

# Are Funding Decisions Based on Performance?

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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



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# Summary

**Linking funding to performance can help ensure that the best programs are given continued resources and that program managers have the strongest incentives to perform at a high level and to improve the performance of their programs**

To what extent do the major funders of HIV/AIDS programs in developing countries use past performance to guide decisions about future funding? This question is important for those concerned with the effectiveness of the significant funding flows for the treatment, care, and prevention of HIV and AIDS: linking funding to performance can help ensure that the best programs are given continued resources (and the failing ones are not) and that program managers have the strongest incentives to perform at a high level and to improve the performance of their programs. Performance-based funding can also have unintended negative consequences. Linking funding to performance can also induce single-minded attention to specific targets to the exclusion of harder-to-measure but important outcomes and loss of integrity of information systems.

While virtually all donors, whether in AIDS or other sectors, claim to take into consideration how well programs are achieving objectives when they make funding decisions, the degree to which those links are made explicit or effected varies greatly.<sup>1</sup> Some donors systematically use performance-based funding approaches (see definition in box 1), others follow a looser results-based management approach, and still others make little connection between a round of funding and performance in the previous period.

To better understand the relationship of funding decisions to demonstrated achievements, we analyze and compare approaches to performance-based funding of three of the largest global AIDS 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 Multi-Country HIV/AIDS Program for Africa (the MAP). For each donor, we look specifically at how performance is defined, how it affects the selection of recipient organizations, how performance targets are set, how performance data are collected and used, how performance affects decisions about continued funding, how performance-based funding affects the distribution of donor resources, and how performance policies are coordinated with host country governments.

The report is based on data collected by our research partners in Mozambique, Uganda, and Zambia. Data collection included a desk review of donor documents and interviews with donor officials, funding recipients, and other stakeholders in each country in 2008 (see the annex for detailed report methodology).

We find that:

- Each of the three donors has particular performance targets, primarily to measure

1. See Plowman (2008) for a detailed analysis of the stated policies of the three major AIDS donors and their approach to making funding decisions based on performance.

### What is performance-based funding?

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

outputs.<sup>2</sup> Some performance targets—especially the MAP's—are linked to host countries' national strategic frameworks. Yet the proliferation of donor-specific performance targets can place a heavy burden on recipients.

- The three donors have reporting systems that, to varying degrees, duplicate data. Such duplication increases the likelihood of two or more funding recipients taking credit for serving the same patients. For example, if two donors require that the health workers at a jointly funded clinic report separately to each donor, results could be inflated if each donor counts each beneficiary served as its own.
- PEPFAR, though it places a strong emphasis on results, does not systematically use results to inform funding decisions. Unlike the Global Fund, PEPFAR does not always clearly document its funding decisions or release its performance data. Of the three donors, though, PEPFAR has the most accurate and reliable data collection system.<sup>3</sup>
- The Global Fund, which has an explicit performance-based funding approach, clearly and systematically links funding decisions to performance. The Global Fund documents funding decisions and publicly releases performance data in a more

2. The targets used by the Global Fund are proposed by its primary recipients and then finalized in discussions with the Global Fund.

3. Accuracy or validity is the correctness of a quantitative measurement. Reliability is the precision or exactness of collected data. A highly reliable system is one that yields the same or very similar results if used to measure the same thing more than once.

comprehensive and timely manner than the other donors. Still, the Global Fund data are not always accurate or reliable, and there is room for improvement—for instance, ensuring that recipients report accurate data on the services they provide and the beneficiaries they reach and investing in the country reporting systems that the Global Fund relies on.

- The MAP, like PEPFAR, does not systematically link funding decisions to performance. The MAP does not clearly document its funding decisions or release performance data about its grants. The MAP's data, collected from its partner countries, are not always accurate or reliable.

Further details appear in table 1, allowing a side-by-side comparison of the three donors.

### The U.S. President's Emergency Plan for AIDS Relief (PEPFAR)

The U.S. President's Emergency Plan for AIDS Relief, or PEPFAR, has no systematic approach to using performance against programmatic targets as a criterion for funding decisions. Instead, funding has tended to go to recipient organizations that have already demonstrated the financial and programmatic capacity to implement programs and meet U.S. government requirements by working with the U.S. government in the past. For example, many U.S.-based nongovernmental organizations have received continued funding because of a long working relationship with the U.S. government rather than because of performance against programmatic targets in PEPFAR grants per se.

In the first phase of PEPFAR, country-level performance targets were derived from its initial global targets for treatment, prevention, and care: treating 2 million AIDS patients, preventing 7 million HIV infections, and providing care to 10 million people infected by the disease (the "2-7-10 goals"). It negotiates targets for individual recipients as part of each grant agreement. It collects quantitative output data directly from recipient organizations, using PEPFAR-specific formats, and assesses grant



**Table 1 Differences between performance-based funding approaches at PEPFAR, The Global Fund, and the MAP**

	<b>The U.S. President's Emergency Plan for AIDS Relief (PEPFAR)</b>	<b>The Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund)</b>	<b>The World Bank's Multi-Country HIV/AIDS Program for Africa (the MAP)</b>
<b>How is performance defined?</b>	At the global and country levels, by progress made against global targets set centrally and apportioned among individual countries. At the recipient level, by progress against output targets as set out in the grant agreement.	By the ability of primary recipients to meet targets established in the grant agreement.	In principle, by the ability of recipients to achieve set program targets—but for funding decisions primarily by other measures, such as disbursement rates and timeliness in meeting expenditure goals.
<b>How does performance affect the selection of recipient organizations?</b>	PEPFAR has primarily chosen recipients with proven programmatic and financial capacity and ability to adhere to U.S. government requirements.	Capacity and past performance of primary recipients are assessed as part of the grant application. Primary recipients have their own procedures for selecting subrecipients.	Past performance has a limited role in the selection of primary recipients (which are usually government entities). In the selection of subrecipients, past performance is not a primary determinant.
<b>How are performance targets set?</b>	Country-level targets are derived from global targets. Targets for individual grants—negotiated between a primary recipient and PEPFAR country team—are based on performance measures outlined in each request for proposals and grant proposal.	Targets are negotiated between the Global Fund and each grant recipient, based on objectives in the countries' grant proposals.	Recipients and subrecipients set their own targets with the approval of the World Bank preparatory team.
<b>How are performance data collected and used?</b>	Performance data are collected directly from primary recipients, except in Uganda, where recipients report to the Monitoring and Evaluation of Emergency Plan Progress program. Performance is measured by comparing outputs achieved against output targets set in each grant agreement.	Recipients report to the Global Fund, usually using special reporting formats; data are checked by the local fund agent. Primary recipients collect and verify data from subrecipients, with spot checks from local fund agents.	Primary recipients report to the World Bank on financial and programmatic indicators quarterly; subrecipients report to primary recipients monthly. Data are verified by independent data audits and used to assess performance against targets.
<b>What is the role of performance in decisions about continued funding?</b>	The role of performance is not clearly defined. Good performance can lead to increased funding, but poor performance has no clear consequences.	Performance is the primary, but not the only, factor in individual disbursement decisions. Phase 2 renewal depends largely on performance, though contextual factors are also considered. A Rolling Continuation Channel to extend well performing grants beyond five years creates an incentive for good performance in Phase 2.	Performance against output targets is one factor in disbursement decisions. Other important factors include disbursement rates and timeliness in meeting expenditure goals.
<b>How does a performance focus affect the distribution of donor resources?</b>	Most funding goes to organizations with existing high capacity and a history of working with the U.S. government. Some evidence points to recipients replacing holistic programming with a narrower focus.	None found.	Recipients with higher capacity, especially for meeting expenditure goals, are favored.
<b>How are performance policies coordinated with host country governments?</b>	No systematic strategy links performance criteria or reporting to national systems and priorities.	Governments sit on Country Coordinating Mechanisms. Grant objectives tend to be aligned with national AIDS plans.	Performance indicators are drawn from each country's National Strategic Framework. Reporting requirements are partly aligned with national monitoring and evaluation systems.

Source: Authors' analysis based on data described in the text.

performance by comparing those data against agreed-on targets.

Performance against targets, however, plays an ambiguous and inconsistent role in PEPFAR's funding decisions. Good performance in some cases leads to increased funding, but poor performance does not seem to result in reduced or terminated funding. Other factors that influence PEPFAR funding include the ability to absorb and spend funds and the capacity to expand to underserved areas. PEPFAR-supported programs are sometimes overly focused on meeting narrow performance targets rather than implementing comprehensive programs.

## **The Global Fund to Fight AIDS, Tuberculosis and Malaria**

The Global Fund uses an explicit performance-based funding system in which performance judged to be poor can lead to reduced funding or even grant termination. 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 it and, if so, the size of the grant for its remaining one to three years (Phase 2). Both Phase 1 and Phase 2 assessments are based largely on progress

**Donor-specific reporting fragments national monitoring and evaluation efforts and imposes an additional burden on funding recipients**

toward output targets proposed by recipients. Disbursement rates are also considered, as are other contextual factors that may have slowed progress.

Poor performance rarely leads the Global Fund to deny regular or Phase 2 funding requests—but more often leads to reduced funding or to requirements that recipients make changes before future funds can be released.

The Global Fund publicly discloses many, though not all, of the documents related to its funding decisions. In addition, it publicly releases most performance data.

**The World Bank’s Multi-Country AIDS Program for Africa (the MAP)**

The World Bank’s Multi-Country AIDS Program for Africa, or the MAP, assesses the performance of funding recipients. Yet it does not demonstrably take a systematic, transparent approach to disbursing funds based on achieving programmatic performance targets.

The MAP’s initial selection of primary recipient organizations is limited to sovereign governments; once a country has proven its eligibility for MAP funds, it is predetermined that most primary recipients will be government entities. Past performance is therefore limited to a country’s ability to manage donor funds rather than to demonstrated capacity to achieve programmatic targets.

At the outset of each project the MAP assesses the primary recipient’s capacity and its ability to monitor and report future performance. The MAP also provides monitoring and evaluation support. Yet the capacity of recipients to collect high-quality performance data generally remains weak.

The MAP uses performance against programmatic targets to make determinations about continued disbursements for primary recipient organizations and subrecipient organizations—but performance against these targets is not the primary criterion. A much greater emphasis is placed on disbursement rates and timeliness in meeting expenditure goals, accurate and well documented financial management and reporting, and accountability for continued or follow-on funding to MAP recipients.

**Cross-donor issues**

PEPFAR, the Global Fund, and (to a lesser extent) the MAP use their own systems—in addition to using host country systems—for collecting performance data. Donors often adopt such systems because of perceived weaknesses in national monitoring and evaluation structures. Yet donor-specific reporting has its own problems: it fragments national monitoring and evaluation efforts and imposes an additional burden on funding recipients.

All three donors tend to have their own country-level targets for measuring the progress of grants. Such donor targets are typically separate from, though often linked to, the indicators in national AIDS plans and national health strategies. In addition, the donor targets focus mostly on outputs. They rarely use outcome or impact indicators—partly because donors do not regularly invest in collecting the baseline data needed to report on such measurements.<sup>4</sup>

Both the quality and the nature of data used by all three donors have distinct shortcomings. A common problem with data quality is double reporting, which can occur when two recipients offering complementary services—say, laboratory diagnostics and antiretroviral drugs—take credit for serving the same patients. In such cases a donor’s funds will seem to have helped twice as many people as they actually have. In addition, by using quantitative targets to assess performance, donors may risk missing important process-related qualitative information.

**Recommendations**

The recommendations in this section focus on the big three global AIDS donors. Making the recommendations effective, however, will require concerted action by various other in-country stakeholders—in particular, governments.

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4. PEPFAR has contributed to a number of baseline surveys in its focus countries, including Demographic and Health Surveys and AIDS Indicator Surveys, although these do not always capture all necessary data, such as HIV testing rates.

**All three donors should:**

- *Try to assess primary recipients' performance without requiring direct attribution, following the example now being set by the Global Fund.* A donor examining the performance of its primary recipients need not require their results to be directly attributed to its own funds. Instead, it should find other strategies for reporting on results achieved by funding particular recipients. For example, a donor could take credit for a percentage of results equal to the share of the total funds a recipient contributed. The Global Fund has taken important steps in this direction, allowing its recipients to report on targets achieved with funds from multiple sources.
- *Establish common national outcome targets—and commit to regularly measuring progress against those targets.* Common outcome indicators make all performance policies—those of governments, those of donors, and those of other funding sources—more likely to reinforce each other. They do so by creating an incentive for recipients to work toward a clear set of outcomes. Once common national outcome indicators and targets are established, the key challenge will be to ensure that all stakeholders—donors, governments, civil society groups, and others—regularly collect the data needed to measure progress against the targets. Donors can make that much more likely to happen by funding data collection, which often comes with high costs.
- *Ensure that baseline data are collected to construct outcome measures and longer-term impact measures.* The discussions between donors and country stakeholders about national outcome targets should include specific plans to collect baseline data—including an agreed-on time interval for collecting data on each indicator (annual, semiannual, or otherwise).<sup>5</sup>
- *Link output targets for individual grants to national outcome targets—using evidence*

5. In addition to being used for outcome indicators, baseline data could also support impact evaluations.

*to do so.* To ensure that recipients' outputs will contribute to achieving national outcomes, donors should work with recipients to choose output metrics that research has shown to lead to the desired outcomes. For interventions where little evidence exists on links between outputs and outcomes, donors should support research investigating such links.

- *Create appropriate measures based on realistic expectations about the type of data that can be collected. Do not base performance assessments on metrics for which data cannot be obtained.* Research for this report uncovered multiple instances of donors and recipients agreeing on performance metrics that proved useless because the data needed to track them were not collected. Donors and recipients should ensure that all performance indicators used to assess grants are measurable and can be properly monitored.
- *In the short term, improve donor-specific data collection systems. In the longer term, move away from such donor-specific systems and rely increasingly on strengthened national reporting systems.* Donors should increase efforts to strengthen national reporting systems so that over time they can increasingly rely on such systems rather than on their own reporting structures.<sup>6</sup> Meanwhile, donors should take steps to improve the data reported through their donor-specific systems—for example, by contracting with organizations that can help validate such data (an approach that has shown promising results).

**PEPFAR should:**

- *Develop clearer guidelines for how performance is used in funding decisions—and make the decisions more transparent.* PEPFAR should develop standard, well documented, and publicly shared guidelines

**PEPFAR should develop clearer guidelines for how performance is used in funding decisions, include more diverse performance indicators, release data on performance against targets for individual grants, and apply lessons learned from the success of Uganda's contract with the Monitoring and Evaluation of Emergency Plan Progress program**

6. For example, the Global Fund recommends that all grant recipients use 5–10 percent of the total grant budget to strengthen monitoring and evaluation systems, but recipients do not seem to be regularly heeding this advice.

**The Global Fund should disclose documentation for all disbursement decisions and lengthen the time between performance reports to six months or more**

to clearly outline the rewards for good performance and the consequences of poor performance against a grant's agreed-on targets. In addition, the guidelines should define the role of other factors—such as each recipient's absorptive capacity—in determining funding levels.

- *Include more diverse performance indicators, creating incentives for recipients to develop holistic approaches and pursue long-term objectives.* PEPFAR grants should include indicators to measure objectives that are important, though not always easily specified or measured—such as capacity building, systems strengthening, service integration, and reduced gender inequality—even if doing so requires an altogether new approach to performance-based funding. Progress toward long-term objectives, such as capacity building, cannot always be demonstrated annually or even semi-annually. PEPFAR should consider evaluating such projects over a longer period.
- *Release data on performance against targets for individual grants.* The release of data showing how recipients are performing against agreed-on targets would increase accountability and transparency for both the recipients and PEPFAR. In addition, releasing the data would help key stakeholders—in particular host country governments—coordinate national AIDS responses properly.
- *Apply lessons learned from the success of Uganda's contract with the Monitoring and Evaluation of Emergency Plan Progress (MEEPP) program in improving performance data quality toward strengthening national monitoring and evaluation systems.* PEPFAR in Uganda used the MEEPP program to build a monitoring and evaluation system that is more reliable than most country health information systems. PEPFAR should consider using such a system to improve the quality of performance data in its other focus countries. More important, however, the MEEPP program's mandate should be expanded to help the Ugandan government build a

reliable national monitoring and evaluation system that could gradually replace PEPFAR's and other donors' separate data collection systems. The lessons from that endeavor could then be applied to similar efforts elsewhere.

