing process focuses more on the financial management of funding than on its programmatic outcomes or impact. Emphasizing program performance will give recipients a stronger incentive to achieve the programs' ultimate goals in addition to achieving operational and financial targets.
- **Release performance targets and assessment results for each recipient on an ongoing basis.** The MAP and its

country partners should publish performance reports and disseminate them widely, including on the World Bank's website. Such publication and dissemination would improve the credibility, transparency, and accountability of the World Bank and MAP.

Cross-Donor Issues

Additional collective actions could amplify the benefits of performance-based funding. PEPFAR, the Global Fund, and (to a lesser extent) the MAP all use distinct reporting systems. This fragments national monitoring and evaluation efforts and imposes an additional burden on funding recipients. All three donors also face challenges with data quality within their own systems, in addition to weaknesses in national systems. Joint efforts by the three donors to implement the following recommendations could substantially improve data and reduce administrative burdens.

- **Establish common national outcome targets—and commit to regularly measuring progress against those targets.** Common outcome indicators would incentivize recipients receiving funding from a multiple sources to work toward achieving a single, clear set of outcomes. Recipient output targets can then be linked to these national outcomes. Donors should commit funding to ensure that all stakeholders—donors, governments, civil society groups, and others—regularly collect the data needed to measure progress against these mutually agreed targets.
- **Base measures on realistic expectations for data collection.** Donors and recipients frequently agree on performance measures that require unavailable data. Donors and recipients should ensure that all performance indicators used to assess grants are measurable and can be properly monitored.

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Further Reading

Eichler, Rena, and Ruth Levine, and the Performance-Based Incentives Working Group. 2009. *Performance Incentives in Global Health: Potential and Pitfalls*. Washington, DC: Center for Global Development.

Oomman, Nandini, Michael Bernstein, and Steven Rosenzweig. 2007. *Following the Funding for HIV/AIDS: A Comparative Analysis of the Funding Practices of PEPFAR, the Global Fund and the World Bank MAP in Mozambique, Uganda and Zambia*. Washington, D.C.: Center for Global Development.

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