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# Where's the Money?

## Towards transparency in UK AIDS expenditure.

### Summary

This report argues that in order to improve national performance on the fight against HIV and AIDS, the UK must do more to improve their own reporting by providing more detailed data on HIV and AIDS expenditure. As the second largest bilateral donor for HIV and AIDS interventions, the UK has a responsibility for greater transparency. It must closely track its bilateral allocations while placing more emphasis on funding multilateral mechanisms, such as the Global Fund, which has a specific remit to fight AIDS and is in need of predictable and sustainable support.

## Executive summary

ActionAid's continued analysis of UK AIDS aid reveals a lack of transparency and clarity about spending. While donor contributions targeted to HIV and AIDS programmes in the developing world have grown considerably in recent years, a funding gap of US \$18 billion remains for the period 2005 to 2008. ActionAid is concerned about evidence that suggests that, in the absence of sufficient donor and national funding, households and people living with HIV are carrying too high a burden of AIDS-related costs.

In 2005 the UK government is leading several international processes that will have long-term impacts on AIDS financing. A focus on scaling up services to deal with HIV and AIDS – particularly with expanding access to treatment – was framed by the Commission for Africa and reflected in the outcomes of the G8 Summit. As host of a replenishment conference for the Global Fund to Fight AIDS, Tuberculosis and Malaria, the UK has a responsibility and opportunity not only to ensure sustainable and reliable sources of financing AIDS programmes in developing countries, but also to produce first class systems of reporting and tracking of financing sources such as these.

The UK Department for International Development (DFID) is the second largest bilateral donor funding HIV and AIDS work in developing countries and countries in transition. They reported that their HIV and AIDS expenditure in financial year 03/04 was in excess of £345 million, including bilateral and multilateral contributions. UK expenditure on HIV and AIDS will progressively rise to

reach a spending target of £1.5 billion spread over the period from May 2006 to July 2008.

There are several impediments to evaluating expenditure of these funds. DFID's reporting system does not provide a single accurate record of HIV and AIDS expenditure. Their expenditure statistics do not reveal the composition of interventions nor the reach by gender or to the poor and vulnerable. This makes it difficult to assess whether or not UK expenditure is sufficient and/or appropriately targeted.

Lack of reporting is indicative of lack of tracking. ActionAid argues that DFID has a responsibility to increase its efforts to more closely track its bilateral allocations, while placing greater emphasis on providing sustainable funding to multilaterals with a specific remit to fight AIDS – specifically the Global Fund. In addition the UK must reconcile how countries can absorb more funds to combat AIDS under IMF-dictated caps on health sector spending.

ActionAid recommends that the UK government:

- *Provide greater clarity and depth of reporting on its HIV and AIDS commitments and expenditure.*
- *Use its influence to change IMF policies that impose fiscal ceilings and restrict spending on the public health sector.*
- *Lead among donors to secure increased, sustainable and reliable AIDS financing and immediately ensure full funding of the Global Fund.*

## Introduction

*“This pandemic will be with us for generations. So the financing has to be such that it allows exceptional action on the ‘crisis’ front – such as swiftly expanding access to antiretroviral treatment and support for orphans – as well as exceptional action on longer-term solutions, such as strengthened HIV prevention.”<sup>1</sup>*

Peter Piot, UNAIDS Executive Director

Current estimates of the resources required from donors and national governments for an effective, expanded and ongoing response to the HIV and AIDS crisis total US\$55.1 billion over 2006-2008. A funding gap of \$18 billion between resources available and those needed has been identified for 2005-2007.<sup>2</sup> It is clear that current AIDS financing levels are grossly inadequate and that donor countries must play their part.