**The Global Fund should:**

- *Disclose documentation for all disbursement decisions.* Though the Global Fund makes more data on funding and performance available than PEPFAR or the MAP does, it does not systematically release documents to explain the decisions that its portfolio managers make about grantees' disbursement requests.<sup>7</sup> 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 be a major burden on recipients, causing disbursement delays and supporting a perception that its money is unpredictable. To ease the burden on recipients and smooth the flow of disbursements, the Global Fund should request performance reports no more often than semiannually.<sup>8</sup>

**The MAP should:**

- *Clarify how performance is to be used in funding decisions—and apply the resulting guidelines consistently across all MAP projects.* Our research indicated that MAP recipients, and other country-level stakeholders, do not know how the performance data are used in making MAP funding decisions. While the World Bank's status as a development bank may affect the degree to which performance can be used as a

7. The version of the Grant Performance Report—a Global Fund form—used in 2008 included explanations of disbursement decisions for a limited number of grants, making such information publicly available for those grants. But not all grants have the most current version of the form.

8. According to staff at the Global Fund interviewed for this report, many grants are now reporting semiannually, even though there are still other grants that report quarterly.

funding criterion,<sup>9</sup> the World Bank should clarify, in writing, exactly what role programmatic performance plays in its funding decisions—in decisions with regard to both signing grant and loan agreements and making individual disbursements during the grant or loan. The Bank should then apply these criteria systematically to all MAP funding decisions.

- *In performance assessments, balance the current emphasis on high disbursement rates with an increased emphasis on achieving programmatic targets.* The MAP's careful review and auditing process focuses more on the financial management of funding than on its programmatic outcomes or its impact. Emphasizing programmatic performance more will give recipients a stronger incentive to focus on meeting program targets in addition to financial targets.<sup>10</sup>
- *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.

\* \* \*

As a combination of the global economic crisis and growing resistance against the dominance of AIDS on the global health agenda force AIDS programs to adjust to a more resource-scarce funding environment, HIV/AIDS donors will have to learn to do more with less. Performance-based funding is one tool available to ensure the greatest value for donor money. In the face of these new funding constraints, HIV/AIDS donors should put in place or improve the structures and procedures that are necessary for a system that successfully ties funding decisions to programmatic results. For PEPFAR, this requires establishing clearer guidelines on the role that programmatic performance plays in relation to other determinants of funding. For the Global Fund, this means improving existing processes, such as increasing the quality of data upon which funding decisions are made and releasing more information about such decisions. And for the MAP, implementing performance-based funding would require a fundamental shift from emphasizing financial management to emphasizing programmatic achievement as a primary determinant of funding decisions.

While some donors cannot or should not employ performance-based funding as the sole means of financing HIV/AIDS responses, the recommendations in this report offer ways for donors to improve their current systems while laying the groundwork for more performance-based funding systems in the future.

**The MAP should clarify how performance is to be used in funding decisions, balance the current emphasis on high disbursement rates with an increased emphasis on achieving programmatic targets, and release performance targets and assessment results for each recipient on an ongoing basis**

9. Some World Bank officials interviewed for this report noted that the Bank takes a longer-term view of performance; it is concerned more with outcomes achieved over the course of a project than with specific outputs achieved during the project. Bank officials also noted that the Bank's articles of agreement affect the extent to which they can use performance in assessing whether to sign a MAP agreement. Regardless of such considerations, the MAP should clarify its use of programmatic performance. Details on the Bank's articles of agreement are available online (<http://go.worldbank.org/0FIC0ZQLQ0>).

10. This is not to deny the link between the two categories. For instance, the fact that a recipient does not meet financial targets—such as disbursing a certain amount of money by a certain date—can provide important hints about whether the grant is meeting its programmatic targets.



# About this report

**Taking steps to tie funding to programmatic performance could help AIDS donors to do more with less as they adjust to a more resource-constrained funding environment**

Performance-based funding systems link funding to the achievement of preset targets. Under some circumstances, performance-based systems are likely to improve the effectiveness of development assistance. Agencies or donors providing international development assistance who follow this approach make decisions about continued funding based on recipients' ability to meet performance targets and thus provide incentives to recipients to strengthen the systems that provide services.

To what extent do the major funders of HIV/AIDS programs in developing countries use past performance to guide decisions about future funding? This question is important for those concerned with the effectiveness of the significant funding flows for the treatment, care, and prevention of HIV and AIDS: linking funding to performance can help ensure that the best programs are given continued resources (and the failing ones are not) and that program managers have the strongest incentives to perform at a high level and to improve the performance of their programs. Performance-based funding can also have unintended negative consequences. Linking funding to performance can also induce single-minded attention to specific targets, to the exclusion of harder-to-measure but important outcomes, and loss of integrity of information systems.

While virtually all donors, whether in AIDS or other sectors, claim to take into consideration how well programs are achieving objectives when they make funding decisions, the degree to which those links are made explicit or even real varies greatly. Some donors systematically use performance-based funding indicators (see definition in box 1); others follow a looser results-based management approach; and still others seek to make little connection between

a round of funding and performance in the previous period.

The three largest funders of global HIV/AIDS programs—PEPFAR, the Global Fund, and the MAP—each claim to use performance in some way to make funding decisions. But are the big three donors successfully using performance-based funding to make aid more effective? What lessons can we learn from their experiences about when and how to implement a performance-based funding approach to increase the effective use of aid and achieve short- and long-term global development objectives?

This report is one of six studies examining the policies and practices of PEPFAR, the Global Fund, and the MAP in Mozambique, Uganda, and Zambia. The third report in the series, it examines the extent to which each of the three donors uses performance-based funding. In addition, it analyzes how each donor's policies address possible challenges inherent in the approach. It then makes recommendations to the big three donors, suggesting how they can improve their use of performance in funding decisions. Finally, the report reflects on lessons learned from the approaches of the big three AIDS donors and suggests that taking steps to tie funding to programmatic performance could help AIDS donors to do more

with less as they adjust to a more resource-constrained funding environment.

The report is based on data collected by research partners in Mozambique, Uganda, and Zambia in 2008. Data collection included a desk review of donor documents and interviews with donor officials, funding recipients, and other stakeholders in each country (see the annex for detailed report methodology).

Chapter 1 in this report sets the stage by describing a performance-based funding

approach and presents some of the key benefits and challenges of this approach. Chapters 2, 3, and 4 describe each donor's approach to performance assessment, examine how it may or may not be linked to funding decisions, and offer individual and collective recommendations for improvement. A concluding chapter reflects on the utility of performance-based funding as a way for HIV/AIDS donors to adjust to today's more constrained funding environment.

# 1

## Performance-based funding: benefits, challenges, and its potential for making aid more effective

**Few funders use performance as the only criterion for allocating funds. Most blend performance against programmatic targets with other determinants**

Performance-based funding uses recipients' achievement of preset programmatic targets as the primary criterion for decisions about funding allocations.<sup>12</sup> Targets could be outputs, such as 1,000 people put on antiretrovirals, or outcomes, such as 80 percent of the people in a population reporting condom use during their last sexual encounter (box 1.1). Progress is measured by collecting data on specific output, outcome and impact indicators.

In a system where performance is the sole criterion of funding, good performers will receive continued or increased funding while poor performers will have their funding reduced or terminated. Few funders, however, use performance as the only criterion for allocating funds. Most blend performance against programmatic targets with other determinants, such as fiduciary management and the ability to meet reporting requirements.

### **What benefits can come with performance-based funding?**

Performance-based funding has four features that increase the likelihood that aid will be used effectively. First, donors who fund only programs that demonstrate tangible progress can ensure that their funds are used to achieve concrete results. Second, performance-based funding promotes accountability by both donors and recipients. Donors ensure that their money contributes to meeting specific objectives, thereby satisfying constituencies concerned about misspent resources; recipients

take responsibility for producing results with the money they receive. Third, by rewarding good performance and penalizing poor performance, performance-based funding can give recipients an incentive to operate efficiently and use the most effective strategies, and a chance to diagnose issues that if addressed can improve performance. No such incentive exists when continued funding is guaranteed and its amount is fixed. Fourth, performance-based funding can help donors focus on results and minimize their micromanagement of inputs, processes, and implementation.

### **What challenges can come with performance-based funding?**

Performance-based funding inherently poses several challenges.

First, when no formulas clearly link disbursements to progress on indicators, the consequences of less than perfect performance can be ambiguous. If recipients fail to meet the agreed-on target but come close to doing so—or meet some but not all targets—should their funding be cut off or reduced? If reduced, by how much?

Second, the potential for gaming exists. If recipients set their own targets, they may set unambitious ones simply to ensure a positive

11. Eichler (2006, p. 5), for example, defines a pay-for-performance scheme as a “transfer of money or material goods conditional on taking a measurable action or achieving a predetermined performance target.”



### Box 1.1 Performance-based funding indicators

Performance-based funding systems can use three types of indicators: outputs, outcomes, and impacts.

- **Output indicators** refer to quantities of goods or services provided (for example, a number of people put on antiretroviral drugs, a number of health workers trained).
- **Outcome indicators** refer to changes in a population. Usually they are rates or percentages (for example, the rate of antiretroviral coverage in a district, the percentage of people in an adult population who used condoms in their most recent sexual encounters).
- **Impact indicators** refer to changes in progress toward ultimate program goals (for example, reducing mortality, reducing morbidity, reducing economic loss). Impact indicators for HIV/AIDS include changes in HIV prevalence, HIV incidence, and deaths from AIDS.

score. And for recipients that report their own results, the quality of the information may be suspect.

Instances of gaming aside, there could also be the problem of recipients with little experience setting targets that are beyond their reach, setting themselves up for failure.

Third, performance metrics do not always capture all the important goals that programs need to pursue—and that donors must make certain they are pursuing. Relying on short-term, easily measured performance indicators to make funding decisions can direct funds toward organizations in higher-capacity areas (where results are more easily achieved and measured) while depriving the poorest or least served areas of money and services. In addition, basing funding decisions on short-term, easily measured performance indicators can prevent programs from pursuing important goals that are often difficult to measure quantitatively—such as capacity building and designing comprehensive, integrated interventions.

Fourth, by making funding contingent on achieving results, performance-based funding can create incentives for recipients to avoid riskier programming—discouraging the use of new, untested approaches that might succeed in the longer term (such as for sexual behavior change).

Fifth, performance-based funding requires information and data that are often not easy to obtain at the country level. Significant investment in information systems is required for performance-based funding to work in reality.

Finally, performance-based funding can adversely affect the extent to which national priorities drive programs if targets are not tied to host country priorities or if reporting is separate and additional to host country systems.<sup>12</sup>

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12. Discussion of the potential benefits and challenges associated with performance-based funding and some possible solutions to the challenges can be found in Eichler (2006) and Adam and Gunning (2002).

# 2 The U.S. President's Emergency Plan for AIDS Relief

**Performance plays a role in PEPFAR through the rigorous selection of primary recipient organizations and through the use of quantitative output targets in its grants**

The U.S. President's Emergency Plan for AIDS Relief (PEPFAR) does not have an explicitly performance-based funding system (box 2.1). Yet, since its creation the program has focused on ensuring that its funds are being spent to achieve concrete results. Mandated to treat 3 million AIDS patients with antiretroviral drugs, prevent 12 million new HIV infections, and care for 12 million people affected by the disease (the "3-12-12 targets"), PEPFAR has performance policies that largely look toward achieving these global goals.

Performance plays a role in PEPFAR through the rigorous selection of primary recipient organizations and through the use of quantitative output targets in its grants. By using the proven ability to achieve results as an important criterion for recipient selection, PEPFAR tends to direct grants toward well established international and local groups.

PEPFAR sets clear targets for its grants and, in some cases, has built a reliable data collection system to measure performance. But no performance information for individual grants is publicly available, and its reporting system tends to operate independently of host country information systems. In addition, there is no systematic link between PEPFAR's output targets and host country priorities or between performance against targets and funding levels.<sup>13</sup>

## **How is performance defined?**

*PEPFAR defines performance differently at the global, country, and recipient*

13. PEPFAR is currently drafting partnership frameworks with host country governments that will outline how its programs will contribute to host country objectives (see [www.pepfar.gov/guidance/framework/](http://www.pepfar.gov/guidance/framework/) for the draft framework guidance).

*levels. Performance at the global level is assessed against PEPFAR's 3-12-12 targets.* To assess performance annually, at the outset of each fiscal year the Office of the U.S. Global AIDS Coordinator sets interim goals that, if met, will allow PEPFAR to meet its global five-year targets. The legislated goals for the first five years of PEPFAR (2004–09) were to support 2 million people on antiretroviral treatment, prevent 7 million new infections, and provide care for 10 million HIV-infected or -affected individuals (the "2-7-10 targets"). When PEPFAR was reauthorized for another five years (2010–14), the legislated goals were set to support at least 3 million people on antiretroviral treatment, prevent 12 million new infections, provide care for 12 million (including 5 million orphans and vulnerable children), and train and retain 140,000 new professional health workers. The interim goals are set out in the annual operational plan and progress is reported annually to the U.S. Congress.

*Performance at the country level is assessed against country-level output targets, which PEPFAR derives by apportioning its global-level targets among individual countries.* Good performance is thus largely defined as a country contributing its fair share of results to PEPFAR's global goals.

## Box 2.1 About the U.S. President's Emergency Plan for AIDS Relief

A five-year, US\$18.8 billion U.S. government program, PEPFAR is overseen by the Office of the U.S. Global AIDS Coordinator in Washington, DC. It provides AIDS funding to more than 100 countries annually, the bulk of which goes to 15 “focus countries.”

The program is managed by a number of implementing agencies and departments, with the vast majority of funds flowing through the U.S. Agency for International Development and the Centers for Disease Control and Prevention. In each focus country the design and implementation of PEPFAR programs are managed primarily by field staff at U.S. government agencies, with oversight from staff in Washington and in consultation with host country government staff. Funding is apportioned among dozens of primary recipient organizations, which may subgrant to subrecipient organizations.

*Performance at the recipient level is assessed against quantitative output targets set forth in the grant agreement between a U.S. government agency and a primary recipient organization.* Such targets might include the number of patients provided with antiretroviral drugs, the number of orphans and vulnerable children cared for, or the number of health workers trained.

### **How does performance affect the selection of recipient organizations?**

*PEPFAR has primarily chosen recipients for funding that have shown high existing programmatic and financial capacity to implement programs and adhere to U.S. government requirements.* The ability of potential recipients to meet the U.S. government's stringent financial reporting requirements was emphasized in all three countries studied. In practice, PEPFAR has funded mostly organizations with a history of working with the U.S. government, including many international groups and some well established national

“If the organization has not received U.S. government funding in the past, it is difficult then to start to receive money through PEPFAR. . . . It takes a while to create the capacity to do this. . . . It is easier for donors to manage a larger organization that manages a smaller organization, which guarantees that they will follow U.S. government regulations.”

—Primary recipient organization staff,  
Mozambique

nongovernmental organizations, such as the AIDS Support Organization in Uganda.

Grants are generally awarded through competitive bidding. PEPFAR issues a request for proposals outlining a desired set of activities and the amount of money available to carry them out. Each organization submitting a proposal undergoes a careful evaluation of its financial management, its monitoring and evaluation capacity, and its ability to implement the proposed activities. Based on the technical and financial evaluation, PEPFAR staff negotiate with the organizations that have submitted the best proposals and award the grant to the one that is judged able to offer the most at a given cost.

Sometimes PEPFAR will specify that only one potential recipient is eligible to apply for a grant—usually a government ministry that would be the only appropriate recipient for a particular country program. An example would be a ministry of health, funded by PEPFAR to implement a program to ensure safe blood supplies in the national blood bank.

*Because PEPFAR awards grants only to organizations with a proven track record and high capacity to implement programs, it has been able to roll out programs quickly and efficiently.* As reported in an earlier HIV/AIDS Monitor report,<sup>14</sup> PEPFAR has been able to spend money and roll out programs faster than other donors, and its criteria for selecting recipient organizations have surely contributed to this success. In addition, competitive

14. Oomman, Bernstein, and Rosenzweig 2007.

“They want to see if you have a plan, and if you have one, what have been your planned outputs? What has been your performance against the targeted outputs of that plan? So you have got to have a strategic plan in place and you must have a monitoring and evaluation plan and they review how you have performed against that plan. There is the issue of governance; what is your organizational structure like, what is your organizational capacity to deliver like? The activities of the programs they want you to carry out—and then of course financial accountability; what has been your stand in terms of finance? What is your performance? Have you got audited books of accounts? Have you got sound financial management systems in place and the staff and the skills to manage their funding?”

—Primary recipient organization staff, Uganda

bidding helps ensure that PEPFAR gets the most for its money. But PEPFAR’s recipient vetting and bidding processes have also limited its ability to fund locally based, less well established groups that might be essential to making AIDS responses sustainable in the long run.<sup>15</sup>

### How are performance targets set?

*Performance targets are set differently at the country and recipient levels. Country-level targets are derived by apportioning PEPFAR’s global targets among individual countries.* PEPFAR originally set five-year country-level targets, and the annual targets necessary to meet them, as part of each focus country’s Five-Year Strategic Plan. That process was informed by PEPFAR’s overall Strategic Plan, in which it set its original 2-7-10 global five-year targets and annual targets to approach them. Setting up PEPFAR’s original country-level targets was thus largely a centrally driven process, led by the Office of the U.S. Global AIDS Coordinator.

Each year, PEPFAR’s original country-level targets are revised to reflect both past

15. PEPFAR’s efforts to increase funding to local recipients include its New Partners Initiative, which provides technical and organizational support to organizations to help them graduate from being PEPFAR subrecipients to being PEPFAR primary recipients. On the share of PEPFAR funding to the focus countries that goes to local, as opposed to international, organizations, see Oomman, Bernstein, and Rosenzweig (2008).

performance and the combined work plan of all recipients for that year. Annual targets are set as part of PEPFAR’s country operational plans. Although PEPFAR country teams are directed to consult with host country governments during this process, PEPFAR’s country-level targets lack any systematic link to host countries’ national goals; national stakeholders have little say in what should count for PEPFAR as good country-level performance.

*Output targets for individual grants to primary recipient organizations, based on the performance measures outlined in the request for proposals and the grant proposal, result from negotiations between the primary recipient organization and the PEPFAR country team.* A PEPFAR request for proposals outlines a specific set of activities to be conducted under a grant, with the indicators to be used for monitoring it. Targets for the signed grant agreement are based on the winner’s proposal and on negotiations between the recipient and PEPFAR staff about how much can be accomplished with the available funds. The process helps guarantee clear, achievable performance targets. It remains unclear, however, whether or how PEPFAR ensures that those targets are explicitly linked to its country-level goals or to the host country’s national goals.

“We usually work with the partner; it’s the partner who looks up their capacity, infrastructure, their staffing so they come up with a reasonable number they can reach with their intervention. So it comes from the partner usually. . . . We don’t come to you and say, ‘You must reap so many people.’ They must be able to say, ‘For the capacity we have this is what we can do.’ We can go back and say, ‘Okay, you’ve been able to do this, could you do more by hiring more people maybe if you created more space?’ So, it’s a negotiated factor but largely depends on what the partner can do and what they think they have the capacity for.”

—PEPFAR country staff, Uganda

## How are performance data collected and used?

*Using PEPFAR-specific procedures, PEPFAR collects quantitative output data directly from each of its primary recipient organizations.* Primary recipient organizations submit quarterly, semiannual, and annual reports directly to PEPFAR country teams. Subrecipient organizations report on a similar schedule to their respective primary recipient organizations, which then incorporate the data into their reports to PEPFAR. Reporting requires PEPFAR-specific forms and procedures, separate from and in addition to host country monitoring and evaluation systems. Indicators vary with the grant; for example, an organization providing antiretroviral drugs might need to report on the number of individuals put on treatment, while another funded to prevent mother-to-child transmission might report on the number of pregnant women given antiretroviral prophylaxis.

Uganda's system is unique, with Social and Scientific Systems, a U.S.-based public health company, having been contracted to handle all of PEPFAR's monitoring and evaluation through a locally incorporated firm called the Monitoring and Evaluation for Emergency Plan Progress (MEEPP) program. In Uganda, primary recipient organizations report to MEEPP for data aggregation, validation, and reporting to PEPFAR. Even subrecipients send their data directly to MEEPP as well as to their primary recipient organizations. The system has proved a success in that it creates a unified, accurate picture of all HIV/AIDS activities funded by the U.S. government in the country. But, because MEEPP's mandate is limited to monitoring and evaluation for PEPFAR-funded programs, MEEPP's positive spillover effects on data quality in other parts of the HIV/AIDS response or the broader health system (such as the government's health management information system) have been limited.

PEPFAR country teams aggregate the data from primary recipient organizations and report to the Office of the U.S. Global AIDS Coordinator semiannually. The reports, outlining

progress against country-level targets, are incorporated in PEPFAR's annual report to Congress on its worldwide programs.

*Data quality is limited by the duplicative reporting of results.* Where two recipient organizations provide different services to an individual beneficiary, the reporting of results may suffer from duplication. For example, different recipients providing antiretroviral drugs and lab equipment for the same beneficiaries at an AIDS clinic might lead to double reporting of the number of patients treated with antiretroviral drugs. Duplicative reporting can also occur when two donors support an organization and both claim credit for its results, making it appear as if twice as many beneficiaries were reached. Efforts to address this problem have occasionally created a burden on recipients. In Uganda, for example, some clinics will treat clients under PEPFAR support on different days from those supported by Global Fund grants.

PEPFAR has attempted to improve data quality and reduce double counting by developing data quality tools for country teams, including the Data Quality Assurance Tool for Program-Level Indicators that includes a section devoted to ways country teams might avoid double counting. PEPFAR and the Global Fund meet semiannually to assess and reduce double counting of results at the global level.

*Few data on service quality exist.* Even when accurate data on outputs are available, PEPFAR's focus on quantitative data means that little information exists about the quality of services provided; this is a problem shared with most donors. As a result, service quality is not taken into account when reporting on targets.<sup>16</sup>

*Of the three countries studied, Uganda is the only one where PEPFAR has a comprehensive*

**PEPFAR has attempted to improve data quality and reduce double counting by developing data quality tools for country teams**

16. PEPFAR undertook a joint service quality measurement effort with the Global Fund as part of the Global Fund's indicator review for its 2008 Toolkit and PEPFAR's Next Generation Indicators



**Rather than cut off support to poor performers and reallocate it toward good performers, PEPFAR has tended to give poor performers extra support and technical assistance to help them improve**

*system in place to ensure the validity of performance data.* In Uganda, MEEPP regularly conducts data quality audits of implementers, builds their capacity to conduct monitoring and evaluation, and cleans up data to prevent duplicative reporting of outputs. The extra scrutiny and the conscious effort to build recipients' monitoring and evaluation capacity improve the quality of PEPFAR's performance data and ensure a fair degree of independence in collecting and aggregating data that is not possible where recipients report directly to PEPFAR staff.

In Mozambique and Zambia, where no comprehensive system is in place to ensure data

“So we have been doing data quality assessment, and then where we realize that there was an issue here or there we adjust the data. So it gives us a more realistic picture of our accomplishments. So at least now we can say this is the data we have collected with confidence.”

—PEPFAR country staff, Uganda

validity, the quality of performance data is less certain—especially with respect to duplicative reporting.

*PEPFAR uses performance data to measure individual grant performance, comparing outputs achieved against the output targets set out in the grant agreement.* Grants are considered to be performing well when recipient organizations meet or exceed the agreed-on performance targets.

*Although information on progress against PEPFAR country-level targets is published, data on individual grant performance are not.* Progress against country-level targets is presented in publicly available reports, but data on individual grant performance are withheld. Often data are unavailable even to important stakeholders, including host country governments, civil society organizations, and other donors. Lack of data from PEPFAR limits both the donor and recipient accountability.

## **What is the role of performance in decisions about continued funding?**

“Although there is some information that we are not able to share relative to some sensitive issues like budget and procurement, there is nothing to prevent us from sharing a lot of that data—on targets, on how well or bad our partners are doing . . . we probably can do a better job being more proactive.”

—PEPFAR country staff, Mozambique

*Performance against targets plays some role in decisions about continued funding, but that role is not clearly defined.* The association is not well defined because PEPFAR has no formula or policy that clearly links decisions on funding to progress in meeting performance targets. Key informants noted that, in practice, recipients that were able to meet or exceed their targets appear to have been rewarded with more funding in subsequent years to expand services to more people. But failure to meet performance targets does not appear to have had serious funding consequences for grantees. Rather than cut off support to poor performers and reallocate it toward good performers, PEPFAR has tended to give poor performers extra support and technical assistance to help them improve. Key informants noted that this ad hoc system, with funding increases for good performers but few reductions for poor performers, was largely a result of large annual funding increases and ambitious annual targets at the country level. In this environment, country teams were more concerned with finding ways to push large amounts of money out the door than with allocating scarce resources among the most effective implementers. This approach may change now that the large annual funding increases have ceased.

Without publicly available data on grant performance and documentation on individual funding decisions, it is difficult to draw any further conclusions about how PEPFAR uses information about performance. Also uncertain

“When [the Centers for Disease Control and Prevention] funds an organization, we call this a cooperative agreement and so the understanding between the institutions and us is that we have thought through this program together. We implement it together. If we fail, we fail together, so we identify any needs for technical assistance and we try to address them. So we work with the implementation partners in a nontraditional way.”

—PEPFAR/Centers for Disease Control and Prevention country staff, Uganda

“Usually increased funding is determined by performance as indicated; for example, if a partner says we are going to treat 2,000 people in Field A, and they end up treating 4,000 people, and they seem to have the capacity to treat more than that at that period of time, they can be given more money. So it’s mainly that, but unfortunately sometimes it’s the budget increase at the Washington level and so you have a lot of money in a given area, and the partner may not have expected this. So it’s performance but also available funds to the country, and there isn’t an elastic number of partners that can provide some interventions—say treatment for HIV.”

—PEPFAR country staff, Uganda

**Other than performance against targets, factors influencing decisions about continued PEPFAR funding include the ability to manage and spend disbursed funds and the capacity to expand to underserved areas**

is the role that performance plays in decisions about continued funding for PEPFAR subrecipients. In one case in Mozambique, a recipient cut off funds to one of its subrecipients as a result of poor performance, but it is unclear how often that occurs.

*Other than performance against targets, factors influencing decisions about continued PEPFAR funding include the ability to manage and spend disbursed funds and the capacity to expand to underserved areas.* When making decisions about future funding in Mozambique and Uganda, PEPFAR has taken into account recipients’ proven ability to manage and spend disbursed money in a specified amount of time—increasing funding when recipients are able to spend on schedule.

In all three countries, PEPFAR country teams have directed funds toward recipient organizations that can expand into underserved geographic areas. Organizations that have demonstrated good performance are offered additional funding to extend their services, for example, to rural districts. In Zambia, PEPFAR goes further by requiring primary recipient organizations that subgrant to give preference to subrecipients representing disadvantaged groups. Such strategies help PEPFAR ensure that performance-based funding does not deter implementers from the important,

though unmeasured, goal of reaching underserved groups.

*The nature and effectiveness of PEPFAR’s systems for identifying and responding to performance problems vary by country.* In Mozambique the U.S. Agency for International Development and the Centers for Disease Control organize quarterly meetings with all primary recipients. Consisting of 5–10 minutes of presentation and discussion for each recipient organization and as many as 80 participants, the meetings tend to be too short and too large to address performance problems in any depth.

In Uganda PEPFAR staff meet with primary recipient organizations monthly to check in on their progress and, if progress is poor, to determine why. Similarly, primary recipient organizations are responsible for keeping track of

“Every end of year we do a dual pipeline analysis to see how the money is being spent to see if there are some partners getting more than they need. If there is a lot of money in the pipeline, then they would be allocated less money during the next funding cycle.”

—PEPFAR/U.S. Agency for International Development country staff, Uganda

**Although PEPFAR has no systematic strategy for ensuring that performance criteria are linked to national priorities, it consults with host country governments when planning its programs**

“At the beginning of this program four years ago, we had strict principles—we called them pillars. One of these was to ensure that there was equity in service delivery—and we are largely looking at how do rural areas get services? How do conflict regions get services? How do children get HIV services? Over the four years we’ve tried to increase services to conflict regions and rural areas, as well as where you wouldn’t find HIV services. And we deliberately encourage our partners. If they are looking for areas to expand, we negotiate. We look at the mapping and we look at the districts which have nothing and very little, and encourage our partners to work on those areas.”

—PEPFAR country staff, Uganda

their subrecipients’ progress. The process seems to work well.

Zambia has an extensive data capture system, yet, because we were unable to interview PEPFAR staff in Zambia, they could not assess how PEPFAR uses the system to identify and respond to emerging performance problems.

*Apart from promoting service provision to underserved areas, PEPFAR does not systematically ensure that recipients focus on unmeasured goals.* Goals such as improving the quality of service provision and pursuing holistic approaches to healthcare are important, though unmeasured. No system appears to be in place to ensure that recipients take such goals into account. The desire to show immediate results may be causing long-term goals, such as capacity building for local groups, to be pushed aside.

### **Are performance policies in accordance with host country priorities and procedures?**

*Although PEPFAR has no systematic strategy for ensuring that performance criteria are linked to national priorities, it consults with host country governments when planning its programs.* In Mozambique, to harmonize its programming with national priorities, PEPFAR participates in Ministry of Health sector-wide approach groups. At the local level, recipient organizations coordinate with provincial health authorities when preparing their annual plans and reviews. Coordination with Zambia’s government has improved over time:

PEPFAR annually provides the government with information on planned funding, and it participates in government committees and working groups.

*PEPFAR reporting is separate from and additional to existing national systems.* PEPFAR requires separate reporting from its recipients using PEPFAR-specific formats. Reporting is also additional to data requirements from other donors. Even though PEPFAR reporting indicators are often similar to the indicators reported on in national monitoring and evaluation systems, recipient organizations from all three countries considered the separate reports a major burden.

### **How does a performance focus affect the distribution of donor resources?**

*PEPFAR’s performance focus and emphasis on achieving targets mean that most funding goes to organizations with existing capacity that have worked with the U.S. government in the past.* Such organizations are mostly international, though some are well established local nongovernmental organizations (such as the AIDS Support Organisation in Uganda). The pattern tends to bias PEPFAR funding toward urban areas, where the headquarters of international organizations and many of the most well known local groups are based, and where populations are easier to reach—one reason for the importance of PEPFAR’s efforts to encourage organizations with existing capacity and experience to expand into underserved geographic areas.



*Requests for proposals that outline specific indicators to measure performance drive program content. In some cases, they compel recipients to abandon longer-term, more holistic approaches so as to meet specific targets.* In Uganda, a pre-PEPFAR program in HIV/AIDS, education, and reproductive health—sponsored by the U.S. Agency for International Development—was initially designed on the principles of integration and comprehensive programming. Implemented through the Uganda AIDS/HIV Integrated Model District Programme and the Uganda Program for Human and Holistic Development (UPHOLD), the program also made building local district government capacity a priority. With PEPFAR’s arrival on the scene, however, holistic programming gave way to more limited programs focused exclusively on HIV/AIDS (such as UPHOLD’s new “focus for results” approach). The new strategy had a narrower focus, reflecting the incentive to show quick HIV/AIDS results rather than continue the slow process of building capacity and implementing integrated programming.

## **Recommendations to PEPFAR**

*Develop clearer guidelines for using performance assessments in funding decisions, and make the decisions more transparent.* PEPFAR should develop standard, well documented guidelines that clearly outline the rewards for good performance and the consequences of poor performance against a grant’s agreed-on targets. Such guidelines should also define the role of other factors, such as recipients’ ability to manage and spend funds and their potential for improvement, in determining funding levels. Publicly releasing the reasons for funding decisions would clarify the role of performance in those decisions.

*Include more diverse performance indicators, offering recipients an incentive to develop comprehensive approaches and pursue long-term objectives.* Evidence suggests that PEPFAR’s focus on quickly meeting specific performance targets has led recipients to move away from comprehensive, longer-term approaches—and toward narrower and more short-term ones. If PEPFAR wants to begin shifting toward a more comprehensive, long-term approach, as its policy documents have suggested,<sup>17</sup> its grants should include indicators to measure important, though not easily identifiable, objectives, such as capacity building and integration.

*Release data on performance against targets for individual grants.* Releasing these data would increase accountability and would clarify for both the donor and its recipients (and others) how recipients are performing against their agreed-on targets. In addition, host country governments and other major stakeholders need access to this information to coordinate their national AIDS responses.

*Apply lessons from Uganda’s MEEPP program in improving performance data quality toward strengthening national monitoring and evaluation systems.* MEEPP has succeeded in building a reliable monitoring and evaluation system for PEPFAR in Uganda. PEPFAR should consider using such a system to improve the quality of performance data in its other focus countries. More important, however, MEEPP’s mandate should be expanded to help the Ugandan government build a reliable national monitoring and evaluation system, one that could gradually replace PEPFAR’s and other donors’ separate data collection systems. The lessons from that endeavor could then be applied to similar efforts elsewhere.

**PEPFAR should develop standard, well documented guidelines that clearly outline the rewards for good performance and the consequences of poor performance against a grant’s agreed-on targets**

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17. See, for example, PEPFAR (2008).

# 3 The Global Fund to Fight AIDS, Tuberculosis and Malaria

**Poor performance rarely leads the Global Fund to deny funding. More often, it leads to reduced funding or to requirements that recipients make reforms to the way programs are implemented**

The Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund) uses a performance-based funding system with clear, well documented processes and publicly available performance data in which poor performance relative to the original aims of the grant can prompt reductions in funding (box 3.1). The Global Fund assesses performance using a combination of output, outcome, and impact targets, although it relies largely on output targets each time a recipient submits a request for disbursement. After a grant's first two years (Phase 1), the Global Fund reviews performance to determine whether to continue the grant and, if so, how much to fund it in its remaining one to three years (Phase 2).

Poor performance rarely leads the Global Fund to deny funding requests in either phase. More often, poor performance leads to reduced funding or to requirements that recipients make reforms to the way programs are implemented before future funds can be released.

The Global Fund publicly discloses the documents related to Phase 2 funding decisions. It does not, however, systematically

release decisions about individual disbursement requests.

The performance-related reporting required by the Global Fund can often result in parallel reporting structures that are separate from and additional to existing systems, reported by recipients to be duplicative and overly demanding. Although the Global Fund has shown some flexibility about reporting requirements—for example,

## Box 3.1 About the Global Fund to Fight AIDS, Tuberculosis and Malaria

Acting more like a foundation than a typical donor, the Global Fund provides grant support to countries that have applied for funding. Its principles include both performance-based funding and country ownership.

Grant proposals are developed and submitted to the Global Fund by country-level partnerships called Country Coordinating Mechanisms, which include representatives of the government, multilateral and bilateral agencies, businesses, groups affected by the diseases, and other private and public sector stakeholders. They are evaluated by an independent technical review panel, which recommends approval or rejection. If approved, the Global Fund signs a grant agreement with one or more primary recipients, which may then subgrant to subrecipient organizations.

Global Fund grants have two phases:

- Phase 1 (the first two years).
- Phase 2 (an additional one to three years, but typically three years).

At the end of Phase 1 the Global Fund reviews a grant's performance to determine whether to continue it and, if so, how much funding to provide in Phase 2. The review process relies partially on the local fund agent, an entity that the Global Fund hires to provide a range of oversight services for each grant. In Uganda and Zambia the local fund agent is PricewaterhouseCoopers, and in Mozambique it is Emerging Markets Group, Ltd.

in Mozambique it accepts some common fund indicators (described below)—there is still a significant administrative burden associated with its performance-based funding system.

### How is performance defined?

*Performance is defined by the Global Fund as the success of a primary recipient organization in meeting targets established for a grant.* The Global Fund evaluates each grant's progress toward its targets at three moments: before each disbursement of new funds, during Phase 2 reviews (see box 3.1), and at the end of each grant. If the Global Fund does not deem performance satisfactory, it can withhold new funding, but before doing so it considers circumstances that might have affected the grant's results. For example, if the grant's targets were overambitious, or if an unavoidable delay in drug procurement slowed grant implementation, Global Fund staff (primarily the Global Fund Portfolio Manager) factor this qualitative information into an evaluation of performance.

### How does performance affect the selection of recipient organizations?

*The Global Fund assesses prospective recipients based on their capacity and, increasingly, on past performance.* Each country's country coordinating mechanism (see box 3.1) is responsible for proposing recipients as part of its grant applications.<sup>18</sup> The technical review panel that evaluates grant proposals considers the proposed recipients' past performance as part of the review and approval process. When an application is accepted, the Global Fund evaluates each proposed recipient's ability to manage and implement

the grant by asking a local fund agent to conduct an assessment of its capacity. In most cases the agent identifies areas where a recipient could strengthen its systems—for example, in procurement or in monitoring and evaluation—and the Global Fund asks the recipient to institute reforms as a condition of receiving grant funds.<sup>19</sup>

*When selecting subrecipients, Global Fund primary recipients also consider capacity—but the vetting process has several weaknesses.*

Primary recipient organizations establish their own procedures for choosing subrecipients. Although those procedures can vary, the primary recipients interviewed emphasized the importance to the selection process of assessing subrecipients' capacity—in most cases through written applications describing grant management systems and staff technical expertise. In addition, onsite spot checks are sometimes conducted to verify what subrecipients stated in their written applications.

The selection process has varied by country and does not always work as planned. In Mozambique and Zambia no significant problems were reported with the selection process. But serious problems emerged with the selection process in Uganda, where the primary recipient provided funds to many subrecipient organizations with no experience in the health field—including some that existed only on paper.<sup>20</sup> The poor selection of subrecipient organizations was a major factor in a later decision by the Global Fund to suspend its grants to Uganda temporarily (discussed below).

### How are performance targets set?

*In its funding proposal, the country coordinating mechanism proposes indicators and targets*

18. Country coordinating mechanisms establish their own processes for selecting recipients. These processes vary, including in the degree of transparency and the extent to which past performance in grant management or implementation are considered. The Global Fund has developed guidelines for country coordinating mechanisms' selection of primary recipients that do require a transparent process. As part of the grant application proposal, the Global Fund asks the country coordinating mechanism to describe the process used for selecting primary recipients.

19. In Mozambique, Uganda, and Zambia the local fund agents' assessments identified weaknesses that recipient organizations needed to address. In extreme cases (a category not applicable to the three countries studied), the Global Fund may determine that, based on the local fund agent's assessment, a proposed recipient is incapable of handling grant funds, and it will ask the country coordinating mechanism to propose a new funding recipient.

20. Scheier 2006.

**The Global Fund assesses prospective recipients based on their capacity and, increasingly, on past performance**

**Performance indicators used for Global Fund grants in Mozambique, Uganda, and Zambia are based on national AIDS plans and national monitoring and evaluation frameworks**

*to track progress against grant objectives. If the proposal is approved, indicators and targets are finalized through negotiations between the Global Fund and the grant recipient.* In Mozambique, Uganda, and Zambia the agreements typically included two or three indicators for each objective. Targets for the indicators were established for a series of reporting intervals—typically quarterly for the first year and semiannually thereafter. For example, if a grant established the number of people receiving antiretroviral therapy as an indicator, then the target associated with that indicator might be set at 1,000 people receiving antiretroviral therapy by the end of the second quarter of the grant, 10,000 people by the end of the fourth quarter, and so forth.

Different indicators, with their associated targets, can be used for different reporting periods. But in the three countries studied, the same indicators were often consistently used throughout the grant. If a grant has more than one recipient, separate indicators and targets are established for each.

*Performance indicators used for Global Fund grants in the three countries studied are based on national AIDS plans and national monitoring and evaluation frameworks.* In the three countries studied, the objectives on which Global Fund performance indicators were consistent with national AIDS plans—a fact attributable to the Global Fund’s process for developing grant applications, which is led by in-country stakeholders. The resulting indicators were either the same as, or complementary to, program targets in national monitoring and evaluation plans.<sup>21</sup> In Mozambique, for example, the Global Fund accepted indicators that were already used in the monitoring and evaluation frameworks established by the national AIDS council and by the Ministry of Health through its sector-wide approach (box 3.2).<sup>22</sup>

21. According to the 2009 Global Fund Portfolio Survey, 84 percent of grants were aligned to national monitoring and evaluation systems (Global Fund 2010).

22. Costa and Antunes 2008.

*Given available data collection systems, the targets used for reporting are sometimes too ambitious.* In Uganda, for example, much of the reporting was supposed to occur through the health management information system, yet most of that system’s reporting provides general health data, not disease-specific information. This led to late reporting, underreporting, or nonreporting on key performance milestones.<sup>23</sup>

*Most indicators measure outputs.* Many indicators from the three countries studied refer to the number of people trained or receiving services (such as treatment or care). A small number of outcome and impact indicators are also used, but reporting on these indicators was completed only occasionally, when new epidemiological information was available.

*The short duration of Global Fund reporting periods—and a lack of baseline data collection—makes it difficult to use outcome or impact indicators.* Primary recipients are supposed to submit performance reports at least semiannually. But measuring data on outcome indicators (such as the percentage of women and men reporting using a condom during their last sexual encounter) or on impact indicators (such as HIV prevalence) often requires special surveys that are too costly and time-consuming to conduct regularly. The Global Fund has not always made the collection of these indicators a priority.<sup>24</sup>

Measuring both outcome and impact indicators also requires baseline measurements that are not always undertaken in advance of a grant. Finally, effective programs often take several years to affect impact measurements, making the use of such indicators to measure performance even more complicated and challenging. The result in the three countries studied: the Global Fund asks recipients to report on outcome and impact

23. Uganda Country Coordinating Mechanism 2007.

24. The Global Fund is working to increase the use of impact indicators through support for country processes and coordination of national targets among donors. A joint partner monitoring and evaluation strengthening tool is required in programs to develop costed monitoring and evaluation plans, including impact.

### The Global Fund's model for grants in Mozambique: showing promise despite challenges

The Global Fund's 2004 and 2006 grants to Mozambique's Ministry of Health are provided as part of a sector-wide approach (SWAp) to Health, and Global Fund monies are disbursed to a common donor fund known as Prosaude. An unusual arrangement for the Global Fund, this grant structure allows the ministry more flexibility in using its Global Fund money. If the Global Fund disburses US\$5 million to the government to purchase antiretrovirals but the ministry is urgently in need of funds to purchase vaccines, Global Fund money could be used to make the vaccine purchase as long as a total of US\$5 million deposited into the Prosaude account is later used to purchase antiretrovirals.

As part of its participation in the SWAp, the Global Fund has encouraged the SWAp to take a clear performance focus, helping develop a set of common performance indicators that will be used to report to all common fund donors. The Global Fund now allows the government to report using these indicators and will no longer ask the government to use reporting indicators specific to the Global Fund.

While the Global Fund's participation in Prosaude reinforces its willingness to be flexible and to make country ownership a priority, it has also created challenges. For example, some donor officials have expressed concerns that the Global Fund requires some reporting in addition to that agreed on in SWAp reporting (as do some other SWAp donors). Moreover, the Global Fund's performance-based funding model means that its disbursements cannot be assured until the Ministry of Health demonstrates progress against established indicators. Because the Global Fund is the largest donor to the common fund, this has resulted in a fair amount of uncertainty about the amount of money that will be available to the ministry through the common fund at any given future period.

There are also concerns about the management of Prosaude. The Global Fund's local fund agent has consistently expressed serious misgivings—echoing the findings of a 2005 audit report—about weaknesses in the financial management and monitoring and evaluation systems used by Prosaude that have resulted in delayed disbursement. Those weaknesses have raised concerns for the Global Fund and many other donors about the viability of Prosaude.

Despite significant challenges, the Global Fund's participation in the Mozambique health SWAp represents a positive way in which the Global Fund has been trying to adjust its systems to adhere to its own core principles without creating unnecessary duplication or burdens on its recipients.

**Source:** Costa and Antunes 2008; personal communication with Global Fund officials.

indicators, but that reporting is not often completed, leaving the Global Fund dependent on output indicators when assessing grant performance (although separate efforts are being made to measure impact—see box 3.3).<sup>25</sup>

*Primary recipients often asked subrecipients to establish their own targets—an approach with both advantages and disadvantages.*

25. Global Fund officials have emphasized that the Global Fund has been increasingly using impact indicators during the last few years for many grants—even if it has not done so in the three countries studied here. Having a monitoring and evaluation plan is now an assessment criterion for continued funding after the first five years.

*Targets were typically finalized after negotiations between primary recipients and subrecipients.* Primary recipients and subrecipients interviewed for this report noted that allowing subrecipients to propose their own targets gave them a sense of ownership and encouraged them to focus on performance. However, because the subrecipients often had a poor understanding of program implementation costs, it was difficult for them to develop accurate estimates of results to be achieved. Adding to this difficulty was the lack of baseline data at the subnational level that could be used to measure progress against targets.<sup>26</sup>

26. Ssengooba and Ekirapa 2008.



### Box 3.3 Global Fund efforts to measure impact

Measuring impact is complex and must be done over a fairly long time-horizon—typically five years or more—so impact indicators are rarely used as part of regular assessments of grant performance. The Global Fund, however, is now attempting to measure impact in several of its recipient countries by looking at the reduction in disease burden for HIV, tuberculosis, and malaria associated with the prevention and treatment activities funded by all partners. These efforts are part of a broader five-year evaluation of the Global Fund that was completed in May 2009.

To build on these efforts, the Global Fund is also leading a new process to encourage regular impact measurement at the country level by providing technical expertise, funding, and other resources that can help countries develop a costed monitoring and evaluation plan to strengthen impact measurement. The Global Fund encourages countries to submit their national monitoring and evaluation plan for HIV/AIDS, but in countries without national plans, the Global Fund provides guidance to help develop a monitoring and evaluation plan that includes measures of impact.

**Source:** [www.theglobalfund.org/en/performance/](http://www.theglobalfund.org/en/performance/).

### How are performance data collected and used?

*The Global Fund allows grant recipients to establish their own systems for collecting performance data. Nevertheless, its reporting requirements often prompt the creation of reporting structures outside national systems. The Global Fund is trying to address that problem by moving away from requiring the direct attribution of results.* Many existing country systems for program monitoring do not disaggregate data in ways that allow attributing results to an individual grant or donor. So, when the Global Fund asks recipients to report how their funds are being used, the recipients tend to establish separate reporting systems for tracking progress made with those funds.

The Global Fund has recognized the problem of parallel reporting systems and has begun to change its policies. Importantly, it now allows recipients to use and report on targets that

are not Global Fund–specific but are instead being achieved with money from more than one source.

The Global Fund has made progress toward reducing the requirement for direct attribution in Mozambique, where in 2004 the Global Fund joined the Ministry of Health’s sector-wide approach and began contributing money to a common funding pool (see box 3.2). As part of this process, the Global Fund began to accept some sector-wide approach reporting that detailed progress made through the entire common fund—not just on achievements made directly using Global Fund money—and it has worked with the sector-wide approach working group on monitoring and evaluation to develop a joint performance framework.<sup>27</sup> The Global Fund, however, does have its own reports that must be completed using these performance indicators.<sup>28</sup>

*Primary recipients are supposed to submit performance reports quarterly or semiannually as part of the process for requesting additional funds. Nevertheless, reporting is irregular because of delays in collecting data and in achieving results.* An analysis of Global Fund grants to

“We have moved away from asking for direct attribution of [Global Fund] money. We are happy to say that we are contributing to what is happening. We are happy to say that in Uganda we are contributing to 100,000 [antiretroviral therapy] clients, although that may be for only drugs that are procured with [Global Fund] money.”

—Global Fund executive, Geneva

27. The Global Fund is in the process of determining whether it might be able to adopt a similar model in Zambia.

28. The Global Fund notes that some other donors to the common fund also request additional reporting.

the three countries reveals that reporting generally was not submitted until recipients believed they had achieved results adequate enough to justify additional disbursement requests. In some cases results were achieved on time, but in many cases progress was slower than expected and reporting was delayed. Many reports were delayed by the fact that data collected in health clinics nationwide had to pass through intermediate steps before being centrally aggregated.<sup>29</sup> In several cases in Zambia, delays in reporting caused more than a year to pass between disbursements to primary recipients.<sup>30</sup>

*The Global Fund has a transparent reporting system, though room still exists for improvement.* All performance reports are posted to the Global Fund's website, and funding decisions from the Phase 2 process are also found online. The website does not systematically disclose documentation of decisions for individual disbursement requests. Overall, though, the system for using performance data is clearly set forth, helping all interested parties understand how its funding decisions take performance into account.

*Performance data are checked for accuracy and completeness by a local fund agent—a system with both strengths and weaknesses.* Suggesting the strength of the system, Local Fund Agents in all three countries identified problems with data and worked with primary recipients to improve data quality. The agents also play a crucial role by helping the Global Fund avoid pouring more money into poorly performing grants. In Uganda the local fund

29. In Mozambique these steps involve sharing data with district officials, who then transfer them to the provincial level, after which they may go to the Ministry of Health, which then aggregates data and presents them to a statistical office, which is responsible for using the figures presented to fill out Global Fund reporting forms.

30. As documented in our previous report, *Following the Funding for HIV/AIDS*, the delays were not entirely the result of the slow reporting or delayed results from the recipient organization. Part of the difficulty was that the local fund agent often took a long time to verify the performance data submitted by recipients. See Oomman, Bernstein, and Rosenzweig (2007).

#### Box 3.4

#### The Global Fund's temporary suspension of grants to Uganda: positive and negative effects

In 2005 the Global Fund suspended all its grants to Uganda after finding that the primary recipient had seriously mismanaged its funds. Many subrecipient organizations had been funded with Global Fund resources despite lacking the appropriate expertise to carry out the funded activities. In several cases the organizations that received funding existed only on paper.

The Global Fund later lifted its suspension of grants to Uganda, after an agreement between the Global Fund and the Ugandan Ministry of Finance on a new management structure for the grants.

The temporary suspension of grants had positive effects. It showed that the Global Fund was unwilling to tolerate poor performance, especially in the management of its funds. Improvements to management and oversight structures resulted from the suspension. However, a report from the Inspector General of the Global Fund concluded that the new arrangements are not yet adequate to assure the proper management of Global Fund money.

Suspending the grants also had negative effects. Because no one wants to be blamed for repeated mistakes, the suspension led the primary recipient and the local fund agent to become excessively cautious—slowing grant implementation, hampering communication between the primary recipient and its subrecipients, and generating frustration at some subrecipient organizations where Global Fund financing is now seen as unreliable or unpredictable. Some subrecipients have begun trying to reduce their reliance on new Global Fund disbursements by seeking increased PEPFAR funds.

**Sources:** Ssengooba and Ekirapa 2008; Global Fund 2008b.

agent discovered funding irregularities that led first to the suspension of grant funds and then to the grant's reinstatement with a new and improved management structure (box 3.4).<sup>31</sup>

A weakness of the local fund agent system has to do with the skill set of the agents. Agents have demonstrated their capabilities in reviewing financial data, but they do not always have the right expertise for evaluating programmatic performance.<sup>32</sup> In addition, their reviews of data were time-consuming, sometimes causing long delays in the approval of disbursement requests.<sup>33</sup>

31. Ssengooba and Ekirapa 2008.

32. Similar observations about the local fund agents' low capacity in several countries to assess programmatic performance were noted in CGD's Global Fund Working Group report *Challenges and Opportunities for the New Executive Director of the Global Fund* (2006).

33. Ssengooba and Ekirapa 2008, p. 45.

**The national monitoring and evaluation systems being used to collect some of the performance data submitted to the Global Fund are weak**

“These guys [local fund agents] think in a straight line. If you train 299 people and in the work plan you promised 300, these guys will query the [progress] report. It takes up a lot of time back and forth to explain such a tiny variation. . . . Things can get stuck for tiny little things. For auditors, everything must tally. The outputs must tally with the work plan but life is not that simple.”

—Global Fund recipient, Uganda

The Global Fund has issued new bids for local fund agents, hoping that through the re-bidding process it can address some of the system’s weaknesses.<sup>34</sup>

*The national monitoring and evaluation systems being used to collect some of the performance data submitted to the Global Fund are weak.* In each of the three countries studied—despite improvements made at the behest of the local fund agent and a Global Fund recommendation that grant recipients spend 5–10 percent of total funding to strengthen their monitoring and evaluation systems<sup>35</sup>—weaknesses still affect the information systems on which the Global Fund and other donors rely for some of their performance data.<sup>36</sup> In Mozambique, for example, the local fund agent continually identified serious weaknesses in the Ministry of Health’s monitoring and evaluation system. Those weaknesses led the agent to recommend that the Global Fund not approve Phase 2 funding for one of the grants—but Phase 2 funding was approved anyway.

*Primary recipients are responsible for collecting and verifying data that were first collected*

*by subrecipients, with the Global Fund’s local fund agents doing spot checks to ensure data quality<sup>37</sup>; this system does not always work as intended.* One primary recipient in Mozambique, the Ministry of Health, has little contact with its subrecipient organizations, and the local fund agent has never done spot checks on subrecipients’ performance data. Similarly, primary recipients in Uganda were not verifying subrecipient performance data adequately before the Global Fund suspended its grant portfolio, though the new primary recipient for the grant has been carefully vetting such data.

**What is the role of performance in decisions about continued funding?**

**Regular disbursements**

*Individual disbursement decisions are based on performance, expenditure rates, and contextual information.* Global Fund portfolio managers decide whether to approve disbursement requests, basing each decision on a review of grant progress against targets set for the given reporting period; they also consider the rate at which earlier disbursements are being used, together with any factors that might have constrained grant progress (for example, procurement difficulties or a national election).

The progress updates reviewed by Global Fund portfolio managers are submitted by the primary recipients with their disbursement requests. The portfolio manager assigns a score of A (expected or exceeding expectations), B1 (adequate), B2 (inadequate but potential demonstrated), or C (unacceptable) to each progress update. He or she then makes a recommendation to approve the full disbursement request, approve a portion of the request, or approve no money at all. Recommendations are approved by the Global Fund portfolio manager team leader (grants below US\$2 million), unit directors (grants up to US\$5 million), or the director of operations (all other grants).

34. For details, see [www.theglobalfund.org/en/lfa/selection/](http://www.theglobalfund.org/en/lfa/selection/).

35. See the guidelines for submission of an M&E plan for Global Fund grants at [www.theglobalfund.org/documents/me/M\\_E\\_Plan\\_Guidelines\\_en.pdf](http://www.theglobalfund.org/documents/me/M_E_Plan_Guidelines_en.pdf).

36. Common problems included poor knowledge of health facility, workers filling out reporting forms, and duplicative counting of patients treated or services offered.

37. Primary recipient organizations are required to keep annual audit reports on their subrecipients on file, to be reviewed as needed by the local fund agents.



*In Mozambique, Uganda, and Zambia no disbursement requests were denied by the Global Fund. But the approved funding amounts were sometimes less than requested if grants were performing poorly or spending money slowly.*<sup>38</sup> A grant approved to Uganda's Ministry of Finance in 2005 was performing poorly in 2007, having met or exceeded its planned targets on only 3 of 18 indicators. Instead of granting the full US\$38 million it requested, the Global Fund portfolio manager approved US\$27 million. Six months later the primary recipient submitted its next disbursement request. Although performance was now much better, expenditures were lagging behind budgets, so the Global Fund approved only US\$10.2 million of the US\$16 million requested.<sup>39</sup>

*Primary recipient organizations state that they use performance to decide whether to continue funding for subrecipient organizations. But, as with the relationship between the Global Fund and its primary recipients, poor performance rarely causes primary recipients to cut off funds to subrecipients.* The Global Fund's performance monitoring approach appears to inform decisions made by its primary recipient organizations about subgranting in at least two ways. First, the primary recipients interviewed consistently cited performance as a key criterion in decisions about disbursements to subrecipients.<sup>40</sup> Second, primary recipient organizations reported rarely denying funding requests because of poor performance. Instead, when subrecipient progress was slow, primary recipients tried to provide technical assistance to speed implementation.<sup>41</sup>

38. In contrast, it is difficult for countries to have their initial grant applications approved by the Global Fund's technical review panel. In the first seven rounds of funding applications, only about 40 percent of applications were recommended for funding (Plowman 2008).

39. Global Fund 2007a.

40. Our research could not verify primary recipient statements because we did not have access to the full range of documentation related to performance reporting and disbursement requests of subrecipients.

41. Cheelo, Chitah, and Mwamba 2008.

*Subrecipient organizations note that the performance approach used by the Global Fund and its primary recipients makes the timing of disbursements difficult to predict.* The challenge for subrecipients is that good performance does not always prompt immediate disbursements, because primary recipients often must first acquire new resources from the Global Fund. Thus, some subrecipient organizations lament the unpredictability of Global Fund financing and the implementation challenges it creates.

### Phase 2 renewal

*Grant performance is a primary consideration for Phase 2 renewal.* During Phase 2 approval, the Global Fund reviews grants' achievements against their targets. The targets are divided into service delivery areas (such as counseling and testing or antiretroviral treatment) and each service delivery area is rated A, B1, B2, or C based on objective criteria. For example, an A can be given only when results are at least 80 percent of the target, whereas any result less than 30 percent of the target earns a C.<sup>42</sup>

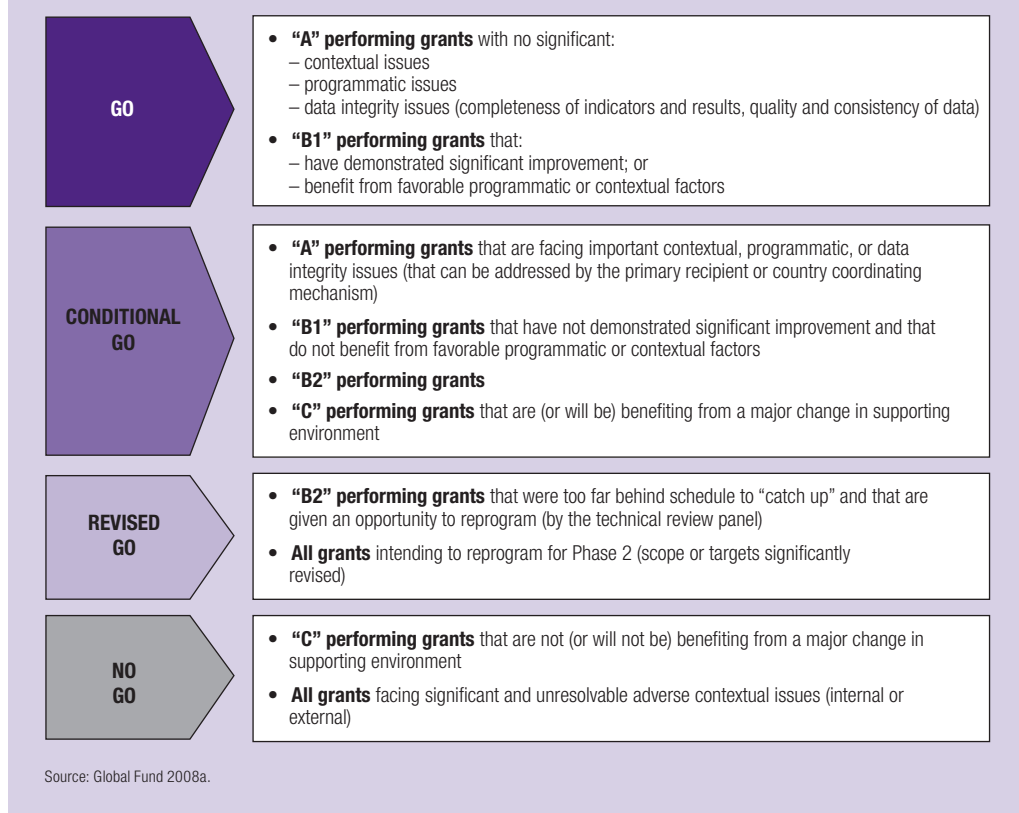
*Disbursement rates and other contextual factors are also important considerations.* After scoring a grant's performance, the Global Fund classifies it as "go," "conditional go," "revised go," or "no go" (figure 3.1). Though it bases each classification largely on the performance scores A through C, the Global Fund also considers disbursement history; slow disbursement helps to explain performance that falls short of expectations. Other contextual factors that are considered include recipients' ability to spend disbursed funds and the feasibility of the targets. For example, in assessing a grant to Mozambique's Ministry of Health, the Global Fund noted that although the grant had achieved less than 80 percent of the intended target on 8 out of 10 metrics, the recipients had intentionally set ambitious targets and the grant's performance should be viewed in that light.<sup>43</sup>

42. For an analysis of program characteristics correlated with evaluation scores, see Radelet and Siddiqi (2007).

43. Global Fund 2007b.

**Subrecipient organizations note that the performance approach used by the Global Fund and its primary recipients makes the timing of disbursements difficult to predict**

Figure 3.1 Performance rating categories for Phase 2 renewal



*In Mozambique, Uganda, and Zambia only cases of extremely poor performance prompted significant funding reductions in Phase 2. Where the Global Fund harbors milder concerns about performance, it requires primary recipients to take time-bound actions to continue receiving funds.* Many such conditions entail improvements in financial management or monitoring and evaluation systems. In approving Phase 2 of a grant to Mozambique’s Ministry of Health, the Global Fund required the ministry to hire additional finance managers and monitoring and evaluation officers, organize monitoring and evaluation systems, and address several concerns raised in an audit report.<sup>44</sup> Only in Uganda did poor performance prompt a major reduction in Phase 2 funds: the Global Fund approved just 27 percent of the amount requested by the Ministry of Finance, noting performance problems and serious concerns about grant management (see box 3.4).<sup>45</sup>

44. Global Fund 2007b.

45. Global Fund 2007a.

Overall, 6 grants to 5 countries (out of a total of 700 grants to 140 countries) have been discontinued after Phase 1 for their failure to achieve results.<sup>46</sup> Grants rated “C” have received significantly less in continued funding than those rated B2 or higher (figure 3.2).

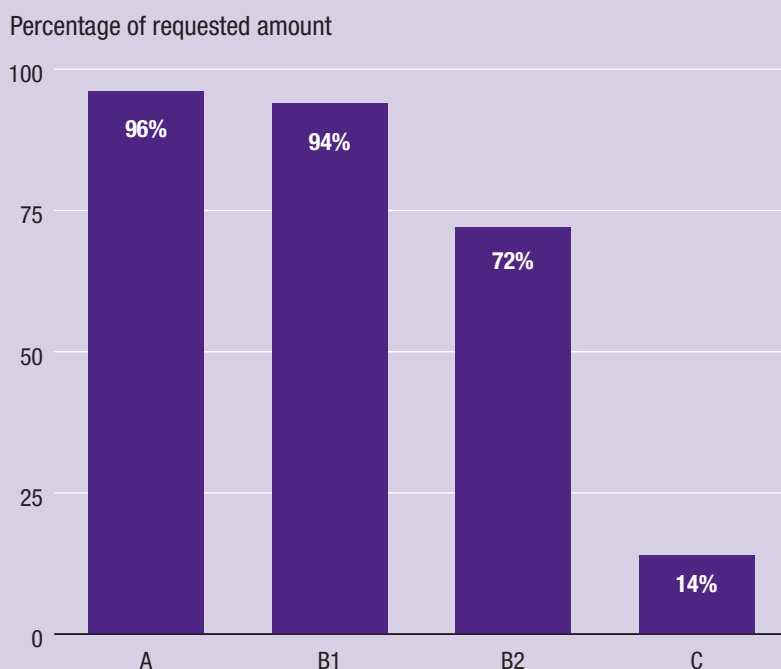
### Rolling Continuation Channel

*The Global Fund’s new Rolling Continuation Channel is intended to provide an incentive for good performance in the last years of a grant.*<sup>47</sup> The Rolling Continuation Channel allows grantees to apply for up to an additional six years of funding after the end of the first grant cycle. Application procedures are supposed to be less cumbersome than for the standard, round-based applications. Moreover, the funding approved is for a longer period. Because only grants that have demonstrated strong performance in Phase 2 are eligible for

46. See [www.theglobalfund.org/en/gsc/nogo/?lang=en](http://www.theglobalfund.org/en/gsc/nogo/?lang=en).

47. The Rolling Continuation Channel is a new funding window for particularly good performers (Global Fund 2008c).

Figure 3.2 **Percentage of requested Phase 2 funding awarded to primary recipients, by performance rating category (through December 2008)**



Source: Global Fund 2008a.

the Rolling Continuation Channel, the mechanism is likely to create a useful incentive for strong performance by primary recipients in the last three years of the grant cycle. Despite its potential, however, a key informant from Zambia noted that the requirements of the Rolling Continuation Channel are nearly as rigorous as for a full grant proposal. A key informant on the technical review panel noted that many panel members have suggested eliminating the Rolling Continuation Channel in its current form because of duplication and confusion about its role versus round-based and national strategy-based funding streams.

### **Are performance policies in accordance with host country priorities and procedures?**

*Grant objectives, which are used to formulate performance indicators, are aligned with national AIDS plans.* The country coordinating mechanism, which engages a diverse group

of country-level stakeholders (see box 3.1), proposes grant objectives in its funding application. Because the objectives are developed under this consultative process, they tend to fit into the country's broader national AIDS plan.

*To monitor performance indicators and targets, primary recipients often establish new reporting structures for their Global Fund grants.* Such structures are established because indicators are often developed without due consideration for the country's existing reporting structures, such as the health management information system. Perhaps more important, the Global Fund's strong emphasis on performance—requiring indicators for each service delivery area to be reported regularly—sometimes necessitates the creation of new data collection systems. To its credit, the Global Fund does not require direct attribution of results; it will allow primary recipients to report on results to which the Global Fund has contributed but is not the only funder. The

**Releasing documentation explaining the decisions made by portfolio managers about grantees' disbursement requests would help country-level stakeholders understand the reasons for funding decisions and would be particularly useful in cases where the Global Fund decides to disburse less than the amount requested by a primary recipient**

clearest example comes from Mozambique, where the Global Fund allows the Ministry of Health to report on overall results achieved by the common fund. Even there, however, the Global Fund asks for additional performance indicators (see box 3.2).

### **How does a performance focus affect the distribution of donor resources?**

*Some key informants expressed their concern that a performance focus could cause an inequitable geographic distribution of resources. No concrete evidence was found to substantiate such fears.* Some informants familiar with the Global Fund's grants suggested that its heavy emphasis on performance could lead primary recipients to implement programs in better-off areas, where they could achieve results more expeditiously. We found no evidence for such a perverse incentive. Instead, we found primary recipients attempting to reach underserved areas by channeling funds to established civil society groups that then tried to expand into those areas. For example, in Uganda the Global Fund's primary recipient channeled money to large, established organizations to expand their operations and reach remote areas with treatment and other services.

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

*Disclose documentation for all disbursement decisions.* The Global Fund deserves credit for well documented procedures and sharing of funding and performance data, but it does not publicly disclose some information. The Global Fund does not systematically release documentation explaining the decisions made

by its portfolio managers about grantees' disbursement requests.<sup>48</sup> Releasing that information would help country-level stakeholders understand the reasons for funding decisions and would be particularly useful in cases where the Global Fund decides to disburse less than the amount requested by a primary recipient. Among other benefits, publishing such explanations might help dispel the notion that Global Fund grants are unpredictable.

*Lengthen the time between performance reports to six months or more.* Meeting the Global Fund's regular reporting requirements can be a major burden on recipients. Delayed reporting often leads to lags in disbursements. And disbursement delays add to the perception that Global Fund monies are unpredictable. The Global Fund Board has taken an important step to address these concerns by authorizing grant consolidation.<sup>49</sup> To further ease the burden on recipients, and to even the flow of disbursements, the Global Fund should begin to request performance reports no more often than semiannually.<sup>50</sup>

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48. Explanations of disbursement decisions for a limited number of grants are publicly available because the most current version of another Global Fund form—the Grant Performance Report—includes that information. Only some grants, however, have this form in its current version.

49. Grant consolidation is when two or more grants that have been approved to the same primary recipient for a single disease component (HIV, tuberculosis, or malaria, for example) can be integrated into one grant for operational purposes, allowing reporting to be merged with other parts of each grant—including, where possible, Phase 2 assessments. Details are in the Global Fund Decision Point at the 16th Board Meeting ([http://www.theglobalfund.org/documents/board/16/GF-BM16-Decisions\\_en.pdf](http://www.theglobalfund.org/documents/board/16/GF-BM16-Decisions_en.pdf)).

50. Global Fund officials indicate that significant numbers of recipients now report on a semiannual cycle—though this is not yet an institutional policy, and significant numbers of recipients still report on a quarterly cycle.

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

**Although the MAP uses programmatic performance in its decisions about continued disbursements for primary recipient and subrecipient organizations, this is not the sole criterion in such decisions**

The World Bank's Multi-Country AIDS Program for Africa (the MAP) assesses recipient performance—yet it has no systematic approach to disbursing funds against achieved programmatic performance targets that is openly shared and therefore easily understood (box 4.1). Past performance does not necessarily inform the initial selection of primary recipient organizations. Instead, once a country has proven its eligibility for MAP funds, all primary recipients must be government entities. At the outset of each project, the World Bank assesses the primary recipient's capacity and its ability to monitor and report future performance. The MAP also provides monitoring and evaluation support. Yet the capacity of recipients to collect high-quality performance data generally remains weak.

Although the MAP uses programmatic performance in its decisions about continued disbursements for primary recipient and subrecipient organizations, this is not the sole criterion in such decisions. Besides progress against programmatic performance targets, other important determinants of continued or follow-on funding to MAP recipients include disbursement rates and timeliness in meeting expenditure goals.

## **How is performance defined?**

*The World Bank defines performance for the purposes of monitoring and evaluation differently from the way it does for purposes of its funding decisions.* While the World Bank defines overall good performance as the achievement of programmatic targets, the performance measures that inform funding decisions are generally not programmatic. Rather, they tend to be disbursement rates, sound

### **Box 4.1 About the World Bank's Multi-Country AIDS Program for Africa**

As part of a long-term effort to mitigate the effects of the HIV/AIDS epidemic and, in time, to reduce its incidence rates, the World Bank's Multi-Country AIDS Program for Africa (the MAP) provides funding to African countries that are eligible to receive credits from the International Development Association. The MAP has projects supporting national and district governments, sectoral line ministries, and community-led initiatives. Its objective is generally to support each country's national strategic plan for:

- Reducing the spread of HIV infection.
- Mitigating the health and socioeconomic impact of HIV/AIDS on individuals, households, and communities.
- Strengthening the national capacity to respond to the epidemic.



**The automatic selection of government entities as primary recipients of MAP funds eliminates the need for specific selection criteria, including past performance**

monitoring and evaluation capacity, and reliable fiduciary and project management.

### **How does performance affect the selection of recipient organizations?**

*The automatic selection of government entities as primary recipients of MAP funds eliminates the need for specific selection criteria, including past performance.* Once countries are selected for MAP funding based on stated eligibility criteria,<sup>51</sup> the primary recipients are usually government entities, such as national AIDS councils or ministries of health. They submit proposals to the World Bank, the proposals are reviewed, and Bank specialists conduct a preappraisal.<sup>52</sup> In this phase the primary recipients are assessed for their ability to disburse funds within a stipulated time, their capacity and financial management, and their submission of a work plan with specific targets to ensure future performance assessments. In addition, Bank staff pay careful attention to the existence

of an established monitoring and evaluation system that demonstrates the primary recipient's ability to monitor programmatic indicators.

*To select subrecipients in each country, varying and detailed lists of criteria are used. The lists do not feature past performance assessments of the health sector or HIV/AIDS programs; instead they focus on institutional capacity and areas of HIV/AIDS expertise.* In Mozambique the stated criteria for selecting subrecipients (table 4.1) were inconsistently applied across different subrecipient organizations—reportedly because of a general lack of capacity to implement HIV/AIDS activities:

For the selection of subrecipients in the Uganda MAP project, the main criteria focused on ensuring that entities (particularly at the district and community levels) had an established coordination structure and the basic monitoring capacity to use the MAP project's reporting templates.

“At that time [2004], there were few organizations that had the capacity to implement the HIV/AIDS activities; so all the organizations that showed interest to be involved were welcome; CNCS [O Conselho Nacional de Combate Ao HIV/SIDA, the national AIDS council] opened a space for them to be recipients of the funds.”

—Subrecipient organization staff,  
Mozambique

“[We] provided the districts with guidelines and the minimum was first to have a coordination structure, prepare a work plan that is within implementers' mandate. They had to fit within the project design. Otherwise we would leave them to be innovative and see how to go about it.”

“We would ask, ‘What is [the implementers'] mandate?’ For agriculture we would not expect to see them setting up [tuberculosis] treatment centers. That is beyond their mandate and capacity.”

“Admittedly the communities really didn't have the basics. . . . By and large the observation was that the [monitoring and evaluation] systems were generally weak. So our outlook was to support them—but not use the absence of the [monitoring and evaluation] systems to exclude them from funds. Because, if we used that criteria, then perhaps all will have fallen out of the bandwagon. We acknowledge that the culture of [monitoring and evaluation] was not something across the board. I mean it's something we have had to accept.”

—Primary recipient staff, Uganda

51. See the account on the World Bank website (<http://go.worldbank.org/I3A0B15ZN0>).

52. According to World Bank procedures, the host country government prepares a project proposal, which can take from a few months to three years. Bank staff support the process by offering analysis and advice where needed. The Bank then studies and addresses the technical, institutional, economic, environmental, and financial issues facing the project—including considering whether alternative methods exist to achieve the same objectives. Once the proposal is complete, the Bank assesses it, often visiting the country to do so, and a project appraisal document is prepared. The terms or conditions of the loan are then negotiated between host country officials and Bank staff, and the project is submitted to the Bank's board and host country government for approval.

## How are performance indicators and targets set?

*The MAP gives national governments the opportunity to set and own their targets at the primary recipient and subrecipient levels, promoting country ownership and accountability. At the country and primary recipient levels, targets are set for one year through a joint appraisal exercise between local authorities and the World Bank preparatory team.*

Government officials and the preparatory team identify specific HIV/AIDS problems, funding gaps, and existing implementers in the country. They jointly use those findings to come up with activities, indicators, and targets. Indicators are generally aligned with those in national strategic plans.

In Mozambique the World Bank carried out an appraisal before negotiating a project, in large measure to ensure agreement with country-level counterparts on targets. The Bank conducted the appraisal together with the Ministry of Health and the national AIDS council. Mozambique's government endorsed the appraisal. The project appraisal document cites key indicators that will be used to assess the project's performance against its set targets.

The project appraisal document makes it clear that the World Bank will follow the targets and indicators defined in Mozambique's National Strategic Plan to Combat HIV/AIDS and Sexually Transmitted Diseases (PEN).<sup>53</sup> For PEN I implementation, however, the national AIDS council did not develop specific indicators. According to the National Strategic Plan to Combat HIV/AIDS and Sexually Transmitted Diseases for 2000–02, "The program monitoring indicators for [the National Strategic Plan] at the national level are related to the fulfillment of strategic aims, mainly in the areas of quality and coverage. Regional and provincial indicators will be included subsequently."<sup>54</sup> A detailed analysis of PEN I makes it possible to identify a list of specific annual targets following National Strategic

53. World Bank 2003, p. 2.

54. Government of Mozambique 2000.

**Table 4.1 The Multi-Country AIDS Program's selection criteria for subrecipient organizations**

Mozambique	Uganda	Zambia
<p>The minimum criteria for selection were:</p> <ul style="list-style-type: none"> <li>• Official recognition by local governments (district administration).</li> <li>• Proven experience in the implementation of community development projects and programs.</li> <li>• Proven experience in the implementation of HIV/AIDS projects and programs.</li> </ul>	<p>Each district and line ministry was expected to:</p> <ul style="list-style-type: none"> <li>• Submit a proposal and work plan.</li> <li>• Open a separate bank account.</li> <li>• Appoint an HIV/AIDS focal person.</li> </ul> <p>National-level civil society organizations were selected through competitive bidding.</p> <p>District-level civil society organizations prepared plans as part of the district plans.</p> <p>Community groups were selected by verifying:</p> <ul style="list-style-type: none"> <li>• Their existence in an organized community.</li> <li>• The existence of adequate capacity to implement and account for activities.</li> <li>• The eligibility of priority activities in the proposal.</li> </ul>	<p>Each subrecipient was required to:</p> <ul style="list-style-type: none"> <li>• Be registered with the Registrar of Societies.</li> <li>• Have a constitution.</li> <li>• Have proven skills in the areas of interventions.</li> <li>• Have skilled human resources available to carry out the work.</li> <li>• Have links with district governance and coordinating structures.</li> <li>• Have audited accounts for the past two years—though exceptions could be made for a nongovernmental organization that could demonstrate a valid accounting system.</li> </ul>

Source: Authors' compilation based on data described in the text.

Plan priorities, essential activities, and general strategies, with specific objectives defined for each general strategy.

In Uganda preparation for the MAP was based on the project proposal submitted to the World Bank for financing in 2001. The proposal envisaged a set of performance targets (objectives) to be achieved by the end of the project in 2006.

According to the Zambia National Response to HIV/AIDS Project, the World Bank's performance targets for Zambia were established at the preparatory meetings where the Bank, other funding agents, and government and nongovernmental organizations met. At those meetings the preparatory team identified specific HIV/AIDS problems, funding gaps, and the existing implementers in Zambia. On the basis of their findings, the team came up with activities and targets.

*Subrecipient organizations set their own targets, tailored to their capacities and their needs on the ground—but they often do so without full knowledge of the costs, leading to unrealistic targets and poor performance*

**MAP projects were encouraged to begin implementation as quickly as possible to respond in an urgent fashion**

*against those targets.* Community support through the MAP in Uganda was designed to reach small community-based groups to involve them in tackling HIV. These groups were supported in preparing and finalizing their own subprojects. The recipients considered their capacity to implement eligible program activities in the project, and they proposed activities and output volumes they thought they could manage.

Although such an approach increases program ownership by implementers, it can suffer from the inexperience of stakeholders. Excitement about grant prospects seems to have driven many community groups, not knowing the likely costs of their proposed activities, to set unrealistically ambitious targets. In the words of one MAP project executive: “We dug out the various stakeholders and sat down. ‘Where would you like to be? What is possible given the available funds?’ But I can tell you: some were unrealistic and too easy to achieve, and many were impossible, while there were a few that were realistic.”

*There were often no baseline measures—or such measures were introduced later, when the project was well underway. This may have occurred because MAP projects were encouraged to begin implementation as quickly as possible to respond in an urgent fashion, and conducting a household survey to obtain baseline estimates is time-consuming.* In Uganda indicators and targets were revised in the third year of the project after a midterm evaluation. For the evaluation, household surveys were undertaken for the first time in the 30 districts that the MAP project supported, yielding “baseline data” specific

“At midterm, it was also agreed that the project become more focused and emphasis was placed on: (a) behavioral change communication; (b) access and coverage of quality services for HIV/AIDS; and (c) capacity building for implementation of HIV/AIDS interventions at community, district, and national levels.”

—Uganda AIDS Control Project (2006)

to those districts. After the evaluation the MAP project was revised to reflect the new realities on the ground and the need to change the project’s focus and indicators.

*The difficulty of measuring outcome indicators—both at baseline and for later progress—limits performance assessments to input and output measures. MAP project outcome indicators are not clearly linked to the administrative data (mainly output data) collected each quarter.* Outcome performance indicators were identified in all three countries, but in practice performance assessments relied on input and output measures. For example, although project indicators in Uganda focused on outcomes, performance monitoring focused largely on outputs. Without proper baseline measures it

“These are complex projects and I think one of the problems was that there were no baselines at the beginning, and usually to set targets you have to have a baseline. When you don’t have a baseline and you begin saying you expect to increase something by 50 percent, it becomes too heavy. That was one of the problems—the absences of baselines in many of the objective indicators.”

—MAP primary recipient staff, Uganda

“[A nongovernmental organization] would say, ‘We are going to provide home-based care support to 200 people living with AIDS in location X, and there are 20 homes.’ And so we would look for evidence that those 200 people living with AIDS have received home-based care, and those homes must be identified. So they would write a report and then somebody through the district monitoring and evaluation system would go and verify that. For example, if they said they are going to train peer educators, we would look at the module to be used, the peer educators that have been trained, and the duration of the training. So really we were using output indicators.”

—MAP primary recipient staff, Uganda



is impossible to compute how outputs translate to a given outcome measure (one would need to know the size of a district's eligible population, for instance, before one could determine the outputs that would achieve 70 percent coverage of that population).

A primary recipient organization in Zambia reported its key performance indicators as input and output indicators. And it emphasized the importance of output data in the World Bank's performance assessment (box 4.2).

### How are performance data collected and used?

*Performance data, consisting of both financial outputs and program outputs, are collected systematically from subrecipient organizations' reports to primary recipient organizations.* Reported input and output data are used to assess performance. Funding data are used to show that primary recipient organizations and subrecipient organizations have spent funds and carried out planned activities. The World Bank gives high priority to disbursement rates when assessing performance; recipients with higher disbursement rates receive additional funding. According to a primary recipient in Zambia, the Bank has an electronic monitoring system that provides it with up-to-date information on the flow of funds. For example, through the system the Bank identified line ministries with low disbursement rates and reallocated their funds to more active primary recipients.

*Subrecipient organizations report performance data to primary recipient organizations, often on a monthly basis.*<sup>55</sup> Primary recipients collect performance data from subrecipient organizations routinely—often monthly—on templates provided by the World Bank. Those data are aggregated at the national level by Bank project staff in charge of their different constituent sectors (local and district government, civil society

55. MAP reporting is officially quarterly. But the MAP project office in Uganda, for example, encouraged monthly reporting to reduce the risk of delays in the submission of quarterly reports.

#### Box 4.2 Key output performance indicators for MAP recipient organizations in Zambia

- 350 community initiatives by 2008.
- Availability of counseling and testing services increased by 2008; number of peer educators and trainers of trainers also increased by 2008.
- Number of districts with functioning HIV support groups increased to 25 by 2008.
- Number of orphans and vulnerable children attending school before and after projects in beneficiary communities increased 10 percent by 2008.
- 30 functioning District AIDS Task Forces established for sensitizing, appraising, and coordinating HIV/AIDS prevention and care activities by 2008.

organizations, sector ministries, and community-led HIV/AIDS initiatives).

*Primary recipients submit progress reports and financial monitoring reports to the World Bank quarterly to assess project performance against set targets.* To assess performance, the Bank staff look at the proportion of set targets that have been met and at how much funding has been disbursed.

*Reported data are further verified by independent data audits and by supervision teams that conduct two or more review missions each year.* To have a hands-on review of project performance, in addition to the financial monitoring reports, the World Bank, project staff, and government staff conduct review missions to all project recipients, including communities, national AIDS councils, line ministries, and the ministry of health.

Each year's review mission can have a different focus. For example, a recent review mission in Mozambique focused on key drivers of the epidemic: "In the last mission we concentrated a lot on the way CNCS [*O Conselho Nacional de Combate Ao HIV/SIDA*, the national AIDS council] is addressing HIV/AIDS in Mozambique, we discussed a lot [of] issues of the key drivers of the epidemic, and we made suggestions on how, in our view, CNCS should play a role in guiding the actions."<sup>56</sup>

56. World Bank country staff member, personal communication, 2007.

**The World Bank ensures transparency in the MAP by sharing the report from the review mission with primary recipients and other stakeholders, but it does not publish such performance assessments as public documents**

Although a key informant for the national AIDS council has suggested that review missions occur quarterly, we verified through case studies that the national AIDS council's monitoring and evaluation unit very rarely organizes visits to subrecipient organizations for monitoring the development of project activities. No explicit procedures determine the objectives, content, or periodicity of such visits. For example, one subrecipient organization was visited five times in less than two years of project implementation, but another was visited only three times in three and a half years.

*The World Bank ensures transparency by sharing the report from the review mission with primary recipients and other stakeholders, but it does not publish such performance assessments as public documents.* The report, called an *aide mémoire*, comments on the country's progress in its response to HIV/AIDS. It includes a description of results by component (program or financial) and provides recommendations on further actions to sustain improvements in project implementation.

*The project in Uganda also reported the use of lot quality assurance surveys to collect district data.* While such surveys provided districts an opportunity to collect a good deal of relevant data for the first time, they are not feasibly conducted each year for the purpose of assessments for performance-based funding.

*Following an imprest system of financing for community-based subrecipients, upstream reporting to the World Bank on financial and performance progress (outputs) is supposed*

*to trigger disbursements.* Implementers are expected to carry out a certain percentage of the activities for which money has been disbursed before the next disbursement can take place. In Uganda performance was assessed against outputs in line with work plans and disbursed funds: for example, implementers were expected to carry out at least 50 percent of the activities for which money had been released before additional funds were disbursed. As the project drew to a close, implementers were expected to use 80 percent of the funds to be eligible for replenishment of their bank accounts.

Reporting procedures in Mozambique varied. In some cases, a financial monitoring report was to be submitted on a monthly basis. In others it was to be submitted after 80 percent of the first installment was spent, after 30 percent of the total approved amount had been spent, or when two-thirds of the project timing had expired. In practice, however, progress and financial reports are presented after 80 percent of the first installment is spent. Report submission is a condition for the next disbursements.

*Complicated reporting formats and weak subrecipient capacity can cause difficulties and delay the submission of reports to the primary recipient and to the World Bank.* Interviews with some MAP funding subrecipients in Mozambique revealed difficulty understanding national AIDS council report formats for MAP-funded programs: the required information is repetitive, and the progress report includes financial information that also must be presented in the financial monitoring report. In an interview, one official in the national AIDS council's monitoring and evaluation

“There must be reasonable evidence that the organization can perform an agreement; then we advance the first installment—say 50 percent. Now if we are giving the next installment of 50 percent, there must be evidence that the organization has performed with the first installment and there is clear evidence that they have actually delivered. There must be a report showing that they have reached deliverables and then we give the next installment. That was our understanding of performance-based disbursement. There must be original evidence that you can perform, we give you the first advance, and then you prove that you have actually performed. Then we give the other installment.”

—MAP primary recipient staff, Uganda

“There was a high turnover of [district focal persons] involved in HIV/AIDS activities, necessitating training new ones. Only 8 out [of] the 30 districts had one [district focal person] throughout the entire project period.”

—Uganda HIV/AIDS Control Project (2006)

unit suggested that the unit’s very weak reporting capacity is the main obstacle to its attempts at collecting subrecipient data.

A similar situation was reported in Uganda, where many MAP project districts did not have the staff required for needed community-level support. One significant constraint was high turnover among the district focal persons responsible for coordinating district-level implementers. Because no established position exists for an HIV/AIDS district focal person, any duties performed in this capacity are in addition to the work required by the focal persons’ formal positions.

*Early warning systems signal poorly performing grants and ensure that technical support is available to subrecipient organizations in need.* Where performance is poor, World Bank staff try to identify causes and provide assistance. Possible cases of mismanagement are probed. The funds are delayed and are then released if performance improves. For continued poor performance, or for mismanagement, funds are stopped altogether—but that is done only at the national level, not at the subrecipient level.

### **What is the role of performance in decisions about continued funding?**

*Disbursements are made partly in response to performance, defined as the achievement of output targets set for a given quarter.* In Mozambique poor performers were identified—such as the national AIDS council, which disbursed less than 50 percent of its funds, and the Ministry of Women and Social Affairs, which disbursed just 10 percent of its funds—but funding was never terminated or reduced.

“Reasons [for stopping funding] were poor accountability and low incidence of outputs. But again we have to be very careful. Sometimes you have low performance where you have a service monopoly. I mean like only one hospital is supposed to offer a service for an area. You would rather go and solve the problem. That would apply mainly to the public sector. Other than having a whole district losing money, you go and find out where the root cause [of poor performance] is. Very interestingly, sometimes we would find accountability was done but the Internal Audit [office] had not yet endorsed it, so it’s somewhere collecting dust on the shelf—things like that, the [chief accounting officer] is taking his time to send it forward or usually a lazy focal person who has just not bothered to bring forward the accountabilities. Sometimes accountabilities have just not been done, or they have big problems with their accountabilities, in which case you may have to look for legal ways of addressing it.”

—MAP primary recipient staff, Uganda

In Uganda funding for poor performers—those that performed less than 50 percent of their activities—was in some cases stopped. In other cases the funding was delayed, but was then continued because the implementer, usually in the public sector, had a monopoly on providing project services. (Examples included condom distribution, voluntary counseling and testing, and treatment for sexually transmitted infections.)

The key primary recipient organization in Zambia acknowledged that early in the project funding for a few projects had been terminated because of poor performance. But it considered that the causes of poor performance had been corrected through a learn-by-doing approach, increased in-service training, links with competent local organizations, and regular supervision.

*In addition to assessing performance on the basis of progress against set targets, other important determinants of continued or*

**MAP disbursements are made partly in response to performance, defined as the achievement of output targets set for a given quarter**

**MAP performance criteria are linked to national priorities in that they use the indicators in each country's national strategic framework**

“Delayed funding and stopped funding were there. But also we had to do a lot of technical support supervision to ensure that the monies are absorbed. It also falls back on us if we are not able to disburse money, and the good news is that with all our efforts we have been able to disburse over 99 percent of the project fund in time, which I think was quite great.”

—Primary recipient staff, Uganda

*follow-on funding to MAP recipients include disbursement rates and timeliness in meeting expenditure goals.* All three countries reported that the MAP used such supporting measures to assess recipient progress. In Uganda, although performance gaps caused some delays in the disbursement of funds, few grants were terminated. Interviews revealed that the World Bank was assessing the MAP project office for its ability to manage and disburse project funds. Delays in disbursement, or the outright cancellation of grants to poor performers, would compromise the objective of speeding up the expenditure of funds.

A country assistance strategy lays out additional criteria for deciding whether to award funds to a country or primary recipient organization. A key primary recipient in Zambia noted that transparency, good governance, and accountability are important to the World Bank's decisions about continued funding.

**Are performance policies in accordance with host country priorities and procedures?**

*MAP performance criteria are linked to national priorities in that they use the indicators in each country's national strategic framework.* MAP performance indicators in all three countries studied are drawn from the proposal and plan written by the World Bank country team, which includes stakeholders. In Mozambique the Bank participates in the official harmonizing and coordination mechanisms of the national AIDS council as part of the monitoring and evaluation group. The Bank has a specific role: to support putting the council's monitoring and evaluation system into practice.

In Uganda the MAP maintains its own reporting format based on the activities it will

fund. In Zambia the ZANARA/World Bank reporting requirements are aligned with national AIDS council systems. For example, ZANARA uses the national AIDS council monitoring and evaluation reporting system.

*MAP reporting requirements are partly aligned with monitoring and evaluation systems and requirements at the subrecipient level.* At the subrecipient level in Uganda, a MAP project may have its own reporting format based on the activities it will fund. Because some indicators are not covered in the Ugandan government's health management information system, recipients must collect additional data for those activities. (Before the MAP project in Uganda started, no comprehensive system existed for collecting data on HIV/AIDS activities in the country that were outside the health sector, such as support for orphans and vulnerable children.) In addition, where a MAP subrecipient organization is also supported by other funders, the need to complete a separate reporting form for each funding organization leads to double reporting of activities and expenditures.

**How does a performance focus affect the distribution of donor resources?**

*The MAP's funding approach favors organizations with the capacity to achieve program performance goals and to meet expenditure goals in a timely fashion, with timeliness receiving the greatest emphasis.* The need to concentrate funding among certain recipients, not across the country, can be understood as a performance-based imperative to achieve outputs. This comes at the cost of a more equitable distribution of funds.

In Uganda the project initially intended to cover all 56 of the country's districts. Realizing that such a plan would spread its resources too thin, it then decided to fund only 30 districts.<sup>57</sup> The districts that first presented their work plans were the districts funded. All regions—except the insecure Northern Region, which was not well represented because of the civil conflict—were covered to almost the same extent. Uganda's more rural districts also may have benefited less than its more urban districts. In Zambia the activities conducted by line ministries are concentrated in urban areas and in the more accessible rural areas. At the community level the distribution of funds is determined by the distribution of officers who facilitate performance data collection.

"All four regions were well represented. We had 30 districts in all. Eight in the west; we had about eight or nine in the east and again about the same number in the central. Also three districts in the north, but proportionally they are not that few, but also you have to know it was difficult to establish services there because of the insurgency."

—MAP primary recipient staff, Uganda

## Recommendations to the World Bank's Multi-Country AIDS Program for Africa

*Clarify how performance is to be used in funding decisions, and apply the resulting guidelines consistently across all MAP projects.* Our research indicated that MAP recipients, and other country-level stakeholders, do not know exactly how the World Bank uses performance data when making MAP funding decisions. While the Bank's status as a development bank may affect the degree to

57. The creation of new districts also complicated matters; it was difficult to figure out how to spread out limited resources further, and it was difficult to deal with the newly created, generally low-capacity district governments.

"If you get more critical you will see that most of the projects we supported were established in the old districts of the past. The new districts didn't get enough support from us, and these districts tend to be more rural. So, in that sense you can say it was more acute in the old districts than in the new ones."

—MAP primary recipient staff, Uganda

which performance can be used as a funding criterion,<sup>58</sup> the World Bank should clarify, in writing, exactly what role programmatic performance plays in its funding decisions—in both decisions to sign grant and loan agreements and to make individual disbursements during the grant or loan. The Bank should then apply these criteria systematically to all MAP funding decisions.

*In performance assessments, balance the emphasis on high disbursement rates with the achievement of programmatic targets.* The MAP should give recipients an incentive to achieve programmatic targets—not just financial targets—by increasing the importance of programmatic achievement relative to that of disbursement rates in its funding decisions. The World Bank's careful review and auditing process now gives more attention to performance in the financial management of funds than to outcomes—or to impact on HIV/AIDS.<sup>59</sup>

*Release performance targets and assessment results for each recipient on an ongoing basis.* The World Bank does offer some opportu-

58. Some World Bank officials interviewed for this report noted that the Bank takes a longer-term view of performance; it is concerned more with outcomes achieved over the course of a project than with specific outputs achieved during the project. Bank officials also noted that the Bank's articles of agreement affect the extent to which they can use performance in assessing whether to sign a MAP agreement. Regardless of such considerations, the MAP should clarify its use of programmatic performance. Details on the Bank's articles of agreement are available at <http://go.worldbank.org/0FICOZQLQ0>.

59. This is not to deny the link between the two categories. For instance, the fact that a recipient does not meet financial targets—such as disbursing a certain amount of money by a certain date—can provide important hints about whether the grant is meeting its programmatic targets.



nity for key stakeholders to examine its programs, but it could take further steps to make data about its programs widely available. For example, the World Bank prepares and shares an aide mémoire with stakeholders after each review mission, but this *aide mémoire* is not easily accessible by observers who have not

directly received this *aide mémoire*. The MAP and its recipients should publish performance reports and disseminate them widely, including on the World Bank website. Such publication and dissemination would improve the credibility, transparency, and accountability of the Bank's programs.



# 5

## Cross-donor issues

**The actions proposed here are among the most crucial steps that the big three donors can take to ensure that their performance-based funding approaches are contributing to effective national AIDS responses**

Several aspects of performance-based funding require donors to take collective action for improvement. They include:

- The types of targets used to measure performance
- How performance data are collected
- The quality of the data collected
- Consistency among donors' performance policies.

This report has highlighted the different approaches to funding decisionmaking and their link (or lack thereof) to performance measures employed by the big three AIDS donors: PEPFAR, the Global Fund, and the World Bank MAP. Here we analyze issues relevant to all three donors and offer recommendations for collective action to strengthen the approaches of all three.

Acting on this chapter's recommendations will not be easy. Indeed, collective action is likely to be much more difficult than acting on the preceding chapters' recommendations to individual donors. Nevertheless, the actions proposed in this chapter are among the most crucial steps that the big three donors can take to ensure that their performance-based funding approaches are contributing to effective national AIDS responses.

### **What are the targets used to measure performance?**

*Each donor has its own country-level targets to measure progress. Some donor-specific indicators are aligned well with the indicators in national AIDS plans and monitoring and evaluation frameworks; others are not.* The Global Fund asks recipients to develop indicators to measure performance. Those indicators typically correspond to those in national AIDS plans and monitoring and evaluation

frameworks. The World Bank consults with governments to generate national targets, which also are generally aligned with national plan indicators. PEPFAR, though, has national targets related to treatment, prevention, and care that must feed into global-level targets mandated by the U.S. government—so its national targets are not always compatible with national plan indicators.

*All three donors use national performance targets that mostly measure outputs. They only occasionally measure outcomes, and they rarely measure impact.* Global Fund grants typically include outcome and impact targets—but such targets were rarely reported on in Mozambique, Uganda, or Zambia.<sup>60</sup> In practice, performance reporting focuses largely on output measures. PEPFAR's national targets are all outputs. The MAP has outcome targets for its projects, but, because of a lack of available data, it often relies on output measures for performance reporting.

*Donors rarely invest in collecting baseline data. The lack of such data limits reporting on outcomes and impact.* Reporting on changes

60. The Global Fund states that, in many countries, impact targets are increasingly being measured during the late stages of grants. That did not seem to be the case in the three countries studied for this report.

“... there is too much data being collected. For example, 15 data elements and each has to be manually disaggregated by male/female and by three age categories. They have to aggregate by those under 5 years, those 5 to 18 years, and those above 18 years. It is too much work and prone to errors. The other issue is the poor capacity of records assistants.”

—Ministry of Health staff, Uganda

in outcomes or impact from AIDS programs is not possible without a clear “before” picture against which later progress can be measured. Such a “before” picture requires collecting data on metrics such as population figures, HIV prevalence, and access to services by particular subpopulations (orphans, pregnant women). Because the big three donors rarely fund the collection of baseline data before their primary recipients begin program activities, it is difficult for them to measure outcomes or impact.<sup>61</sup> For example, in Uganda the World Bank realized halfway through the grant that it could not use its original indicators for reporting because no baseline data had been collected. The indicators had to be revised, and a system of lot quality assurance surveys had to be established to remedy the problem. PEPFAR has so far done the most to collect baseline data, supporting Demographic and Health Surveys or AIDS Indicator Surveys in all of its focus countries, although these do not always capture all of the important data, such as HIV testing rates.

### **Do donors use national monitoring and evaluation systems to collect performance data?**

*All three donors have reporting requirements that are separate from, or additional to, the national monitoring and evaluation systems*

61. None of the donors has policies that would prohibit collecting baseline data; some donors, such as the Global Fund, explicitly state their willingness to fund baseline data collection. Nonetheless, little evidence suggests that any of the donors has supported baseline data collection in the three countries studied. Even where donors have done so, such as in Mozambique, host country governments may be unwilling or unable to carry them out because of capacity constraints.

*overseen by host country governments.* As part of its broader health management information system, each of the countries studied has a system of reporting on results whereby program implementers in each district report on program results to district government officials; those officials then pass the information up a reporting chain until it reaches the ministry of health or national AIDS council. Although the donors—especially the World Bank, and to a lesser extent the Global Fund and PEPFAR—do use some data from those reporting systems, each donor requires primary recipients and subrecipients to comply with its own reporting requirements. Such requirements are often viewed as additional reporting structures that impose an undue burden on recipients—especially because some of the data collected are duplicative.

*The donors are reluctant to rely more heavily on national monitoring and evaluation systems because of weaknesses in these systems.*

In each of the three countries studied, a wide range of informants recognized significant weaknesses. Such weaknesses varied by country. The most common included, first, poor reporting compliance by health facility staff—who may have a poor understanding of processes or lack the capacity to sustain heavy reporting demands—and second, the inability to avoid double reporting of a single result by different implementers. PEPFAR, the Global Fund, and the MAP typically responded to such shortcomings by establishing their own reporting procedures—though all, to various degrees, have provided funding and other support to strengthen country monitoring and evaluation systems.<sup>62</sup>

*Donors also hesitate to use monitoring and evaluation systems, preferring to track results of their particular grants rather than results from a larger pool of funds tracked by national*

62. In contrast, some other donors chose to operate entirely within the national monitoring and evaluation system. In Mozambique, for example, most donors operate within the health sector-wide approach. See Dickinson and others (2007).

systems. Both the Global Fund and the MAP have shown some willingness to forgo such direct attribution. In Mozambique these two donors have entered a common donor funding pool, agreeing to accept performance indicators that monitor overall progress achieved with money from the common fund—though the Global Fund still requires that its own specific reporting forms be completed. The Global Fund has also been moving away from direct attribution more generally, allowing its recipients to report on targets that are being achieved using more than one funding source. PEPFAR, however, requires all primary recipient organizations to complete PEPFAR-specific reports—largely because it must report standard worldwide results figures to the U.S. President and Congress.

### **What is the quality of performance data?**

*Concerns have been raised about the quality of the data that are being used to report on performance to all three donors.* Although each donor tries to examine the data submitted by its recipients closely, some challenges to data quality are difficult to address under the reporting regimes now in place. The most common problem with data quality is double reporting—when two recipients take credit for serving the same patients (making a donor’s funds seem to have helped twice as many people as they have) or when more than one donor supports the same recipient and each attributes the recipient’s results to itself (making each donor seem to have supported more beneficiaries than it did). As a result of these quality concerns, PEPFAR, the Global Fund, and several other partners have recently developed a full data quality audit tool to verify the existence of appropriate data management systems and the quality of reported data for key indicators.<sup>63</sup>

63. For details, see the document on full quality data audits, available at [www.cpc.unc.edu/measure/tools/monitoring-evaluation-systems/data-quality-assurance-tools/dqa-auditing-tool-implementation-guidelines.pdf](http://www.cpc.unc.edu/measure/tools/monitoring-evaluation-systems/data-quality-assurance-tools/dqa-auditing-tool-implementation-guidelines.pdf).

*The performance reports submitted to donors rarely address the quality of services or the continuum of care.* Donors have largely relied on quantitative measures when reviewing recipient performance.<sup>64</sup> Such measures, though countable, miss important qualitative considerations. For example, if a recipient merely reports the number of patients placed on antiretroviral drugs, that information tells nothing about the physical state of clinics, the kind of counseling offered to patients, whether nutritional supplements have been provided, and the like. Recipients might therefore have an incentive to prioritize quantity over quality. Similarly, recipients might lack any incentive to offer a full continuum of care, because offering a package of integrated services—such as voluntary counseling and testing with treatment and care—could limit their ability to achieve high quantitative results in a given service area.

### **What are the effects of discordant donor policies on performance-based funding?**

*Where donor money is abundant, different performance approaches used by the donors can reduce, or even negate, the incentives created by a particular donor’s performance-based funding approach.* When one donor’s performance policies are more stringent than the others, a recipient may choose to seek funding from other donors rather than comply with the more stringent policies. The Global Fund grant in Uganda is an example. The Global Fund stuck to its stated performance-based funding principles, and because grant progress was slow, its disbursements were unpredictable. That made Global Fund money less attractive to prospective subrecipients—especially since large amounts of money were being made available through PEPFAR.<sup>65</sup> When the

64. Certainly, some exceptions to this rule exist. In Uganda, for example, the World Bank’s task team leader for the MAP noted that several qualitative studies were undertaken to assess the performance of the MAP project.

65. The Global Fund’s performance-based funding can make its disbursements to subrecipients seem unpredictable because primary recipients get new disbursements only after

**The performance reports submitted to donors rarely address the quality of services or the continuum of care**

**Donors should begin moving away from requiring results that can be directly attributed to their own funding**

Global Fund temporarily suspended its grant in Uganda, many of its subrecipients became disillusioned with Global Fund processes. Rather than seek more Global Fund money when it became available again, some subrecipients decided to rely more on PEPFAR funds, which were perceived to flow more quickly and predictably.<sup>66</sup> One of this study's key informants, the former head of a large Ugandan nongovernmental organization, noted that he refused an offer of Global Fund money because its requirements were too cumbersome and he preferred to implement his programs using PEPFAR money.<sup>67</sup>

**Recommendations to all three donors**

The recommendations in this section focus on the big three global AIDS donors. Making the recommendations effective, however, will require concerted action by various other in-country stakeholders—in particular, governments.

*Try to assess primary recipients' performance without requiring direct attribution, following the example set by the Global Fund in Mozambique.* Donors' recipient organizations often implement programs using money from more than one source—but are typically required to disaggregate results, so that each funder can see the results achieved with its particular contribution. Such disaggregation creates a significant administrative burden for recipients. Moreover, it adds little value to assessments of recipient performance; in most cases looking at overall results should suffice.

Donors, therefore, should begin moving away from requiring results that can be directly

their performance has been demonstrated. Although primary recipients might understand why disbursements come at irregular intervals, that information is not always conveyed to subrecipients, who therefore might find it difficult to know when and why the primary recipient will make new funds available for disbursement.

66. Ssegooba and Ekirapa 2008, pp. 49 and 58.

67. Personal communication with key informant in Uganda, April 8, 2008.

attributed to their own funding. The Global Fund has moved in this direction, allowing recipients to report on targets that are being achieved using multiple funding sources.

If donors want to report on results achieved specifically with their funds, they should find alternatives to requiring separate reporting. For example, a donor could take credit for a percentage of results equal to the share of a recipient's total funding that it contributed.<sup>68</sup> The Global Fund has already adopted such an approach in Mozambique. All three donors would do well to try that model in other settings.<sup>69</sup>

*Establish common national outcome targets—and commit to measuring progress against those targets regularly.* Using outcomes as performance measures will lead both donors and recipients to focus more directly on increasing the percentages, rather than the absolute numbers, of the population that have access to particular HIV services.

To measure performance in particular geographic regions for the overall AIDS response—rather than for activities linked to specific funders—outcome targets are most appropriate. In some countries, such outcome targets may already exist, either in national AIDS and health plans or elsewhere. Where they do not exist, donors should work with governments and other country stakeholders to agree on a common set of outcome indicators and targets. Common outcome indicators make all performance policies—those of governments, those of donors, and those of other funding sources—more likely to reinforce each other. They do so by creating an incentive for recipients to

68. For example, if PEPFAR wanted to report to the Office of the U.S. Global AIDS Coordinator about the results it had achieved by funding the Churches Health Association of Zambia (CHAZ), and if PEPFAR contributed 40 percent of CHAZ's total budget, then PEPFAR could claim 40 percent of the people that CHAZ has put on treatment, 40 percent of the orphans that CHAZ is supporting, and so forth.

69. This does not mean that donors should provide all their funding to public sector common funds. Donors can and should continue to fund civil society. But, regardless of the recipient type, the donors can move away from direct attribution and toward measuring contribution to overall results.

work toward achieving a single, clear, set of outcomes.

Once common national outcome indicators and targets are established, the key challenge will be to ensure that all stakeholders—donors, governments, civil society groups, and others—regularly collect the data needed to measure progress against the targets. Donors can make that much more likely to happen by funding data collection, which often comes with high costs.

*Ensure that baseline data are collected.* The discussions between donors and country stakeholders about national outcome targets should include specific plans to collect baseline data—including an agreed-on time interval for collecting the data to measure each indicator (annual, semiannual, and the like).<sup>70</sup> Plans can build off existing efforts by PEPFAR to support national Demographic and Health Surveys and AIDS Indicator Surveys.

*Link output targets for individual grants to national outcome targets—using evidence to do so.* To measure individual recipient performance, donors will likely continue to use output measures. Such measures are entirely appropriate. But to ensure that recipients' outputs will contribute to achieving national outcomes, donors should work with recipients to choose output metrics that past research has shown to lead to the desired outcomes. For interventions where little evidence exists on links between outputs and outcomes, donors should support research investigating such links.<sup>71</sup>

*Create appropriate measures based on realistic expectations about the type of data that can be collected. Do not base performance assessments on metrics for which data cannot*

*be obtained.* Research for this report uncovered more than one instance of donors and recipients agreeing on performance metrics that proved ineffective because the data needed to track them could not be collected through existing reporting structures, such as country health management information systems. Donors and recipients should ensure that all performance indicators used to assess grants can be properly monitored through existing systems, through newly established systems (but preferably not parallel ones), or through special data collection exercises (such as population-based surveys).

*In the short term, improve donor-specific data collection systems with simultaneous inputs to strengthen the national health information systems. Over time, move away from such donor-specific systems and rely increasingly on strengthened national reporting systems.* All three donors—especially PEPFAR, but also (to a lesser extent) the Global Fund—have established donor-specific reporting systems to collect some or all of the performance data they require. Such systems increase the burden on recipients, create coordination challenges, and undermine national systems. But, because of weaknesses in existing national data collection systems (such as health management information systems), the donor-specific systems persist.

Donors should increase efforts to strengthen country reporting systems so that over time they can increasingly rely on such systems rather than on their own reporting structures.<sup>72</sup> Meanwhile, donors should take steps to improve the data reported through their donor-specific systems—for example, by contracting with organizations that can help validate such data. (PEPFAR's use of MEEPP in Uganda has demonstrated impressive results; the Global Fund's use of local fund agents has also helped improve reporting.)

**To ensure that recipients' outputs will contribute to achieving national outcomes, donors should work with recipients to choose output metrics that past research has shown to lead to the desired outcomes**

70. In addition to being used for outcome indicators, baseline data could also support impact evaluations.

71. Such research could be incorporated in existing grants or pursued independently of these grants. See Adam and Gunning (2002) for more on performance-based funding when the links among inputs, outputs, and outcomes are uncertain.

72. The Global Fund recommends that all grant recipients use 5–10 percent of the total grant budget to strengthen monitoring and evaluation systems, but recipients do not seem to be regularly heeding this advice.



# 6

## Performance-based funding: doing more with less?

**Performance-based funding is one tool available to donors to ensure the greatest value for their money**

Large increases (from current levels) in global funding for HIV/AIDS are unlikely to occur in the near future. A combination of the global economic crisis and growing resistance to the dominance of AIDS on the global health agenda are forcing AIDS programs to adjust to a more resource-scarce funding environment. For example, PEPFAR, after seeing funding nearly triple from 2003 to 2009, now faces a leveling off of funding, at least for FY 2010 and 2011. The Global Fund has had to make “efficient cuts” and delayed funding to approved grants for rounds 8 and 9. At the same time and with the same amount of money, donors are being called on to respond to broader global health objectives, including strengthening the health system at large. This means that the donors will have to do more with the funding they have. Performance-based funding is one tool available to them to ensure the greatest value for their money.

While challenges to implementation of performance-based funding exist, it can help ensure that the best programs are given continued and increased resources (and the failing ones are not) and that program managers have the clearest incentives to perform at a high level. Especially in the face of new funding constraints, HIV/AIDS donors should seriously consider putting in place or improving the structures and procedures that are necessary for a system that successfully ties funding decisions to programmatic results. For PEPFAR, this requires establishing clearer guidelines on the role that programmatic performance plays in relation to other determinants of funding. For the Global Fund, this means improving existing processes, such as increasing the quality (validity and

reliability) of data upon which funding decisions are made, and releasing more information about such decisions. And for the MAP, implementing performance-based funding would require a fundamental shift from emphasizing financial management to emphasizing programmatic achievement as a primary determinant of funding decisions.

Linking funding levels to programmatic performance is one of several ways the donors can improve the effectiveness of their funding at a time when they must find a way to do more with less. Implementation of the recommendations in this report can help countries get more health for the money by laying the groundwork for more performance-based funding systems in the future.



# Methodology

## Host country selection

Mozambique, Uganda, and Zambia were selected for the HIV/AIDS Monitor initiative because:

- They vary in their size, their HIV prevalence, their development indicators, the stage to which the epidemic has evolved in each country, the nature and strength of the government response, and the nature and strength of donor involvement.
- Despite these differences, the common location of all three countries in Sub-Saharan Africa makes it possible to compare them in enlightening ways.

To study the performance-based funding approaches of the big three AIDS donors in these three countries is to see how their policies are implemented on the ground, in countries with different epidemics and with different economic and political contexts.

The number of countries studied is too small to support broader inferences. But looking at donor practices in countries that differ in important ways can yield hints of underlying donor behavior patterns.

## Country-level research

In-country research for this report was conducted in late 2007 by local partners in each country, including Austral-COWI Consulting in Mozambique, the Department of Health Policy Planning and Management at the Makerere University School of Public Health in Uganda, and the Health Economics Programme at the Economics Department of the University of Zambia. Field research was coordinated by a field director based in Nairobi, Kenya, and the

overall effort was managed and coordinated by the HIV/AIDS Monitor team at the Center for Global Development in Washington, DC.

Data collection included a desk review of donor documents and interviews with donor officials, government officials, funding recipients, and other stakeholders in each country using purposive sampling. Key informants were selected for their specific knowledge about donor funding flows and practices in all three countries.

To ensure accuracy, a draft of this report was reviewed by technical experts and by informed individuals in each of the donor organizations.

## Report limitations

One limitation of our country selection method is that the way each donor's programs are being implemented in Mozambique, Uganda, and Zambia might not be indicative of that donor's practices in other African countries. However, the three countries were selected in the hope of illuminating how donor practices vary with country contexts. Lessons learned from this comparative analysis can be applied broadly to other African countries with characteristics similar to those of one or more countries highlighted here.

Documentation of donor funding decisions was sometimes unavailable, especially for PEPFAR and the MAP. That made it difficult to verify information gathered from key informants with hard evidence. However, the authors of this report believe that using purposive sampling to interview key informants has given them an accurate picture of the role of performance in each donor's funding decisions.

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