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USAID HIV/AIDS ACTIVITIES

Over 50 million people have been infected with HIV worldwide to date, with 33.6 million now living with HIV/AIDS, and 2.6 million deaths in 1999. AIDS is now the leading cause of death in Africa and fourth in the world. In Africa, AIDS now kills twice as many people as malaria and eight times as many as tuberculosis. As the hardest hit continent in the world by far, one that constitutes two thirds of all new infections in the world, and where over two thirds of persons living with HIV/AIDS live, AIDS is having major detrimental effects on current health and non-health sectors in many countries.

HIV/AIDS is unraveling four decades of development progress in Africa. Moreover, the two countries with the highest numbers of new infections per year are South Africa and India. Yet, South Africa has a population of only 43 million vs. India's nearly one billion.

For a decade USAID has led the fight against the global AIDS pandemic, providing HIV/AIDS assistance to 46 developing countries; 22 in Africa. Over the past 10 years, USAID has spent over \$1.2 billion dollars responding to the worsening AIDS pandemic, with approximately 60% going to sub-Saharan Africa. The U.S. Government has been the largest donor for fighting AIDS globally and is recognized as a leader in technical skills. For the past seven years, USAID's annual budget for AIDS has remained at about \$120 million dollars. However, in FY 2000, the President's LIFE Initiative, combined with additional funding from Congress increased USAID's budget from \$125 million to \$200 million- representing an increase of nearly 60%. Of the \$200 m total, approximately \$130 million is directed to Africa.

What is USAID doing in Africa?

USAID supports HIV/AIDS programs in 22 countries and three sub-regional programs. The emphasis has been on primary prevention to reduce the spread of HIV/AIDS. However, our programmatic efforts have broadened recently as described below.

The subset of 13 countries targeted by the LIFE initiative are: Ethiopia, India, Kenya, Malawi, Mozambique, Nigeria, Rwanda, Senegal, South Africa, Tanzania, Uganda, Zambia, and Zimbabwe. These countries have the most severe AIDS epidemics, the highest number of new infections, the potential for greatest impact, and have existing USAID programs on which to build. The initiative expands the possible areas for intervention.

In addition to LIFE and in response to great demands, USAID is developing new HIV/AIDS programs in Namibia and Angola in FY 2000.

USAID HIV/AIDS Programmatic Efforts

USAID's approach to HIV/AIDS programming can be categorized by the following five categories. The first four are also directly linked to the LIFE initiative.

- **Primary Prevention:** USAID supports activities such as voluntary counseling and testing, condom marketing, behavior change programs, mother to child transmission reduction, STD treatment, blood safety, as well as programs to reduce stigma and discrimination. *LIFE:* USAID is programming \$25 million to reverse the trend of rising HIV infection rates.
- **Improving Community and Home Based Care and Treatment:** USAID is emphasizing a "prevention to care continuum" that supports basic medical services (such as for tuberculosis and other opportunistic infections), combined with psychosocial support services which utilize a wide range of community workers, including traditional healers. Such care is instrumental in ensuring the success of prevention programs. *LIFE:* USAID is allocating \$14 million for these activities.
- **Caring for Children Affected by AIDS:** USAID supports a number of programs that assist AIDS affected children and orphans. These include community-based models of support and care, food aid, and innovative programs such as those that provide school fees for orphans. *LIFE:* USAID is programming \$20 million in direct assistance for AIDS affected children (including \$10 million in food aid).
- **Capacity and Infrastructure Development:** USAID provides assistance to increase host country capacity to implement effective interventions, focusing on government, private sector, NGOs, and research institution capabilities. Key activities increase the use of accurate HIV surveillance data to target HIV/AIDS prevention and care interventions and to measure the impact of these interventions, and will expand capabilities for the delivery of care and services. *LIFE:* USAID is allocating \$6 million for these efforts.
- **Multisectoral Efforts to Reduce the Impact of AIDS:** USAID is supporting impact studies and interventions targeted at such sectors as education, democracy/governance, economic growth, agriculture/national resource management, and post-conflict situations.

Building on established relationships between its Missions and host country partners, USAID is taking lead responsibility to facilitate an unprecedented coordinated international US response at the country level involving other USG agencies such as the Department of Health and Human Services.

FY 2001 Increases

In 20 high emphasis countries USAID would use expected FY 2001 increases in HIV/AIDS funding to "scale up" prevention efforts now estimated to only reach less than 10% of vulnerable persons; provide better support for those sick and dying of AIDS; help the vast numbers of AIDS orphans; provide pregnant women with access to new

treatments to reduce transmission to their newborns; and, finally, build critical health and educational infrastructure in these countries so that African and Asian institutions and community organizations can better lead the battle in their own countries. Additional FY 2001 increases will follow the areas of programmatic emphasis identified by the LIFE initiative.

What Do We Hope to Achieve

We already possess models of success. With USAID support, Uganda actually reduced urban HIV prevalence rates from 27% to 15% reversing the progress of the epidemic and, in Senegal maintained its HIV prevalence at less than 2% while surrounding countries continued to increase. The Uganda and Senegal models prove that the battle can be won, and challenge us to bring comparable success to additional countries.

Working closely with the UN, other bilateral donors and with governments of affected countries, within the next five years we seek to decrease HIV incidence in 15-24 year olds by 10%; decrease perinatal infections by 10%; provide basic care and support services to at least 75% of infected persons; and ensure that at least 50% of households caring for children affected by AIDS will receive essential assistance.

New Ideas

- Work with our G-8 partners in the preparation phase for the July Okinawa G8 summit to ensure that the summit contains a stand-alone agenda item directed at galvanizing worldwide accelerated action on HIV/AIDS.
- Working with Treasury, the World Bank, and regional development banks, ensure that HIV/AIDS programs are included in debt relief poverty reduction strategies and benefit from said relief.
- Provide technical assistance to countries to leverage their ability to ensure the flow of World Bank loan funds for HIV/AIDS.
- Work with U.S. Foundations and the private sector by providing technical assistance to these organizations and help them program and increase their HIV/AIDS resources.
- Work with State Department to ensure that Chiefs of Mission develop a proactive strategy on AIDS. Work with other nations' ambassadors to develop a multi-nation united ambassadorial campaign on HIV/AIDS in country.
- Expand multisectoral HIV/AIDS strategies that target education, democracy and governance and economic growth sectors in particular.
- Work with DoD to provide assistance to militaries for HIV/AIDS prevention [President budget requests \$10 million in the FY 2001 budget for DOD HIV/AIDS in Africa prevention efforts working with militaries].
- Work with DOL to expand the involvement of labor unions in country in the fight against AIDS. [President budget requests \$10 million in the FY 2001 budget for DOL HIV/AIDS in Africa prevention efforts working with unions].
- Challenge other donors to increase their financial commitment to HIV/AIDS.
- Challenge and/or tie US assistance to countries' increasing their own resources for HIV/AIDS prevention and care programs.



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LEADERSHIP AND INVESTMENT IN FIGHTING AN EPIDEMIC (LIFE)



SUMMARY OF THE USAID RESPONSE

Introduction

The Agency for International Development's (USAID) response to the HIV/AIDS epidemic began in 1986, with the Agency contributing over \$1.2 billion to the effort during these last 13 years. Of this total, USAID has programmed over \$650 million in sub-Saharan Africa. Since the early 1990's, USAID has been the leading donor to both UNAIDS and to HIV/AIDS prevention and control in the developing world.

Since 1993 the USAID budget has remained at approximately \$120 million per year. During this time the number of annual HIV infections has risen 300% to 6 million per year, globally. The epidemic is rapidly spreading within the Southern regions of Africa and into Asia and the newly independent states of the former Soviet Union. USAID now provides technical assistance and support to programs in 47 developing countries, 22 of which are in sub-Saharan Africa. These country programs are designed to decrease HIV transmission and reduce the impact of AIDS on families and societies. Over the past seven years, USAID has supported intensive HIV/AIDS education to over 25 million vulnerable men, women, and youth, helping them to reduce their risk of HIV infection. Current USAID resources, combined with other international donors and contributions from national host country governments, are able to reach 10% to 20% of the "at-risk" population in sub-Saharan Africa.

The *LIFE* Initiative

On July 19, 1999, Vice President Gore announced a new Administration initiative to address the global AIDS pandemic. A central feature of the *LIFE* initiative is a \$100 million increase in US support to prevent the further spread of HIV and to care for those affected by this devastating disease. Of this total, \$55 million will be programmed through USAID, nearly doubling the resources available through USAID programs in sub-Saharan Africa.