In 2005 the UK government is leading on several international processes that aim to change the prospects for African development. Scaling up the response to HIV and AIDS has been central to that strategy. The UK-chaired Commission for Africa recommended that, in order to make progress to combat AIDS, “donors should meet immediate needs and increase their contribution to at least US\$10 billion annually within five years.”<sup>3</sup>

The outcomes of the UK’s leadership of the G8 Summit offered several significant commitments on HIV and AIDS, including working to meet financing needs through the replenishment this year of the Global Fund to Fight AIDS, Tuberculosis and Malaria.<sup>4</sup>

The UK can match their political leadership with increased contributions to close the gaps in AIDS financing. The UK has made several decisions that suggest that HIV and AIDS-related services will be able to scale up. Along with an increase in the development budget overall, the UK announced expenditure on HIV and AIDS would progressively rise to £450 million in 05/06, £500 million in 06/07 and £550 million in 07/08.<sup>5</sup> In advance of the Global Fund replenishment conference, the UK announced a doubling of its pledge to the Fund for both 2006 and 2007, to £100 million per annum. This is a welcome change of heart, but the Fund’s shortfalls will remain.

ActionAid’s analysis in its *UK AIDS Aid* report, released in December 2003, found a lack of transparency and clarity. In this paper we continue our review, with attention to the implications on management of the increased aid package, and advocate for innovations in reporting and channelling.

<sup>1</sup> Speech “Why AIDS is exceptional” Dr. Peter Piot Executive Director, UNAIDS, February 2005

<sup>2</sup> UNAIDS Resource Needs for an Expanded Response to AIDS in Low and Middle Income Countries June 2005

<sup>3</sup> Our Common Interest, Report of the Commission for Africa March 2005.

<sup>4</sup> Gleneagles Communiqué

<sup>5</sup> Chancellor of the Exchequer reply, House of Commons debate on Spending Review 12 July 2004.

## UK AIDS Aid

DFID's systems have not historically provided one clear baseline of their expenditure on HIV and AIDS. This report collates available evidence to determine how much the UK has spent on HIV and AIDS in developing countries and countries in transition in 2003/04, the latest year available.

Hilary Benn, the Secretary of State for Development, reported to Parliament that, "recording accurate expenditure on HIV and AIDS is difficult because of the cross-cutting nature of many HIV and AIDS initiatives and of the range of methods used to channel development assistance." Nevertheless he explained that DFID's HIV and AIDS expenditure in developing countries in the financial year 03/04 was "likely to be in excess of £345 million".<sup>6</sup> The figures in Table B were made available to ActionAid by DFID's Statistical Reporting and Support Group (SRSG) in March 2005 based on our inquiry on the detail behind this response to Parliament.

DFID reports its **bilateral** expenditure on projects that targeted HIV and AIDS at over £297 million. This includes all projects that were recorded as having a primary or significant focus on HIV and AIDS or reproductive health and also includes projects with a focus on other sectoral areas such as education or health system development. It excludes spending by partner governments receiving Poverty Reduction Budget Support while a new methodology for measurement is being developed.

Expenditure on HIV and AIDS through **multilateral** organisations was estimated at £48 million. This is based on the share of spending which those multilaterals supported by DFID report they directed towards AIDS.

The 2004 edition of the Statistics on International Development conflated the sub-sectoral detail in bilateral aid by sector. Thus the health sector line, which formerly stipulated four sub sectors including what was classified as the Multi-sectoral Response HIV/AIDS, has been eliminated. The SRSG made this decision because of concerns that this sub-sectoral line could be falsely perceived as the complete amount dedicated to HIV and AIDS. While we realise that this reporting line cannot be considered an accurate 'catch all' of HIV and AIDS expenditure, we are concerned that there is now less data readily available.

Table A provides a regional breakdown of health sector spending. It applies the percentage, 38%, that is attributable from Health Sector spending overall to the Multisectoral Response HIV and AIDS. This gives an idea of the regional composition of DFID expenditure on HIV and AIDS.

Table A: Regional expenditure on HIV/AIDS.

Region	Expenditure (£000)	
	Health Sector spend	Multisectoral Response HIV/AIDS
Africa	149,576	56,839
Americas	9,249	3,515
Asia	109,748	41,704
Europe	7,366	2,799
Pacific	98	37
<b>Total</b>	<b>351,746</b>	<b>136,655</b>

<sup>6</sup> Answer to Parliamentary Question 24 January 2005.

Table B: DFID's HIV and AIDS expenditure in developing countries in financial year 03-04.<sup>7</sup>

<b>BILATERAL</b>			
<b>£</b>	<b>PRINCIPAL</b>	<b>SIGNIFICANT</b>	<b>TOTAL</b>
HIV and AIDS only	32 761 309	103 893 725	136 655 034
Reproductive Health Only	4 944 972	30 071 918	35 016 890
Reproductive Health & HIV/AIDS (Principle)	44 446 128	25 090 972	69 537 101
Reproductive Health & HIV/AIDS (Significant)	23 152 672	32 775 295	55 927 967
<b>Total</b>	<b>105 305 080</b>	<b>191 831 911</b>	<b>297 136 991</b>
<b>MULTILATERAL</b>			
		<b>% of agency spend on HIV</b>	<b>Expenditure attributable to HIV</b>
UNAIDS	3 000 000	100	3 000 000
WHO MoU	12 500 000	4.5	562 500
UNFPA	18 000 000	12	2 160 000
UNICEF	17 000 000	22.7	3 859 000
UNDP	37 000 000	8	2 960 000
AfDB	1 855 522	srsrg est 100%	1 855 522
GFATM	25 000 000	60	15 000 000
EC <sup>1</sup>			14 300 000
World Bank <sup>1</sup>			4 200 000
<b>Total</b>			<b>47 897 022</b>
PPA's (total grant to 3 NGOs)			<b>33 165 000</b>
<b>TOTAL BILATERAL, MULTILATERAL and Other</b>			<b>378 199 013</b>

<sup>7</sup> These figures were made available to ActionAid by DFID's Statistical Reporting and Support Group in March 2005 based on our inquiry on the detail behind the response to Parliament.

## Limits of reporting

As DFID is sponsoring the second largest bilateral programme on HIV and AIDS worldwide it is crucial for them to be able to demonstrate where the money is going. A June 2004 National Audit Office report recognised the difficulties DFID faces in arriving at a clear picture of the bilateral support it provides for HIV and AIDS. The report raised particular concern that, "DFID currently has no estimate of the amount of budget support used to further its HIV/AIDS objectives".<sup>8</sup>

In response to critiques, the SRSG has been developing a methodology to determine the percentage of budget support, the largest instrument of its bilateral programme that can demonstrate an impact on HIV and AIDS. The SRSG reported to ActionAid in 2003 that a revised reporting system will allow them to quantify direct budget support and provide a further breakdown of such expenditure.<sup>9</sup> Revised figures will be incorporated in the next edition of the Statistics on International Development.

A number of other issues result from the inability to demonstrate impact on those key areas of concern highlighted in DFID's own AIDS strategy, *Taking Action*<sup>10</sup>. The Policy Information Marker System (PIMS) measures how DFID projects and programmes over £100,000 correspond to the Millennium Development Goals (MDGs). PIMS uses two markers: principal and significant. The 'significant' marker is used even if HIV and AIDS only comprises 5% of the project, the total value of the

project will be counted. This could lead to substantial overestimation of AIDS related expenditure. Thus expenditure data where HIV and AIDS is the principal objective is more reliable. It is particularly important to record these interventions accurately, as HIV and AIDS presents a cross cutting challenge that will impede the achievement of the entire MDG campaign.<sup>11</sup>

DFID's reporting blurs the distinction between HIV and AIDS expenditure and funding of sexual and reproductive health activities. While much of sexually transmitted infection prevention and treatment, and reproductive health, relates to HIV prevention and treatment, total expenditure on such services should not be counted as HIV and AIDS expenditure.

At country level HIV and AIDS prevention may often be placed within family planning programming and services. This approach might ensure that some women are reached but other groups vulnerable to HIV infection, including men who have sex with men and sex workers, may be excluded by design.

Reproductive health care expenditure is a poor indicator of HIV and AIDS expenditure. ActionAid strongly believes that DFID must move away from 'double counting' their expenditure in these two distinct programming areas. The integration of HIV and AIDS work into sectors beyond health is crucial to achieving a genuine multi-sectoral response at national level. This requires that all sectors consider how HIV and AIDS impacts on their core work, and take

<sup>8</sup> National Audit Office report Department for International Development Responding to HIV/AIDS June 2004

<sup>9</sup> ActionAid UK AIDS Aid November 2003 p16.

<sup>10</sup> Taking Action, The UK's strategy for tackling HIV and AIDS in the developing world. July 2004

<sup>11</sup> Forthcoming - ActionAid International Report on the MDGs.

some budgetary responsibility for HIV and AIDS interventions that address that impact. However, evidence suggests that Ministries of Health are still overwhelmingly responsible for implementing national government HIV and AIDS responses.<sup>12</sup>

Of course, efforts to mainstream HIV and AIDS within DFID's wider programming make it more difficult to report on clear budget lines. Currently there is no way to determine the proportion of DFID expenditure on HIV and AIDS specific work, and the proportion of expenditure used to integrate HIV and AIDS into existing programmes in order to achieve the goal of mainstreaming. ActionAid recognises DFID leadership in encouraging a truly multi-sectoral response.

Recognising this limitation does not mean that both recipient and donor governments do not have a responsibility to track the allocation of available funding for AIDS. ActionAid is collaborating with the AIDS Budget Unit of the Institute for Democracy in South Africa and we are taking forward several recommendations that emerge from their research on HIV and AIDS budget tracking.

Strong systems for tracking donor inflows need to start at the country level. National AIDS councils should be mandated to play an active role in budget processes and allocations for HIV and AIDS activities and also in the coordination and channelling of donor funds. At a minimum, national AIDS councils must be able to register donor inflows for AIDS in one regularly

maintained central database. This would help to ensure that donor priorities align with national priorities, reduce duplication, gaps and the fragmentation of services, as well as creating a more transparent environment and enhancing donor incentives.<sup>13</sup>

Donors must increase efforts to track the use of their bilateral allocations for HIV and AIDS and build the capacity of developing country governments that typically have weak or nonexistent systems for tracking donor inflows for HIV and AIDS.

There seem to be marked inflexibilities and/or inadequacies in what statistics DFID staff in country are expected to or are capable of recording. While *Taking Action* presents a balance in the composition of numerous types of interventions, there is no way to determine the proportion of their expenditure on prevention, treatment and care, and a breakdown, by type, of impact mitigation activities. Data is simply not collected in this manner as it is viewed as not cost effective.<sup>14</sup> Thus, it is also not possible to assess whether there may be a different emphasis on programming in different regions or countries.

Similarly, the proportion for AIDS-related spending on poor and marginalised groups is not recorded in DFID's statistics. SRSG reported that, for example, it would be too difficult to isolate impact mitigation efforts for orphans and vulnerable children as interventions might also be reported on an education budget line.<sup>15</sup>

<sup>12</sup> Review of HIV/AIDS Budget Tracking Research Prepared for ActionAid International HIV/AIDS Campaign, Alison Hickey and Teresa Guthrie, AIDS Budget Unit Institute for Democracy in South Africa (IDASA) July 2005

<sup>13</sup> Guthrie, T., and Hickey, A. eds. (2004). *Funding the Fight: Budgeting for HIV/AIDS in Developing Countries*. Cape Town: IDASA AIDS Budget Unit. October 2004.

<sup>14</sup> ActionAid Communication with DFID Statistics Division, April 2003.

<sup>15</sup> ActionAid communication with DFID Statistic Division, May 2005.

Most shameful in these reporting gaps is the lack of any gender analysis of spending. Typically at point of service records are kept on the gender of individual beneficiaries. It is when data gets reported up the line, e.g. from a clinic to the Ministry of Health and then to the donor agency, that it becomes gender blind. *Taking Action* states that the UK government will, “fund action that prioritises women, young people and vulnerable groups, and focuses on human rights.”<sup>16</sup> DFID has a responsibility to prove through the statistics it reports how they are ensuring this reach.

DFID has Partnership Programme Agreements (PPAs) with 41 UK based non-governmental organisations (NGOs). In its 03/04 HIV and AIDS reporting, DFID has included £33,165,000 expenditure from its PPA grants to three NGOs: ActionAid,<sup>17</sup> Save the Children Fund and VSO. The criteria for estimating the percentage of a PPA applicable to HIV and AIDS is vague. At least another 12 NGOs working on HIV and AIDS receive PPA grants and could have been included<sup>18</sup>. Including funding of NGOs might help DFID show greater channelling of funding directly to community-based organisations.

Representatives of the SRSG express the need to collect statistics in well-defined areas without changing the goal posts for staff. As 05/06 is the first year of the three-

year £1.5 billion spending target, DFID is working to revise methodologies.<sup>19</sup> This is timely as the UK government is undergoing an evaluation of their strategy for tackling HIV and AIDS in the developing world.<sup>20</sup> Results of the evaluation may create an internal incentive to innovate statistical recording and reporting.

### Multilateral needs

The UK funds the work of several multilateral institutions, including UN agencies that are UNAIDS co-sponsors, as well as the World Bank and regional development banks. UK support to the UN system has not come without a keen interest on reform and enhanced performance and coordination at country level. The UK is particularly concerned with enhanced management of UN agencies' joint response to AIDS, as well as their harmonisation with Global Fund and World Bank country programmes.

DFID has been criticised by the House of Commons Committee of Public Accounts<sup>21</sup> for supporting global bodies without maintaining an oversight role on their contribution to AIDS. The rationale of DFID providing 60% of its multilateral funding to support the European Commission, when the EC spends only 2%<sup>22</sup> of its aid budget on combating AIDS, has come under serious question.

<sup>16</sup> Taking Action, The UK's strategy for tackling HIV and AIDS in the developing world. July 2004

<sup>17</sup> ActionAid received a £2,675,00 PPA in FY03/04

<sup>18</sup> For instance in relation to their membership of the UK Consortium on AIDS and International Development.

<sup>19</sup> ActionAid Communication with DFID Statistics Division, May 2005.

<sup>20</sup> Departments being evaluated are DFID, the Ministry of Defence and the Foreign and Commonwealth Office.

<sup>21</sup> House of Commons Committee of Public Accounts report Department for International Development: responding to HIV/AIDS April 2005.

<sup>22</sup> Ibid.

As host of the Global Fund replenishment conference, the UK must immediately follow up on the commitment it secured at the G8 Summit and ensure that the Fund secures adequate finances for the renewal of ongoing grants and for a new round of grants to be approved this month. As it stands there is a real possibility that the Fund will not have enough money to enable it to launch new grant rounds in 2006 and 2007.

Lack of adequate support has resulted in starving the Fund of cash and delaying disbursement of a new round of funds to developing country AIDS programmes. 2005 has provided an opportunity for the UK to demonstrate a change of heart. It has stepped up its support and doubled its grants for 2006 and 2007 to £100 million per annum but this should still be enhanced to match the needs of the Fund. Greater support for the Fund can clearly demonstrate to the British public how a percentage of the AIDS spending target is being met.

ActionAid and other advocates are calling on the UK to use their Presidency of the European Union to press for increased pledges to the Global Fund from other European donors. The UK must press the European Commission to provide 12.8% of funding for the Fund.<sup>23</sup> This would make the EC a more justifiable channel for UK support.

The Fund is currently a direct channel for 20% of the available funding for HIV and AIDS expenditure in developing countries. The Fund provides monthly reports on:

<sup>23</sup> DFID Global Health Partnership Team reported to ActionAid that they would like to see the EC make a commitment of future funding between 8.5-12.8% contribution to the Fund.

approved proposals; grant agreements and disbursements by region and by round; detailed reports of disbursements by disease and by expenditure target (eg drugs and commodities, human resources). Thus, it is an excellent tool for resource tracking with easily accessible financial data.

DFID's commissioned review of Performance and Vision of the Fund stated its comparative advantages as having better monitoring and evaluation systems than the World Bank Multi-Country HIV/AIDS Program for Africa (MAP), plus the potential to have a more sustainable impact on local institutions than the US President's Emergency Plan for AIDS Relief (PEPFAR).<sup>24</sup>

### Demonstrating performance

The goals of financing an expanded and effective response to AIDS must be balanced with dominant trends in macro economic discipline. In many developing countries the expansion of public health services are still limited by International Monetary Fund fiscal constraints that set low inflation targets as the bottom line of national spending.<sup>25</sup> UNAIDS has emphasised to the IMF and World Bank that increased spending on AIDS must be recognised to be a capital investment, restocking and protecting human capital, not just an expenditure item.<sup>26</sup>

Recent UK policy on aid conditionality states opposition to further conditionality and that the UK will, "continue to asses

<sup>24</sup> The Global Fund to Fight AIDS, TB, and Malaria: Performance and Vision A Report Prepared for the UK Department for International Development Steven Radelet and Karen Caines February 17, 2005

<sup>25</sup> ActionAid USA. Low credit. A report on the World Bank's response to HIV AND AIDS in developing countries. 2004.

<sup>26</sup> Speech "Why AIDS is exceptional" Dr. Peter Piot Executive Director, UNAIDS, February 2005

whether IMF programmes allow sufficient fiscal flexibility to accommodate priority poverty reduction expenditure while maintaining macroeconomic stability".<sup>27</sup>

The UK must back this up in practice in order to ensure that developing countries can accept and absorb more money for AIDS. Current IMF dictated caps on spending, particularly wage bills, limit the amount of doctors, nurses and health workers that can be added to scale up the capacity of health services. The G8 promise of universal access to AIDS treatment cannot be achieved in this fiscal environment.

The magnitude and complexity of AIDS financing has increased donor concerns about effectiveness and impact. The UK was instrumental in establishing a Global Task Team on Improving AIDS coordination among multilateral institutions and international donors, recognising that a substantial amount of available resources are not being utilised.

The Global Task Team has recommended "that all partners regularly provide national AIDS coordinating authorities: information on planned and actual commitments and disbursements, including the recipients and the intended use; and information on performance of the programmes financed, including actual results achieved against targets."<sup>28</sup>

### Conclusion

ActionAid stressed that DFID has a responsibility for greater transparency. It must closely track its bilateral allocations while placing more emphasis on

sustainable funding of multilateral mechanisms, such as the Global Fund, that have a specific remit to fight Aids. The Global Fund is a valuable mechanism because it is a direct channel for 20% of the available funding on HIV and AIDS in developing countries. We urge the UK during its Presidency of the European Union to influence other European donors and the European Commission to increase their contributions to the Global Fund.

ActionAid recommends that the UK do more to ensure that recipient countries are empowered to use funds to deal with their AIDS crises as productively as possible. They must act to make sure that recipient governments are constrained by IMF loan conditions that prevent them from spending money on public services, such as essential health infrastructure.

While the donor contributions targeted to HIV and AIDS programmes in the developing world have grown considerably in recent years, ActionAid is concerned that available evidence suggests that households and people living with HIV are paying a too large a burden of the share of HIV and AIDS related costs themselves.<sup>29</sup>

Out of pocket expenditure is incurred in relation to medication, transport and loss of labour time for care provision. Many people living with HIV are unable to work full time or at all and thus do not bring in sufficient income to offset medical and other expenses.

ActionAid argues that, in order to improve national performance as well as enhance efficiency and equity of spending, all donors – including DFID – must improve

<sup>27</sup> Partnerships for poverty reduction: rethinking conditionality A UK Policy Paper March 2005

<sup>28</sup> Global Task Team on Improving AIDS Coordination Among Multilateral Institutions and International Donors Final Report June 2005

<sup>29</sup> Review of HIV/AIDS Budget Tracking Research Prepared for ActionAid International HIV/AIDS Campaign, Alison Hickey and Teresa Guthrie, AIDS Budget Unit Institute for Democracy in South Africa (IDASA) July 2005

reporting and provide more detailed data on their HIV and AIDS expenditure. Given the annual volume of UK expenditure on development, £3.9 billion in 03/04 with close to 10% spent on HIV and AIDS, ActionAid calls on the UK to enhance its capacity to demonstrate that spending on HIV and AIDS actually reaches poor and marginalised persons living with HIV. We know far too little about gendered

differentials in access to HIV and AIDS-related services and cannot accept that it is not considered cost effective to collect the evidence that could prove how DFID is contributing to enhancing equity of access. It is essential to determine whether funding enhances national capacity and, most importantly, whether funding eases the financial burden on people living with HIV and AIDS.