Guiding Principles For Compact Development

Donor-Country Compacts for Sustainable Financing for the HIV & AIDS Response

December 20, 2013

Executive Summary

After a decade of increasing donor financing for HIV and AIDS, donor assistance is expected to plateau and in some places decrease. This changing financing situation is, in many cases, leading to a funding transition where low- and middle-income countries are providing, or could be providing, increased domestic funding for their HIV and AIDS programs. UNAIDS, Results for Development, and other key stakeholders have been examining tools to help make these donor-country funding transitions more smooth and sustainable. One promising tool is the country compact. We define country compacts as explicit agreements with the following properties:

- They are made between one or more country government departments or representatives and one or more donors;
- They include programmatic and financial commitments made by one or, ideally, all parties to the country's HIV and AIDS program; and
- They specify accountability mechanisms for donors, governments and other signatories.

A well-developed country compact can be used by countries and donors to clarify the financing situation in a country, ensure that all actors carry out their financial commitments that were used to develop this financing picture, and help lead to smooth and sustainable funding transitions towards increased country ownership.

The objective of this paper is to establish key guiding principles to create a compact that can achieve these goals. We reviewed a sample of country-donor financing agreements and compacts from PEPFAR, the Global Fund, the World Bank, the Millennium Challenge Corporation (MCC), the GAVI Alliance, and the International Health Partnership (IHP) to inform the development of these principles. Although different donors have different names for these agreements, we will refer to them as compacts or compact agreements in this paper for consistency. We supplemented the information drawn from these compacts and donor websites with interviews with key persons at PEPFAR, the Global Fund, the World Bank, and the MCC. We focused on a selection of six features from the compact agreements we reviewed: duration of agreement; actors included; financing targets; inputs and tools for setting financing targets; monitoring and evaluation mechanisms; and consequences of not meeting the conditions of the agreement. For each feature, we analyzed current donor practice, tried to establish a standard to follow amongst the six donors, and developed a guiding principle that builds upon that standard. Feedback on initial findings was obtained from the Working Group on Sustainable Financing of the joint UNAIDS-World Bank Economics Reference Group and has been incorporated into this guidance.

I. Background

The HIV and AIDS community is entering a new era of financing in low- and middle-income countries. External donor assistance for HIV and AIDS is expected to plateau and in some cases decrease in coming years, while simultaneously, many low- and middle-income countries are experiencing rapid economic growth and are thus able to increase domestic resources for HIV and AIDS[1]. This changing financing situation is, in many cases, leading to a funding transition in which external donor assistance will no longer be the largest source of HIV and AIDS funding in low- and middle-income countries. Such a transition necessitates new thinking on the sustainability of HIV and AIDS financing, including the concepts of "fair share" – how much low- and middle-income countries can and should be expected to contribute to their HIV and AIDS programs – and "global solidarity" – the responsibility and capacity donors have to honor commitments and continue to contribute financially to the fight against HIV and AIDS. One way to help ensure that countries experience smooth and sustainable transitions, and that principles of fair share and global solidarity are respected in practice, is to use country compacts. A country compact is an explicit agreement between a country's government and one or more donors that outlines programmatic and financial commitments made by one or both parties to the country's HIV and AIDS program, and specifies mechanisms to hold parties accountable.

II. Objectives

Little guidance exists thus far on what a country compact should contain for fair share financing. Compacts should achieve the goal of stabilizing the changing HIV and AIDS financing situation in low- and middle-income countries by making explicit how much different funders are contributing and what that money supports. Compacts should also include mechanisms for holding donors and country governments accountable for their commitments. Additionally, because many financing commitments will progressively reflect decreasing donor funding and increasing domestic funding, compacts should help to ensure that these funding transitions are smooth and sustainable. The goal is for service delivery to be un-interrupted during the transition, for specific programs (including those addressing key populations) to continue after the funding transition, and for the total level of funding to remain relatively stable over the transition period.

We seek to clarify how compacts may be optimally designed to achieve sustainable financing objectives. This analysis provides guiding principles for compact development by explaining why a particular compact feature is important for sustainable financing, highlighting an aspirational standard for that feature, and suggesting a guiding principle for that feature. We base our suggestions on an analysis of several HIV- and AIDS-specific country compacts from the three largest HIV and AIDS donors. We also draw on the experience of other non-HIV and AIDS development donors, with the objective of learning how these mechanisms have built sustainable financing into their compacts with countries. We highlight key features of their

[1] Results for Development Institute, "Financing of HIV Responses: Fair Share & Global Solidarity." 2013, Washington, DC.

compact agreements to inform the future development of compacts for HIV and AIDS sustainable financing. We combine these analyses with previous thinking on country compacts, including a section on compacts from a UNAIDS policy brief on Fair Share and Global Solidarity.[2]

III. Methodology

Data Sources

Our initial analysis draws on twenty-one compacts from thirteen countries and four donors. First, we included all donors directly providing over US$1 billion globally for HIV and AIDS in 2012: PEPFAR, the Global Fund, and the World Bank.[3,4]. We also turned to other aid mechanisms, albeit not in HIV and AIDS or health, to understand how large country compacts were developed for sustainable development.

One mechanism, the Millennium Challenge Corporation (MCC)[5], stands out as an innovative U.S. foreign aid model that is helping to lead the fight against global poverty. The MCC forms strong partnerships through large grants and compacts with countries that are committed to good governance, economic growth, and investing in their people. Key features of this aid mechanism are: a strong commitment to designing for purpose, keeping the focus on long term development, providing incentives for country performance, prioritizing country ownership, learning through monitoring and measurement of results, insisting on transparency, and incorporating an appetite for experimentation and risk.[6] In addition, independent assessments of the quality of official development assistance (ODA) conclude that MCC is a top scoring aid agency.[7] Our review of country-donor compacts for sustainable development suggested that the MCC compact and its development process would provide an instructive model for us as we attempt to develop guiding principles for compact development for sustainable financing of the HIV and AIDS response.

We presented initial findings from this work at a meeting of a UNAIDS-World Bank working group on sustainable financing of HIV and AIDS. Based on feedback from participants, we added agreements from the GAVI Alliance and IHP to our analysis.

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[2] Results for Development Institute, "Financing of HIV Responses: Fair Share & Global Solidarity." 2013, Washington, DC.

[3] Data on PEPFAR and Global Fund 2012 disbursements are from the KFF and UNAIDS report on Financing the Response to AIDS (http://kff.org/global-health-policy/report/financing-the-response-to-aids-in-low/). World Bank 2012 disbursement data for HIV are from the World Bank's website.

[4] Originally, we had used a cutoff of US$500 million, so that our analysis would have also included the U.K.'s Department for International Development (DfID). However, due to a lack of access to DfID's compacts, DfID was dropped from the analysis and the cutoff was raised to US$1 billion.

[5] http://www.mcc.gov/pages/about

[6] http://www.modernizeaid.net/2010/08/12/guest-post-richard-morford-on-the-mcc-as-a-model-for-foreign-aid-reform/

[7] http://international.cgdev.org/sites/default/files/1424481_file_CGD_QuODA_web.pdf

We selected compacts from each of the original four selected donors (Global Fund, PEPFAR, World Bank, MCC) with the objective of assembling a country compact inventory that achieves variability across country features. We tried to include a representative sample of countries by choosing countries of varying epidemic types, income brackets, and world regions. We also tried to analyze compacts for the same country across multiple donors whenever possible.[8] We selected six funding agreements each from PEPFAR, the Global Fund, and the World Bank, and three from the MCC (a smaller sample was adequate due to similarities across all MCC compacts). Table 1 shows the variation across countries in our inventory. Variability was sometimes difficult to achieve – for example, some of the donors (e.g. PEPFAR) operate mostly in a single region (e.g. Sub-Saharan Africa).

Table 1: Country Variation in Compact Inventory

		Countries	**Compacts**
Income Bracket	Low Income (LIC)	5	8
	Lower-Middle-Income (LMIC)	4	8
	Upper-Middle-Income (UMIC)	4	5
Region	Sub Saharan-Africa	7	12
	Asia & Middle East	4	5
	Europe & Central Asia	1	2
	Latin America & Caribbean	1	2
Epidemic	Concentrated	6	9
	Generalized	7	12
Total		**13**	**21**

We also reviewed a selection of GAVI and International Health Partnership compacts. A smaller section of agreements from GAVI was adequate due to the fact that GAVI's agreements are fairly standardized and consistent across countries. The review of IHP compacts had limited applicability to the six identified compact dimensions (see Table 2), and thus a smaller section was included for the IHP as well (see Box 1 for more information).

[8] Due to time constraints and the late receipt of PEPFAR country compacts, we were unable in some cases to choose World Bank and Global Fund compacts for countries for which PEPFAR compacts were also available. To achieve greater consistency, future analysis could review additional World Bank and Global Fund compacts to match the countries for which PEPFAR compacts exist.

Box 1: Lessons Learned from International Health Partnership Compacts

As suggested by the TWG on Sustainable Financing, we also reviewed the experience of the International Health Partnership (IHP) and their multilateral compacts in our analysis. While there are some valuable lessons to be learned from the IHP, their compacts tended to be much broader and higher level, and, the six dimensions of country compacts that we evaluated for the other donors were less applicable to the IHP's compacts. Therefore, rather than including information on the IHP under each dimension, we included a stand-alone box of lessons learned, taken from a 2012 review of IHP country compact experiences. [9]

One major lesson learned is that the process of compact development often resulted in more benefits than the actual compact document itself, including increased dialogue and trust among all actors involved, increased international legitimacy, more inclusiveness of CSOs, and increased coordination. The actual value added of a compact itself depended greatly on country context and what structures and processes already existed in a country. A main limitation of most country compacts was the "unrealistically large content and ambitious objectives and indicators" contained in the compact. Commitments from countries, donors, and other actors in IHP compacts were often not clearly defined, and indicators were usually not measurable and were often without clear targets. A few compacts, such as Ethiopia's and Nepal's, included more specific details, but for the most part, IHP compacts contain extremely broad language about increased alignment and coordination, with few specifics. Without clear targets and roles, it has been difficult for compact signees to follow through with specific actions, and even more difficult to monitor the compacts. In practice, most compacts have not actually led to increased predictability of funding and there is little evidence of more effective assistance for health coming from donors.

Still, compacts were seen as improving the quality of dialogue and donor-country partnerships in countries, and the key value of compacts was "an overarching guide that sets…high level objectives for the partnership to improve the efficient use of health resources". The IHP provides an important first step in moving from bilateral to multilateral country compacts. It shows that multiple donors are willing to work together in a country and commit to more coordinated financing arrangements and planning, at least in theory. A key next step for country compacts may be for individual donors to move away from separate agreements with countries and to coordinate targets, financing, and roles in a single overarching compact document. PEPFAR is moving a step in this direction with their new Country Health Partnerships. If this is a continuing trend, the IHP experience can provide some valuable examples of what has worked so far multilaterally and what needs improvement and strengthening.

[9] http://www.internationalhealthpartnership.net/fileadmin/uploads/ihp/Documents/Key_Issues/Country_Compacts/Developing%20a%20Country%20Compact.What%20Does%20it%20Take.Dec2012.pdf

Analysis

Gathering relevant information from the original twenty-one country compacts, we organized our findings into a matrix for each country. These four matrices (one for each donor) helped us to systematically assess the twenty-one donor compacts against different features and criteria. We identified these features through an iterative process – by drafting initial ideas on what we thought should and would be included in compacts, and then adding to the list based on actual findings. Features assessed include the types of financing targets and arrangements specified, donor coordination mechanisms, processes and tools for monitoring and enforcement, and consequences of not meeting conditions specified in the compacts. All four matrices are shown in Annex 1. This approach allowed us to understand the key features of and types of content in each compact and their implications for fair share and global solidarity. It also allowed us to identify what was missing from a compact – by comparing against other compacts and against our existing ideas about what should be included in a compact. By analyzing these features, identifying how they help achieve the objectives specified earlier in this guidance, and singling out missing features that could also help achieve these goals, we were able to develop more generic evidence-based guiding principles for country compact development. We also analyzed GAVI and International Health Partnership compacts based on the structure of these matrices and the features identified. Review of the compacts themselves was supplemented by information from the six organizations' websites and from interviews with key persons at PEPFAR, the World Bank, the Global Fund, and the MCC.

IV. Guiding Principles for Compact Development

Each compact feature identified is discussed in detail below with reference to sustainable financing of the HIV and AIDS response, keeping in mind the concepts of fair share and global solidarity. For each compact feature, we specify why it matters for sustainable financing, describe current practice among the three HIV and AIDS donors, the MCC, and GAVI, identify any potential standards observed amongst the analyzed compacts, and suggest elements of a guiding principle going forward. Table 2 shows all of the compact features discussed in our analysis.

Table 2: Key Features of Country Compacts

Number	Feature
1	Duration of a compact agreement
2	Actors included in agreement
3	Financing targets for donors and countries
4	Inputs & tools for setting financing targets
5	Monitoring & evaluation mechanisms
6	Consequences of not meeting conditions of compact

1. Duration of a Compact Agreement

> ***Why it Matters for Sustainable Financing:*** *A compact agreement requires a long enough time period to allow countries and donors to visualize and plan for a financing trajectory that can align with the achievement of programmatic targets. An agreement that spans only one or two years would not provide enough time for substantial programmatic and financial targets to be reached. In addition, single year and shorter-term agreements result in higher transaction costs for all stakeholders and partners compared to multi-year agreements.*

Current Practice

In the sample of countries we analyzed (see attached inventory matrices) all donors sign agreements of varying lengths with countries, regardless of the type of epidemic (concentrated vs. generalized), income level (LIC, LMIC, UMIC), and region.

No consistent pattern of time period is observed for any particular country context. For example, for Nigeria (generalized epidemic, LMIC, SSA), the World Bank signed a three year agreement, the Global Fund, a two and a half year agreement, GAVI, a three year agreement, and PEPFAR, a six year agreement. There are some consistencies between compacts under the same donor. PEPFAR's Partnership Framework Implementation Plans (PFIPs) generally span five years (Nigeria appears to be an exception). Under their New Funding Model, the Global Fund will provide three year grant commitments in most cases (although these may be aligned with strategies covering a longer period of time, such as countries' HIV and AIDS National Strategic Plans [NSPs]). The World Bank's agreements are more variable, but generally last between three and four and a half years. GAVI's agreements have generally covered two to four years.

For many governments, understanding how much money is flowing into their countries is very difficult because each donor has a different fiscal year, different disbursement mechanisms, and different time horizons for providing money. Given these differences, tracking the money provided by the big three HIV and AIDS funders is a major challenge for recipient country governments. This is particularly difficult in cases where governments wish to accurately forecast the money that will be spent by the big three funders during an upcoming fiscal year, so that these forecasts can be used to make informed decisions on how to program their own public HIV and AIDS resources.[10]

A Potential Standard?

The MCC always signs five year compact agreements with countries, and PEPFAR has moved towards a general standard of five year agreements through its PFIPs. This sets up a clear, predictable, and longer-term period in which advance programmatic and financial planning between countries and donors is possible, enabling all parties in a compact to realize their

[10] Bernstein, M & M. Sessions, "A Trickle or a Flood: Commitments and disbursement for HIV/AIDS from the Global Fund PEPFAR and the World Bank's Multi-Country AIDS Program (MAP)." Center for Global Development, 2007, Washington, D.C.

contributions and to produce programmatic results. In the MCC's case, this is a non-negotiable time period with clear rules and regulations for implementation.

Guiding Principle:

Set a standardized time period of five years for all compact agreements.

For sustainable HIV and AIDS financing, countries and donors should consider a standardized time period of five years for a compact agreement. This will allow a country government to take into account donor commitments when it plans its medium-term HIV and AIDS budget. This longer time period can help smooth the difficulties that arise from non-synchronous donor budget and country budget cycles, so that financing is more predictable every year.

For middle-income countries (MIC), this time period will facilitate the fair share transition, so that by the end of five years, a significant proportion of HIV and AIDS financing will be from domestic resources. LMIC countries with concentrated epidemics, like India and Vietnam, and UMIC countries with generalized epidemics, like South Africa, are countries that can begin to plan for and attain a greater proportion of fair share financing in the next five years because of their ability to draw on increased domestic resources as a result of stronger economic growth in the last decade. Such funding transitions are outlined in South Africa's and Vietnam's PFIP agreements with PEPFAR. Five year agreements will help ensure that these financial transitions can be gradual and are achieved smoothly and sustainably.

Unlike MICs, LICs like Kenya, Tanzania, and Mozambique, which have generalized epidemics and high HIV prevalence, will likely continue to depend on donor financing to a greater extent for the foreseeable future – until economic growth enables a significant increase in domestic resources for HIV and AIDS. However, developing a minimum fair share financing goal over a five year compact period allows LICs to adjust to the idea of contributing resources to their fight against HIV and AIDS, to reduce political resistance to this transition if and when they are ready to pay a greater share of HIV and AIDS financing in their countries, and to increase the sense of national ownership and control of the HIV and AIDS program, even if this does not yet include significantly greater financing control.

Five year compacts may not be possible for all donors, such as the Global Fund, whose funding model only calculates three-year resource envelopes for countries. Resource allocations from the Global Fund to countries could change drastically after a given three year period, due to changes in country income level and disease burden and depending on which countries apply for Global Fund resources. However, even providing three year Global Fund programmatic and financial information alongside five year agreements from other donors could signify significant progress.

2. Actors Involved

Why it Matters for Sustainable Financing: *A compact agreement lays out important responsibilities and expectations for all parties. Signing partners should have a clear and substantial role(s) (whether financial or programmatic) for which they are held accountable under the compact. Key signatories for a compact agreement may include donors, country government ministries (Ministry of Finance, Ministry of Health), and non-governmental organizations (NGOs), but the specific combination and number of actors will depend on a specific country context and donor/government policy. The identification of a country government as a key actor in providing resources for the AIDS response provides an accountability mechanism for fair share financing. More actors mean higher transaction costs, but also more coherence. Even if compacts do not include multiple donors as signees, there should be some attempt to ensure donor coordination within a country.*

Current Practice

The World Bank (IDA or IBRD, depending on the status of the country) signs a loan agreement or financing agreement with a country's Ministry of Finance (MoF). Other actors included in the agreements are main implementers (such as the Ministry of Health) and other implementing ministries.

Global Fund agreements have several signees: Principal Recipients (PR), the Global Fund, Country Coordinating Mechanism (CCM) Chairs, and CSO Representatives of the CCM. PRs and CCM chairs are generally branches of government or government representatives (PRs can also be NGOs or UN agencies). The Global Fund is the only donor analyzed whose compacts consistently include CSO representation. From a financing perspective, CSOs have no direct power, but could serve as advocacy organizations to ensure that the government PR provides the agreed-upon resources or spends them in the way specified. However, most compacts have (or should have) other mechanisms that make countries accountable to the donor or funder (see features five and six in this document), not to a third party such as a CSO.

PEPFAR's agreements only include PEPFAR and one government department as signees, often the MoF or head or treasury, but also National AIDS Councils (NAC) and Ministries of Health (MoH).[11] While not holding other donors accountable as signees, PEPFAR's PFIPs do incorporate planned activities and estimated financing from other major HIV and AIDS donors, especially the Global Fund.[12]

GAVI's agreements that were in the public domain (letters of support) did not contain signatures from both parties, but development of their country comprehensive Multi-Year Plans (cMYPs)

[11] This is based on conversations with PEPFAR and on the South Africa PFIP. The other PFIPs we received from PEPFAR did not contain the signature pages, so we cannot tell who the country signee was.
[12] PEPFAR and the country's government are also not "held accountable" for their funding commitments. In PEPFAR's case, funding is subject to Congressional approval and the availability of funds. We discuss this point further in later sections.

involves both MoH and MoF. GAVI countries are also required to set up an Interagency Coordination Committee (ICC) which brings together immunization actors in the country, including WHO, UNICEF, CSOs, other donors, and the MoH.

Notably absent as a signee in some PEPFAR and most Global Fund compacts analyzed is a country's MoF: the country ministry that could be held accountable for its fair share contributions to HIV and AIDS financing, since it is generally responsible for allocating other government departments' budgets, such as the MoH. Exceptions include the Global Fund's grant agreements with Kenya and India, where the PRs are Kenya's MoF and India's Department of Economic Affairs, respectively. For the Global Fund, including the MoF may be difficult due to the CCM structure and the fact that the PR generally will be an implementing agency, not the MoF. Still, as the Global Fund begins to place greater importance on counterpart financing and domestic commitments in its New Funding Model, it will be important to obtain MoF involvement.

A Potential Standard?

The MCC has very clear rules for which actors are included in a country compact:

- MCC compacts are always between the U.S. and a recipient country. Compacts are direct treaties between the two governments,[13] because the MCC is a federal agency (this is probably not possible for most HIV and AIDS donors). Signees for the U.S. have been the MCC CEO or the President of the United States. Signees for the recipient country are generally high-level political leaders or other leaders with responsibility over financing, such as Prime Ministers and Presidents of Countries, MoFs, or Ministries of Planning & Development. In this respect, the World Bank could also be held as a standard, since it also makes agreements with countries' MoFs.

- The MCC compacts generally specify the formation of a country's Millennium Challenge Account (MCA), and designate the MCA as the accountable entity and program implementer (as in Moldova and Mozambique[14]). MCAs are part of the recipient country's government. In this respect, GAVI and the Global Fund could also be held as standards, as both require similar entities to be formed (the ICC and CCM, respectively, although these are not country government entitites).

[13] Personal correspondence (interview) between the MCC (Chris Broughton, Margaret Dennis) and R4D (Nandini Oomman, Theresa Ryckman) on November 20, 2013

[14] The MCC compact with Tanzania specifies that while the MCA will implement the program, this does not relieve the government of its obligations. In this case, therefore, it appears that the MCA is the program implementer, but that the Government (external to the MCA) remains somewhat accountable.

Guiding Principle:

Select a key financing or high-level political authority in a country as a signee on compact agreements to ensure that fair share commitments are met.

The type and numbers of actors included in a compact will affect the implementation of a compact.

> **Type:** In the case of most Global Fund and some PEPFAR compacts, excluding the MoF as a signee is a clear handicap to supporting fair share financing commitments from countries. The MoF has the power to allocate resources for sector-specific, and in this case, program-specific activities, so it should be included in the compact agreement along with the key implementing entity. This will ensure that each specific agency or ministry will have a clear role – financial or programmatic – for which it will be held accountable. In some cases, including a CSO or NGO may also be important. For example, if a very large NGO is implementing many ART delivery programs in a country and is indispensable to the compact's programmatic success (and if other signees do not have legal power to compel that NGO to act), it may be important to include the NGO itself as a signee. Additionally, in cases where country commitment has been questionable in the past, including a CSO signee may be wise for monitoring purposes.
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> **Number**: The number of signees should be kept to a minimum to keep the compact development process moving. South Africa's experience with PEPFAR's transition away from direct service delivery and toward decreased financing and technical assistance suggests that, while it is important to include major funders, bringing too many actors to the table could reduce speed and effectiveness of implementation. The South African government and PEPFAR have found that bilateral financial planning and monitoring can be time-intensive. These challenges could be exacerbated if too many different actors are involved. On the other hand, including more actors in a compact can lead to increased openness and transparency of the compact process and agreement, and the programs being implemented.
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> **Form:** GAVI, the MCC, and the Global Fund all set up structures in-country to manage donor-country activities (the ICC, MCA, and CCM, respectively). These structures usually include both donor and country actors and help donors and countries oversee donor-funded programs. They also allow for more constant and high-level dialogue between donors and countries. However, recommending that each donor set up such a structure for its HIV and AIDS activities would results in duplicative and parallel systems. Rather, going forward, it would be useful for compact signees (donors, MoH or NAC, MoF, and possibly CSOs and major implementing partners) to convene under one single structure. This is already done to a certain extent in the Global Fund's CCM, but such a structure could be improved by taking a more active coordination role and focusing less on a single donor's operations and more on all donors' finances and operations. This would help both countries and donors manage and track financing from donors as well as from

governments, in an effort to monitor fair share financing and global solidarity of donors. Requiring that a country set up a structure like this could be a condition of a compact. While NACs were set up to conduct the task of coordinating donor activity in their countries, among other roles and responsibilities, they have rarely succeeded in being effective "on the ground" implementing and coordinating partners of HIV and AIDS donors. This could therefore also be an opportunity to redefine and reinvigorate one of the key roles of the NACs.

The right balance of necessary and accountable (financial and programmatic) actors must be struck when choosing signees on a particular compact. For fair share financing, the MoF, or a ministry that makes decisions about the allocation of resources must be a key actor, as well as the prime implementing agency within the government (usually MoH or NAC). Thus a general guiding principle can be to always include three actors: the donor, the MoF or a similar agency, and the government implementing agency. In some situations, it may be important to include an NGO or CSO signee as well.

3. Financing Targets

> ***Why it Matters for Sustainable Financing:*** *Country compacts vary in the type of financing provided by the donor and in whether or not they contain domestic financing requirements for the recipient country. While different donors have different mechanisms for funding countries' HIV and AIDS programs that are unlikely to change, the presence of domestic funding commitments or requirements in a compact may be more flexible for donors. Including country financing targets in a compact is an important step in achieving one of the main objectives of country compacts: that they ensure smooth and sustainable funding transitions. Additionally, while donor predictability is important for country governments to plan and budget, domestic funding predictability will allow donors to coordinate better with the countries in which they operate.*

Current Practice

Among the three HIV and AIDS donors we studied, none has a standard for holding countries accountable for specific domestic financing targets (including programmatic targets is much more common). Of the six Global Fund agreements reviewed, only Jamaica's (UMIC) included a counterpart financing requirement, despite the fact that the Global Fund's current policy requires counterpart financing for countries in all income brackets, starting at five percent for LICs. Although counterpart financing is required for all countries receiving Global Fund grants, these requirements are generally not spelled out in the Global Fund's grant agreements with countries, except when there are concerns about the country defaulting.[15] Under the Global Fund's New Funding Model, counterpart financing requirements will be more systematically implemented across all countries and will be included in grant agreements.[16]

Among the World Bank agreements, only two out of six (Nigeria, a LMIC and Kenya, a LIC) specified funding requirements from the countries themselves. No funding requirements were specified for the two World Bank compacts with UMICs that we sampled (Botswana and Jamaica). The World Bank does not generally include legal clauses in its financing agreements regarding domestic funding requirements.[17]

PEPFAR takes a different approach. Five of the six PFIPs reviewed (Tanzania being the exception) included total predicted medium-term domestic funding (for between three and six years, depending on the agreement). However, this predicted funding is not a binding agreement with the country's government; nor is PEPFAR's funding trajectory, which is also provided in all of the PFIPs reviewed. Thus it may be more appropriate to view these funding projections as "intentions" rather than commitments.

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[15] Personal correspondence (interview) between the Global Fund (Michael Borowitz, George Korah) and R4D (Theresa Ryckman, Adeel Ishtiaq, Anit Mukherjee, Jennifer Weaver) on November 13, 2013
[16] Personal correspondence (interview) between the Global Fund (Michael Borowitz, George Korah) and R4D (Theresa Ryckman, Adeel Ishtiaq, Anit Mukherjee, Jennifer Weaver) on November 13, 2013
[17] Personal correspondence (interview) between the World Bank (Miriam Schneidman, Sheila Dutta) and R4D (Nandini Oomman, Theresa Ryckman) on December 10, 2013

The MCC does not provide explicit domestic funding commitments in its compacts. However, there is an expectation that governments will put forth some domestic funding to implement the programs specified in MCC compacts. These funding commitments may in some cases be part of MCC's quarterly requirements for funding disbursement. However, these requirements are included in Conditions Precedent Reports or Program Implementation Agreements, not in MCC compacts, and these reports are not made public and were not made available to R4D or UNAIDS. Thus, while we know that some MCC agreements do have explicit domestic funding requirements, the details of these requirements are not made public.

GAVI also requires co-financing for all of its New Vaccine Support (NVS) to countries. Co-financing requirements for the length of an agreement are generally included in GAVI's letters of support. GAVI's provisional budgets for all years of the agreement are also included, but typically only funding for the first year is actually "approved."

A Potential Standard?

Although no single donor's standards for financing targets achieve our objectives for country compacts (see Section II on Objectives), several best practices are observed. PEPFAR is the only donor to consistently include medium-term domestic funding projections in its compacts, but countries are not held accountable for meeting these projections. The Global Fund and GAVI are the only donors with explicit policies on counterpart financing for all recipient countries, but for the Global Fund, these financing requirements are not specified in agreements and do not always appear to be implemented in practice. The Global Fund is also notably moving toward a system of including more specific country commitments in its agreements (beyond the minimum counterpart financing requirements) and requiring that domestic funding increase over the medium term. GAVI does consistently apply its co-financing requirements in all countries. The best approach may be to further expand upon some combination of that taken by these three donors.

Guiding Principle:

Specify domestic and external financing commitments (not just estimates) and include projected financial plans for next five years in country compacts.

A first step is for donors to start including clear and binding domestic financing commitments in all of their agreements, which is not currently done by any of the three HIV and AIDS donors. It is also important that the trajectory of domestic funding over five years fits with the trajectory of donor funding, and that these projected financial plans are included in a compact in addition to a clear solid commitment goal from both the donor and recipient country. These plans allow all parties to move forward with a clear sense of financing contributions from each other.

An important caveat to this guiding principle is that these financing commitments will vary greatly across countries. Low-income countries with generalized epidemics are unlikely to be able to provide a significant portion of the total resources for their HIV and AIDS programs. Middle-income countries, especially those with concentrated epidemics, may be increasingly able to start taking more fiscal responsibility for HIV and AIDS, and their financing trajectories in compacts may show a bigger increase in domestic funding. To a certain extent, the Global Fund, GAVI, and PEPFAR are already observing these needs in their agreements. The Global Fund's counterpart financing policy specifies much larger counterpart financing for upper-middle-income countries (60%) than low-income countries (5%), but these requirements are also based on the total Global Fund grant amount, meaning that countries with larger disease burdens and countries where the Global Fund is the primary HIV and AIDS donor will have to pay more.[18] GAVI has a similar co-financing policy based for the most part on income level. The PEPFAR PFIPs that we analyzed contained rapidly increasing domestic funding estimates for middle-income countries such as South Africa, Vietnam, and Nigeria, while the scale-up in funding expected in low-income countries, such as Mozambique, was much more gradual. This point on financing ability is further discussed under feature four.

[18] Personal correspondence (interview) between the Global Fund (Michael Borowitz, Korah George) and R4D (Theresa Ryckman, Adeel Ishtiaq, Anit Mukherjee, Jennifer Weaver) on November 13, 2013

4. Inputs and Tools for Setting Financing Targets

Why it Matters for Sustainable Financing: *While the financing targets discussed above will need to evolve through country and donor discussions, there are also ways to ensure that they are grounded in country context, such as financing ability and type and intensity of the epidemic, and in accordance with country strategies. Just as important is that a donor's standards and rules for setting financing targets are somewhat consistent across countries, although they may take into account country contexts as well. If countries do start providing their "fair share" of the resources for HIV and AIDS, it will be increasingly important for donors to achieve country buy-in for donor supported activities. Additionally, in a landscape of increasingly limited donor funds, it is important for donors to ensure that their resources are allocated strategically and that they are targeting funding where it is needed the most (i.e. to countries that have less capacity to provide more domestic financing themselves or to activities that countries are not already funding in their national response). Donors and countries therefore have a range of tools to choose from for setting financing targets, including country income and epidemic data and country strategies, such as National Strategic Plans.*

Current Practice

The three HIV and AIDS donors studied vary in the degree to which they take into account country plans and strategies when setting financing targets. While the Global Fund uses country plans as a tool for developing programs, there is no evidence in the agreements reviewed that these plans were used to determine financing amounts. However, as part of their New Funding Model, gap analyses, coming from National Strategic Plans (NSPs) where possible, will be part of proposal development. A major pillar of the Global Fund's New Funding Model is to align Global Fund grants and activities better with country strategies. Global Fund templates show that country planning documents will be incorporated in a number of ways in developing funding requests (concept notes), including for financial and programmatic gap analyses, and main funders will be specified (by program) in these concept notes.[19]

PEPFAR uses NSPs and other country strategy documents to conduct a gap analysis, and PFIPs are almost always programmatically aligned with NSPs or similar documents. However, PEPFAR's financing targets do not appear to be determined by the NSPs or resulting gap analyses. In certain cases, domestic funding estimates are grounded in country budget documents, as was the case in Mozambique's and Vietnam's PFIPs. Moving forward, PEPFAR will also be attempting to ground compact development in existing processes involving other donors, such as Global Fund concept note development, the UNAIDS investment case process,

[19] The Global Fund to Fight AIDS, Tuberculosis, and Malaria "Concept Note for Early Applicants". Global Fund, 2013, Geneva: http://www.theglobalfund.org/documents/core/newfundingmodel/Core_NewFundingModelConceptNoteSingle_Template_en/.

and donor coordination units. PEPFAR's aim is to move from a bilateral to multilateral forum in its agreements with countries.[20]

The World Bank agreements reviewed do not specify the process of determining domestic funding requirements, in the rare cases that domestic funding requirements are specified. However, both the World Bank's IDA and IBRD and the Global Fund use resource allocation formulas to determine indicative amounts of funding that will be provided to each eligible country. These formulas take into account income level and, in the Global Fund's case, number of persons living with HIV (PLHIV) in order to ensure that resources are invested strategically. Including income as a factor to determine a country's funding level can help donors direct their resources towards low-income settings, since middle-income countries usually have more ability to provide some of these resources domestically. These indicative funding formulas help to keep external funding amounts consistent across countries, but are not used to set domestic contributions. For both the World Bank and the Global Fund, the resource envelopes determined by a formula are also combined with information on country strategies and priorities to determine specific projects and programs and the budgets that go with them.

The Global Fund is also the only one of the three HIV and AIDS donors reviewed that has an explicit "formula" to determine domestic financing commitments (as a percentage of total grant amount, based on GNI per capita). Under the New Funding Model, the Global Fund will also be working more closely with countries to set specific financing targets that are most appropriate for countries, beyond the required counterpart financing.[21] The Global Fund will also set aside 15% of a country's indicative resource envelope to only be awarded to that country based on "willingness to pay" in this new model. Countries will receive additional funding if they make greater and more specific commitments, such as procuring a certain percentage of drugs or funding a certain programmatic component. These targets could be linked to planned domestic financing under an NSP, but also could be more realistic, given that NSP funding targets are often aspirational. In addition, the Global Fund also requires that countries progressively increase domestic funding over a five year period.[22]

The MCC also sets indicative country envelopes. However, these envelopes tend to change due to country eligibility changes, the number of countries applying for and approved for funding, and the programmatic needs of each country (e.g., cost of the programs to be implemented). Thus the approach used is a combination of top-down and bottom-up approaches. This is an in-depth but lengthy process (generally two to three years) that involves a data-based analysis of the country, a review of priority sectors and activities, and consultations with other donors, government branches, and the private sector. There are generally not any domestic funding

[20] Personal correspondence (interview) between PEPFAR (Mamadi Yilla, Nalinee Sangrujee, Jeff Blander) and R4D (Nandini Oomman, Theresa Ryckman) on November 20, 2013

[21] Personal correspondence (interview) between the Global Fund (George Korah) and R4D (Nandini Oomman, Theresa Ryckman) on December 10, 2013

[22] Personal correspondence (interview) between the Global Fund (George Korah) and R4D (Nandini Oomman, Theresa Ryckman) on December 10, 2013

requirements for LICs, but LMICs are required to contribute at least 15% of the total compact amount. [23]

The amount of GAVI's New Vaccine Support (NVS) to countries depends on need, which is fairly simple to calculate compared to HIV and AIDS need, as GAVI only funds vaccines and supplies through its NVS funding. This estimated need is grounded in country strategies and cMYPs. All countries receiving NVS funding are then required to co-finance a portion of most vaccines. Co-financing requirements depend on a country's income level and are gradually increased every year, until they reach 100% in the year that a country reaches "graduation" status and becomes ineligible for GAVI support. Required co-financing is generally included in GAVI's letters of support to countries. GAVI's Health Systems Strengthening (HSS) support is calculated through a resource allocation formula. After the first year of HSS funding, a certain percentage of a country's available envelope is awarded based on performance.

A Potential Standard?

None of the major HIV and AIDS donors currently have a standard approach for including explicit domestic financing targets in their compact agreements, but there are still lessons to be learned from these donors. A mix of approaches taken by a number of the donors, including MCC's preparatory work in understanding country contexts, the Global Fund's quantitative funding envelope and counterpart financing approaches, and GAVI's co-financing policy can stimulate the development of a standard approach for fair share financing.

UNAIDS has also developed an indicator known as the Domestic Investment Priority Index (DIPI). The DIPI uses data on countries' epidemic sizes and expenditures to measure the extent of investment priority given by governments to support their national HIV and AIDS response.[24,25] The DIPI is very useful as a tool for donors and countries to assess countries' levels of domestic commitment to funding HIV and AIDS programs against their peers. However, the DIPI is not a normative indicator, meaning that there is no single "DIPI score" that countries should aim to meet. Thus, at least for now, the DIPI is not a tool donors could use to compute indicative domestic funding levels. Other literature, including a study on HIV and AIDS financing in twelve PEPFAR countries[26], contains additional benchmarks for domestic financing and could be useful in developing a tool for these purposes.

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[23] Personal correspondence (interview) between the MCC (Chris Broughton, Margaret Dennis) and R4D (Nandini Oomman, Theresa Ryckman) on November 20, 2013

[24] UNAIDS, "2010 Global Report: HIV Investments". UNAIDS, 2010, Geneva: http://www.unaids.org/documents/20101123_GlobalReport_Chap6_em.pdf

[25] Mathematically, the DIPI is calculated using the following formula "(Public Expenditure on AIDS Response/Government Revenue)/HIV Prevalence"

[26] Results for Development Institute, "Financing National AIDS Responses for Impact, Fairness, and Sustainability: A Review of 12 PEPFAR Countries in Africa" [Final Draft], October 2013.

In terms of donors setting their own funding levels for countries, a quantitative approach that can still be bottom-up and take into account country contexts, such as the approaches used by the MCC, the Global Fund, and GAVI is optimal.

Guiding Principle

Country and donor financing commitments found in compacts should be grounded in a combination of country strategies, quantitative approaches, and country dialogue.

When setting initial funding levels and domestic financing requirements, donors should consider the financing capacity of a country and its HIV context. Financing capacity can start with income level, but should also include information on a country's growth prospects, the size and flexibility of its ministerial budgets (in this case, the health budget is most relevant), and the amount of money the country is expecting to put towards HIV and AIDS programs (which can be found in NSPs and budget documents). The MCC considers many features when evaluating the fiscal capacity of a country, and supplements quantitative information (upon which it relies heavily) with conversations with key country stakeholders. PEPFAR and now the Global Fund also have a standard of basing some aspects of compacts in projections contained in NSPs and other country strategies.

Considering a countries' HIV context is equally important. Consider two identical countries with the same financing capacities, but one country has a small, concentrated epidemic, while the other has a large, generalized epidemic. The latter country will have more difficulty fully funding its HIV and AIDS program. In addition to epidemic size, current programmatic scale-up and the strength of health systems also matters. This information can also be taken from country plans and documents and through conversations with country stakeholders. The Global Fund considers numbers of PLHIV in its resource allocation formula and GAVI considers overall population as a proxy for immunization needs. All stakeholders consider country needs to a certain extent when setting programs, but it is unclear how this is translated into funding levels in most cases.

The DIPI takes into account information on epidemic size and financing capacity, but is not a normative indicator. In their study on twelve PEPFAR countries, Results for Development recommend several other standards for domestic funding levels be considered, including that countries attempt to meet at least one of two targets: the Abuja target (dedicating 15% of total government budgets to health) and the DALY Share target (equating the share of the health budget that goes to HIV and AIDS with the share of the country's disease burden, in DALYs, that is attributable to AIDS). However, standards for financing should also be realistic and take into account country specific contexts, and thus another approach may be to use as a starting point country-specific models used by MoFs to estimate health and other ministerial budgets, based on economic growth. UNAIDS' Economics Reference Group (ERG) Working Group on Sustainable Financing (WGSF) could help to advance thinking and tools in this area.

Incorporating information from country strategies and speaking with country stakeholders keeps HIV and AIDS responses and financing targets country-owned. Using a quantitative approach can help keep donor funding levels and domestic financing requirements fair, predictable, and consistent across countries. A balance between both strategies is optimal.

5. Monitoring & Evaluation

> ***Why it Matters for Sustainable Financing:*** *Without tools and processes for monitoring and evaluating the financing commitments made in a compact, it will be impossible to tell if these commitments are being met. Country compacts can provide mechanisms to promote greater transparency and trust between donors and countries, and to evaluate whether both are meeting their commitments. Compacts can identify specific tools and processes which can be used to monitor financing flows.*

Current Practice

Most World Bank and Global Fund compacts reviewed specify that country recipients must provide regular, audited financial reports to donors as proof that they are using the funding as specified in their agreement with the donor. In World Bank agreements, country recipients are required to provide the World Bank with annual audited financing reports, and in many cases quarterly un-audited financial reports as well. The Global Fund requires PRs to provide annual audited financial statements, but so far has mainly used budget allocations (not actual expenditures) as proof of counterpart financing.[27] In both cases, these financial reports must show that the recipient is spending the money on the agreed program, and that a structured budget (included in the agreements) is being followed, with line items for different activities. These audits generally apply to the projects specified in funding agreements only, not to overall national HIV and AIDS program spending. They are typically used to monitor donor money only, not domestic funding commitments.

The Global Fund is now moving toward supporting regular expenditure tracking exercises in its recipient countries. By trying to support the same types of exercises (mainly the System of Health Accounts[28]) across countries, data on expenditures will be more consistent across countries. Currently, the Global Fund has difficulty collating data on country spending and how countries are meeting their counterpart financing requirements because different expenditure tracking systems mean that such a database would have non-comparable inputs. Specifying how a country tracks and reports its domestic commitments will be part of Global Fund grant agreements going forward.[29]

PEPFAR's funding is provided mostly to NGOs operating in a country and is not "on-budget", thus audited financial statements from a government recipient are not required in PEPFAR's PFIPs. Several PEPFAR PFIPs specify expenditure reviews as a method for monitoring PEPFAR and country government spending commitments. Expenditure reviews that are being encouraged and in some cases funded by PEPFAR and the Global Fund are important for other donors,

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[27] This is partially due to the fact that the counterpart financing policy was only implemented in April 2012, so there has not been much time to review actual expenditures yet.

[28] This includes National Health Accounts and Sub-Accounts

[29] Personal correspondence (interview) between the Global Fund (George Korah) and R4D (Nandini Oomman, Theresa Ryckman) on December 10, 2013

especially if donors move toward compacts that include both donor and domestic financing targets, and if the domestic financing targets apply to overall HIV and AIDS spending, not narrow project-related expenditures. In some cases, PFIPs state that these expenditure reviews will take place using existing expenditure tracking tools and processes, such as PEPFAR's Expenditure Analysis (EA), the South African Government's Basic Accounting Systems (BAS), the Government of Mozambique's biannual programmatic and financial review process, and the Tanzanian Government's biannual Public Expenditure Review (PER) process. Some of these expenditure tracking tools may be better than others for monitoring compact financing commitments, in terms of speed (how long it takes expenditure information to be available after the expenditures are made), their ability to be routinized, and accuracy. Some PEPFAR PFIPs also mandate regular committee meetings to assess programmatic, and in some cases financial, progress and future plans.

The MCC also requires that MCAs spend MCC funding using a specified budget, although this budget can be flexible. To monitor MCA spending, the MCC requires regular accounting and book-keeping by the country government and sub-recipients, and semi-annual audits of government spending.

GAVI is unique in that it tracks three indicators specific to financing for all of its recipient countries. These indicators measure both GAVI and domestic funding commitments and include: GAVI support tracked against GAVI pledges; country investments in vaccines per child; and fulfillment of domestic co-financing requirements. The first indicator comes from GAVI financials, the second from country's national health budgets, and the third uses expenditure data collected by the UNICEF Supply Division and PAHO. Because GAVI mainly provides funding to UNICEF or PAHO for vaccine procurement, there is less of a need to track GAVI resources in-country, but GAVI does also require financial statements and external audits for its cash-based support.

A Potential Standard?

Of the donors reviewed, PEPFAR is the one that currently comes closest to monitoring *joint* funding commitments. The Global Fund is also moving toward joint expenditure tracking, through its push for National Health Accounts in recipient countries. GAVI also provides a standard by consistently tracking standard financing-specific indicators across all countries. The World Bank and the MCC mainly track whether specified budgets are being followed by country recipients.[30] However, monitoring donor funding is much less necessary in the case of the these donors, since they are disbursing funding at regularly agreed intervals or upon request directly to the government recipient, and counterpart financing is rarely required in financing agreements. Since this guidance recommends that donors and countries move toward specifying domestic financing commitments in country compacts, following and improving upon PEPFAR's and GAVI's current approaches and the Global Fund's proposed approach to monitor joint expenditures and financing-specific indicators is likely the best course.

[30] However, monitoring donor funding is much less necessary in the case of the these donors, since they are disbursing funding at regularly agreed intervals or upon request directly to the government recipient, and counterpart financing is rarely required in financing agreements.

Guiding Principle

A combination of expenditure tracking tools and regular meetings should be identified in country compacts to be used to annually monitor country finances and, where applicable, donor funding commitments. Where possible, these should be aligned with existing financial monitoring processes.

A transition to more sustainable financing for HIV and AIDS with increased country ownership and joint funding commitments will require that donors and countries jointly monitor each other's spending. Thus joint expenditure tracking tools are important components of evaluating performance in meeting funding commitments. In many of its compacts (South Africa, Mozambique, Tanzania), PEPFAR achieves a three-way goal of tracking joint expenditures, using existing expenditure tracking tools and processes that are already occurring in a country, and supplementing these exercises with regular meetings to discuss financing. The Global Fund achieves the first of these goals, but may be setting up additional and less routinized tracking systems with its push for the System of Health Accounts (granted, such systems will probably be needed at first in many countries) and meetings regarding expenditure tracking are not specified. Immunization funding is somewhat simpler and thus GAVI does not stipulate specific expenditure tracking mechanisms, but rather collects expenditure information on co-financing through its partners. Still, other donors may want to follow GAVI's standard of tracking standard financing-specific indicators across recipient countries. GAVI also sets an example by tracking both country performance and its own performance against these financing indicators.

PEPFAR's approach to monitoring and evaluation is a model approach to follow, but there are definitely areas for improvement. Although the approach described in compacts is a good standard to follow, in practice, planned actions have not always been achieved. For example, in South Africa, whose PFIP began in 2012/13, results of joint expenditure tracking have not yet been shared and discussed between PEPFAR and the Government, and there have been obstacles on both sides to accessing the other's spending data. This experience highlights the importance of transparency and trust when implementing a compact. Compacts could also specify that regular meetings should include financial tracking, and that future budgeting should be based on the results of that tracking, which few of PEPFAR's reviewed PFIPs do. Such meetings should also be streamlined with any existing financing meetings where possible (e.g. Global Fund CCM meetings or PEPFAR PFIP committee meetings that may already be happening in a country), to avoid over-burdening both countries and donors. In cases where a donor provides "on-budget" support to a government, rather than to NGOs operating in a country, expenditure tracking should focus more on tracking the government's spending, but should include monitoring both donor money spent by the government and domestic money committed by the government.

In cases where existing public financial tracking systems are not yet strong enough to produce robust expenditure data, further work is needed to determine what the best tools are to monitor the financing commitments made in a country compact. Such tools must be routinized and ensure quick turnaround in order for them to be useful for monitoring medium-term financing agreements. It will also be important for funding for other diseases and the health sector overall to be monitored regularly to ensure that increased domestic spending for HIV and AIDS does not come at the expense of other health priorities.

6. Consequences of Not Meeting Conditions

Why it Matters for Sustainable Financing: *The objectives of country compacts can only be realized if the commitments made in these compacts are binding, or at least heavily respected, for all parties involved. One way of ensuring that compacts have leverage is by including specific consequences for not meeting the conditions specified in a compact.*

<u>Current Practice:</u>

While PEPFAR, the Global Fund, and the World Bank have numerous conditions on funding and can suspend or modify disbursements, their financing agreements with countries do not provide adequate information on what happens if these conditions are not met. PEPFAR's PFIP with Vietnam specifies that "USG funding is…based on performance", but more detail is not provided. The Global Fund's grant agreements are "enforceable against the PR in accordance with its terms", but specific consequences of not meeting certain conditions in the agreement are not given. Generally the Global Fund will not delay funding based on a country's failure to produce its counterpart financing alone – it would also be based on program management, performance, and other criteria[31]. The World Bank's agreements do not describe specific penalties either. There is also no information available in these agreements regarding what happens if donors fail to follow through on their funding commitments.

GAVI has a zero tolerance policy for misuse of funds, but is more flexible regarding co-financing. If a country defaults on its co-financing requirements, GAVI will work closely with the country and decide what to do on a case-by-case basis.

<u>A Potential Standard?</u>

The MCC disburses funding quarterly, and funding may be delayed or decreased if quarterly disbursement requirements are not met, as specified in the Conditions Precedent Report created under each agreement (separate from the compact document). The MCC views these quarterly disbursements as part of its toolkit to manage compact resources responsibly. The MCC demands a lot from the countries it works with, and selects countries that are poised to take advantage of resources and have relatively high levels of capacity and commitment (this may be too much reporting burden for programs implemented under the other donors). If programs are not on track or are not likely to meet their goals, funding for those programs may be decreased or eliminated. However, this funding will generally be channeled toward a different program, as MCC compacts are structured so that the country is promised its total "funding envelope",[32] but that envelope may be flexibly distributed across priorities (subject to certain conditions). In rare

[31] Personal correspondence (interview) between the Global Fund (George Korah) and R4D (Nandini Oomman, Theresa Ryckman) on December 10, 2013

[32] Although there is no information in these compacts about what happens if the MCC fails to follow through on its funding commitments

cases, MCC has terminated agreements where countries have been non-cooperative. This has been mostly in force majeure situations, such as Mali and Madagascar, where political turmoil resulted in programmatic failures. Conditions in the Conditions Precedent Reports are generally respected by both the MCC and recipient countries, and MCC has made good on its promise to decrease or, if absolutely necessary, terminate MCC funds.

Guiding Principle:

Country compacts should specify clear consequences of not meeting various financing conditions in the compact.

Consequences should range from light to severe, depending on the condition that has not been met. Agreements should not be terminated for every compact breach – other consequences could include funding being delayed, or less funding being provided for a specific activity, if targets for that activity are behind or there is evidence that the activity-specific funding has been misused. Still, consequences need to be significant enough that they provide incentives for countries and donors to meet their commitments and carry out the conditions specified in compacts. The MCC strikes a good balance, by viewing disbursements as a funds management tool, delaying or reallocating funding where necessary, and only very rarely terminating agreements entirely.

These tools also need not be "traditional" consequences that decrease or withhold donor funds. Other types of mechanisms that can hold donors and countries to their commitments should also be considered. For example, one could require that a high-level political figure widely publicize a country's domestic funding commitment for HIV and AIDS, such as through a speech, in order to increase awareness of the commitment by civil society and the general public. In South Africa, the signing of the PFIP coincided with a visit by then U.S. Secretary of State Hillary Clinton and was widely publicized in the media. Other mechanisms could include using CSOs to help pressure all parties in a compact to fulfill commitments or requiring that financial performance be transparently published. Another tool may be Results Based Financing. For GAVI's Health Systems Strengthening grants, countries are given additional funding after the first budget year if immunization coverage improves (or if high coverage is maintained). The Global Fund is doing something similar but more specific to sustainable financing under its New Funding Model by reserving 15% of countries' total resource envelopes for funding that will be allocated based on governments' willingness to pay for their own disease programs. Both the Global Fund and the MCC also cited the possibility of being awarded funding in the next "funding round" as a major incentive for countries to follow agreements and stick to their commitments.[33,34] Further analysis will likely reveal other tools that can increase the leverage of a country compact, although many of these are unlikely to be components of a compact themselves (rather, they would come before or after the compact is signed).

[33] Personal correspondence (interview) between the Global Fund (George Korah) and R4D (Nandini Oomman, Theresa Ryckman) on December 10, 2013

[34] Personal correspondence (interview) between the MCC (Chris Broughton, Margaret Dennis) and R4D (Nandini Oomman, Theresa Ryckman) on November 20, 2013

Compacts should also be flexible in allowing countries to "get back on track" for funding if a condition has not been met but the country is showing a meaningful attempt to fix its problems associated with meeting that condition. For example, if funding has been withheld because progress was not being made on an activity, and now that activity's targets are being reached, funding could again begin being disbursed. Or, if funding disbursements were reduced because a country was not providing promised co-financing, those funds could be replaced if the country later provides extra funding to make up for its previous nonfulfillment.

Finally, consequences should apply to both donors and recipient countries. It is hard to take a donor's funding commitments seriously if there are no conditions to ensure that the donor meets those commitments. For example, all of PEPFAR's PFIPs reviewed state that PEPFAR's funding levels are non-binding estimates that are subject to congressional appropriations and future availability of funds. MCC sets a useful standard in this regard, as its agreements are structured so that a country is eligible to receive its full MCC funding amount even as priorities shift and activities' scopes change, except in dire circumstances, and these agreements are binding treaties for both parties involved.[35] GAVI also provides a good example in that it is the only donor to transparently report on an indicator that tracks its actual disbursed funding against commitments.

HIV and AIDS donors face a particular challenge since they are, in many cases, funding programs that are putting people on life-saving ART support. There is a major ethical dilemma when it comes to withholding or delaying funding, and countries realize this and may take conditions and consequences less seriously as a result. This is likely one reason why most of the HIV and AIDS donors will not delay funding based on counterpart or domestic financing alone. In the end, donors have to be willing to draw lines and these lines have to be made clear to countries. A combination of clear consequences with clear trigger points and other incentives and methods of increasing leverage can help increase the weight of a compact.

[35] Personal correspondence (interview) between the MCC (Chris Broughton, Margaret Dennis) and R4D (Nandini Oomman, Theresa Ryckman) on November 20, 2013

V. Conclusions & Next Steps

The guiding principles discussed in this paper are a starting point for the development of country compacts for sustainable financing for HIV and AIDS. The compact is one tool that can ensure that countries experience smooth financing transitions when external donor funding decreases. These principles may be further developed through additional analysis, country experiences, and feedback from experts. Additional analysis of the agreements of other donors, such as DfID, were not included in this report, but would provide more information for compact development. Country compacts and other donor-country financing agreements that include domestic funding commitments are still in nascent stages for most donors (PEPFAR is only in the first few years of most of its PFIPs and the Global Fund is about to fully implement its New Funding Model), so it will be important to incorporate lessons learned from country experiences with these agreements as they occur.

Suggested next steps include:

- Reviewing more closely the programmatic targets in country compacts, in order to analyze the connection between programmatic goals and outputs, exercises to cost those programs, and the development of financing targets based on that costing.

- Additional research on "less traditional" incentives and consequences (other than withholding or delaying funding disbursements), such as CSO engagement, Results Based Financing, and using media or other forms of public engagement, could assist in producing guidance for developing compacts that, if not legally binding, at least have significant leverage.

- Adding DfID's financing agreements to the compact inventory mix, if available, could add value by incorporating additional donor perspectives in the analysis. Currently, the only bilateral donor considered is the United States.

- Drafting country case studies by reviewing specific country experiences with donor transitions and the compacts used to guide these transitions (and speaking with relevant stakeholders in these countries) could provide additional insight into what works and what does not.

- Additional work is also needed on expenditure tracking mechanisms. While there are many tools available, some are less routinize-able and require longer turnaround time, while others create additional burden for countries. There is not a clear consensus across donors and countries on the "best" resource tracking tool, and multiple options are used across different countries, making spending comparisons difficult. Furthermore, it may be the case that none of the current expenditure tracking systems pushed by HIV and AIDS donors (National AIDS Spending Assessments, System of Health Accounts, and Public Expenditure Reviews) are appropriate for tracking financing commitments in country compacts, in which case development of such a tool would be an important next step.

- Having this report reviewed and published, including distributing it to countries and donors for comment and as possible guidance, can help ensure that the information contained here is endorsed by stakeholders and can be used to ensure that smooth and sustainable funding arrangements and transitions occur in countries.

- Development of an action plan to actually implement compact guidance, once finalized and endorsed by stakeholders, will help bridge the gap between the information provided in a guidance document and the actual content of compacts and their operationalization going forward. A first step in such an action plan could be to test out some of the recommendations contained in this document in a small selection of countries. UNAIDS could also use the Economics Reference Group or another interagency task force to ensure these findings are taken from policy to practice.

Annex Table 1: Global Fund Country Compacts Inventory Matrix

	Standard Features	Cambodia	India	Jamaica	Kenya	Moldova	Nigeria
Country Features							
Epidemic Type	These are standard features across all agreements	Concentrated	Concentrated	Concentrated	Generalized	Concentrated	Generalized
Income Bracket		LIC	LMIC	UMIC	LIC	LMIC	LMIC
Region		EAP	SA	LAC	SSA	ECA	SSA
Compact Financing Features							
Time Period:		3 years (2011-13)	2 years (2010-12), with 3 more possible in Phase 2	2 years (2008-10), then 3 more approved in Phase 2	3 years (2011-14)	1.5 years (2010-12)	2.5 years (2010-12)
Actors Included	Signees: Principal Recipient, Global Fund, CCM Chair, CSO representative of CCM Made Between: PR and GF	National Centre for HIV/AIDS, Dermatology, and STDs (PR), GF, NAC (CCM chair), HIV Programme PACT Cambodia (CSO rep.)	Dep't. of Economic Affairs (PR), GF, MOH (CCM chair), Suraksha (CSO rep.)	MOH (PR), GF, MOH National HIV/STI (CCM chair), Jamaica Network of Seropositives (CSO rep.)	MOF (PR), GF, MOH (CCM chair), Kenya AIDS NGOs Consortium (CSO rep.)	Moldova Health Systems Restructuring Project (PR), GF, MOH (CCM chair), Soros Foundation (CSO rep.)	NACA (PR), GF, Nigeria Office of the Secretary (CCM chair), NEPWAN (CSO rep.)
Financing Targets (GF)	Grant from GF to PR, with semi-annual disbursement	Only "first disbursement" is committed	Funds only committed for Phase 1. 10% of Phase 1 funds set aside for disbursement after 12 months	Funds only committed for Phase 1.	Only "first commitment" is committed	Only "first commitment" is committed	Only "first disbursement" is committed

	Standard Features	Cambodia	India	Jamaica	Kenya	Moldova	Nigeria
Financing Targets (country)		None	None	Counterpart financing requirements (10-20% of total)	None	None	None
Inputs to Financing Targets	Detailed budget provided by PR in application	Combined remaining funds from previous grant and funds requested in proposal	None other than Standard	None other than Standard	Combined remaining funds from previous grant and funds requested in proposal	Combined remaining funds from previous grant and funds requested in proposal	Combined remaining funds from previous grant and funds requested in proposal
Processes for Enforcement & Monitoring	LFA verification, auditing, competitive sub-recipient (SR) selection, SR performance monitoring, periodic reporting	Regular budget and expenditure reporting	Quarterly update of programmatic results, Steering Committee meetings	None other than Standard	None other than Standard	None other than Standard	M&E TWG quarterly meetings, periodic inventory management, annual reviewing
Are these processes new or existing?	New	New	New	New	New	New	New
Tools for Enforcement & Monitoring:	Annual audits; program reports;	Annual training plans, annually updated country profile, list of non-cash assets	Quarterly reports, annual training plans, PMIS data reports, SR reports	Counterpart financing	Financial reports, annual verification of fixed assets	None other than Standard	Quarterly reports, expenditure analysis, M&E progress reports, Internal Audit reports.

	Standard Features	Cambodia	India	Jamaica	Kenya	Moldova	Nigeria
Are these tools new or existing?	New	New	New	New	New	New	New
Other Required Output Tools & Committees	Procurement, use, and supply management plans (PSM)	Financial management manual, HR manual, facility renovation workplans & budgets, procurement manual, sub-recipient management plan	M&E plan/costed action plan, SR management plan, SR workplans & budgets, report on SR taxes and duties,	Small grants program plan	Back-up system and equipment, pharmaceutical & health product management profile, staff TORs, financial reporting, fixed asset register, delivery kits workplan & budget, past audited reports, updated ops manual, assess storage conditions	Establishment of a department for planning & interaction between NAC, ART Treatment Section, M&E Unit, MOH, and MOSPFC	Service mapping, national specifications for laboratory equipment
Types of Programmatic Content Included	Objectives, target groups, strategies or activities under each objective,	None other than standard	None other than standard	None other than standard	None other than standard	None other than standard	PR or NACA assigned to each activity (split in some cases)

	Standard Features	Cambodia	India	Jamaica	Kenya	Moldova	Nigeria
Consequences of not meeting conditions	If any conditions are not met, the GF can terminate or suspend the agreement.	None other than standard	None other than standard	None other than standard	None other than standard	None other than standard	2nd disbursement may not be disbursed if conditions are not met. 1st is subject to terms & conditions
Terms & Conditions	See Standard Terms & Conditions below	None other than standard & tools/outputs listed above	Bank account statement & request letter prior to first disbursement	Bank account statement & request letter prior to first disbursement	Bank account statement & request letter prior to first disbursement	None other than standard & tools/outputs listed above	Bank account statement & request letter prior to first disbursement

Standard Terms & Conditions:

- Implementation in accordance with budget and approved program activities, changes must be authorized by GF
- GF may extend commitment period at its discretion
- "This agreement has been duly executed and delivered by the PR and is enforceable against the PR in accordance with its terms"
- PR not receiving funding from other sources that duplicates GF funding & informs GF of additional funding
- Cooperation with CCM & LFA, progress verification by LFA
- No disbursement unless: request for disbursement signed by PR, GF funds are available, special conditions met, previous progress reports submitted, demonstration of results consistent with performance framework targets, PR reports prices and supply information following procurement, LFA verification.
- If any conditions not met, GF can terminate or suspend the agreement
- Conditions on number and type of bank accounts (etc.), interest, revenues, taxes, duties
- Auditing: Accounting books and records maintained, PR annual financial audits using independent auditor. PR ensures audits of SRs. GF has right to audit.
- Sub-recipients: PR assesses capacity of SRs, SRs activities designed to facilitate PRs objectives/activities, copy of SR agreements to GF, PR monitors SR performance
- Progress Reports: periodic reports toward objectives and targets
- Conditions on procurement practices and policies, supply chain, products, PSM plan, adhere to WHO guidelines,
- Conditions on insurance, liabilities, conflict of interest, etc.
- PR receives unused grant funds upon termination, provides audited financial report, inventory of assets (and plan for use if requested)

Annex Table 2: PEPFAR Country Compacts Inventory Matrix

	Angola	Mozambique	Nigeria	South Africa	Tanzania	Vietnam
Country Features						
Epidemic Type	Generalized	Generalized	Generalized	Generalized	Generalized	Concentrated
Income Bracket	UMIC	LIC	LMIC	UMIC	LIC	LMIC
Region	SSA	SSA	SSA	SSA	SSA	EAP
Compact Financing Features						
Time Period	5 years	5 years	6 years	5 years	5 years	5 years
Actors Included	USG and GRA (National Commission to Fight HIV/AIDS and Large Epidemics)	USG and GRM (multiple ministries, NAC)	USG and GON (leadership of NACA and FMOH)	USG and SAG. Signees: US Ambassador, SA Minister of Health	USG and URT (MOH, TACAIDS)	GVN and USG (Steering Committee)
Financing Targets (PEPFAR)	3 year budget projection. "PF funds for 2009 and 2010 are approved, the funds for 2011-13 are subject to Congressional appropriations and approval by the Global AIDS Coordinator"	5 year total projected contribution. "USG contributions in out-years are estimates and do not include binding funding levels. Levels are subject to congressional appropriations and based on the availability of funds"	6 year expected financing contribution. "All funding subject to annual Congressional appropriations process."	5 year Financing Plan. "Allocation is notational and subject to Congressional appropriation and approval by the Global AIDS Coordinator"	5 year funds by donor. "Availability of PEPFAR resources in 2011 and beyond is subject to Congressional appropriations and approval of the US Global AIDS Coordinator"	5 year projected financial contribution. "USG funding is anticipated over the full 5 year PF; actual annual allocations are subject to the availability of funds and based on performance"

	Angola	Mozambique	Nigeria	South Africa	Tanzania	Vietnam
Financing Targets (country)	5 year budget projection	3 year total projected contribution	6 Year Expected Financial Contribution; GON to finance 50% of the cost for Universal Access	5 Year Financing Plan	None included	5 Year Projected Financial Contribution
Financing Targets (other donors)	Expected contributions of other donors are included	Expected contributions of other donors	Expected contributions of other donors	Expected contributions of other donors are included	Expected contributions of other donors are included	Expected contributions of other donors
Inputs & Tool for Setting Financing Targets	Current GRA funding extended forward, PEPFAR past COP allocations, gap based on NSP	GRM from budgets (3 years only), PEPFAR past COP allocations, current agreements with other donors (3 years only), Round 9 GF Proposal	NSP resource needs, current WB, GF, DFID, CHAI agreements, past PEPFAR COP allocations, NASA, HAPSAT; Assumes GON provides 50% of total HIV financing by 2015.	Past PEPFAR COP allocations, other expected donor funding (from current funding), NSP resource needs	Budget guidelines informed domestic spending estimates. PEPFAR based on past COP allocations. Donor funding projected forward from PER. NMSF, treatment costing exercises.	GVN from budget forecasts, GF from current grants, PEPFAR from past COP allocations. UNGASS 2010.
Processes for Enforcement & Monitoring	<u>High Level</u>: annual meetings; <u>Strategic</u>: INLS semi-annual workshop, PFIP management group meetings; <u>Technical</u>: quarterly TWG and multisectoral coordination and supervisory committee meetings	GRM bi-annual review will include a review of financing contributions, transition progress. Twice annual SC meetings, National Directors Meetings, GRM inclusion in PEPFAR annual review process	Semi-annual data reviews, in-depth state monitoring by lead IPs.	Twice yearly SC meetings, MC meetings every other month, monthly TTT meetings.	Biannual PER to track expenditures. Ongoing JTWG technical sub-committee reports, and quarterly progress statements. Annual convenings to inform budgets. Biannual stakeholder review.	SC annual progress reviews and semi-annual meetings. Twice yearly TWG reviews, SC co-chair monthly meetings and information exchanges.

	Angola	Mozambique	Nigeria	South Africa	Tanzania	Vietnam
Are these processes new or existing?	Some new, most existing	Some new, some existing	New	New structures, but aligned with existing SAG processes	Mostly existing	New
Do processes explicitly cover financing?	No	Yes	No	No	Yes	No
Tools for Enforcement & Monitoring:	Nothing financing specific	Bi-annual review	Nothing financing specific	Regular spending reviews, using PEPFAR Expenditure Analysis and SAG BAS, APT	Biannual PER. TACAIDS annual reviews of donor commitments and pledges	Financial commitments to be measured through the NASA
Are these tools new or existing?		Existing		Already being developed	Existing	Already being developed
Types of Programmatic Content Included	Goals and objectives, strategies and activities to achieve these, generally aligned with NSPs or other national HIV planning documents. General language on country ownership, transitioning certain services (all service delivery to TA in MICs), emphasis on joint planning, alignment, collaboration, information sharing, capacity building.					
Consequences of not meeting conditions	None	None	None	None	None	USG funding is subject to availability of funds and based on performance

Annex Table 3: World Bank Country Compacts Inventory Matrix

	Afghanistan	Botswana	India	Jamaica	Kenya	Nigeria
Country Features						
Epidemic Type	Concentrated	Generalized	Concentrated	Concentrated	Generalized	Generalized
Income Bracket	LIC	UMIC	LMIC	UMIC	LIC	LMIC
Region	Asia/Mid-East	SSA	Asia/Mid-East	LAC	SSA	SSA
Compact Financing Features						
Time Period	3.25 years; (Sept 2007 – Dec 2010)	4.5 years; (Jan 2009 – Sept 2013)	4.5 years; (June 2013 – Dec 2017)	4.25 years; (June 2008 – Nov 2012)	4.5 years; (July 2007 – Dec 2011)	3 years; (Nov 2010 – Dec 2013)
Actors Included	Financing Agreement: IDA & Afghanistan (MOF) Main Implementer: MOPH Other Implementers: MOF, other ministries	Loan Agreement: IBRD & Botswana (MOF) Implementer: NACA, DAC, CSOs/private sector, ministries	Financing Agreement: IDA & India (MOF) Implementers: DAC/NACO, SACs at state level	Loan Agreement: IBRD & Jamaica (MOF) Implementers: MOH, other line ministries, private sector, CSOs	Financing Agreement: Kenya (MOF) & IDA (IDA coordinates DFID grant – IDA and DFID have a separate agreement). Implementer: Kenya makes funds available to NACC on grant basis under subsidiary agreement that gets approved by IDA	Financing Agreement: Nigeria (MOF) & IDA Implementer: Nigeria makes funds available to NACA and SACAs through separate agreements
Financing Targets (WB)	Loan from IBRD to Botswana	Grant from IDA to Afghanistan	Credit from IDA to India	Loan from IBRD to Jamaica	Grant from DFID (IDA coordinates); Credit from IDA to Kenya	Credit from IDA to Nigeria

	Afghanistan	Botswana	India	Jamaica	Kenya	Nigeria
Financing Targets (country)	None	None	None	None	Commitment from Kenya to fund 20 M shillings.	Nigeria "causes states to ensure SACAs fund $100,000"
Financing Targets (other donors)	None	None	None	None	DFID grant (IDA administers)	None
Inputs & Tool for Setting Financing Targets	Not specified	Not specified	Not specified	Not specified	Not specified; DFID funding already determined by Kenya/DFID	Not specified
Processes for Enforcement & Monitoring	Financing: Quarterly and annual financial reporting Non-Financing Specific: annual planning by Planning Committee, annual and semi-annual project reporting	Financing: Financial reporting Non-Financing Specific: twice yearly SC and technical sub-committee meetings, semi-annual reporting (Botswana), annual reporting (NACO, ministries, non state)	Financing: Semi-annual financial reporting (India, DAC/NACO, SACs, subgrantees) Non-Financing Specific: Semi-annual project reporting	Financing: Quarterly financial reporting (Jamaica, MOH, line ministries, less frequently for CSOs and private sector), auditing Non-Financing Specific: Quarterly project reporting	Financing: Annual financial reporting, auditing Non-Financing Specific: annual project reporting, progress monitoring through Inter-Agency Coordinating Committee & Steering Committee	Financing: Financial reporting (by Nigeria, subgrantees, NACA, SACAs) & auditing. Periodic budgeting Non-Financing Specific: Annual project reporting
Are these processes new or existing?	New	New	New	New	New	New
Processes explicitly cover financing?	Yes	Yes	Yes	Yes	Yes	Yes

	Afghanistan	Botswana	India	Jamaica	Kenya	Nigeria
Tools for Enforcement & Monitoring:	Financing: Quarterly financial reports (audited annually) Non-Financing Specific: semi-annual project reports, integrated annual reports	Financing: Quarterly financial reports, annual audited financial statements Non-Financing Specific: semi-annual project reports, annual progress reports (NACA, ministries, non-state actors); mid-term review	Financing: Quarterly financial statements, audited annually (Jamaica, SACs) Non-Financing Specific: Semi-annual progress reports (Jamaica, SACs, subgrantees) using program indicators	Financing: Quarterly financial reports (audited annually) Non-Financing Specific: Quarterly project reports	Financing: Annual audited financial statements (NACC) Non-Financing Specific: annual project reports on programmatic indicators (NACC), mid-term review with IDA (Kenya)	Financing: Annual audited financial statements from Nigeria, subgrantees Non-Financing Specific: quarterly project reports (NACA, states)
Are these tools new or existing?	New	New	New	New	New	New
Other Required Processes & Tools (related to financing)	Financial Management Manual; Annual workplans, including budgets	Annual workplans (budgets not specified) Backlogged audited reports	Annual workplans, including budgets	Annual workplans, including budgets	Annual consolidated workplan (budgets not specified)	Subsidiary agreement with one state; annual workplans & budgets
Types of Programmatic Content Included	High risk groups, knowledge, reducing stigma, advocacy, comms capacity building	NACA capacity building, prevention/mitigation	Targeted prevention, BCC, institutional strengthening	Targeted prevention, access to treatment, management strengthening, capacity building	Prevention interventions, focus on target populations, grounded in KNASP	Scaling up prevention, access. Capacity building & TA for management
Consequences of not meeting conditions	Not specified	Not specified	Not specified	Not specified	Not specified	Not specified

	Afghanistan	Botswana	India	Jamaica	Kenya	Nigeria
Terms & Conditions	Afghanistan responsible for MOPH carrying out the project in accordance with other terms in the agreement. Afghanistan must follow the budget contained in the agreement (but only two line items for everything) Other specific terms of grant – payment dates, withdrawal etc.	Botswana responsible for ensuring the project is carried out under NACA, in accordance with Operational Manual, other terms in agreement. Botswana must follow the budget contained in the loan agreement Other specific terms of repayment, interest, schedule, etc.	India responsible for ensuring DAC/NACO carry out the project in accordance with Project Strategic Plan and other terms in agreement. India must follow the budget contained in the agreement (but only one line item for everything) Other specific terms of repayment, interest, schedule	Jamaica responsible for ensuring the project is implemented through MOH, ministries, CSOS, private sector – in accordance with operations manual & terms in agreement. Jamaica must follow the budget contained in the loan agreement Other specific terms of repayment, interest, schedule, etc.	Kenya responsible for ensuring NACC carries out the project in accordance with criteria and procedures in operations manual, including financing, & terms in agreement Kenya must spend the grant/credit following an agreed upon budget Other specific terms of repayment, interest, schedule, etc.	Nigeria responsible for NACA and SACAs carrying out the project in accordance with project implementation manual, terms in agreement. Nigeria must spend the credit following an agreed upon budget Other specific terms of repayment, interest, schedule, etc.

Annex Table 4: MCC Country Compacts Inventory Matrix

	Moldova	Mozambique	Tanzania
Country Features			
Epidemic Type	Concentrated	Generalized	Generalized
Income Bracket	LMIC	LIC	LIC
Region	Eastern Europe/Central Asia	SSA	SSA
Compact Financing Features			
Time Period	5 years	5 years	5 years
Actors Included	Agreement Between: USA, Moldova Acting Through: MCC, Government of Moldova Signees: MCC CEO, Deputy Prime Minister of Foreign Affairs Other: Agreement gets ratified by the Moldovan Parliament Government designates MCA-Moldova as the accountable entity	Agreement Between: USG, GOM Acting Through: MCC Signees: MCC CEO, Minister of Planning & Development Government may designate an entity to implement, and MCA-Mozambique is the accountable entity (including financial control)	Agreement Between: USA and the Government of Tanzania Acting Through: MCC, T MOF Signees: President of US, President of Tanzania MCA-Tanzania carries out and implements the program, but this does not relieve the government of its obligations
Financing Targets (MCC)	Grants with an upper limit and multiple disbursements (Program Funding & Implementation Funding), subject to terms of Compact.	Grants with an upper limit and multiple disbursements (MCC Funding & Implementation Funding), subject to terms of Compact	Grants with an upper limit and multiple disbursements (MCC Funding & Implementation Funding), subject to terms of Compact

	Moldova	Mozambique	Tanzania
Financing Targets (country)	The Government will provide all funds and other resources necessary to carry out the Government's responsibilities and obligations under the Compact	The Government will provide all funds and other resources necessary to carry out the Government's responsibilities and obligations under the Compact	The Government will provide all funds and other resources necessary to carry out the Government's responsibilities and obligations under the Compact
Donor Coordination	Yes, mostly with USAID and World Bank, also OECD, UN, EU	Yes, through Working Groups – mostly the World Bank and also USAID and other donors (DFID, etc.)	Yes, through groups (e.g. Joint Technical Committee) of many donors, mostly with World Bank and USAID.
Inputs & Tool for Setting Financing Targets	Not specified, but a Multi-Year Financial Plan Summary (budget) with line items for each project and for M&E and Admin/Auditing is included in the compact.	Not specified, but a Multi-Year Financial Plan Summary (budget) with line items for each project and for M&E and Admin/Auditing is included in the compact.	Not specified, but a Multi-Year Financial Plan Summary (budget) with line items for each project and for M&E and Admin/Auditing is included in the compact.
Processes & Tools for Enforcement & Monitoring	Regular accounting and book-keeping by the Government and "Covered Providers" (anyone funded a certain amount by the Government using MCC Funds), semi-annual Government auditing.	Regular accounting and book-keeping by the Government and "Covered Providers" (anyone funded a certain amount by the Government using MCC Funds), semi-annual Government auditing.	Regular accounting and book-keeping by the Government and "Covered Providers" (anyone funded a certain amount by the Government using MCC Funds), semi-annual Government auditing.
Are these processes new or existing?	New	New	New

	Moldova	Mozambique	Tanzania
Types of Programmatic Content Included	Compact Goal, Program Objective, and Project Objectives (2 projects). Much more detailed programmatic information on what the MCC Funds should be spent on. Plans for sustainability are included (e.g. amended Road Fund Law to provide reliable mechanism for adequate road maintenance funding)	Compact Goal, Program Objective, and Project Objectives (4 projects). Much more detailed programmatic info on what the MCC funds should be spent on. There is a section under 1 of the projects on financial sustainability.	Compact Goal and Project Objectives (3 projects). Much more detailed programmatic info on what the MCC funds should be spent on. There is also an HIV component in this project (incorporating HIV awareness programs into implementation)
Consequences of not meeting conditions	MCC may terminate the agreement if the Government fails to comply. If terminated, all disbursements cease and funding not disbursed will be released from obligation, while unspent disbursed funds must be returned to MCC. The Government may also have to pay back any misspent funds.	MCC may terminate the agreement if the Government fails to comply. If terminated, all disbursements cease and funding not disbursed will be released from obligation, while unspent disbursed funds must be returned to MCC. The Government may also have to pay back any misspent funds.	MCC may terminate the agreement if the Government fails to comply. If terminated, all disbursements cease and funding not disbursed will be released from obligation, while unspent disbursed funds must be returned to MCC. The Government may also have to pay back any misspent funds.
Funding-Specific Conditions	The funds must be spent in line with the Multi-Year Financial Plan Summary included in the compact, and the Government must provide more detailed multi-year financial plans periodically.	The funds must be spent in line with the Multi-Year Financial Plan Summary included in the compact, and the Government must provide more detailed multi-year financial plans periodically.	The funds must be spent in line with the Multi-Year Financial Plan Summary included in the compact, and the Government must provide more detailed multi-year financial plans periodically.