The *LIFE* Initiative focuses on 15 target countries¹ (14 in sub-Saharan Africa and India). These countries have the most severe AIDS epidemics, the highest number of new infections, the potential for greatest impact, and have existing USAID programs on which to build. Under the *LIFE* Initiative, USAID will emphasize the following four program elements. Based on the mix of existing activities, not all elements are required in all target countries.

- **Primary Prevention:** USAID will program \$25 million in 13 of the 15 target countries to reverse the trend of rising HIV infection rates. This prevention component will support voluntary counseling and testing, condom marketing, behavior change programs, mother to child transmission reduction, STD treatment, and blood safety programs.

¹ The country list will be finalized after further dialogue with specific governments and key stakeholders.

- **Improving Community and Home Based Care and Treatment:** USAID will allocate \$14 million in 7 of the 15 target countries to provide a continuum from in-patient to community outpatient treatment, combined with psychosocial support services which utilize a wide range of community workers, including traditional healers.
- **Caring for Children Affected by AIDS:** USAID will devote \$10 million in 12 of the 15 target countries to assist children affected by AIDS and their families. Nutritional support through Title II, Food for Peace, programs will supplement existing efforts to strengthen the capacity of families and caring for AIDS orphans.
- **Capacity and Infrastructure Development:** With a budget of \$ 6 million, USAID will work in 10 of the 15 target countries to increase host country capacity to implement effective interventions, focusing on government, private sector, NGOs, and research institution capabilities. Key activities will increase the use of accurate HIV surveillance data to target HIV/AIDS prevention and care interventions and to measure the impact of these interventions, and will expand capabilities for the delivery of care and services.

Building on established relationships between its Missions and host country partners, USAID will take the lead responsibility to facilitate an unprecedented coordinated international US response at the country level. Other participating US government agencies are the Department of Health and Human Services (DHHS) and the Department of Defense (DoD). In addition, USAID will provide secretariat support to the Coordinating Task Force, which will be organized under the auspices of the White House Office for National AIDS Policy (ONAP).

What Do We Hope to Achieve:

We already possess models of success. In Uganda, HIV prevalence has been reduced by 50% in young urban women, aged 15 to 24, by promoting a delay in the onset of sexual activity and the adoption of safer sexual practices. In Senegal, HIV prevalence has been kept below 2%. The Uganda and Senegal models prove that the battle can be won, and challenge us to bring comparable success to additional countries.

Monitoring systems will measure the combination of enhanced existing programs and the additional "new" activities that are supported through the Initiative. Over the next three years, the Agency, in collaboration with our other partners, will meet the following performance goals in the target countries:

- ◆ 10% decrease in HIV incidence in 15-24 year olds
- ◆ 10% decrease in perinatal infections
- ◆ 10% decrease in reported STD prevalence by men/women
- ◆ 50% of households caring for children affected by AIDS will receive assistance from an institution or group outside the family
- ◆ 50% of district/provincial governments will be able to implement care and support activities
- ◆ The establishment of surveillance systems in all target countries.



FINAL DRAFT

TITLE: FY2000 Increases in Funding for HIV/AIDS for USAID and DHHS/CDC, Including Funds Linked to Administration (LIFE) and Congressional Initiatives

SUMMARY:

The final FY 2000 appropriations bills included unprecedented funding increases for HIV/AIDS efforts in Africa and India for USAID and for DHHS. The LIFE Initiative (Leadership and Investment in Fighting an Epidemic) developed by the White House Office of National AIDS Policy (ONAP) and additional funding supported by Congress demonstrate a very high level of U.S. political support for the fight against AIDS in Africa.

USAID received an additional \$63 million for HIV/AIDS efforts above the original FY 2000 request of \$127 million. Additionally, the Bureau for Humanitarian Response – Office of Food for Peace is targeting \$10 million of Title II, food aid funds at children affected by AIDS in Africa. The cumulative FY 2000 USAID total HIV/AIDS budget is \$200 million. Some of these funding increases are directly linked to the LIFE initiative in target countries. All of the increases are additive to the core. In addition, the U.S. Department of Health and Human Services (DHHS)/CDC received a separate appropriation of \$35 million. Final country levels for the \$63 million will be provided by calendar year-end. However, discussions with host country counterparts should begin immediately, at least to establish what program areas are most desirable from their perspective and vis a vis other donors.

The increased LIFE Initiative-linked funding will support four program elements (1) primary prevention which includes mother to child transmission prevention and voluntary counseling and testing, (2) improving home and community based care and treatment, (3) caring for children affected by AIDS, and (4) capacity and infrastructure development (including surveillance systems). The mix of interventions will be determined at the country level. The initiative delineates specific responsibilities for USAID and DHHS (e.g., AIDS orphans, surveillance). LIFE-related funding increases are targeted at 13 African countries, India, and regional African programs selected according to specific criteria. USAID will have lead responsibility for the development of a coordinated country level plan and implementation with DHHS/CDC and country stakeholders. USAID (G, AFR, BHR, ANE bureaus) and DHHS/CDC have established a joint task force to assist planning, and the White House Office of National AIDS Policy (ONAP) will provide broader oversight of the initiative. These funding increases are also designed to help leverage national and other donor resources.

Next steps include country level notification and joint planning, needs assessments, identification of implementation mechanisms, and, where appropriate, expansion or initiation of NSDD-38 and ICASS agreements with Embassies for DHHS/CDC assignees and activities. These efforts are expected to increase our combined ability to reduce HIV transmission and mitigate its worst effects. End summary.

1. Background. In July 1999, Vice President Gore released a new Administration international HIV/AIDS initiative, known as Leadership and Investment in Fighting an Epidemic (LIFE), to address the global pandemic. Congress has increased USAID's HIV/AIDS funding by \$63 million in FY 2000 and provided \$35 million to DHHS/CDC, for Africa and India. Additionally, Congress has requested BHR to re-program \$10 million of Title II funds for this Initiative. These funds supplement the original FY 00 CP request of \$127 million worldwide, as well as other U.S. Government (USG) programs. The additional funding is designed to encourage nations, donors, and institutions to match this action, as well as to scale up our own current efforts. Successes in Uganda and Senegal prove that the battle can be won, and challenge us to bring comparable gains to additional countries.

2. Linkage to national and international efforts. USG funds will need to be programmed within the context of national AIDS plans, as well as from considering regional and international efforts. USG efforts will also strive to contribute to a series of worldwide HIV/AIDS goals and objectives established for the international community by UNAIDS as well as to the International Partnership against AIDS in Africa.

3. Guiding principles. The *LIFE* initiative focuses on a select set of countries in order to significantly scale up the response and to meet the goals and objectives of this initiative in these countries. The initiative is based on a set of guiding principles that implementing agencies are expected to follow. These include: country ownership of the activities; complementarity of existing HIV/AIDS programs with new initiative activities; leverage of and coordination with other donors and organizations; increase in the number of collaborating USG agencies and other partners fighting against AIDS; support for indigenous expertise and institutions in implementing program elements; and two-way information sharing to enhance opportunities to learn about new models that will assist US-based HIV programs while sharing US experiences abroad.

4. Target LIFE countries. A selected set of countries has been identified using the following criteria: the magnitude of the epidemic; country receptivity to assistance from US government; country political commitment to fighting the AIDS epidemic; potential for interventions and unique opportunities; potential for impact; potential for leveraging of other local and donor support; and existing U.S. Government implementation mechanisms. The selected target countries and programs are: Ethiopia, India, Kenya, Malawi, Mozambique, Nigeria, Regional Programs in west and southern/eastern Africa, Rwanda, Senegal, South Africa, Tanzania, Uganda, Zambia, and Zimbabwe. Botswana and Cote d'Ivoire are also target countries that will be covered by the USAID regional programs and by DHHS/CDC. The USAID West African based Family Health and HIV/AIDS program supporting a number of countries in that region (including Cote D'Ivoire) and the Eastern/Southern African regional program (including Botswana) will participate in this initiative. Botswana, Kenya and Cote D'Ivoire represent countries with strong DHHS/CDC presence. Ethiopia, India, Kenya, Malawi, Mozambique, Rwanda and Uganda are countries with ongoing Title II activities that might be amended to include

LIFE initiative activities. US partners utilizing Title II resources will be US PVOs with existing or pending, Development Activity Proposals (DAPs).

5. Program elements. Much of the funding increase will target specific HIV program components. LIFE is intended to support activities in four program elements: (1) primary prevention, (2) improving community and home based care and treatment, (3) caring for children affected by AIDS, and (4) capacity and infrastructure development. Specific guidance on each of these areas will be forthcoming from USAID/W. Missions are encouraged to tailor their programs to their country needs and existing efforts (including other donor activities). The range of the four LIFE initiative program elements provides significant breadth and flexibility. A starting point for mission planning are the preliminary proposals submitted by missions in July.

6. Innovation in programming. With this new funding the initiatives will facilitate USAID and DHHS/CDC support for a number of new HIV/AIDS areas, such as the provision of care and support for persons living with HIV/AIDS. Other examples of evolving trends and needs include emphasis on voluntary counseling and testing, mother to child transmission prevention, and multisectoral interventions. Missions will need to balance traditional programming areas with new approaches that hold significant promise. Given that the funding increases are expected to continue, this presents an important opportunity to plan for the future.

7. Performance targets. Broad performance goals, covering the next three years, have been established for USAID, DHHS/CDC, and other collaborating partners. In addition, the sum of all USG efforts will contribute to a set of worldwide HIV/AIDS goals. These indicators will be communicated to missions in an email. Monitoring systems will need to measure the overall impact of USG existing programmatic and new activity efforts.

8. Funding. (A) The original FY 2000 LIFE initiative requested an overall increase of \$100 million, with \$55 million for USAID (\$35 million in new funds, \$10 million in recoveries, and \$10 million of Title II reprogramming to benefit children affected by AIDS), \$35 million for DHHS/CDC, and \$10 million for DoD (pending reprogramming). Final FY 2000 Foreign Operations appropriations included an increase of \$63 million for USAID's HIV/AIDS program above the President's original FY 2000 HIV/AIDS request of \$127 million. This increase includes: \$35 million for Africa and India for the LIFE Initiative (specific earmark); \$13 million general HIV/AIDS increase (some of which is also linked to the LIFE initiative); \$5 million ESF funds for HIV/AIDS (non-Africa); \$4 million in Displaced Children Orphans Fund and \$6 million devoted to children and AIDS. In addition, \$10 million of BHR Title II funds will be targeted for HIV/AIDS (a subset of LIFE initiative countries will be eligible for this assistance-see paragraph 4 above).

(B) The new USAID total is \$200 million, including the Title II assistance. The Africa Bureau overall level for HIV/AIDS will be \$94.6 million in FY 2000 (not counting Title II, DCOF or any of the \$6 million for AIDS orphans to be programmed).

(C) USAID/W will make every effort to accelerate the OYB process to the missions to fast-track planning and implementation of this effort. For Title II programs, BHR/FFP will issue revised program guidance to potentially interested PVOs.

(D) Beyond FY 2000, USAID, OMB and others have been clear that this needs to be a multi-year commitment and effort. USAID and DHHS are currently developing FY 2001 budgets that include the new higher levels of HIV/AIDS spending required by the LIFE initiative in their base budgets.

9. Tracking of funds related to LIFE. Although each country need not support each of the four program elements, overall funding totals will need to approach the globally set targets by category (to be provided subsequently). We anticipate that target missions will need to submit to USAID/W their preliminary proposals for funding for LIFE initiative-related activities prior to final implementation. This will allow USAID/W an opportunity to assess how close the totals will be to the original initiative targets. USAID/W's goal is for missions to have maximum flexibility in their programming. USAID/W will issue guidance shortly. Additionally, DHHS/CDC will provide information on CDC-supported program elements. Programs using Title II resources will have to demonstrate a linkage to food security objectives. USAID/W will provide guidance on tracking the LIFE initiative-related funding increases by program element for the target countries.

10. Actions. Target missions are requested to begin planning immediately if they have not already done so. USAID and DHHS/CDC will be engaged in a collaborative effort to develop joint management and monitoring plans, achieve consensus on performance measures, and identify areas for cooperative efforts and for complementary programs. Building on established relationships between its Missions and host country partners, USAID will have lead responsibility for facilitating the coordinated US response. The following key actions are required:

- A. USAID/W to complete country OYB levels for HIV/AIDS.
- B. Missions to immediately begin a dialogue with their host country counterparts to discuss the pending availability of resources and the need to pursue a participatory design process to include DHHS/CDC and other team members. The latter should include government (all applicable levels), other bilateral and multilateral donors, the private sector, PVOs/NGOs, affected communities, persons living with HIV/AIDS, and other stakeholders. Since DHHS/CDC's surveillance technical assistance will invariably include direct ministry involvement, prior consultation with DHHS/CDC is necessary to develop program plans for surveillance, as well as for prevention and care activities to be supported by DHHS.
- C. Missions to develop a joint USG team that involves USAID personnel and DHHS/CDC personnel. DHHS/CDC will fund the provision of its technical team to participate. USAID/W and DHHS/CDC will identify the relevant DHHS resources available to work with missions, as well key contact points to facilitate team member identification and deployment. Additional technical assistance will be available from USAID/W and DHHS/CDC and others upon request.
- D. As part of the initial planning effort, the joint USG-country teams should review previously established country profiles (US and donor response information) as well

as priority country needs and gaps and potential responses. To the extent possible, the new USG funds should be used to leverage increased government and other donor resources for AIDS.

- E. All missions should have conducted a participatory needs assessment, identified current responses and gaps, developed workplans, and selected implementation mechanisms within 3 months. If additional time is required, please inform Alex Ross in AFR/SD (see Points of Contact below). Each country team is requested to develop a proposal that identifies which activities it wishes to pursue according to the four program elements noted above. It is important to note that this is a multi-year initiative.
- F. Missions to submit their preliminary funding proposals to USAID/W (derived from discussions with countries and with the planning team) in approximately 3 months time.
- G. Missions to notify USAID/W if there are any major problems that could hinder progress on any aspect or phase of the initiative.
- H. Missions to consult with DHHS/CDC representatives prior to discussion with ministries about surveillance infrastructure development, or for care and prevention activities to be supported by DHHS.

11. Title II Program. There are special considerations governing the use of the Title II, Food for Peace funds. The funds account for the entire USAID \$10 million LIFE initiative contribution for children affected by AIDS. BHR/FFP expects that most of these funds will be used for the direct distribution of commodities, however, it is understood that, depending on the type of activity undertaken, some amount of monetization may be necessary. Further information on this initiative will be forthcoming from BHR/FFP.

12. Mechanisms. Missions are encouraged to channel resources through existing mechanisms, as well as to identify needs for new mechanisms to accomplish specific programmatic goals. These can include mission procurements, field support, USAID/W grants to institutions, or other implementing mechanisms.

13. It is important for Missions to identify a subset of existing activities that could be scaled up immediately. OMB has suggested that USAID and DHHS/CDC will need to show that some of the funds are flowing soon. However, this must be balanced against the need to conduct appropriate planning for the future with all of our partners.

14. Monitoring and evaluation plan. Each mission is requested to submit a monitoring and evaluation plan specific to its HIV/AIDS activities. An update manual on the most appropriate HIV/AIDS indicators for all four program elements will be sent to all missions in January.

15. Personnel: It is expected that missions will be able to hire personnel through various mechanisms to assist in managing this program. Additional communication on options will be forthcoming.

16. NSDD-38 Issues: Embassies are notified that DHHS/CDC will need to initiate or expand NSDD-38 and related ICASS agreements in some of the countries in order to place necessary staff. Missions are requested to facilitate this process where appropriate. In other cases, DHHS/CDC may second DHHS/CDC personnel to USAID to work with governments and other partners (DHHS funded).

17. Coordinating the *LIFE* Initiative. In Washington, the White House Office of National AIDS Policy, with secretariat support provided by USAID, established a coordinating task force of senior agency management. This task force will monitor overall progress on the initiative. A working group has also been established to facilitate USAID (G, AFR, BHR, and ANE) and DHHS planning and communication. Missions are encouraged to set up in-country coordination mechanisms of their own, if they do not already exist, including the Ambassador and broader country team.

18. Key contact points and responsible persons. Alex Ross, AFR/SD will be responsible for coordinating the Bureau's role and response to the initiative. Dr. Paul Delay of G/PHN/HIV-AIDS Division will be the key Global Bureau contact point. René Berger and/or Tom Marchione will be the key BHR contacts. Dr. Helene Gayle and Dr. Michael St. Louis will be key contact points for DHHS/CDC in Atlanta. Please let us know if you have any questions or clarification.

19. Conclusion. The fight against HIV/AIDS is not only a top priority for our health programs, but a bureau-wide priority as well because the disease undercuts Africa's capacity to manage, govern, grow and compete in a global economy. Your messages from the field, which have detailed the catastrophic effects of the HIV/AIDS pandemic in Africa, are reverberating throughout Washington. The result is a universal agreement by the White House, the Congress, various executive agencies, the private sector, and NGO's that United States (as well as other donors) must do more. Your efforts, as well as the increasing recognition of the tragedy of this epidemic by Africans themselves, have helped develop the base for the LIFE initiative. We expect that the interest in Africa and in combating the AIDS epidemic will continue and are closely monitoring other proposed initiatives (e.g. Rep. Barbara Lee's bill to enact an "AIDS Marshall Plan").

20. Missions have earned international respect and praise for USAID, the role we play, the effectiveness of our programs, and our ability to quickly respond to the challenge of fighting HIV/AIDS. In sum, USAID is indispensable in the fight against HIV/AIDS, above all in Africa. With AFR, G, BHR, and ANE Bureau support we can ultimately conquer this disease. We eagerly await your country-specific plans.

Draft: Alex Ross, USAID 12/16/99; Revised Carleene Dei, USAID 12/13/99



Duff Gillespie <dgillespie@usaid.gov>

03/08/2000 06:56:05 PM

Please respond to dgillespie@usaid.gov

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: Merck Proposal

Below is a summary of a March 8, 2000, Merck-USAID meeting. The Merck participants have not reviewed the summary, although I am sharing it with them so they can send any corrections directly to you. It was an interesting and productive meeting.

Joy Riggs-Perla, David Stanton, HIV/AIDS Division., and I meet with Jeffrey Sturchio, Executive Director, Public Affairs for Europe, Middle East, and Africa, Merck, and Steven Janovec, Senior Director, Human Health Marketing, Merck. They gave a presentation of the "Merck Proposal" to determine USAID's interest in being a partner in this effort. We indicated keen interest in working with Merck, noting the Administration's positive posture toward the private sector, Merck's long record of good corporate citizenship in international health, Gates' interest in the proposal, and the general view that private-public partnerships are the best approach to attack international health problems.

The Merck proposal is still evolving and is too complex to describe in any detail here. Essentially, it would cover a comprehensive HIV/AIDS program. The program would have a major treatment and care component, including MTCT. It would also include prevention. It does not deal with the socio-economic consequences of AIDS, e.g., orphans. This would be akin to a demonstration or action research project. It would have a major M&E component that would examine impact using a variety of measures. It would also have a detailed cost analysis. The project would be 5 years in length and have a catchment population of 1.5 million. It is projected that by the 5th year, 65,000 persons will be enrolled in some form of treatment. The 5th year budget is estimated to be \$125 million. The essence of the project is to analyze the application of HIV/AIDS technology available to the North to the South.

USAID indicated that we saw merit in testing the feasibility of introducing powerful prevention and treatment technologies in a developing country, even if the current donor and host country commitments to HIV/AIDS means that such an intervention is beyond the present donor/host countries' wherewithal. Assuming that such an intervention would have a significant health impact, it would be a star for all of us to aim for and a road map for program administrators. However, such an undertaking has to be within the potential budgetary and human resource reach of donors and governments. We believed

that the proposed Merck star is much too far a reach.

The per capita cost for the 5th year among the catchment population of 1.5 million people would be in the neighborhood of \$1,900. Clearly, even if one were to assume optimistic economic trends, this is well beyond the budgetary capacity of donors and African countries.

Jeff and Steve agreed with this observation, but still felt that a partnership should be formed which would explore ways to get the optimal intervention for the developing world, one that would not be defined by resources presently devoted to HIV/AIDS. Rather, the intervention would be designed to reflect what a somewhat optimistic scenario might project in terms of political and economic support. USAID agrees with this idea and suggested that Merck develop a revised proposal reflecting this conclusion. This proposal could be shared with interested parties and discussed at a meeting sometime in the not too distant future. Before or after the USAID PCB meeting (May 25 and 26) was suggested. USAID offered to help in this effort.

Duff G. Gillespie, Ph.D.
Deputy Assistant Administrator
Population, Health and Nutrition
G/PHN/DAA, Rm. 3.6.1
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U.S. Agency for International Development

Bureau for Africa
Office of Sustainable Development
1325 G St., NW Suite 400
Washington, DC 20005

Date:

12/29/99

To:

Cheryl / ~~1000~~

Phone:

Fax:

From:

Ally

Phone:

Fax:

Number of Pages Including Cover Sheet

Message

Cheryl, here are 2 tables. The first contains the column comparing 98, 99, + original 2000 #'s before the LIFE initiative. Please note that the 99 #'s include the \$10M emergency supplemental for AIDS orphans (see second table for those totals). Thanks Ally

DRAFT FY 1998-2000 HIV/AIDS Funding (in \$000)

Country Operating Unit	FY 1998 TOTAL	FY 1999 Core	FY 1999 AIDS Orphans Supp	FY 98 TOTAL	FY 2000 Core	FY 2000 LIFE Initiative	FY 2000 Sub-Total	DCOF * (CHS Account)	FY 2000 AIDS Children Supp.	FY 2000 TOTAL	Title II Food Aid (BHR)	FY 2001 Recommended SEE FOOTNOTE
ANGOLA	0	0		0	1,000		1,000	500		1,500		1,500
BENIN	1,500	1,200		1,200	1,025	0	1,025			1,025		2,054
CONGO	1,000	1,914		1,914	1,500	0	1,500			1,500		3,500
ERITREA	500	217		217	500	0	500			500		1,000
ETHIOPIA	5,125	5,540		5,540	5,000	1,700	6,700	400		7,100		7,500
GHANA	3,700	4,000		4,000	4,000	-	4,000			4,000		4,500
GUINEA	1,300	1,200		1,200	1,725	-	1,725			1,725		2,225
KENYA	3,200	3,300	1,150	4,450	3,200	2,500	5,700	500	800	6,800		7,500
LIBERIA	0	0		0	-							500
MADAGASCAR	500	500		500	800	0	800			800		1,500
MALAWI	2,600	2,600	85	2,685	2,200	2,800	5,000	500		5,500		6,000
MALI	2,400	2,220		2,220	2,500	-	2,500			2,500		3,000
MOZAMBIQUE	3,200	2,820		2,820	3,000	2,100	5,100			5,100		6,200
NAMIBIA	0	0		0	1,000		1,000			1,000		1,500
NIGERIA	1,800	2,000	815	2,815	3,300	3,450	6,750			6,750		11,897
RWANDA	500	2,000	1,000	3,000	1,500	2,000	3,500		1,000	4,500		4,700
SENEGAL	100	2,774		2,774	1,700	2,000	3,700			3,700		4,700
SIERRA LEONE								350		350		
SOMALIA	0	0		0	-	-	0					
SOUTH AFRICA	2,000	1,500	1,450	2,950	900	4,800	5,700	750	400	6,850		8,000
TANZANIA	3,600	4,000		4,000	3,500	2,500	6,000		800	6,800		7,000
UGANDA	4,900	6,010	1,000	7,010	4,400	2,500	6,900		2,200	9,100		10,762
ZAMBIA	2,700	3,250	1,000	4,250	3,500	3,500	7,000	1,000	500	8,500		10,000
ZIMBABWE	1,950	1,550	300	1,850	2,000	3,000	5,000		500	5,500		6,000
RCSA	0	0		0	-	-	0					
REDSO/E	360	250		250	200	1,000	1,200			1,200		1,700
REDSO/WCA	3,485	3,405	200	3,605	5,700	1,700	7,400			7,400		7,700
AFR/SD	2,500	3,000		3,000	1,850	1,450	3,300			3,300		3,800
Southern Africa	0	750		750	500	1,000	1,500			1,500		4,000
SAHEL	100	0		0	100	-	100			100		
UNAIDS	2,000	0		0								
TOTAL AFR	51,100	56,000	7,000	63,000	58,800	38,000	94,600	4,000	6,000	104,600		128,738
India (LIFE)						3,000						
G/PHN (LIFE)**						4,000						
GRAND TOTAL - LIFE						45,000					10,000	
GRAND TOTAL - DCOF AIDS Orphans								4,000				
GRAND TOTAL - AIDS Children Supplemental (Recoveries)									6,000			
USAID Global Bureau Attribution for Africa	15,950			18,000						19,375		
(USAID Africa TOTAL)***	(67,050)			(81,000)						(123,975)**	(10,000)	
USAID Agency HIV Total	[121,000]			[135,000]						[200,000]	[10,000]	

FY 2000
→ 8,750

↑
Don't use

* = DCOF for AIDS orphans

** = About 50% of the G/PHN LIFE amount is attributable to Africa

*** = Total of AFR and G/PHN attribution for Africa (including \$2 m of \$4 m of G/PHN LIFE); \$10 m in food aid not included in this total;
Africa total for 2000 is thus \$133,625,000

Revised 05/08/00 Alex Ross, AFR/SD
CDC FY 2000: \$35 million -- Africa

FY 2001 FOOTNOTE: DOES NOT INCLUDE ANY DCOF OR AIDS CHILDREN SUPPLEMENTAL, NOR GLOBAL BUREAU ATTRIBUTION
FY 2001 FIGURES ARE VERY MUCH DRAFT

LIFE Global AIDS Initiative: USAID Country Funding Levels

Note: These figures are very much in draft and will change a number of times.

Country	DEMOGRAPHIC DATA			BUREAU FUNDING LEVELS: FY 98-2000			Mission Request for Initiative Funding: Total and by Initiative Category Breakdown					USAID/W Recommended Funding Levels for Initiative Plus Up		
	98 POP. (000s)	98 HIV PREV (% est.)	98 HIV INCIDENCE (estm.)	FY 98 (\$ m)	FY 99 (\$ m) <i>includes \$10.1 of AIDS</i>	2000 CP (\$m)	TOTAL MISSION REQUEST (\$m)	Prevention (\$m)	Children (\$m)	Care (\$m)	Capacity (\$m)	Non-Title II Level (\$m)	Title II Level (\$m)	Total (\$m)
Botswana	1,448	25.1	26,000											
Cote D'Ivoire	15,446	10.1	75,000											
Ethiopia	58,390	9.3	400,000	5.125	5.540	5.50	7.00	3.50	1.10	2.50	1.00	2.00	3.00	5.00
Kenya	28,337	11.6	400,000	3.200	4.450	3.20	5.00	2.50	1.10	1.00	0.40	2.00	2.50	4.50
Malawi	9,840	14.9	90,000	2.600	2.800	2.20	4.50	1.70	1.00	0.30	1.50	2.00	1.00	3.00
Mozambique	18,641	14.2	300,000	3.200	2.820	3.10	4.00	1.50		0.50	2.00	2.00	2.50	4.50
Nigeria	110,532	4.1	530,000	1.900	2.700	3.40	15.50	9.00	3.00	3.00	0.50	4.50		15.50
Rwanda	7,956	12.8	55,000	0.500	3.000	1.50	3.55	1.70		0.35	1.00	2.00	1.00	3.00
Senegal	9,723	1.77	2,800	0.100	2.774	1.70	2.30	0.50		0.60	1.20	2.00		2.00
South Africa	42,835	12.9	550,000	2.000	2.950	0.90	4.00	2.00	1.00	1.00		4.50		4.50
Tanzania	30,609	9.42	150,000	3.600	4.000	3.50	4.50	2.00		0.50	2.00	2.50		2.50
Uganda	22,167	9.0	34,900	4.900	7.010	4.40	3.00	2.00	0.30	0.70		2.50		2.50
Zambia	9,461	19.1	68,300	2.700	4.250	3.50	12.00	3.00	6.50	1.50	1.00	3.00		3.00
Zimbabwe	11,044	25.8	200,000	1.950	1.850	2.00	5.30	x	x		x	3.00		3.00
India	983,377*	0.8	550,000	9.669	5.850	5.50	3.00	0.50	0.50	1.50	0.50	3.00		3.00
West Africa Regional	NA	NA	NA	3.465	3.605	5.80	3.50	1.00	0.50		2.00	2.50		2.50
East/Southern AFR Regional***	NA	NA	NA									3.50		3.50
(Storm Warning)	NA	NA	NA	0.000	0.750	0.00	1.00	1.00						
(REDSO/E)	NA	NA	NA	0.360	0.250	0.20	0.50	0.15			0.35			
(RCSA)	NA	NA	NA	0.000	0.000	0.00	4.10							
USAID/Wash **							5.00					4.00		4.00
Total				46.4			87.75	32.05	13.9	13.5	13.45	45.00	10.00	55

Revised ARoss 8/30/99

OMB Initiative Budget Guidelines by Subcategory: \$55 m \$25 m \$10 m \$14 m \$6 m

* = India program will be active in 2 states only; population is for entire country: Tamil Nadu (63 m pop; Maharastra 89 m pop)

** = USAID/Wash denotes G Bureau, AFR/SD, and ANE

*** = Includes the three programs that follow: Storm Warning, REDSO/E, and RCSA

FY 1999 AIDS orphans supplemental

GLOBAL	\$1,000,000	
COTE D'IVOIRE	\$200,000	
KENYA	\$1,137,500	
MALAWI	\$200,000	\$500,000
NIGERIA	\$600,000	
RWANDA	\$700,000	
SOUTH AFRICA	\$1,350,000	\$50,000
UGANDA	\$800,000	
ZAMBIA	\$1,000,000	\$2,000,000
ZIMBABWE	\$300,000	\$2,550,000
 TOTAL	 \$7,287,500	 \$2,550,000
 TO BE ALLOCATED	 \$712,500	

Hi Vivian - I understand that the front office will be determining the final allocations for the LIFE initiative next week, and wanted to give you an analysis of the severe cuts in HIV/AIDS funding being proposed for Uganda for FY 2000. Our control level for FY 2000 is \$4.4 million, which is below our request level, and which represents a 40% cut from last year's funding! Given that Uganda is the only country in Africa that has significantly reduced HIV/AIDS prevalence, cutting funding at this order of magnitude would be catastrophic and could result in a resurgence of the epidemic. The proposed LIFE funding will not even make up for the deficit, much less allow us to undertake new activities.

In addition, we will be hard pressed to explain this radical funding decline to Congressional and White House delegations visiting us in January, ostensibly to see the premier HIV/AIDS program in sub-Saharan Africa.

We would urge the AFR Bureau to review our attached analysis and take this into consideration as funding allocations are being made. At a minimum we need to have our HIV/AIDS OYB restored to \$6 million. In addition, we believe the increment of \$3.5 million requested under LIFE is the base amount needed to carry-out the activities outlined in our proposal.

I know the Bureau must make difficult choices in allocating HIV/AIDS funding, but it would seem severely counterproductive and a loss of USAID's 10 year investment in Uganda, to cut a program that has demonstrated a 20% decrease in HIV prevalence and is being used as a world model. USAID is the premier technical and financial donor in this sector and cutting funding at this stage would send the wrong signal to other donors, and risk a resurgence of the epidemic. We need to consolidate our gains - not set the stage for future reversal.

I appreciate your taking the time to review this analysis and look forward to a positive outcome. Best wishes for the holiday season - warm regards,
Dawn

----- [Original Message]

The document is attached. Thanks for your guidance and support on this issue
Dawn!

DRAFT FY 1998-2000 HIV/AIDS Funding (in \$000)

Country Operating Unit	FY 1998 TOTAL	FY 1999 Core	FY 1999 AIDS Orphans Supp	FY 99 TOTAL	FY 2000 Core	FY 2000 LIFE Initiative	FY 2000 Total	DCOF * (CHS Account)	FY 2000 AIDS Children Supp. **	FY 2000 TOTAL	Title II Food Aid (BHR)
ANGOLA	0	0		0	1,000		1,000	500		1,500	
BENIN	1,500	1,200		1,200	1,025	0	1,025			1,025	
CONGO	1,000	1,914		1,914	1,500	0	1,500			1,500	
ERITREA	500	217		217	500	0	500			500	
ETHIOPIA	5,125	5,540		5,540	5,000	1,700	6,700	400		7,100	
GHANA	3,700	4,000		4,000	4,000	-	4,000			4,000	
GUINEA	1,300	1,200		1,200	1,725	-	1,725			1,725	
KENYA	3,200	3,300	1,150	4,450	3,200	2,500	5,700	500		6,200	
LIBERIA	0	0		0	-						
MADAGASCAR	500	500		500	800	0	800			800	
MALAWI	2,600	2,600	85	2,685	2,200	2,800	5,000	500		5,500	
MALI	2,400	2,220		2,220	2,500	-	2,500			2,500	
MOZAMBIQUE	3,200	2,820		2,820	3,000	2,100	5,100			5,100	
NAMIBIA	0	0		0	1,000		1,000			1,000	
NIGERIA	1,900	2,000	815	2,815	3,300	3,450	6,750			6,750	
RWANDA	500	2,000	1,000	3,000	1,500	2,000	3,500			3,500	
SENEGAL	100	2,774		2,774	1,700	2,000	3,700			3,700	
SOMALIA	0	0		0	-	-	0				
SOUTH AFRICA	2,000	1,500	1,450	2,950	900	4,800	5,700	750		6,450	
TANZANIA	3,600	4,000		4,000	3,500	2,500	6,000			6,000	
UGANDA	4,900	6,010	1,000	7,010	4,400	2,500	6,900		2,200	9,100	
ZAMBIA	2,700	3,250	1,000	4,250	3,500	3,500	7,000	1,000		8,000	
ZIMBABWE	1,950	1,550	300	1,850	2,000	3,000	5,000			5,000	
RCSA	0	0		0	-	-	0				
REDSO/E	360	250		250	200	1,000	1,200			1,200	
REDSO/WCA	3,465	3,405	200	3,605	5,700	1,700	7,400			7,400	
AFR/SD	2,500	3,000		3,000	1,850	1,450	3,300			3,300	
Southern Africa	0	750		750	500	1,000	1,500			1,500	
SAHEL	100	0		0	100	-	100			100	
UNAIDS	2,000	0		0							
TOTAL AFR	51,100	56,000	7,000	63,000	56,600	38,000	94,600	3,650	2,200	100,450	-
India (LIFE)						3,000					
G/PHN (LIFE)***						4,000					
Sri Lanka (DCOF AIDS Orphans)								350			
GRAND TOTAL - LIFE						45,000					10,000
GRAND TOTAL - DCOF AIDS Orphans								4,000			
GRAND TOTAL - AIDS Children Supplemental (Recoveries)									6,000		
USAID Global Bureau Attribution for Africa	15,950			18,000						17,375	
(USAID Africa TOTAL)****	[67,050]			[81,000]						[119,825]**	
USAID Agency HIV Total	[121,000]			[135,000]						[200,000]	

* = DCOF for AIDS orphans

*** = About 50% of the G/PHN LIFE amount is attributable to Africa

Revised 01/05/00 Alex Ross, AFR/SD

** = \$3.8 m still to be allocated

**** = Total of AFR and G/PHN attribution for Africa (including \$2 m of \$4 m of G/PHN LIFE); \$10 m in food aid not included yet; \$3.8 m in recoveries not included yet (potential total for 2000 is thus \$133,625,000)

*Not official
request*

Africa Bureau
Office of Development Planning
HIV/AIDS Funding Levels (\$000's)
By Fiscal Year and Country



Country/Operating Unit	FY 1998	FY 99 OYB	FY 00 CP	FY 00 Mission Proposed Alternative	FY 01 Mission R4 Request
ANGOLA	0	0	0	0	0
BENIN	1,500	1,200	800	800	2,000
CONGO	1,000	1,914	1,000	1,000	1,000
ERITREA	500	217	200	200	200
ETHIOPIA	5,125	5,540	5,500	5,500	4,000
GHANA	3,700	4,000	4,000	4,000	4,000
GUINEA	1,300	1,200	1,500	1,500	1,500
KENYA*	3,200	4,450	3,200	3,200	4,000
LIBERIA	0	0	0	0	0
MADAGASCAR	500	500	600	700	500
MALAWI*	2,600	2,800	2,200	2,200	2,500
MALI	2,400	2,220	2,500	2,300	2,300
MOZAMBIQUE	3,200	2,820	3,100	3,100	3,500
NAMIBIA	0	0	0	1,000	1,000
NIGERIA*	1,900	2,700	3,400	5,000	10,000
RWANDA*	500	3,000	1,500	1,500	1,000
SENEGAL	100	2,774	1,700	1,700	3,400
SOMALIA	0	0	0	0	0
SOUTH AFRICA*	2,000	2,950	900	2,000	4,000
TANZANIA	3,600	4,000	3,500	3,500	6,000
UGANDA*	4,900	7,010	4,400	4,400	5,800
ZAMBIA*	2,700	4,250	3,500	4,500	1,500
ZIMBABWE*	1,950	1,850	2,000	2,200	825
RCSA	0	0	0	0	2,200
REDSOE/GHAI	360	250	200	200	3,000
REDSO/WCA*	3,465	3,605	5,800	5,710	5,500
AFR/SD	2,500	3,000	3,500	3,500	0
AFR/DP	0	0	0	0	0
SAHEL	100	0	100	100	100
Regional EA/SA HIV	0	750	0	0	0
UNAIDS	2,000	0	0	0	0
TOTAL	51,100	63,000	55,100	59,810	69,825

*For FY 99 OYB - includes emergency supplemental funding - AFR Total = \$7M



Dawn Liberi <dliberi@usaid.gov>

12/29/99 11:20:32 AM

Please respond to dliberi@usaid.gov

Record Type: Record

To: Sandra Thurman/OPD/EOP

cc:

Subject: re: HIV/AIDS funding

Forwarded to: inet[Sandra_Thurman@opd.eop.gov]

cc:

Comments by: Dawn Liberi@DIR@KAMPALA

Comments:

Cheryl - this is response from Vivian - thanks for faxing it on to Michael!

Best regards to you and everyone there holding down the fort!! If Sandy calls in, tell her to bring the Millenium in with a bang!! We'll drink some bubbly when she gets here - Dawn

=====

Forwarded to: inet[MElskowitz@aol.com]

cc:

Comments by: Dawn Liberi@DIR@KAMPALA

Comments:

Michael - this is Vivian's response which indicates Uganda is slated to get \$6.9 million this year including LIFE, and not \$10.5 million which is what we SHOULD be getting!! thanks, Dawn

----- [Original Message] -----

Hello, Dawn. After doing some checking, I was informed that Uganda's overall HIV/AIDS level this year will be over \$6 mil. I have cc'd Hope Sukin so that she can provide information on the source of Uganda's HIV/AIDS funding level this year. Regards. Vivian.

----- Original Text -----

From: Rebecca Rohrer@SO4@KAMPALA, on 12/21/1999 9:15 AM:

Forwarded to: Vivian Lowery Derryck@AFR.AA@AIDWDuff
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cc:

Comments by: Dawn Liberi@DIR@KAMPALA

Comments:

USAID-UGANDA HIV/AIDS FUNDING

UGANDA IS GLOBAL LEADER IN FIGHT AGAINST AIDS

Uganda is the only country in Africa to have succeeded in slowing the AIDS epidemic. HIV prevalence has declined by 50% in pregnant women and new infections in young people have declined. A key factor in Uganda's success has been sustained donor support. Since 1988, USAID has been the major technical and financial bi-lateral donor for Uganda's AIDS programs, providing more than \$46 million in support. With this support, our Ugandan partners have developed innovative programs with remarkable accomplishments including the provision of voluntary HIV counseling and testing to over 500,000 Ugandans, provision of regular support and care to more than 60,000 HIV-positive Ugandans and their families, and training of hundreds of thousands of community educators. As a result of these successes, Uganda has become a global leader in the fight against HIV/AIDS and a role model for many countries in Africa and around the world. Since USAID has been a leader among AIDS donors, if USAID funding levels are reduced, other donors may follow our example and we may lose our first success story in the fight against AIDS.

HOW TO KILL A SUCCESSFUL PROGRAM: CUT IT BY 40%

In FY99, USAID-Uganda received \$7million in HIV/AIDS funding to continue support for HIV/AIDS activities in Uganda including voluntary testing and counseling, health care and support to HIV + individuals, information, education, and communication campaigns, and condom distribution. Although USAID-Uganda requested significantly more, **our control HIV/AIDS funding level for FY2000 is \$4.4 million – a substantial reduction of 40% (\$2.6 million reduction) and one of the lowest funding levels in the past decade.** USAID-Uganda is being proposed as one of the countries in Africa to receive additional funding from the White House LIFE Initiative, however, the proposed additional funding of \$2.5million will not even bring the funding level back to the 1999 level. Furthermore, the purpose of the LIFE Initiative is to support new activities and expand existing activities to strengthen the global fight against HIV/AIDS; it is not meant to make up for funding shortfalls.

This 40% decrease in FY2000 HIV/AIDS funding will have significant negative impacts on Uganda's continued success in the fight against HIV/AIDS. USAID-Uganda will need to reduce the size of our HIV/AIDS activities and curtail future planned activities. As a result:

- Over 25,000 Ugandans will not receive HIV testing and counseling and over 4000 new HIV+ clients will not receive health care and social support services;
- 19 HIV voluntary counseling and testing centers will NOT be operating in rural areas;
- innovative programs to reach special target groups including adolescents, street children and commercial sex workers will be eliminated, leaving tens of thousands at risk of HIV infection;
- an estimated 2.4 million socially marketed condoms will NOT be distributed;
- and the cost of socially marketed condoms and STD drugs will increase by 40%.

The global community looks to Uganda to continue its leadership role and develop the next generation of pioneering HIV prevention programs. Reducing funding levels only minimizes Uganda's ability to continue this role in the future and reduces the global community's chances of successfully fighting this epidemic.

THE FIGHT IS NOT OVER

Resurgence of HIV/AIDS in Uganda

Despite our "successes" in Uganda, over 10% of the adult population is HIV infected. AIDS deaths are at their peak resulting in more than 2 million AIDS orphans in Uganda (estimated to be 3.5 million orphans by 2010). Moreover, if activities are decreased and/or eliminated, it is projected that there will be a resurgence of the AIDS epidemic in Uganda. Uganda's success to date is admirable but extremely vulnerable.

Vulnerable next generation

More than half of Uganda's population of 22 million is under 15 years of age. Cuts in AIDS prevention programs will increase the vulnerability of this next generation of Ugandans, creating a second wave of the epidemic.

Mother to Child Transmission

For the first time, as a result of research efforts in Uganda, we have an affordable drug intervention, Nevirapine, to reduce mother-to-child transmission of HIV by 50%. Of all infants born to HIV-infected women in Uganda, 26% are infected through mother-to-child transmission of HIV. At the current FY2000 funding levels, USAID will not be able to assist Uganda in operationalizing the new drug therapy in rural areas. An estimated 12,000 infants will become infected with HIV every year until this new drug therapy is operationalized.

POLITICAL EMBARRASSMENT

How will the Mission explain to the three upcoming Congressional and White House delegations expected in January that our funding has been cut by 40%? In FY1999 alone, USAID Uganda hosted 6 separate high-level delegations including staff members from both the Senate and House Appropriations Committees, 2 White House delegations, a Commerce Department delegation and a UN delegation led by Ambassador Holbrooke. In addition, Uganda has hosted visits by the Secretary of State Madeline Albright, First Lady Hillary Clinton, and the President of the United States. Uganda is repeatedly cited as a "success" story by high-level government officials who have visited Uganda; both the First Lady and the President have made public statements about Uganda's success within the last month. **It will be a political embarrassment for the entire US Government if Uganda's success is reversed due to USAID funding cuts.**

Key Ugandan leaders, including an orphan representative and our NGO partners, traveled to Washington and were extremely instrumental in lobbying for the White House LIFE Initiative. With all the publicity about the LIFE Initiative, they are rightfully expecting increases, not DECREASES in programmatic funding. **One of our NGO partners participating in the White House announcement of the LIFE Initiative will not be fully funded as a result of the FY 2000 funding cut.** Again, although the LIFE Initiative is suppose to further our efforts in the fight against HIV/AIDS, the additional funding from LIFE will not bring our FY2000 HIV/AIDS funding level to the current FY99 level.

LIFE or Death?

USAID-Uganda requests that the FY 2000 HIV/AIDS funding level be restored to a minimum of the FY99 funding level of \$7 million. We further request that our FY2001 funding levels remain at a minimum of \$7 million. **The White House LIFE Initiative should not be included in our annual budget as it is intended to be additional funding for expansion of activities to further our efforts in Uganda.** USAID-Uganda has submitted a request for an additional \$3.5 million from LIFE Initiative funding, and we expect that level to be maintained to carry out the proposed activities in our USAID-Uganda LIFE proposal. The US Centers for Disease Control and Prevention has also committed some LIFE funds to Uganda; however, their funding is earmarked for monitoring and evaluation of our programs. If the programs do not exist due to lack of funding, there will be nothing to monitor and evaluate.

The bottom line – we should sustain, not destroy, our investment in Uganda's remarkable success in combating HIV/AIDS.

HIV/AIDS Public-Private Partnership The Role of USAID

HIV/AIDS, the deadliest epidemic in history, is having an enormous impact on many African countries and increasingly in Asia. To date, the response has largely come from the public sector donor agencies of several countries. African countries themselves have not mustered much of their own resources. Moreover, the donor community investment in AIDS prevention in Africa annually is only about \$160 million a year (national African resources make up very small percentage) – a figure to consider in light of the estimated prevention annual need of \$1 billion year for Africa alone. The LIFE initiative is a beginning, but much more needs to be done. The private sector in general has not contributed its share to the overall resource mobilization—either in funding or in-kind contributions.

With the advent of new drugs to reduce the impact of AIDS in individuals, and to prevent the transmission of HIV from mother to child, the demands for more equitable distribution of these medications in the developing world have risen. Moreover, basic drugs to address common opportunistic infections such as tuberculosis and fungal infections are not commonly available in many developing countries. This is a function of the lack of drugs as well as poor distribution systems. In many countries, prevention commodities such as condoms are not sufficient to meet increasing demands, which poses an immediate threat to the credibility and success of the HIV/AIDS program.

AIDS Marshall Plan Concept

Former Rep. Dellums, and current Rep. Barbara Lee, have introduced the concept of an "AIDS Marshall Plan for Africa" that would call for private sector contributions to fight AIDS in Africa, along with matching public sector funds. The current Lee bill in Congress is flawed. First, it places much higher emphasis on public sector funds (\$200 m annually) without any assurance of private sector contributions (the public sector appropriation would continue without any private sector contribution potentially). Second, the bill creates an independent agency to receive the funds. In reality, this would directly compete with funding appropriations for USAID and other USG agencies involved in AIDS internationally. Third, the bill contains no checks or balances on the use of the funds. It is essentially a simple grant program to countries or NGOs without any criteria or oversight—a dangerous possibility. Finally, the bill calls for G8 countries to contribute to this fund (a US Government agency) which is unrealistic.

Nevertheless, Mr. Dellums and Rep. Lee are to be commended for their leadership and moral position on the issue. Based on their concept, we can move forward to more appropriately design an alternative without jeopardizing the current USG work internationally as well as to improve synergies between public and possible private partners and investments.

There are two critical questions concerning the involvement of the private sector and possible funding/in-kind streams of support:

- What mechanisms do we use to manage the funds?
- What will the funds be used for?

MECHANISMS

USAID has several mechanisms and models that it has used to spur the involvement of the private sector and to manage private sector funds in developing country contexts. Whereas all of the details are not fully developed as concerns AIDS, the following examples help explore some possibilities:

Endowments

USAID has made particular use of endowments to support and/or create local institutions to serve a particular purpose. As of 1996, USAID had supported over 35 endowments, and that number has grown since. Typically the endowments use federally appropriated dollars. However, many of these institutions have since accepted funds from developed world foundations, the private sector, and other donors. The organizations receiving the endowment funds are private, non-governmental. There are different kinds of endowment funds that range from trusts to capital funds to sinking funds. Generally, USAID has favored those mechanisms that do not spend down the capital. Boards of Directors exist for the organizations and they are independent. Endowments have also been used to support debt swap arrangements in countries. This example could be used to support the recent call for using debt forgiveness proceeds in developing countries for AIDS programming. Governments could create independent bodies in countries to receive local currency proceeds for AIDS work and grants. Many endowments are managed by a non-profit PVO and there are many possible models.

Private sector funds to be used for AIDS could be channeled into a single endowment for purposes of making sub-grants or to a series of endowments at national levels to support programming more directly in-country. USAID has used endowments to support the International Center for Diarrheal Research in Bangladesh to support the work of a leading organization to advance knowledge in this field.

Foundations

USAID has supported the development of foundations to serve the purposes of development. The Summa Foundation was created by one project to support a revolving loan fund for health care programs (family planning oriented) in country. Many examples of this type are based on revolving loan funds. Private sector AIDS funds could support, in part, the creation of such funds for specific aspects of AIDS programming. One parent fund could be created worldwide that then manages the loan portfolio with organizations in country. USAID also supports the African Development Foundation in Washington (contact: Dick Day)—however I do not have details yet on this model.

The USG has other foundation examples that are primarily vehicles to accept private sector funds and to spend them to support the overarching goals of the USG agency to which they are attached. These include the Henry Jackson Foundation (NIH) and the CDC Foundation. USAID, with legislative authorization, could create such a foundation.

Each of these mechanisms contain common themes:

- Independence
- Direct support of USAID program goals and synergy with USAID programming
- Enhanced sustainability and flexibility
- Faster response once established.

A mix of mechanisms may be envisioned for an AIDS private sector fund, including a parent organization linked (loosely) to USAID that manages endowments and loan funds depending on the programming need and purpose.

What About In-Kind Contributions?

Some private sector firms, particularly pharmaceutical companies may wish to contribute in-kind with commodities or equipment. USAID has experience with this type of involvement, as do other agencies such as UNICEF and UNAIDS. The key issue to be worked out is the distribution and planning system for such assistance. USAID would likely use an intermediary PVO to help manage such interventions. For example, PSI (with experience in condoms and other product distribution) could help with some distribution. USAID could bid for other groups to manage pharmaceutical distribution as part of larger HIV/AIDS programming. We could partner with UNICEF as well for issues such as MTCT.

The problem to be avoided is the contribution of small amounts of products, as well as large donations, without adequate distribution systems in country.

A Caution

The prospect of large sums of money can actually harm worldwide efforts to control HIV/AIDS as much as they can help.

First, there are various streams of assistance present: USG agency support; other bilateral donors; multilateral donors; independent PVOs; the prospect of debt relief resources, etc. However, as we have seen, national governments are not contributing their own resources. The infusion of large amounts of private sector funds without commensurate conditions that governments increase their own contributions could well sabotage our efforts.

Second, the proposition of funding (especially non-loan funds) will encourage many governments and organizations to step forward to capture the funds without the capacity or even conscientiousness required to serve the purpose of AIDS control and mitigation. There is a great need to be wise about how we go about programming.

Third, creating endowment and foundation strategies may take some time (i.e. congressional approval). We therefore need to proceed as soon as possible to create or use existing structures.

WHAT DO WE DO WITH THE FUNDS?

Considering that donors are already supporting governments and private NGOs/PVOs, the possibility of large amounts of and flexible resources identify the possible uses. Such assistance encompasses a broad array of programming ranging from training to social marketing to MTCT interventions.

There is a need to choose a few countries to pilot strategies on a country wide level.

Private sector funds (and their mechanisms) need to support the goals of the LIFE initiative, as well as to expand into areas such as multisectoral programming.

Some specific ideas (they are not mutually exclusive):

- Support for a package of services including voluntary testing and counseling, provision of navaripine to prevent MTCT, ongoing provision of health care services and psycho-social support services for the mothers, and planning for orphan care. This is a cutting edge area for which such an integrated approach does not exist on any wide scale. Issues of stigma will need to be addressed. Private sector funding could support the integrated package, with in-kind contributions also helping.
- Support for a new program approach that creates district/village based AIDS committees and provides small funding amounts to these groups to program AIDS-related interventions. This "bottom up" approach may yield better results than the more traditional top-down approach. In particular, this effort would empower communities to get much more involved. Different approaches are required in urban vs. rural areas.
- Support for national centers of excellence for training. Available AIDS expertise is sorely lacking in countries given the scope of the problem. Endowments could be particularly useful to support national institutions to serve as training centers of excellence for a wide array of expertise.
- Support for development and implementation of distribution systems for commodities. Not a sexy proposition, but absolutely critical to the success/failure of AIDS programs. This would cover commodities such as condoms to basic drugs to treat opportunistic infections. USAID has expertise (via private organizations) in helping to design and implement such systems.
- Targeted purchase of in-kind contribution of drugs. There is a great need for the acquisition of basic drugs to treat tuberculosis, fungal and bacterial infections, and

STDs in developing countries. Related to this is the great need for training of health workers in proper diagnosis and treatment protocols. Expensive anti-retrovirals are not recommended.

- **Multisectoral approaches.** The great advantage of private sector funds is its flexibility, as well as the underlying possible breadth of expertise contributors can bring. Support for educational system interventions, for involving various economic sectors and firms, for impact studies and modeling, and for interventions that directly support affected families (e.g., microfinance) can be achieved. In addition, efforts are needed to bring in more community groups and leaders such as the religious community, local business community, traditional leaders and healers, and the military.
- **Support for vulnerable families and children.** Given the figures for AIDS affected children and families, there will be great needs to address this population in the context of the broader country needs (i.e., many are poor). New models will be needed.
- **Additional emphasis on prevention.** Private sector funds, in coordination with donor and national programs, could support prevention programs that include behavior change; media campaigns; youth programs; stigma reduction; and prevention/operations research. The latter includes vaccine related research (e.g., in collaboration with IAVI) as well as a good deal of needed behavior-related research.

First Draft: Alex Ross, Deputy Chief, Human Resources Division, Office of Sustainable Development, USAID Bureau for Africa and USAID Africa Bureau AIDS Coordinator.
10/15/99

HIV/AIDS IN USAID

Where Does It Fit?

Deciding where to place responsibility for the HIV/AIDS program inside of USAID requires consideration of several issues. The key question that needs to be addressed is what do we want to achieve? How are things changing that require a different mindset about how the bureaucracy needs to respond? The issues that will arise will be having contradictory implications. For instance, an argument to place the responsibility at a certain level will conflict with the realities of congressional appropriations and so on.

CONSIDERATIONS:

Definitions

- Which HIV/AIDS staff are we discussing? The Global Bureau HIV/AIDS Division (housed in the Office of Health and Nutrition, in the Center for Health, Population, and Nutrition)? The regional bureau HIV/AIDS staff? The field based HIV/AIDS staff (housed in the health units) in the mission organizational contexts?
- What aspects of HIV responsibility are we talking about? Program and policy guidance? Funding allocations? Technical research? Operations? Monitoring and evaluation?

Political

- Political capital required to move the office(s). There are many vested interests in keeping the situation as is. The Congressional HIV/AIDS earmark is health specific (as part of the child survival account) which reinforces the placement of the HIV/AIDS programs in the health offices of the Global, Regional Bureaus and missions. Duff would not be pleased with the loss of the HIV/AIDS program.
- Perception that HIV is primarily a health issue. Regardless of new trends, HIV is a virus and thus is seen as primarily a health issue rather than a social/development issue. Revising the bureaucratic perception and action will take political capital.
- US Congress viewpoints. As noted above, Congress has earmarked AIDS funding within the child survival account. Certain members, such as Sonny Callahan, Helms, and others may be more vocal about opposing a change to this method.
- Where power lies inside USAID. The power centers within USAID lie in the missions, the regional bureaus (that allocate the funds), the global bureau for technical input, and finally the Policy Planning Center office (attached to the Administrator's office) in descending order of importance. If you follow the funding stream, it primarily goes from the regional bureaus to the missions. Any change in placement of HIV/AIDS responsibilities in the agency will need to take this into account.

Operational

- **Relationship of policy, implementation, and funding.** Currently, the Global Bureau in USAID serves two key functions: technical staffing for HIV/AIDS and procurement of several central contracts (e.g., FHI, PSI, Horizons, and US Bureau of the Census). The regional bureau (such as Africa) also provides technical guidance, some research support, and operational staffing on issues of funding allocations. The regional bureaus are also more specific to their geographic zone. Policy development is not centralized. In the Africa case, the Global Bureau and Africa Bureau share in the development of policies. However, the Africa Bureau's policies will have direct impact on missions as opposed to G Bureau's which are more advisory. The more general policy office of USAID (PPC) has not played a significant role in HIV/AIDS.
- **Mission programs.** These are governed by what are called "strategic objectives." