

**UNCLASSIFIED**

United States Department of State  
and the Broadcasting Board of Governors  
Office of Inspector General

# Report of Inspection

## Review of the Office of the U.S. Global AIDS Coordinator

Report Number ISP-I-08-23, February 2008

### **~~IMPORTANT NOTICE~~**

~~This report is intended solely for the official use of the Department of State or the Broadcasting Board of Governors, or any agency or organization receiving a copy directly from the Office of Inspector General. No secondary distribution may be made, in whole or in part, outside the Department of State or the Broadcasting Board of Governors, by them or by other agencies or organizations, without prior authorization by the Inspector General. Public availability of the document will be determined by the Inspector General under the U.S. Code, 5 U.S.C. 552. Improper disclosure of this report may result in criminal, civil, or administrative penalties.~~

**UNCLASSIFIED**

## **PURPOSE, SCOPE AND METHODOLOGY OF THE INSPECTION**

This inspection was conducted in accordance with the Quality Standards for Inspections, as issued by the President's Council on Integrity and Efficiency, and the Inspector's Handbook, as issued by the Office of Inspector General, U.S. Department of State.

### **PURPOSE**

The Office of Inspections provides the Secretary of State and Congress with systematic and independent evaluations of the operations of the Department of State, its posts abroad, and related activities. Inspections cover three broad areas, consistent with Section 209 of the Foreign Service Act of 1980:

- **Policy Implementation:** whether policy goals and objectives are being effectively achieved; whether U.S. interests are being accurately and effectively represented; and whether all elements of an office or mission are being adequately coordinated.
- **Resource Management:** whether resources are being used and managed with maximum efficiency, effectiveness, and being accurately and effectively represented; and whether financial transactions and accounts are properly conducted, maintained, and reported.
- **Management Controls:** whether the administration of activities and operations meets the requirements of applicable laws and regulations; whether internal management controls have been instituted to ensure quality of performance and reduce the likelihood of mismanagement; whether instance of fraud, waste, or abuse exist; and whether adequate steps for detection, correction, and prevention have been taken.

### **METHODOLOGY:**

In conducting this inspection, the inspectors: reviewed pertinent records in the Department and elsewhere; as appropriate, circulated, reviewed, and compiled the results of survey instruments; conducted on site interviews with personnel at the overseas missions, in the Department, and elsewhere; and reviewed the substance of the report and its findings and recommendations with office, individuals, organizations, and activities affected by this review.



United States Department of State  
and the Broadcasting Board of Governors

*Office of Inspector General*

PREFACE

This report was prepared by the Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended, Section 209 of the Foreign Service Act of 1980, the Arms Control and Disarmament Amendments Act of 1987, and the Department of State and Related Agencies Appropriations Act, FY 1996. It is one of a series of audit, inspection, investigative, and special reports prepared by OIG periodically as part of its oversight responsibility with respect to the Department of State and the Broadcasting Board of Governors to identify and prevent fraud, waste, abuse, and mismanagement.

This report is the result of an assessment of the strengths and weaknesses of the office, post, or function under review. It is based on interviews with employees and officials of relevant agencies and institutions, direct observation, and a review of applicable documents.

The recommendations therein have been developed on the basis of the best knowledge available to the OIG, and have been discussed in draft with those responsible for implementation. It is my hope that these recommendations will result in more effective, efficient, and/or economical operations.

I express my appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in black ink, appearing to read "Bill Todd", written in a cursive style.

William E. Todd  
Acting Inspector General



TABLE OF CONTENTS

KEY JUDGMENTS ..... 1

CONTEXT ..... 3

FULFILLMENT OF THE OFFICE OF THE U.S. GLOBAL AIDS COORDINATOR MANDATE ... 7

    Moving from Emergency Mode to Sustainable Mode. .... 10

OVERSIGHT OF S/GAC ..... 13

    White House Oversight of the Office of the U.S. Global AIDS  
        Coordinator ..... 13

    State Department Oversight of S/GAC ..... 13

    Office of the U.S. Global AIDS Coordinator Relations with the Office of ..  
        U.S. Foreign Assistance..... 15

    Inspector General Oversight. .... 18

FUNDS DISTRIBUTION..... 21

    President’s Emergency Plan for AIDS Relief Funding ..... 21

    Program Wraparounds ..... 26

    Single Implementing Partner Funding Limit ..... 27

OFFICE OF THE U.S. GLOBAL AIDS COORDINATOR OPERATIONS ..... 29

    Public Affairs and Public Diplomacy ..... 29

    Office of the Global AIDS Coordinator Administrative Challenges in  
        Washington ..... 30

    Office of the U.S. Global AIDS Coordinator’s Interagency Challenges in  
        Washington and Overseas ..... 35

    Office of the U.S. Global AIDS Coordinator’s Administrative Challenges in  
        the Field ..... 36

    Sharing Knowledge ..... 40

MULTILATERAL, BILATERAL AND PRIVATE DONOR COORDINATION..... 41

    Multilateral and Bilateral Donors ..... 41

    Public-Private Partnerships and New Partner Outreach ..... 42

FORMAL RECOMMENDATIONS ..... 45

**UNCLASSIFIED**

INFORMAL RECOMMENDATIONS ..... 47  
PRINCIPAL OFFICIALS ..... 51  
ABBREVIATIONS ..... 53  
PRESIDENT’S EMERGENCY PLAN FOR AIDS RELIEF-RELATED STUDIES ..... 55

## KEY JUDGMENTS

- In its four years of existence, the Office of the U.S. Global AIDS Coordinator (S/GAC) has made impressive progress in combating HIV/AIDS around the world under the President’s Emergency Plan for AIDS Relief (PEPFAR) and is on track to meet most targets for prevention of the pandemic and the treatment and care of its victims.
- S/GAC has forged exceptionally successful interagency coordination and cooperation by creating a “one-U.S. government” approach to decision making and program implementation at the policy, technical, and managerial levels. S/GAC should develop flexible guidelines about core competencies to resolve residual frictions between implementing agencies.
- In comparison to other U.S. development assistance programs, PEPFAR is very well funded, sometimes dwarfing other initiatives that reflect high-priority U.S. strategic interests.
- The present U.S. Global AIDS Coordinator inspires high performance from his team of health and development professionals.
- Because of concerns about control over certain health-related assistance funds outside of PEPFAR accounts, the Coordinator and the Department of State’s (Department’s) Director of U.S. Foreign Assistance (DFA) should agree upon which bureau will administer each Department funding stream, reaching agreement in advance of further congressional action on reauthorization of the PEPFAR program. Additionally, S/GAC and the Office of U.S. Foreign Assistance (F) should make further efforts to harmonize their processes to increase transparency, aid decision making, and reduce workload.
- S/GAC attracts favorable attention in part because its elaborate statistical methodology can demonstrate quantifiable results and accountability. Information gathering and program planning, however, consume staffers’ time in Washington and in the field and need further streamlining.
- S/GAC provides the bulk of PEPFAR funds to several U.S. implementing agencies, each with its own inspector general (IG). Regular overall financial audits of PEPFAR funds, coordinated among these IGs, would improve accountability.

## SCOPE OF WORK AND TEAM COMPOSITION

The review of S/GAC by the Office of Inspector General (OIG) comprised interviews in relevant offices of the Department of State, implementing agencies, nongovernmental organizations, private-sector partners, and a survey of U.S. embassies in PEPFAR focus countries, as well as attendance at a variety of S/GAC meetings and discussion with S/GAC staff at all levels. The OIG review team also drew on numerous reports done by other IGs, embassies, and other sources. Due to the limitations of the two-month review period available, however, the OIG review team did not conduct a full-scale, in-depth inspection with the assessment of internal controls typical of the inspection process. More specifically, the team did not review financial, property, or procurement operations in depth. The review was not an audit, although a financial audit is strongly recommended. The team also made several informal recommendations. The review described in this report provides insight into the main themes and issues affecting S/GAC's operations. These operations have not been previously reviewed by OIG. PEPFAR funds flow largely through S/GAC to the U.S. Agency for International Development (USAID), the Department of Health and Human Services (HHS) and other implementing agencies. The Department of State OIG does not have authority over these agencies. Therefore, the OIG team conducted this review of only the Department's Global HIV/AIDS Initiative implementation and coordination activities. The OIG team's observations in this review are made to inform any future assessments of the overall management of foreign assistance funds at the Department of State.

The review took place in Washington DC, between October 15 and December 5, 2007. Ambassador Pamela Hyde Smith (Team Leader), John Moran (Deputy Team Leader), Joseph Catalano, Richard English, Ralph Kwong, and Iris Rosenfeld conducted the review.

## CONTEXT

HIV/AIDS has become the world's most important public health crisis. Approximately 33 million people are infected worldwide; two thirds of those are concentrated in a dozen African countries. The number of new HIV infections each year worldwide is 2.5 million people. The incidence of HIV among adults from 15 to 49 years of age has risen to 15 percent in many countries and is estimated at 30 percent in some southern African countries. Because of the scale of this disease, it threatens the political stability of the affected countries and their neighbors, and undermines their prospects for prosperity.

In 2002, President Bush and certain congressional leaders made a commitment to fight AIDS in afflicted countries. The Congress passed the United States Leadership against HIV/AIDS, Tuberculosis, and Malaria Act of 2003 (P.L. 108-25). The Act called for a comprehensive, integrated five-year strategy to combat global HIV/AIDS; required coordination among the implementing executive branch departments or agencies (the Department of State, USAID, HHS, the Department of Defense - DOD, the Peace Corps, the Department of Labor – DOL, and the Department of Commerce); and projected general levels of resources for achieving the Act's goals. The Act also provided for the establishment of S/GAC within the Office of the Secretary of State (S) and gave it primary responsibility for coordination and oversight of all U.S. government activities to combat the HIV/AIDS pandemic internationally.

The Congress has passed growing Global HIV/AIDS Initiative (GHAI) appropriations since 2004 (\$488 million in FY 2004 and a proposed \$4.15 billion in FY 2008). Almost all GHAI funds pass through S/GAC to implementing agencies. Combining GHAI with other PEPFAR funding accounts that go directly to implementing agencies, total PEPFAR funding has grown from \$2.3 billion in FY 2004 to \$5.4 billion in FY 2008, amounting to a five-year total of approximately \$18.3 billion.

On February 23, 2004, the first U.S. Global AIDS Coordinator announced the PEPFAR program. The plan concentrates on 15 “focus countries” by providing the bulk of the PEPFAR funds to Botswana, Cote d'Ivoire, Ethiopia, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, and Zambia, all in Africa; Vietnam; Guyana; and Haiti. The administration's FY 2008 budget request assigns \$4.132 billion to the 15 focus countries, out of a total request for all PEPFAR programs of \$5.380 billion, or about 77 percent of the total. In addition to

## UNCLASSIFIED

the 15 focus countries, where 50 percent of the world's infections occur, PEPFAR money supports less extensive activities in 99 additional countries, for a total of 114 countries with PEPFAR activities. S/GAC would like to keep the same 15 focus countries under the likely reauthorization for FY 2009-2013, but allow for greater gradations of support to other countries in the form of partnership compacts and other new arrangements. PEPFAR's goals by the end of FY 2008 are to fund the prevention of seven million new HIV infections, the treatment of two million HIV-infected people with antiretroviral treatment (ART) drugs, and the care for 10 million people infected by HIV/AIDS. Overall, through PEPFAR and contributions to multilateral HIV/AIDS work by The Global Fund, the Joint United Nations Program on HIV/AIDS (UNAIDS), and other organizations, the U.S. government provides approximately half of worldwide AIDS funding.

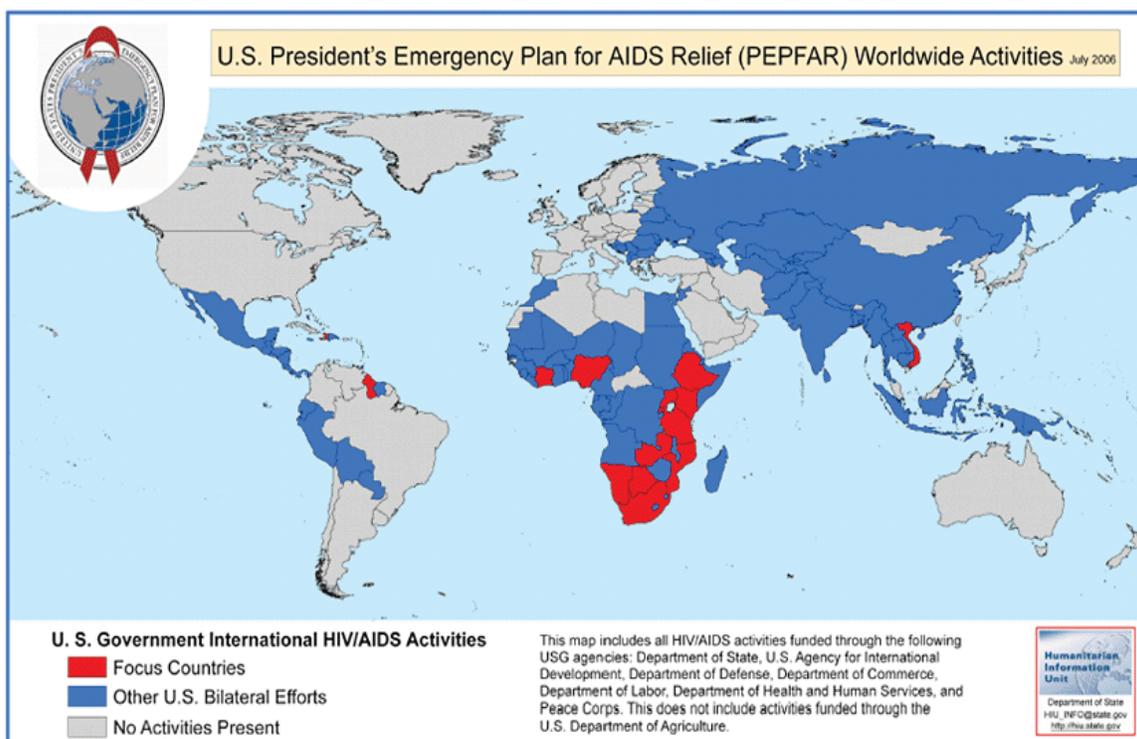
PEPFAR's statistics show that as of September 30, 2007, the program has achieved the following worldwide results:

**Prevention:** Mother-to-child prevention services to 10 million women during pregnancies; ART prophylaxis for 800,000 HIV-positive pregnant women; prevention of 152,000 infant infections; and (as of September 30, 2006) outreach to 61.5 million people with prevention messages promoting the ABC approach (Abstain, Be Faithful, and Correct and Consistent Condom Use) and other related messages.

**Treatment:** ART therapy for 1,445,500 people.

**Care:** Care of nearly 6.7 million people, including 2.7 million orphans and vulnerable children.

## UNCLASSIFIED



PEPFAR's initial authorization will expire on September 30, 2008. The President, on May 30, 2007, proposed a five-year reauthorization of the PEPFAR program with a total funding level of \$30 billion. Members of Congress generally agree on the need for reauthorization of the program, the need for more emphasis on prevention, as well as on the need for affected countries to create programs they can sustain. Other issues in Congress include the allocations of funding among prevention, care, and treatment, and within prevention to abstinence programs. Congressional support for the program is bipartisan and very strong not only because of the merits of the program, but also because S/GAC has shown program results for the funds appropriated. Some interest groups are requesting \$50 billion in new funding, and some congressional members have proposed new funding in the \$40-\$50 billion range. Congress seems likely to increase annual funding amounts above the President's request. Despite widespread hope for the passage of the reauthorization legislation early in 2008, the prospects for such a speedy enactment are uncertain.

Although the DFA at the Department leads the coordination, funding, and management of U.S. foreign assistance, S/GAC operates with unusual autonomy in the foreign assistance field. The direct flow of some PEPFAR funds to nonforeign affairs agencies further complicates oversight of all foreign assistance. PEPFAR has been the subject of numerous studies and reviews by a variety of private and governmental organizations, including the Government Accountability Office, the Institute of Medicine (IOM) at the National Academy of Sciences, the Center for

**UNCLASSIFIED**

Strategic and International Studies (CSIS), and other nongovernmental organizations (NGOs) (see list at end of report). An OIG audit team conducted a survey in 2005 to identify the funding allocation mechanisms to convey GHAI funds to implementing agencies.

## FULFILLMENT OF THE OFFICE OF THE U.S. GLOBAL AIDS COORDINATOR MANDATE

In its four years of existence, S/GAC has emphasized interagency cooperation, and it is achieving impressive results. With a sharp focus on its core goals – to reduce the prevalence of HIV/AIDS and treat and care for its victims – S/GAC has rapidly established effective programs throughout the world, assembled a team of U.S. government agencies to implement them, carefully managed over \$18 billion in appropriated PEPFAR funds, and provided precise program results data on this effort. S/GAC benefits from strong political support from the White House and the Congress, generous funding, and definable and measurable goals. PEPFAR constitutes the largest international health initiative by a single nation in history, and indeed, one of the largest U.S. assistance initiatives in any development field.

Interagency coordination and consensus building are S/GAC's keys to success and its essential purpose. Coordination across departmental and agency lines has always been one of the most difficult problems in managing the executive branch. The National Security Council, the Homeland Security Council, the Domestic Policy Council, and the Economic Policy Council bear responsibility for interagency processes, as do several types of coordinator offices under the Secretary of State's office. Given the difficulties of interagency cooperation, S/GAC has distinguished itself in very short order.

Rather than building a new bureaucracy, S/GAC utilizes the existing expertise and systems of implementing agencies such as USAID, the Centers for Disease Control and Prevention (CDC) under HHS and others. S/GAC fosters an attitude that minimizes interagency jealousies, respects the strengths of other agencies, and promotes frictionless cooperation. S/GAC insists that representatives and staffers from these agencies shed institutional loyalty in the interest of forging an integrated, "one-U.S. government" team dedicated to a shared cause, both overseas under direct Chief of Mission (COM) control and in Washington. Reflecting this approach, S/GAC's headquarters comprises a few dozen high-performing scientists, doctors, and health and development professionals from an array of agencies who work in a unique culture of minimal bureaucracy and maximal use of science-based, peer-review methodology. An elaborate series of technical, management, and policy meetings ensures the input of the diverse staff and all the agencies; S/GAC plays the role of honest broker. When a coordination or "turf" problem arises between agencies in the field, S/GAC dispatches an interagency team to deconflict the issue and implant fruitful interaction.

## UNCLASSIFIED

Control over PEPFAR funding and mastery of reporting data further contribute to S/GAC's prowess at coordination. Some of the mechanisms that are being used to coordinate are made enforceable and effective precisely because S/GAC controls the budget. This is the executive branch's version of the Golden Rule of Interagency Coordination: "He who has the gold rules." Another element of S/GAC success is the Coordinator's obvious grasp of a wide variety of myriad details of program implementation and his ability to fit them together into the big picture. S/GAC also instills an attitude of "continuous improvement," which, in the business world, describes a management style that is never satisfied with the status quo and takes the attitude that "we can always find ways to do things better."

Overall, S/GAC's way of integrating action across government represents exemplary interagency coordination, described by one senior non-Department official as "the best coordinating process in the U.S. government."

### **Best Practice: Interagency coordination and cooperation**

**Issue:** The U.S. government's fight against HIV/AIDS across the globe requires the participation of multiple federal agencies and private-sector partners, all with different objectives, skills, cultures, and processes. The large new PEPFAR program had to ramp up very quickly and thus had to forge a high level of interagency coordination and cooperation.

**Response:** S/GAC founded itself on the principle of a "one-U.S. government" approach to its operations. S/GAC requires its own staff, its implementing agencies, and its private-sector partners to put PEPFAR's goals ahead of institutional loyalties. S/GAC forges cooperation and collaboration in Washington through regular interagency meetings among principals, deputies, technical staff, and country-specific teams. In the field, S/GAC insists on COM leadership of all implementers, and in cases when disputes still arise, S/GAC sends out an interagency arbitration team to resolve problems.

**Result:** Overall, by acting as an honest broker, S/GAC elicits top performance and strong cooperation and synergy from diverse agencies.

U.S. work on HIV/AIDS has attracted the attention of numerous studies, reports, and recommendations (see list at end of report). The OIG review team found that S/GAC was open to many of these outside recommendations, using them to become a responsive, transparent, and unusually self-aware institution.

## **UNCLASSIFIED**

Strong leadership plays an essential role in S/GAC's performance. The present Coordinator, who has ambassadorial rank, and is a renowned immunologist and specialist on adult infectious diseases from the National Institutes of Health (NIH) under HHS, has been in charge since March 2006. The Coordinator's able deputy and assistant coordinators complement his expertise with their field experience in pediatrics, maternal health, and the treatment of HIV/AIDS and related diseases. The present Coordinator had been deputy to the previous Coordinator, so the 2006 transition was smooth and built on the previous Coordinator's principal legacy of the "one-U.S. government" approach. The Coordinator has distinguished himself as an inspiring leader who knows how to motivate many different kinds of people and win the confidence of Congress. One example of his effectiveness is Congress's habit of appropriating more funds to PEPFAR than the administration requests; another is the almost universally high morale and productivity in S/GAC, where the OIG review team repeatedly heard such comments as "This is the best job I've ever had -- everyone loves their work here." The OIG review team sensed that S/GAC staff derives some of its passion from PEPFAR's mission and success in saving lives and some from the thrill of working in a well-funded, well-led, nimble office subject to a minimum of bureaucracy.

Another significant strength is that S/GAC programs are evidence-based, built on the best science available and on a strong and accurate flow of information that links research, program data, epidemiology, and information-gathering with budget. S/GAC's shared planning and reporting system enables it easily to track program investments and performance, providing data to inform field programming as well as serving as a rich source of information for PEPFAR's many stakeholders. In addition, through U.S. government implementing partners at headquarters and in the field, as well as through their contractors and colleagues, S/GAC draws on the strongest technical expertise available for HIV/AIDS work.

One small problem is the somewhat confusing plethora of names that muddies S/GAC's "brand." Although usage varies, the office typically calls itself "S/GAC" within the Department of State, "OGAC" or "the Office of the U.S. Global AIDS Coordinator" when dealing with other U.S. government agencies, and "PEPFAR" outside the U.S. government. The OIG review team believes that the entity should bear only one name, and made an informal recommendation to that effect. One compromise that may address most nomenclature requirements would be "the Office of the PEPFAR Coordinator;" the review team advises retaining the "S" designation as a component of the acronym used within the Department.

## MOVING FROM EMERGENCY MODE TO SUSTAINABLE MODE

S/GAC faces challenges on multiple levels in its transition from combating HIV/AIDS in an emergency mode to working against the pandemic in the long term. Although each aspect of S/GAC's evolution is difficult, synchronized steps forward can form a link that maximizes the potential of resources to achieve mission objectives. The current Coordinator has a clear vision of the way forward and recognizes the need to institutionalize program aspects to sustain the transition.

Congressional appropriators have been supportive in the past, actually exceeding administration requests in large part due to S/GAC's ability to provide detailed data on program results. The consensus is that this pattern will continue under a reauthorization. The major departure in the new reauthorization from the previous legislation could be the elimination of most directives, thereby giving S/GAC more flexibility in allotting funds to various prevention, treatment, and care programs. If unfettered by directives, S/GAC's challenge will be to exercise even more responsibility and discretion to meet the requirements of Congress and the many other program stakeholders.

S/GAC has enjoyed relative independence within the Department, both from the Secretary's office in which it is titularly placed and from F to which it might otherwise be subordinated. By many accounts, autonomy has helped S/GAC be nimble enough to accomplish as much as it has in a short span of time. On the other hand, because global AIDS activities should synchronize with the larger U.S. government foreign assistance effort, more institutionalized interaction with the Department's regional bureaus could be beneficial. As S/GAC moves towards a sustainable response mode, more traditional bureaucratic ties may benefit the program. Striking the right balance between bureaucratic affiliations and independence will prove crucial in allowing S/GAC to maintain the flexibility that has served it so well in the initial phases of its program, while integrating its activities effectively into bilateral, regional, and foreign assistance efforts.

S/GAC's transition from emergency mode to more sustainable operations affects employees who are a mix of Department Civil and Foreign Service officials, two-year detailees from other stakeholder agencies, and many contractors. S/GAC employees are a dynamic group who are unconstrained by narrow position descriptions and very focused on meeting mission objectives. The future implementation of the 2007 Northrop Grumman Business Reference Model report (an expert management study for which S/GAC contracted) should better define activities, processes, and tasks, preferably while retaining the current sense of urgency and the high energy environment that are positive aspects of S/GAC operations.

The final area undergoing transition is embassy PEPFAR country teams, which experienced some growing pains during PEPFAR's start-up phase. Embassies labor under a PEPFAR reporting process deemed by many to be so burdensome that it leaves too little time for monitoring or implementing programs. Embassies also work with staffing structures of varying efficacy and are subject to numerous taskings from S/GAC and related Washington offices and agencies. S/GAC continues to take steps to alleviate many of these problems. It is working to streamline reporting procedures, develop standard position descriptions for local personnel at embassies, implement "Staffing for Results" to optimize human resource utilization, and focus communication to and from embassies through a single point of contact in Washington. Successful implementation of these changes should facilitate program sustainment at the embassy level.

One factor overarches all aspects of S/GAC's evolution and bears on the transition from emergency to sustainability: leadership. The most frequent adjective used to describe the Coordinator's leadership style is "inspiring." It is not often that a leader has the technical, managerial, and personal skills to motivate and focus employees as ably as the present Coordinator does in S/GAC. The Coordinator is rightfully concerned with the future of S/GAC and many of his transition initiatives seek to institutionalize critical aspects of the program in preparation for succession to new leadership under the next president.

## The Focus on Prevention

Carefully considered studies by competent organizations, such as IOM and CSIS, strongly advocate emphasis on prevention during the next phase of PEPFAR. Congress and the administration concur, and the reasoning is clear and compelling. "If countries do not succeed in stemming the tide of new infections, the need for treatment will continue to increase and outpace their ability to develop the capacity to meet it....[P]reventing new infections represents the only long-term, sustainable way to turn the tide against HIV/AIDS. Treatment and care are necessary, vital, life-extending services that greatly mitigate the impact of HIV infection and AIDS. But unless the world can reduce the number of new infections, we will continue to face an expanding need for treatment and care, running a race we can neither sustain nor win" (IOM, 2007). At the same time, PEPFAR has made a lifetime commitment to those whom it provides ART therapy, which must be sustained on moral grounds to maintain the credibility of the program and to prevent the spread of mutated, drug-resistant AIDS resulting from lapsed ART therapy. S/GAC will need all the creativity and expertise at its disposal to develop prevention strategies that work in this environment.

**UNCLASSIFIED**

**UNCLASSIFIED**

## OVERSIGHT OF S/GAC

### WHITE HOUSE OVERSIGHT OF THE OFFICE OF THE U.S. GLOBAL AIDS COORDINATOR

The President has provided strong attention and support to the PEPFAR program. White House oversight of the PEPFAR program, at its inception, came from the Domestic Policy Council as an outgrowth of the domestic efforts to combat AIDS. Over time, the National Security Council assumed greater interest and participation in the program as the international aspects of the effort became more important, but the Domestic Policy Council retains primary oversight of the program. The President's Office of Management and Budget (OMB) also plays an active role in monitoring the program.

### STATE DEPARTMENT OVERSIGHT OF S/GAC

S/GAC is a high profile, largely independent office that works closely with the White House, the Congress, and PEPFAR implementing agencies. Although nominally within the office of the Secretary of State, as noted, S/GAC maintains a great deal of autonomy from the Department. Arguably, this autonomy has led to much of the success in the implementation of the PEPFAR program and prevented it from losing its focus and becoming all things to all entities. Given S/GAC's clear legal mandate for overall coordination of the PEPFAR program, the office understandably does not want to get bogged down in the normal time-consuming clearance process in the Department. Because of the need for S/GAC to operate rapidly and efficiently in order to save lives, the OIG review team believes that S/GAC's current autonomy is justified at least through the next reauthorization period, does not negatively affect the Department, and should not be weakened.

### Office of the U.S. Global AIDS Coordinator Relations with Department of State Regional and Functional Bureaus

S/GAC does not report to any Department official or bureau below the Secretary of State or operate in the normal policy channels of the Department. S/GAC

## **UNCLASSIFIED**

maintains closer operational and policy ties to other PEPFAR implementing agencies than to the Department. In many ways, S/GAC is an interagency executive group within the Department, with much of its focus on overseas field operations. A large majority of the officials in S/GAC are temporary contractors or staff detailed from agencies outside of the Department. Few Department Civil Service or Foreign Service officers are on the permanent staff of S/GAC, which limits contacts with the Department. S/GAC's physical location in a separate annex from the main building of the Department further reduces its contact with other Department offices.

S/GAC's ties with other bureaus of the Department vary from adequate to light. S/GAC maintains its own congressional liaison with the Congress, although it does inform the Bureau of Legislative Affairs of its actions and clears formal documentation through that bureau. S/GAC works with the Bureau of Administration and the Bureau of Human Resources. S/GAC and the office for U.S. Assistance to Europe and Eurasia (ACE) in the Bureau of European and Eurasian Affairs (EUR) have an uneasy but evolving relationship focused on the disbursement of separate health-care assistance funds. The Bureau of African Affairs (AF) strategic plan includes considerable mention of PEPFAR funding in the 12 African focus countries and other countries; the bureau strategic plans for other regional bureaus mention PEPFAR only briefly, if at all. Other regional or functional bureaus in the Department have little funding or programs to offer in any coordination discussions with S/GAC. Nonetheless, S/GAC works well with the Bureau of Oceans and International Environmental and Scientific Affairs and other Department bureaus on AIDS policy issues related to the Group of Eight (G-8) donor process and the Global Fund. S/GAC has sufficient ties at a senior level with AF and the Bureau for International Organizations Affairs. These ties are based largely on good personal relationships among senior officials, however, rather than on any institutional structure or ties. Any change in the leadership of these entities could lead to decreased coordination, so better structural ties are needed. In particular, given the predominance of PEPFAR programs in African countries, a more institutionalized relationship between S/GAC and AF would be useful, which the OIG review team recommended informally.

S/GAC's other relations with most regional and functional bureaus in the Department are limited. All sides could benefit from more information exchange, in part to define synergies and shared interests, as well as to avoid unintended consequences (see related section below on public diplomacy efforts). Several observers noted that while S/GAC coordinates adequately on AIDS issues with relevant Department entities, it is largely unaware of, or unconcerned about, how other issues are affected by the AIDS effort. Some policy coordination complications have arisen in international fora where non-AIDS issues have overlapped with AIDS issues.

Several observers noted that better information exchange and coordination would lead to better integration of AIDS programs with other health programs and would prevent unwelcome consequences, such as donor fatigue in fighting other diseases. S/GAC organizes monthly outreach and discussion meetings for other Department entities and interested U.S. government agencies and provides internal and external communications in the form of newsletters and Intranet and extranet outreach web sites. Boosting voluntary efforts by S/GAC to increase the frequency and depth of contacts, both face-to-face and through electronic means, with other Department bureaus would be beneficial. The OIG review team made an informal recommendation to that effect.

Department country desk officers are invited to the various PEPFAR country operating plan (COP) meetings, but the press of other business often prevents desk officers from attending these lengthy sessions. Most desk officers believe that S/GAC is doing good work in any case. More fundamentally, desk officers generally have no expertise in AIDS prevention, treatment, and care, and thus have little to contribute to the COP process. In turn, S/GAC does not focus its efforts on the array of strategic and geopolitical goals that concern desk officers. Thus, although there is little real integration with the rest of the Department in the COP process, the OIG review team sees no reason for adjustment.

S/GAC's most consistent and closest relations with other Department officials are with COMs and embassy country team members in the field. COMs or their designees (deputy chiefs of mission or others) help to shape the COPs, while resident agencies such as USAID and CDC are largely responsible for implementing the programs. In some focus countries, a PEPFAR coordinator, usually hired through USAID and CDC accounts, is tasked with overseeing the day-to-day coordination of the program under the direction of the COM. PEPFAR coordination at embassies has led to some increased work for embassy administrative offices, particularly in contracting and other support, without any increase in embassy staff. The ongoing process of constructing new embassy buildings in a few focus countries has led to some difficulties in balancing PEPFAR's uncertain future staffing levels with the need to set staffing levels early on for building design and engineering work.

## OFFICE OF THE U.S. GLOBAL AIDS COORDINATOR RELATIONS WITH THE OFFICE OF U.S. FOREIGN ASSISTANCE

S/GAC officials point out that in addition to combating the HIV/AIDS epidemic, PEPFAR programs also strengthen health infrastructure in affected coun-

## **UNCLASSIFIED**

tries, promote good governance, and reduce poverty. Nevertheless, the OIG review team heard a number of Department officials express concern about a perceived imbalance in the U.S. government spending on different categories of development assistance since the advent of PEPFAR. Approximate figures from FY 2007 show PEPFAR funding to comprise almost 20 percent of all foreign aid worldwide, but the PEPFAR portion exceeds 50 percent or more in many countries. In Rwanda for example, 90 percent of U.S. government foreign assistance goes to HIV/AIDS programs, and similar patterns exist in many focus countries. As important as health issues are, few would argue that they eclipse all other development objectives, not to mention the U.S. government's overall strategic goals. In some countries, combating HIV/AIDS falls among embassies' top three mission strategic plan priorities, but in others, it does not. Nonetheless, S/GAC deserves praise for running programs whose results are so impressive that they attract ample funding; the OIG review team believes S/GAC's funding expectations should be sustained. It is to be hoped that other important assistance programs develop comparable measures of success. The Department will then be in a position to balance development assistance in a manner consonant with U.S. government foreign policy interests as well as with urgent global needs.

On the operational level, a complication in the S/GAC and F relationship is that the Coordinator reports to the Secretary of State, not to the DFA. S/GAC participates in the F process, enjoys relative independence from F, and is content with the relationship. S/GAC coordinates with F and passes its own budget requests through it, although PEPFAR is not formally under F's budgetary authority. Attempting to incorporate PEPFAR funding into the F budget process would be difficult because some of the participating PEPFAR entities are nonforeign affairs agencies. PEPFAR does not easily fit into the F process: the entire F process is driven by the requirement to tie foreign assistance to all the major strategic and geopolitical U.S. government goals of building and sustaining democratic, well-governed states. S/GAC focuses its attention on the sub-item "Health" in the Department of State/USAID Joint Strategic Goal Framework Strategic Goal number 3, "Investing in People". S/GAC does not directly address the other six strategic goals.

The first Coordinator served in S/GAC until he became DFA in January, 2006. The previous DFA's time as Coordinator influenced the early S/GAC-F relationship and the decision to allow S/GAC to remain out of the F fold. Nonetheless, the linkage between F's new foreign assistance framework and S/GAC's business model, which the first Coordinator helped create, is clear. For example, S/GAC's COP served as the model for F's Operating Plan, which collects standardized data about foreign assistance programs and funds. Other similarities between the COP and the Operating Plan processes include field progress reporting, country summaries of all

U.S. government programs, an annual review to adjust country budgets, and reporting to Congress. FNET, F's web site for the distribution of guidance and information, is another example of F adopting an S/GAC practice.

## Harmonization of Office of the U.S. Global AIDS Coordinator and Office of U.S. Foreign Assistance Processes

The departure of the previous DFA in the spring of 2007 slowed F's development and the evolution of its relationship with S/GAC. To date, the relationship remains what it was at the beginning: amicable and professional, yet there appears to be a degree of frustration on the part of S/GAC staff with F's slow pace of establishing workable processes. Some in F are stressed by S/GAC's autonomy and the difficulty of adapting S/GAC's results-oriented methodology to programs in such fields as democratic and economic reform, which are more difficult to measure. While S/GAC management would like to better align S/GAC with F priorities, S/GAC is not always certain of them, and is faced with its own budget timing challenges. The budgetary processes of S/GAC and F are not yet in sync. S/GAC is working with F to complete the Foreign Assistance Coordination and Tracking System, which S/GAC intended to launch in 2006 but which was postponed to harmonize with F. Until the Foreign Assistance Coordinating and Tracking System is ready and able to synchronize with S/GAC processes, S/GAC will continue to rely on its own tracking system.

## Concern over the Office of the U.S. Global AIDS Coordinator's Leverage over Bilateral Economic Assistance Funds

While S/GAC clearly has legislative authority over all assistance funds programmed to fight HIV/AIDS, concerns remain about Department funding that can be used for multiple purposes, including combating HIV/AIDS. S/GAC has faced some resistance when it has tried to exert authority over other ongoing Department assistance programs. EUR/ACE challenged S/GAC's authority over Child Survival and Health and Freedom Support Act funds. EUR/ACE argued that embassies should be allowed to decide whether to spend embassy-specific non-GHAI funds on HIV/AIDS, and if so, on what kind of assistance. S/GAC believes it should determine which mix of funds and programs best combat HIV/AIDS, no matter what the source of the funds. The Department's Office of the Legal Adviser ruled in favor of S/GAC. However, there are some in F including the DFA, who have concern about S/GAC's broad span of control. The DFA and the Coordinator plan

to address the issue and both appear to have a collegial approach. The OIG review team made an informal recommendation urging S/GAC to negotiate with F and agree upon which bureau will administer each Department funding stream that could be used on HIV/AIDS programs; such an agreement within the Department should precede congressional action on reauthorization and should be shared widely.

## INSPECTOR GENERAL OVERSIGHT

PEPFAR's authorizing legislation gives the Coordinator oversight responsibility for all PEPFAR resources. Although myriad internal and external studies have assessed PEPFAR program implementation, there have been no consolidated, independent financial audits or internal controls reviews of PEPFAR funds in their totality. S/GAC's management and budget (MB) office maintains detailed financial records and works closely with agencies to track and reconcile funds in a manner that appears, on the surface, to be very sound. Nevertheless an independent financial audit and regularly scheduled future audits would raise accountability to the highest standard and add a level of assurance to the Congress and taxpayers that financial management for this high-profile and costly program adheres to U.S. government accounting and auditing standards and to sound business practices.

Independent audits of program funds can be conducted by certified public accounting firms under contract to an agency's inspector general, and are paid for by the audited entity. Because PEPFAR funds are distributed to multiple agencies, either by direct appropriation or by interagency transfers, inspector general oversight falls to the inspector general of each recipient agency. In 2004, the Department and USAID IGs discussed accountability, audit, and audit coordination with the S/GAC Coordinator. In June 2004, all six IGs of PEPFAR's recipient agencies signed a memorandum of agreement that codified their responsibilities.

To date, none of the cognizant IGs for PEPFAR's major recipients has conducted financial auditing of PEPFAR funds, nor have there been any joint efforts of any kind by the collective IGs. The Department's OIG Office of Audits performed a review to identify GHAI funding mechanisms in 2005. The HHS IG has not performed any PEPFAR-related work; officials explained that their oversight responsibility for the much larger Medicare and Medicaid programs reduces PEPFAR to a low priority. USAID auditors have performed limited scope assessments of program implementation in 10 focus countries, but they have not performed financial reviews. Audit officials from USAID and HHS told the OIG review team that it would be useful for an interagency group of IG representatives to meet with the Department's OIG to discuss PEPFAR oversight.

## UNCLASSIFIED

S/GAC officials are receptive to the idea of a PEPFAR audit. The Coordinator, who chairs the Global Fund audit committee, has a thorough understanding of the value of independent reviews. Although this OIG review brought no irregularities to light, the OIG review team suggests that S/GAC officials, through the interagency process, discuss the merits of a PEPFAR audit and engage all relevant IGs to discuss future plans and strategy.

S/GAC created the Supply Chain Management System (SCMS) in 2005 to procure, ship, store, and distribute drugs and medical equipment to participating PEPFAR countries. The system is funded by PEPFAR, and managed and implemented by USAID in partnership with 16 NGOs and other organizations. SCMS operating and technical assistance expenses were estimated by USAID to be \$77 million annually. SCMS distribution centers exist in Ghana, Kenya, and South Africa. An independent audit should include a review of SCMS internal controls.

**Recommendation 1:** The U.S. Global AIDS Coordinator should request that the inspectors general for agencies that receive President's Emergency Plan for AIDS Relief funds submit to him a joint memorandum describing options, feasibility, and estimated costs of conducting a collective, independent financial audit of U.S. government-wide President's Emergency Plan for AIDS Relief funds. At a minimum, the Coordinator should request an audit of the Global HIV/AIDS Initiative account. (Action: S/GAC)

**UNCLASSIFIED**

**UNCLASSIFIED**

## FUNDS DISTRIBUTION

### PRESIDENT'S EMERGENCY PLAN FOR AIDS RELIEF FUNDING

Under the legislation, all U.S. government HIV/AIDS funding worldwide regardless of the appropriations account is considered PEPFAR funding.<sup>1</sup> HIV/AIDS funds that flow through S/GAC are captured in the GHAI account. S/GAC's GHAI funding flows from the Department's Foreign Operations Appropriation. Congress also appropriates some PEPFAR funding directly to HHS, USAID, DOD, and DOL.

PEPFAR began as a five-year, \$15 billion program in January 2003. Through the first four fiscal years of the program (2004 to 2007), \$12.874 billion for all PEPFAR accounts was made available to responsible agencies and departments; the President's FY 2008 budget requested \$5.380 billion, which will bring the total for the first phase to \$18.254 billion. The annual level of PEPFAR funding has increased each successive year as program implementation gained traction. In FY 2007, \$4.555 billion was available, up from only \$2.311 billion in FY 2004.

---

<sup>1</sup> 22 U.S.C. § 2651a(f)(2)(B)(i).

**UNCLASSIFIED**

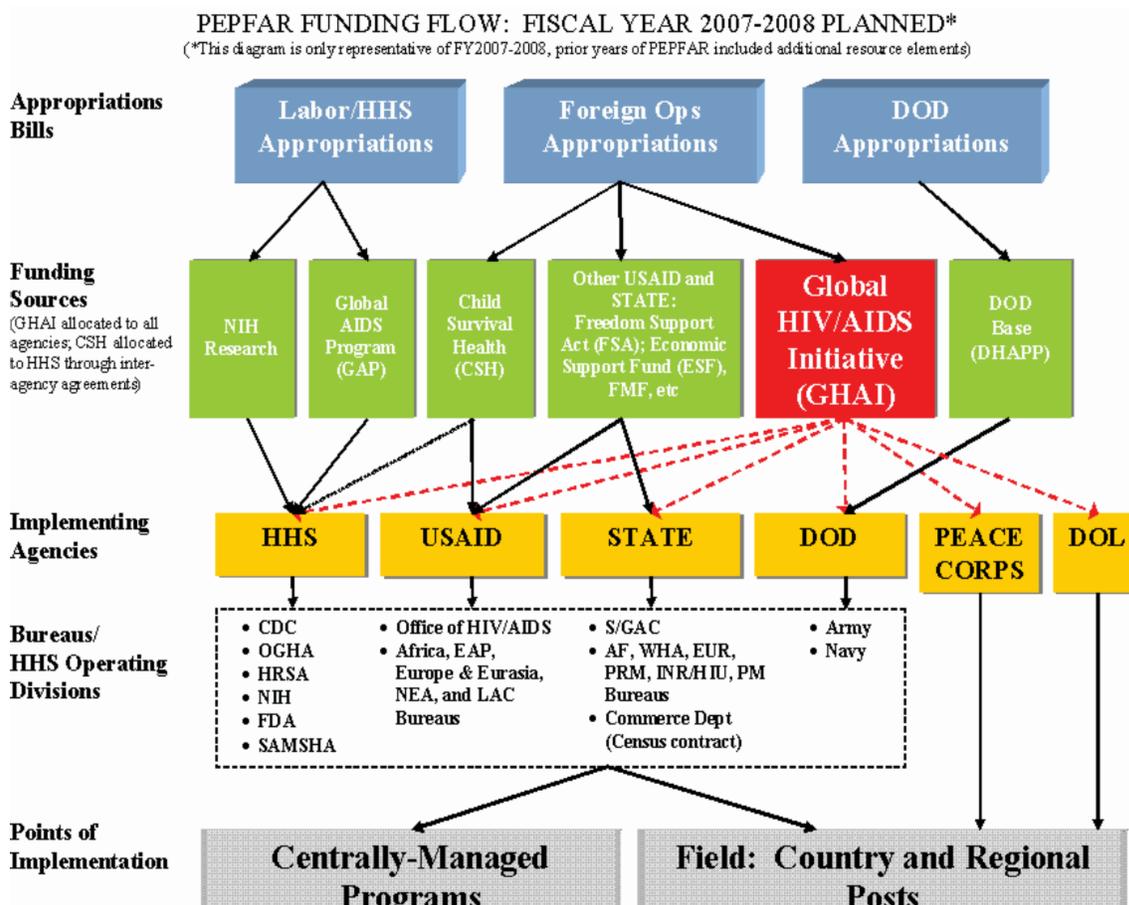
<b>PEPFAR All Accounts Funding by Agency of Appropriation: FY 2004 - 2007</b>					
USD in millions					
<b>Agency</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2004-07</b>
State	490	1,376	1,977	3,248	7,091
USAID	1,039	725	713	713	3,189
HHS	769	609	595	594	2,555
DOL	10	2	0	0	12
DOD	4	8	5	0	17
<b>TOTAL, GLOBAL HIV/AIDS &amp; TB</b>	<b>2,311</b>	<b>2,719</b>	<b>3,290</b>	<b>4,555</b>	<b>12,874</b>

Source: S/GAC 11/23/2007

<b>GHAI Account Allocations by Implementing Organization: FY 2004 - 2007</b>					
USD in millions					
<b>Agency</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2004-07</b>
USAID	230	743	900	1,558	3,431
HHS	231	574	751	1,140	2,696
Global Fund/UNAIDS	0	0	228	407	635
DOD	14	33	49	68	164
State	12	17	35	56	120
Peace Corps	1	5	8	16	30
DOL	0	2	1	2	4
<b>TOTAL</b>	<b>488</b>	<b>1,373</b>	<b>1,973</b>	<b>3,246</b>	<b>7,080</b>

Source: S/GAC 11/23/2007

S/GAC receives the largest share of total PEPFAR funds but retains only a very limited amount of the total available GHAI funding for administration and some PEPFAR-wide programming purposes. S/GAC allocates the vast majority of GHAI funding to five other PEPFAR implementing agencies: USAID, HHS, DOD, the Peace Corps, and DOL. The two largest implementing agencies are USAID and HHS, which includes CDC, NIH, and the Health Resources and Services Administration. S/GAC also provides GHAI funding to several Department bureaus: AF, Bureau of Western Hemisphere Affairs, EUR, The Bureau of Population and Refugee Affairs, the Bureau of Intelligence and Research, and the Bureau of Political Military Affairs. During the first four years of the program, S/GAC received \$7.091 billion, allocated \$6.971 billion and kept \$120 million or 1.7 percent. The President's FY 2008 budget requested \$4.150 billion for the Department GHAI account.



Source: S/GAC 11/23/2007

S/GAC has legal authority to allocate GHAI funding to the implementing agencies to allow them to use GHAI funding for approved programs both in-country and at headquarters. S/GAC’s MB office manages the allotment process. The process involves annual preparation of memorandums of agreement between S/GAC and the implementing entities, allocation memorandums, and Department of Treasury apportionments that formally announce resource limits and their intended use.

Once the implementing agencies receive the allocation transfers, they use a variety of mechanisms to implement the program. The implementing agencies are not legally permitted to transfer GHAI allocations among themselves. OMB has determined that only S/GAC has the legal authority to move GHAI funds.

## UNCLASSIFIED

S/GAC reports to the Secretary and not to the DFA, as noted, but works through F on its budget formulation. S/GAC submits its GHAI budget to F and prepares a GHAI-specific and all-inclusive PEPFAR justification for submission to OMB. The justifications are broken out by appropriation account. S/GAC notes that its budgetary processes and those of F are not in sync. S/GAC's own budgetary process is scheduled to receive a much-needed enhancement when a computerized budget system replaces its outdated manual budget system.

For GHAI funds, S/GAC is responsible for participating in the allocation process and financial reporting to the Congress. To assure fund accountability, S/GAC establishes agency subsidiary accounts under the one main GHAI account. S/GAC maintains all accounts and is responsible for quarterly and annual reporting to the Treasury Department on obligations and outlays (expenditures), based largely on implementing agency inputs. Agencies or departments receiving PEPFAR funds through direct appropriations are responsible for managing their financial mechanism for moving funds to approved programs as well as for financial reporting within their respective agencies or departments and to the Department of Treasury.

The following chart outlines total PEPFAR spending.

<b>Emergency Plan Funding Trends</b> (\$ in millions)						
<b>Programs</b>	<b>FY 2004 Enacted</b>	<b>FY 2005 Enacted</b>	<b>FY 2006 Enacted</b>	<b>FY 2007 Enacted</b>	<b>FY 2008 Request</b>	<b>Cumulative Total*</b>
Focus Countries	845	1,370	1,756	2,849	4,132	10,952
Global Fund	547	347	545	724	300	2,463
Other Bilateral Programs	444	455	426	421	458	2,204
Other Activities (including NIH Research and TB Programs)	475	547	563	562	490	2,637
<b>TOTAL EMERGENCY PLAN (without malaria)</b>	<b>2,311</b>	<b>2,719</b>	<b>3,290</b>	<b>4,556</b>	<b>5,380</b>	<b>18,256</b>

\*Includes FY 2004 - FY 2007 enacted and the President's request for FY 2008.

PEPFAR legislation outlines priorities for resources in terms of program type (prevention 20 percent, treatment 55 percent, care 15 percent, orphan and vulnerable children 10 percent), and other elements. For FYs 2006 through 2008 Congress declared that 33 percent of the amounts appropriated for HIV/AIDS prevention

## UNCLASSIFIED

must go to abstinence-until-marriage programs, that not less than 10 percent of available funding for care would be for orphans and vulnerable children, and that 55 percent of available funding would be for therapeutic medical treatment of individuals infected with HIV/AIDS. S/GAC maintains records of the approved funding levels by program areas in order to calculate whether required percentages are being met. So far the budgetary percentage requirements have been met for abstinence and orphans and vulnerable children but not for treatment. Congress has been notified that the 55 percent budgetary requirement for treatment will not be met due, in part, to the pricing decrease of ART therapy.

<b>Congressionally-Mandated Budgetary Requirements</b>				
<b>Budgetary Requirement</b>	<b>FY 2004*</b>	<b>FY 2005*</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Abstinence - 33%</b> (of prevention funding)	30.1%	27.1%	33.0%	33.0%
<b>Orphans &amp; Vulnerable Children - 10%</b> (of percent of prevention, care and treatment funding)	7.3%	6.1%	12.2%	10.2%
<b>Treatment - 55%</b> (of percent of prevention, care and treatment funding)	38.4%	44.4%	46.6%	47.0%

\*Legislative budgetary directives were not mandated for FY 2004 or FY 2005

Source: S/GAC 11/23/2007

The White House has not submitted a reauthorization bill, but the President has called for \$30 billion in new funds over the next five years. The eventual reauthorization legislation will likely provide \$30 billion or more for the next five-year period. A bill (S.1966) to reauthorize HIV/AIDS assistance seeks modifications to the congressionally mandated requirements on abstinence funding. The bill proposes that not less than 50 percent of PEPFAR appropriations for prevention be dedicated to abstinence and fidelity. It also proposes extension of the 10 percent requirement for care of orphans and vulnerable children but removes the requirement for 55 percent to be spent on treatment.

S/GAC estimates that if likely FY 2008 levels for prevention, treatment, and care remain constant for the 2009 to 2013 period, \$27.1 billion of the proposed \$30 billion will be spent that way. S/GAC would likely use the remaining \$2.9 billion to build partnership compacts with countries and work on prevention in neglected areas in Africa and in the transportation corridors that spread infection.

As noted previously, S/GAC would like OMB to consolidate all AIDS-related non-PEPFAR funding with PEPFAR funding into one account managed by S/GAC. This would affect programs such as CHS, Freedom Support Act, the Support for Eastern European Democracy, Economic Support Funds, HHS' Global AIDS Program, DOD's HIV/AIDS Prevention, Foreign Military Financing, and International Military Education and Training funds. S/GAC is actively working with F to make this a reality. It expects to meet heavy resistance from the implementing agencies and possibly from within the Department. S/GAC budget professionals expect that the consolidation of funding would help ease the burden of planning and enhance fund control. S/GAC believes the consolidation would also eliminate any remaining ambiguity as to whether S/GAC has authority over all AIDS funding. Given the involvement of agencies other than the Department, the OIG review team reserves any judgment.

## PROGRAM WRAPAROUNDS

S/GAC initially focused sharply on activities directly related to AIDS prevention, treatment, and care, but AIDS does not exist in a vacuum: it is connected to greater public health and development challenges. S/GAC recognizes the linkage and has developed a partnership strategy of "wraparound" programming, which "wraps or links together PEPFAR programs with those from other sectors to provide comprehensive program support and improve the quality of life to HIV/AIDS-affected and infected communities" (Appendix 11 of COP Guidance). S/GAC prefers to leverage funds from non-PEPFAR sources but may also occasionally support wraparound programs with PEPFAR funds.

Wraparound programming creates synergies between PEPFAR programs, other U.S. government programs, international organization programs, and private sector and other partner efforts to address HIV/AIDS in a holistic manner. Wraparounds also forge better integration with broader U.S. government foreign assistance programs and embassies' mission strategic plans, as well as improved interagency collaboration. Moreover, wraparounds address many of the issues relating to the long-term sustainability of PEPFAR programs. S/GAC is in a position to bring together a wide array of organizations with a full complement of technical expertise and resources to deal with all aspects of the AIDS epidemic. At the same time, because wraparound programs widen the scope of PEPFAR funds use, S/GAC should guard against mission creep that might detract from its focus on AIDS relief. The OIG review team also noted widespread concern that PEPFAR's footprint can crowd out other development assistance and that S/GAC's mandate to oversee and coordinate

all programs, projects, and activities of the U.S. government relating to the HIV/AIDS pandemic could expand to encompass funds allotted directly to other agencies.

## SINGLE IMPLEMENTING PARTNER FUNDING LIMIT

S/GAC establishes an annual percentage limit of a country's PEPFAR funding that a single implementing partner can receive. The limit applies only to grants and cooperative agreements, not contracts. Eight percent has been the established limit in recent years. For FY 2008, eight percent of a country's total PEPFAR funding, or two million dollars, whichever is greater, are the limits under consideration (excluding U.S. government PEPFAR management and staffing costs). S/GAC's single partner funding limit, while well intentioned, is not without some critics. The S/GAC principals' group established the limit policy; the policy is not mandated by legislation. S/GAC's recent efforts to reform the process and make it more transparent should help ease concerns. The annual limit is intended to promote sustainability for programs through the development, use, and strengthening of indigenous organizations as well as through the diversification of partners. The limit forces PEPFAR country teams to find and develop new partners.

S/GAC argues that the eight percent cap is a vital component of its program and that it has already successfully empowered and increased the number of local indigenous organizations, thus advancing the likelihood of long-term sustainability of HIV/AIDS efforts in PEPFAR countries. One NGO group told the OIG review team that the eight percent rule was a problem, however, noting that the rule is unclearly explained in the field and was not helping local NGOs develop as intended. The NGO also claimed that the large number of host country subcontractors that any implementing international entity uses lessens the need for a cap.

One focus country PEPFAR country team also finds the eight percent cap too restrictive. It noted that the application of the rule results in a large number of small grants and time-consuming management duties, increasing the costs and complexity of administering the program. While the PEPFAR country team in question supports a need for a cap, it argued that the cap should adjust to the overall size of the budget and the rate of growth of that budget. The embassy further noted that the cap has negative consequences for country programs by reducing the incentive to capitalize on the increasing experience and proven strengths of implementing partners.

## **UNCLASSIFIED**

Each year, as part of the COP, the single partner limit is used to evaluate applications and determine whether the applicant's total awards meet or exceed the limit. S/GAC accepts exclusions from the cap for umbrella awards, commodity/drug costs, and government ministries and para-statal organizations. S/GAC can approve other exceptions to the cap. S/GAC continues to work to refine the process and lessen the burden on grants officers. This information is necessary to both applicants and grants officers. The OIG review team made an informal recommendation that PEPFAR country teams should clarify and make transparent how much funding and what percentage of the total country budget each potential partner may apply for. In this way, PEPFAR teams in the field and S/GAC will share responsibility for applying the cap appropriately.

OFFICE OF THE U.S. GLOBAL AIDS COORDINATOR  
OPERATIONS

## PUBLIC AFFAIRS AND PUBLIC DIPLOMACY

S/GAC conducts active public affairs outreach to U.S.-based audiences and public diplomacy programs aimed at countries receiving PEPFAR funds. The office of public affairs and public diplomacy has a director, two public diplomacy staffers, and a webmaster; a fifth position is currently vacant, which puts extra burdens on the existing staff. The OIG review team made an informal recommendation urging S/GAC to fill the vacant position shortly. Overseas outreach is crucial not only to educate individuals about HIV/AIDS and influence healthy behavior, but also to build awareness around the world about the generosity of the American people and the goodwill of the U.S. government in mounting such a major public health initiative.

Current perceptions of PEPFAR vary. Some populations and officials in countries with PEPFAR programs credit the United States for PEPFAR's positive effects on public health and NGO and health infrastructures, while others remain unaware of PEPFAR. Still others acknowledge PEPFAR's successes but seek greater local control of PEPFAR programs, complain that the huge resources devoted to HIV/AIDS weaken other parts of the health sector, or believe other health and development crises need equal or greater attention. That said, recent opinion surveys by the Pew Research Center for the People and the Press show more positive views of the United States in Africa, where PEPFAR is concentrated, than in other parts of the world, a result due in part to U.S. government development assistance. In the United States, PEPFAR attracted early opposition from critics of the administration and from those skeptical about abstinence-based prevention programs and the initial requirement that the program use only nongeneric drugs. S/GAC's ability to demonstrate its results has converted most critics, however.

S/GAC's present public affairs/public diplomacy staff generates a wide range of template op-eds, posters, speech texts, success stories, and other materials for use in Washington and around the world. The team also reaches out to embassies from PEPFAR countries in Washington, to PEPFAR-country-based U.S. embassy public diplomacy staff during their Washington training periods, and to journalists of all

stripes. Additionally, the team knits together public diplomacy field staff through newsletters and conference calls, sharing ideas and trouble-shooting problems. S/GAC's Coordinator is a skilled and energetic media asset who draws positive attention to PEPFAR programs during his travels, and many ambassadors highlight PEPFAR in their public appearances as well. During the OIG team's review, the Lehrer News Hour on PBS featured three positive programs on S/GAC. In addition, the Coordinator gave numerous interviews leading up to World AIDS Day on December 1, further attesting to S/GAC's effectiveness in getting its message out.

The OIG review team made an informal recommendation to encourage S/GAC to broaden relationships and expand collaboration with the Department's regional bureaus in order to increase outreach overseas.

## OFFICE OF THE GLOBAL AIDS COORDINATOR ADMINISTRATIVE CHALLENGES IN WASHINGTON

### Executive Office Transition

The Executive Office of the Department's Secretariat (S/ES-EX) has performed S/GAC's operational and administrative support functions since its creation. These functions include human resources, financial management, general services, procurement, travel, and security. S/GAC's small executive office is in the process of taking on administrative functions that S/ES-EX has provided. An OIG inspection report of S/ES-EX (ISP-I-07-38) published in July, 2007 recommended that S/ES-EX devolve administrative responsibilities for S/GAC onto S/GAC so that S/ES-EX could concentrate on its core function of supporting the Secretary. S/AC's executive office had carried much of the load of administrative work under S/ES-EX authority in any case. S/GAC has not yet completed the transfer of duties, however, initially scheduled to be finished by November 1, 2007, because the tasks proved more complex than envisaged. The transfer process, now scheduled to be implemented in February 2008, is underway with no increase in staff planned. The S/GAC executive office's effort to identify a center of excellence for personnel work in the Department – which will oversee certain of the personnel actions S/GAC is inheriting – will likely succeed by spring 2008, when the best current candidate (perhaps the Bureau of Consular Affairs) for this role becomes available. During the transition, S/ES-EX has continued providing administrative support services.

## **UNCLASSIFIED**

The S/GAC executive office (EX) contains a mix of direct-hire and contractor staff, some of whom work in EX part-time and one who is, in actuality, a staff assistant in the front office. The EX office comprises eight staffers working under the direction of a Department employee. The EX office handles S/GAC's human resources, facilities, security, and travel. S/GAC's MB office handles the complex PEPFAR program budgets and also S/GAC's administrative budget. The Bureau of Consular Affairs provides information technology support. One full-time employee who is a certified meeting planner and one part-time employee are dedicated throughout the year to overseeing the complicated logistics for the annual Implementers' Meeting – an international, overseas event that approximately 1,700 people attended in 2007. A logistics management company under contract to NIH performs the logistics services for this event, at a cost to PEPFAR of about \$2 million annually.

S/GAC officials acknowledge they will face challenges when they assume responsibilities from S/ES-EX. Employees need to be trained in their new responsibilities and on some of the information management systems. They must also increase their familiarity with Department regulations and processes. S/GAC is working with S/ES-EX management to ensure that only direct-hire employees perform inherently government tasks; this constitutes another challenge when such a large number of staff are contractors. The Bureau of Consular Affairs, which has some offices in the same commercial building as S/GAC, will continue to perform S/GAC's information technology functions. There is no procurement specialist in the EX office; although USAID or HHS make most of S/GAC's large procurements, S/GAC needs procurement expertise. Lastly, the EX general services officer is new to the position and has no prior administrative experience.

Additionally, the transition from S/ES-EX gives S/GAC an opportunity to more clearly delineate the division of responsibilities between its EX and MB offices and to define lines of supervision and accountability. An MB employee is dedicated full-time to managing S/GAC's \$12 million administrative budget, and she also performs some human resources and procurement functions. The employees working on locally employed (LE) staff and field coordinator issues work for MB as well. The amount of time that MB employees spend on these matters will increase after the transition and impose a greater workload on MB staff.

The 2007 Northrop Grumman report suggested the creation of a chief operating officer for S/GAC; however, the Coordinator is hesitant to create what could turn out to be just another layer of bureaucracy. Nevertheless, if PEPFAR continues to expand, the OIG review team recommended informally that the Coordinator should evaluate whether other administrative staff would improve S/GAC operations.

The OIG review team notes that S/GAC plans to devote concerted attention to the assumption of S/ES-EX duties, as well as to the closely related recommendations of the Northrop Grumman report. The OIG review team made an informal recommendation that S/GAC leadership should ensure that the heads of the EX and MB offices have adequate time to study and divide the new duties between their offices, along with sufficient authority to determine and enact the best ways to put appropriate checks, balances, and internal controls in place.

## Headquarters Staffing

As of December 1, 2007, S/GAC's total staffing was 73, comprising direct-hire employees, contractors, fellows, and interns. The majority of employees are contractors and detailees from other agencies. Less than 30 percent of the staff are direct-hire employees. A number of personnel actions are in the pipeline and the S/GAC executive director is hopeful that the transfer of personnel functions to one of the Department's centers of excellence will accelerate hiring and other personnel processing.

S/GAC is heavily reliant on contractors; in FY 2007, contractors accounted for 56 percent of the S/GAC workforce and cost about 43 percent of S/GAC's \$12 million administrative budget. The extensive use of contractors has allowed S/GAC to be flexible in hiring staff with the skills and experience needed to meet evolving organizational needs and priorities at each stage of PEPFAR's development. Use of contractors also allows S/GAC to address staffing needs promptly because it takes a fraction of the time to hire a contractor as it does to hire a direct-hire employee. Nevertheless, now that it is apparent that PEPFAR is maturing and will continue beyond its original five-year authorization, many officials and employees agree that some shift to a more stable workforce would be beneficial.

Another staffing goal is to increase the number of Department and USAID Foreign Service employees, who bring with them field experience and knowledge of the Department and USAID and their players. Several Department and other agency officials noted the valuable role played by the senior Foreign Service officer who recently served as one of the S/GAC assistant coordinators. At the time of the OIG review, only one of seven authorized Foreign Service positions was filled, although S/GAC anticipates filling four positions for the 2008-2009 assignments cycle. The number of Foreign Service employees in S/GAC has declined since its inception. It has been difficult to attract Foreign Service employees, many of whom do not believe an assignment to S/GAC is career enhancing. S/GAC will look for ways to make an assignment more appealing to Foreign Service bidders.

S/GAC has a high staff turnover, approximately 50 percent annually. This is due, in large part, to detailees returning to their home agencies, employees pursuing advanced education or nongovernmental work, internships ending, and contractors moving to other jobs. Many officials in Washington and at embassies commented to the OIG review team that the rapid turnover and loss of organizational knowledge has an adverse effect on communication and coordination between S/GAC and the field, especially when core team members are replaced. Another factor affecting turnover – also mentioned in the 2007 Northrop Grumman report – is S/GAC’s fast-paced, high-stress environment, which is punctuated by intense peak work-load periods. S/GAC employees are dedicated and focused and often characterize S/GAC as the ideal place for the new generation of public health and development professionals to work. Nonetheless, there is a creeping sense of burnout among the staff that needs attention.

S/GAC staffing, and that of the PEPFAR implementing agencies, will soon be under review as part of the first-ever Headquarters Operations Plan (HOP). The HOP, the domestic counterpart to the COPs prepared at posts, will look at all headquarters-level PEPFAR programs, support functions, and costs, with the objective of creating more transparency, accountability, and improved control over staffing and funds. The HOP will also identify future staffing needs and examine staffing alignment.

## Overseas Staffing of President’s Emergency Plan for AIDS Relief Coordinators and Local President’s Emergency Plan for AIDS Relief Staff

The roles and responsibilities of PEPFAR coordinators at embassies have never been standardized or formalized. Some embassies with large and expanding PEPFAR programs felt a need for a dedicated employee to oversee coordination and information sharing and created coordinator positions to work with embassy leadership and the PEPFAR country team; embassies fill the positions mostly with USAID or CDC employees but also with contractors and LE staff. Contractors are prohibited from performing tasks defined as inherently governmental functions, which limits their ability to fulfill all the needed PEPFAR functions. As yet, no common work requirements for the PEPFAR coordinator position exist, nor is there a description of the skills or seniority level needed, or a common understanding of the degree of decision-making authority coordinators can exercise.

S/GAC is currently working on regularizing and institutionalizing the PEPFAR coordinator hiring process and position and plans to make it open to direct-hire employees of the other agencies. A tour as a coordinator could be linked to a rotation

## **UNCLASSIFIED**

in S/GAC to take advantage of employees' field expertise. These ideas, which may run into bureaucratic obstacles and resistance, have not been discussed formally with the Bureau of Human Resources or the regional bureaus.

S/GAC and the other agencies have been grappling with issues pertaining to recruitment, retention, and compensation of the cadre of highly skilled LE staff who play a major role in implementing PEPFAR programs. Due to differences in job classifications, agency-specific compensation variances between USAID and CDC have created a two-tiered compensation structure that causes divisiveness among agencies and low staff morale. Further, LE staff, who are often experienced medical and public health professionals, are in demand by NGOs, international organizations, and local entities that compete for their services. Based on their credentials, some LE staff are able to find positions abroad as well, creating a drain of health-care providers in countries that can least afford it. In order to be competitive in recruiting and retaining staff, embassies need to pay competitive salaries, which would require that the Department reclassify positions or grant embassies exemptions from their local compensation plans. These are complex bureaucratic issues, and S/GAC has formed an interagency working group and hired a contract employee with extensive Department human resources experience to work exclusively on them, including developing standard framework or job descriptions so that LE staff classification and compensation is equitable across PEPFAR agencies.

The OIG review team made an informal recommendation that S/GAC consider how PEPFAR implementing teams in the field should grow slightly – enough to accommodate workload demands but not enough to detract from S/GAC's commendable flexibility and nonbureaucratic posture. The OIG review team also made an informal recommendation that S/GAC recruit an experienced Department management professional to serve in the executive office and move personnel and other administrative issues forward expeditiously.

### Travel

S/GAC carefully monitors travel of its own staff and the staff of implementing agencies, with a view toward maximizing program resources and minimizing burdens on posts. S/GAC staff make approximately 200 overseas and domestic trips annually. Travel costs for 2007 were approximately \$1.2 million. To increase central oversight of PEPFAR-related travel by employees of all implementing agencies, S/GAC has instituted a rigorous travel approval process in light of indications that, in the past, the justifications for some trips were questionable. S/GAC staff also reported examples of unnecessarily large numbers of employees of implementing

agencies traveling on the same trips, due largely to a lack of external oversight. The approval process, which had been absorbing an inordinate amount of time in meetings of interagency senior officials, is now operating more smoothly thanks to a new electronic clearance process – though some employees at implementing agencies still bristle at what they regard as S/GAC micromanaging their travel. The OIG review team believes that S/GAC is correct to retain control over travel and conserve as much funding as possible for saving lives; the team applauds S/GAC’s self-correcting move to replace a time-consuming system with an efficient one.

## OFFICE OF THE U.S. GLOBAL AIDS COORDINATOR’S INTERAGENCY CHALLENGES IN WASHINGTON AND OVERSEAS

As described above, S/GAC has instituted a remarkably ambitious and laudatory “one-U.S. government” model for doing business in the field as well as in Washington; this model works more smoothly in some countries than others, however, and needs constant tending. The main cause of difficulty results from relations – often collegial but sometimes competitive – between PEPFAR’s two largest implementing agencies, USAID and CDC. Frictions among the other implementing agencies appear to the OIG review team to be minor.

The roots of USAID-CDC friction lie in the administration’s interest in establishing a new entity to deliver development assistance when PEPFAR first began, which disappointed many in USAID who assumed that its lead role in development positioned it to run this new program. At the same time, many in USAID felt embattled after years of cuts and defensive about the need to maintain the agency’s full spectrum of development and humanitarian assistance programs. CDC’s different business model in the field, which relies more on direct-hire staff than USAID’s typical use of contractors, exacerbated relations during PEPFAR’s first years in some locations. Nonetheless, S/GAC’s use of COM authority over all agencies in the field, S/GAC’s own roots in the “honest-broker” Department, and S/GAC’s deployment of impartial interagency arbitration teams from Washington to deconflict problems have gone far to make PEPFAR a truly government-wide endeavor.

Where unproductive competition still exists, it appears to result from ambiguity over role delineation that resists resolution by jaw-boning. The OIG review team heard often from S/GAC managers that they wanted each agency to use its core competencies – medicine and the scientific side of public health in the case of CDC, and field experience and the development side of public health in the case of USAID – to address the particular needs of each country where PEPFAR programs

operate. This nonduplicative approach falls apart when the two agencies try to build up their strengths in all areas of expertise in order to win funding, however, or when COMs try to maintain peace by opting for parity between the agencies.

The OIG review team made an informal recommendation that S/GAC improve PEPFAR implementation by developing flexible guidelines about core competencies, a process S/GAC managers have previously attempted, and now acknowledge would be worth restarting. The OIG review team advises S/GAC to eschew rigid differentiation, which might force CDC to handle all treatment programs or USAID all prevention programs. Relative strengths among agencies in each country, and differing country needs and circumstances argue against immutable boundaries, as do many program managers in the field. But a carefully negotiated matrix of the overall core strengths of all PEPFAR-funded agencies, made fully transparent to all implementers and easily adjustable to each country's circumstances, would go far to reduce needless competition and redundancies. Although much friction and duplication is gradually washing out of the PEPFAR network thanks to existing mechanisms, a concerted delineation effort from headquarters would accelerate this process.

## OFFICE OF THE U.S. GLOBAL AIDS COORDINATOR'S ADMINISTRATIVE CHALLENGES IN THE FIELD

In response to OIG review team's questionnaire, focus country embassy officials noted the increasing administrative and management support burden incurred by embassies since PEPFAR's creation. The Department's regional bureaus as well as other agencies' headquarters staff agreed that overseas management support resources, which are already stretched thin due to Department budget constraints, will be hard-pressed to keep up with PEPFAR-related work should programs continue to expand. Some officials are concerned that support of other assistance programs will suffer. The OIG review team made an informal recommendation to encourage S/GAC to explore ways to allow embassy non-PEPFAR administrative staffing levels to keep pace with PEPFAR's growing demands.

Having to deal with agency-specific hiring and procurement processes can be complicated and time consuming. One embassy personnel officer, for example, reported that for several months she spent 75 percent of her time working on PEPFAR staffing issues. Some small focus-country embassies do not have personnel officers. Financial management officers are now responsible for PEPFAR funds that, in many cases, far exceed their embassy's entire budget. Procurement staff workload is also increasing, yet some PEPFAR agencies acknowledged that often they have no

employees at embassies that have expertise in procurement or other support services. Some embassies also noted onerous time spent preparing for and hosting PEPFAR-related visits and events. Additionally, the COP requires presentation of projected, line-item Interagency Cooperative Administrative Support Services costs, which takes time from other work performed by embassies' Interagency Cooperative Administrative Support Services councils and management sections. Washington-directed shifts of contractors, funding mechanisms, or implementation guidelines further complicate field administration of PEPFAR programs.

PEPFAR'S expanding overseas presence also means that S/GAC needs to work more closely with the Department's Office of Rightsizing on the planning for new embassy compounds. The Office of Rightsizing works with the Department's Bureau of Overseas Buildings Operations, regional bureaus, and embassies on the rightsizing process and procedures. New embassy compound plans are developed years in advance based on projected staffing. While agencies cannot always anticipate staffing increases and decreases at embassies, changing building requirements and plans is costly and results in major delays.

## Information Collection and Results Data

S/GAC has developed elaborate systems for the collection of data. The data are crucial in keeping Congress informed about the uses of the billions of dollars appropriated, demonstrating the effectiveness of PEPFAR programs, and analyzing and improving program implementation. S/GAC established that as much as seven percent of its funds could be spent on the collection of data. As valuable as S/GAC's exceptionally high degree of program results has proven to be, implementing agencies, field staff, and even S/GAC's leadership recognize that the data collection that underlies its precision is also a significant burden. S/GAC has been working to reduce the burden.

Information is collected in three distinct areas. Each country program receiving significant PEPFAR funds submits full or truncated versions of the COPs and Annual Program Reports (APRs), which include information from these areas, to S/GAC in the fall of each year.

1. The National Health Management Information Systems: S/GAC works with multilateral organizations and with the countries receiving PEPFAR assistance to create or improve information systems that track the health of their citizens. The focus is on health services provided to combat HIV/AIDS and the data S/GAC requires about them for its planning and

## **UNCLASSIFIED**

budgeting. These systems also can provide information needed for the wider management of health care in the countries involved and the statistics international organizations seek about disease prevalence.

2. **Monitoring and Evaluation:** S/GAC requires an ongoing process of program observation and evaluation in the field to determine whether programs, projects, and other activities are achieving their intended results. S/GAC relies on its PEPFAR implementing partners programs for this information.
3. **Surveillance and Surveys:** S/GAC's partners and other organizations also collect health information from hospitals, clinics, and other health facilities; for example, women tested for other diseases also may be tested for HIV/AIDS. Epidemiologists, demographers, statisticians, and behavioral scientists gather information from samples or special segments of a country's entire population in order to obtain an independent assessment of the effectiveness of PEPFAR's prevention, care, and treatment services.

Information from the above three processes reaches S/GAC through the APR. Each PEPFAR country submits an APR to S/GAC; S/GAC is currently phasing out an onerous semi-annual report and striving to streamline the APR. Information from the above three processes is also used in COPs. Together, these reports and plans are the main components of S/GAC's Country Operation Planning and Reporting System (COPRS), which in turn is the basis for S/GAC's Annual Report to Congress. The Annual Report to Congress supplies Congress with information about PEPFAR's field data, results, and program evolution and has successfully built understanding and support for the PEPFAR program.

The COPRS manages the reporting and organization of all data from the field. Its two components are the COPs and the Reporting System. PEPFAR teams in each country, consisting of representatives of the Department, USAID, CDC, and other implementing agencies, prepare the COPs. These plans, which can run to over 1,000 pages in length, cover 15 program areas and include data about how the interagency team plans to spend the funds assigned to it in the ensuing year. S/GAC conducts an extensive and very time-consuming review of these plans, including examination of the plan's previous results and negotiations over changes. This Washington-field process, involving interagency decision making, consensus, and results-tracking at each step, is an innovative model for other interagency operations.

The collection of information for these products is centered in S/GAC's Strategic Information (SI) office. It coordinates the efforts of all implementing agencies and works with international organizations, striving to improve the quality in information, minimize variation and duplication, and modernize systems. SI has embraced S/GAC's overall management philosophy of continuous improvement. For

## **UNCLASSIFIED**

example, SI contracted with Northrop Grumman report for a business realignment study. That study recommends that the due dates for information be distributed more evenly though the year, that the amount of information required be reduced, that PEPFAR's information systems be harmonized with the Foreign Assistance Coordinating and Tracking System administered by F, and that PEPFAR create a "dashboard" of information so that data can be more easily shared with partners, countries, and other governments. S/GAC is now working to implement those recommendations.

Implementing partners and field staff alike complain about a number of features of S/GAC's data and accountability systems. The field posts must complete their COPs and APR submissions at nearly the same time. The quantity of information required is unusually large. Much of the information is process- or output-oriented, rather than result- or impact-oriented. Requests for information often come with unreasonable deadlines, and from many sources in S/GAC as well as from implementing agencies that should channel their queries through the S/GAC core leader. Guidance changes frequently, and software systems can be cumbersome. The upshot is that some field staff complain that they spend so much time planning and reporting that they cannot get out of their offices to run their programs.

S/GAC's SI office has been vigilant about finding and pursuing ways to reduce the burdens described above. It has reduced the number of performance indicators in the semi-annual reports from 44 to seven and has worked with international organizations to harmonize information requirements. The Coordinator has allowed countries with programs that meet their targets to submit biennial rather than annual data in certain areas and is considering instituting a biennial rather than annual COP schedule overall.

There are also Department-imposed reporting and data collection requirements that contribute to overload in S/GAC and at embassies. S/GAC must provide input to F for the Department's Operations Plan that is submitted to OMB and, for the Bureau of Resource Management, embassies must prepare mission strategic plans and S/GAC must prepare a bureau strategic plan. The reporting cycles for these reports are not synchronized with other reporting requirements. While these reports may serve different purposes, Department officials acknowledge that reporting requirements, processes, and systems should be better integrated to eliminate requests for duplicate and overlapping information.

The OIG review team recognizes that the COP/COPRS process is a management system that enables S/GAC to tailor the PEPFAR program to the conditions and needs of each country; instill interagency collaboration in Washington and the field; and obtain world-class accountability information for each country operation

and PEPFAR overall. The OIG review team commends S/GAC for this work. The OIG review team has found few government operations able to account for their spending, programs, or results in such a conclusive, detailed, and persuasive manner. Nonetheless, the OIG review team made an informal recommendation to encourage S/GAC to make further efforts to reduce and focus the reporting burden in field offices, adjust the timing of submissions, and harmonize PEPFAR processes with the F process and other demands.

## SHARING KNOWLEDGE

S/GAC places great value on being a learning organization. Its ethos is manifested in the information systems, organizational procedures, and prevailing attitude that promote effective communications, knowledge management, and continuous improvement. S/GAC leverages technology by designing and implementing a password-protected, web-enabled Internet tool that promotes collaboration and information sharing. This web site contains lessons learned, best practices, links to other helpful sites, public affairs/public diplomacy information, and a host of other resources to assist program planning and implementation. S/GAC also sends electronic “Notes to the Field” on a weekly basis to keep country teams up-to-date on the latest information and taskings.

Organizationally, S/GAC has developed a highly talented and energetic team in its program services office that serves as the primary liaison between Washington and the field teams. The program services office includes core team leaders who are directly responsible for several focus country programs. Each core team leader also chairs a working group that has responsibility for a specific technical area and has regional responsibility for a group of nonfocus countries. The core team leaders serve as a vital two-way conduit for information and technical guidance between headquarters and the field. Their visits to observe and assist posts are invaluable in broadening their perspective, as is the mix of management and technical expertise that core team leaders develop and apply to the program.

S/GAC members at all levels embrace an attitude of continual improvement and use the communications, information, and knowledge management systems to provide feedback from which S/GAC learns and improves. Its openness to change, innovation, and improvement has contributed to its ability to ramp up its programs quickly and effectively.

## MULTILATERAL, BILATERAL AND PRIVATE DONOR COORDINATION

### MULTILATERAL AND BILATERAL DONORS

S/GAC coordinates closely with other bilateral and multilateral donors in the fight against AIDS, including, inter alia, G-8 bilateral and European Union partners, UNAIDS, the World Health Organization, the World Bank, UNICEF, and the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund). UNAIDS, established in 1994, consolidates the resources of 10 UN agencies to fight the AIDS pandemic. In 2004, the United States cosponsored the “Three Ones” agreement within UNAIDS. This agreement commits PEPFAR and other partners to support “one” national HIV/AIDS framework, “one” national coordinating authority, and “one” country-level monitoring and evaluation system in each nation. The World Bank started HIV/AIDS programming in 1986 and expanded its efforts in Africa in 2000 and the Caribbean in 2001 through its multi-country AIDS program. The bank also provides financial assistance for HIV/AIDS programming through the International Development Association and the International Bank for Reconstruction and Development. The Global Fund was created in 2001 as an independent public-private entity to provide grants to recipient countries to fight AIDS, tuberculosis and malaria.

S/GAC relations with the Global Fund are especially important and complementary. In many ways, the Global Fund acts as a multilateral branch of PEPFAR’s efforts. President Bush originally announced a target U.S. government allocation for the Global Fund of one billion dollars over five years. In the early years of implementation, the Global Fund and PEPFAR competed, somewhat, for funding from the Congress, and the Fund lobbied Congress directly. Some in Congress, in the early years of PEPFAR implementation, favored the Global Fund because they opposed some of the administration’s methods to combat AIDS, while others preferred the multilateral approach offered by the Fund. Due to increased congressional appropriations for each year beyond the President’s request, the actual U.S. government funding for the Global Fund from 2004 to 2008 will likely exceed three billion dollars. In FY 2007, for the first time, the increased appropriation for the Global

Fund did not lead to a partial reduction in other PEPFAR funding. The President's proposed reauthorization statement for PEPFAR does not specify the level of U.S. government resources for the Global Fund.

S/GAC feels a sense of responsibility for the U.S. government funds going to the Global Fund. S/GAC wants the fund to be transparent and successful so that PEPFAR resources can be freed up to work elsewhere, and so that other donors feel confident and generous in giving to the fund. S/GAC also wants to avoid gaps and duplication in its collaboration with the fund. The fund works in 136 countries while PEPFAR programs operate in 114 countries. S/GAC caps its contributions to the fund at 33 percent of the fund's total. S/GAC uses some PEPFAR funds and a portion of the U.S. government contribution to the fund to provide technical assistance to the fund in areas such as procurement. S/GAC also puts restrictions on the release of its funding until other donors contribute. Generally, the fund gives grants directly to host government ministries to disburse as they wish, while PEPFAR sets up programs in host countries to implement AIDS relief independently.

Early critics of the fund asserted that it took too much time to get started, that it did not measure results well, and that it lacked accountability. S/GAC takes a very active role at the Global Fund headquarters and in the field to ensure that the fund is effective. A member of the PEPFAR Principals' Group sits on the fund's board, and three members of S/GAC or the PEPFAR Principals' Group chair or sit on two different fund committees to improve accountability and transparency. S/GAC expressed confidence that its input has begun to improve the Global Fund's performance and accountability.

## PUBLIC-PRIVATE PARTNERSHIPS AND NEW PARTNER OUTREACH

PEPFAR's 2003 authorization act mandates the use and expansion of public-private partnerships to combat HIV/AIDS. Public-private partnerships have several advantages. They leverage the public sector's limited resources and build the sustainability of the program's services. They often tap capabilities and expertise that may be uniquely located in the private sector to promote the goals of public policy, and they can assist in reaching target populations in their own surroundings.

According to views the OIG review team heard, some PEPFAR staff in the field do not fully understand the advantages of public-private partnerships. Some erroneously believe that politics play a role in establishing individual public-private partnerships, and others seem reluctant to work with private companies and foundations.

## **UNCLASSIFIED**

S/GAC, however, is overcoming resistance and creating productive partnerships that contribute substantially to the success of the program.

The former Coordinator proposed in 2004 that \$200 million dollars be set aside under the New Partner Outreach Initiative for FY 2005-2008 to give grants to small NGOs and community- and faith-based organizations that wanted to get involved in the fight against AIDs, but needed some help in getting started. These institutions were outside the normal circle of USAID and HHS partners. The third and final round of this grant decision-making process is underway.

**UNCLASSIFIED**

**UNCLASSIFIED**

FORMAL RECOMMENDATION

**Recommendation 1:** The U.S. Global AIDS Coordinator should request that the inspectors general for agencies that receive President's Emergency Plan for AIDS Relief funds submit to him a joint memorandum describing options, feasibility, and estimated costs of conducting a collective, independent financial audit of U.S. government-wide President's Emergency Plan for AIDS Relief funds. At a minimum, the Coordinator should request an audit of the Global HIV/AIDS Initiative account. (Action: S/GAC)

**UNCLASSIFIED**

**UNCLASSIFIED**

## INFORMAL RECOMMENDATIONS

Informal recommendations cover operational matters not requiring action by organizations outside the reviewed mission. Informal recommendations will not be subject to the OIG compliance process. However, any subsequent OIG inspection or on-site compliance review will assess the mission's progress in implementing the informal recommendations.

### OFFICE TITLE

The numerous names for the Office of the U.S. Global AIDS Coordinator muddy S/GAC's "brand."

**Informal Recommendation 1:** The Office of the U.S. Global AIDS Coordinator should decide on a consistent name for the office both within and outside the Department.

### RELATIONS WITH OTHER DEPARTMENT BUREAUS

S/GAC's relations with most regional and functional bureaus in the Department are limited. All sides could benefit from more information exchange, in part to define synergies and shared interests, as well to avoid unintended consequences. Better information exchange and coordination would lead to better integration of AIDS programs with other health programs and would prevent unwelcome consequences, such as donor fatigue in fighting other diseases.

S/GAC has sufficient ties at a senior level with AF. These ties are based largely on good personal relationships among senior officials, however, rather than on any institutional structure or ties. Any change in the leadership of these entities could lead to decreased coordination, so better structural ties are needed.

**Informal Recommendation 2:** The Office of the U.S. Global AIDS Coordinator should boost voluntary efforts to increase the frequency and depth of contacts, both face-to-face and through electronic means, with other Department bureaus.

**Informal Recommendation 3:** The Office of the U.S. Global AIDS Coordinator should strive to create a more institutionalized relationship with the Bureau of African Affairs.

## OFFICE OF THE U.S. GLOBAL AIDS COORDINATOR CONTROL OVER NON-PRESIDENT'S EMERGENCY PLAN FOR AIDS RELIEF DEPARTMENT FUNDING ASSISTANCE

While S/GAC clearly has legislative authority over all assistance funds programmed to fight HIV/AIDS, concerns remain about Department funding that can be used for multiple purposes, including combating HIV/AIDS.

**Informal Recommendation 4:** The Office of the U.S. Global AIDS Coordinator should negotiate with the Office of U.S. Foreign Assistance and agree upon which bureau will administer each Department funding stream that could be used on HIV/AIDS programs; such an agreement within the Department should precede congressional action on reauthorization and should be shared widely.

## SINGLE IMPLEMENTING PARTNER FUNDING LIMIT

One NGO group believes that eight percent funding limit on any single implementing partner is a problem, noting that the rule is unclearly explained in the field and was not helping local NGOs develop as intended. One focus country PEPFAR country team also finds the eight percent cap too restrictive.

**Informal Recommendation 5:** The Office of the U.S. Global AIDS Coordinator should work with the President's Emergency Plan for AIDS Relief country teams to clarify and make transparent how much funding and what percentage of the total country budget each potential partner may apply for.

## PUBLIC AFFAIRS AND PUBLIC DIPLOMACY

The office of public affairs and public diplomacy has a position which is currently vacant, putting an extra burden on the existing staff. This hurts overseas outreach, which is crucial not only to educate individuals about HIV/AIDS and influence

healthy behavior but also to build awareness around the world about the generosity of the American people and the goodwill of the U.S. government in mounting such a major public health initiative.

**Informal Recommendation 6:** The Office of the U.S. Global AIDS Coordinator should fill the vacant position in the office of public affairs and public diplomacy shortly.

**Informal Recommendation 7:** With the additional official cited above, The Office of the U.S. Global AIDS Coordinator's office of public affairs and public diplomacy should broaden relationships and expand collaboration with the Department's regional bureaus in order to increase outreach overseas.

## POSSIBLE INCREASED OFFICE OF THE U.S. GLOBAL AIDS COORDINATOR STAFFING AND DUTIES AND OVERSEAS PRESIDENT'S EMERGENCY PLAN FOR AIDS RELIEF STAFFING

S/GAC officials acknowledge they will face challenges when they assume responsibilities from S/ES-EX. The roles and responsibilities of PEPFAR coordinators at embassies have never been standardized or formalized. S/GAC and the other agencies have been grappling with issues pertaining to recruitment, retention, and compensation of the cadre of highly skilled LE staff who play a major role in implementing PEPFAR programs.

**Informal Recommendation 8:** The Office of the U.S. Global AIDS Coordinator should evaluate whether more administrative staff would improve office operations as part of the Office of the U.S. Global AIDS Coordinator takeover of the Executive Office of the Executive Secretariat duties.

**Informal Recommendation 9:** The Office of the U.S. Global AIDS Coordinator leadership should ensure that the heads of the executive and management and budget offices have adequate time to study and divide the new duties between their offices, along with sufficient authority to determine and enact the best ways to put appropriate checks, balances, and internal controls in place.

**Informal Recommendation 10:** The Office of the U.S. Global AIDS Coordinator should consider how the President's Emergency Plan for AIDS Relief implementing teams in the field should grow slightly – enough to accommodate workload demands but not enough to detract from the office's commendable flexibility and nonbureaucratic posture.

**Informal Recommendation 11:** The Office of the U.S. Global AIDS Coordinator should recruit an experienced Department management professional to serve in the executive office and move personnel and other administrative issues forward expeditiously.

## REVIEW OF CORE COMPETENCIES FOR IMPLEMENTING AGENCIES

Despite S/GAC's remarkably ambitious and laudatory "one-U.S. government" model for doing business in the field as well as in Washington, this model of inter-agency cooperation works more smoothly in some countries than others and needs constant tending. Where unproductive competition among agencies still exists, it appears to result from ambiguity over role delineation that resists resolution by jawboning.

**Informal Recommendation 12:** The Office of the U.S. Global AIDS Coordinator should improve the President's Emergency Plan for AIDS Relief implementation by developing flexible guidelines about core competencies among implementing agencies.

## POSSIBLE INCREASED OVERSEAS NON- PRESIDENT'S EMERGENCY PLAN FOR AIDS RELIEF ADMINISTRATIVE STAFFING

Focus country embassy officials noted the increasing administrative and management support burden incurred by embassies since PEPFAR's creation. Overseas embassy management support resources, which are already stretched thin due to Department budget constraints, will be hard-pressed to keep up with PEPFAR-related work should programs continue to expand.

**Informal Recommendation 13:** The Office of the U.S. Global AIDS Coordinator should explore ways to allow embassy non- President's Emergency Plan for AIDS Relief administrative staffing levels to keep pace with the plan's growing demands.

## REVIEW OF WAYS TO LESSEN REPORTING BURDEN

Despite past efforts to reduce reporting requirements on embassies and Washington agencies, the burden is still heavy.

**UNCLASSIFIED**

**Informal Recommendation 14:** The Office of the U.S. Global AIDS Coordinator should make further efforts to reduce and focus the reporting burden in field offices, adjust the timing of submissions, and harmonize the President's Emergency Plan for AIDS Relief processes with the Office of U.S. Foreign Assistance process and other demands.

**UNCLASSIFIED**

**UNCLASSIFIED**

PRINCIPAL OFFICIALS

Ambassador Mark Dybul  
Coordinator

Dr. Thomas Kenyon  
Principal Deputy Coordinator and Chief Medical Officer

Michele Moloney-Kitts  
Assistant Coordinator

**UNCLASSIFIED**

**UNCLASSIFIED**

## ABBREVIATIONS

AF	Bureau of African Affairs
APR	Annual Program Report
ART	Antiretroviral treatment
CDC	Centers for Disease Control and Prevention
COM	Chief of Mission
COP	Country Operating Plan
COPRS	Country Operating Planning and Reporting System
CSIS	Center for Strategic and International Studies
DFA	Director of U.S. Foreign Assistance
DOD	Department of Defense
DOL	Department of Labor
EUR	Bureau of European and Eurasian Affairs
EUR/ACE	Office of U.S. Assistance to Europe and Eurasia, Bureau of European and Eurasian Affairs
EX	Executive Office
F	Office of U.S. Foreign Assistance
G-8	Group of Eight
GHAI	Global HIV/AIDS Initiative
HHS	Department of Health and Human Services
HOP	Headquarters Operating Plan
IG	Inspector General
IOM	Institute of Medicine
LE	Locally employed
MB	Management and Budget Office
NGO	Nongovernmental organization

**UNCLASSIFIED**

NIH	National Institutes of Health
OGAC	Office of the Global AIDS Coordinator
OIG	Office of Inspector General
OMB	Office of Management and Budget
PEPFAR	President's Emergency Plan for AIDS Relief
S	Office of the Secretary of State
SCMS	Supply Chain Management System
S/ES-EX	Executive Office of the Executive Secretariat
S/GAC	Office of the Global AIDS Coordinator
SI	Office of Strategic Information
UNAIDS	Joint United Nations Program on HIV/AIDS
USAID	U.S. Agency for International Development

PRESIDENT'S EMERGENCY PLAN FOR AIDS RELIEF-RELATED STUDIES

A. U.S. Government Sources

- OGAC Concept of Operations (S/GAC, Sep 2007)
- Committee Hearing, "PEPFAR Reauthorization: From Emergency to Sustainability" (House Committee on Foreign Affairs, Sep 2007)
- "U.S. International HIV/AIDS, Tuberculosis, and Malaria Spending: FY2004-FY2008" (CRS, Sep 2007)
- "HIV/AIDS Assistance Reauthorization Act of 2007" (Lugar Reauthorization Bill, S 1966) (110th Congress, Aug 2007)
- S/GAC Bureau Performance Plan for FY 2007 (S/GAC, Jun 2007)
- S/GAC Bureau Strategic Plan for FY 2009 (S/GAC, Jun 2007)
- AF Bureau Strategic Plan for FY 2009 (AF, Jun 2007)
- "AIDS in Africa" (CRS, Apr 2007)
- "The Power of Partnerships: The President's Emergency Plan for AIDS Relief," Third Annual Report to Congress (S/GAC, Mar 2007)
- Audit of USAID's Progress in Implementing PEPFAR (USAID, Dec 2006)
- "Spending Requirement Presents Challenges for Allocating Prevention Funding under the President's Emergency Plan for AIDS Relief" (GAO, Sep 2006)
- PEPFAR "General Policy Guidance for All Bilateral Programs" (S/GAC, Oct 2005)
- Audit of USAID's Progress in Implementing PEPFAR (USAID, Sep 2005)
- OIG Audits Survey of the Office of the Global AIDS Coordinator (OIG/Audits, Sep 2005)
- "Foreign Assistance Reference Guide" (State Dept, Jan 2005)
- Public Law 108-25, "United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003" (108th Congress, May 2003)

B. Non-U.S. Government Sources

- Executive Summary, "PEPFAR Implementation: Progress and Promise" (Institute of Medicine, 2007)

## **UNCLASSIFIED**

- “PEPFAR Implementation: Progress and Promise” (Institute of Medicine, 2007)
- ”Making HIV Prevention Paramount in the Next Phase of the US Global HIV/AIDS Response” (CSIS, Oct 2007)
- ”Advancing US Leadership on Global HIV/AIDS: Opportunities in the PEPFAR Reauthorization Process” (CSIS, May 2007)
- ”Plan for a Short-Term Evaluation of PEPFAR Implementation: Letter Report #1” (Institute of Medicine, 2005)

**FRAUD, WASTE, ABUSE OR MISMANAGEMENT**  
of Federal programs  
and resources hurts everyone.

Call the Office of Inspector General  
**HOTLINE**  
**202/647-3320**  
**or 1-800-409-9926**  
**or e-mail [oighotline@state.gov](mailto:oighotline@state.gov)**  
to report illegal or wasteful activities.

You may also write to  
Office of Inspector General  
U.S. Department of State  
Post Office Box 9778  
Arlington, VA 22219  
Please visit our website at [oig.state.gov](http://oig.state.gov)

Cables to the Inspector General  
should be slugged "OIG Channel"  
to ensure confidentiality.

**UNCLASSIFIED**

**UNCLASSIFIED**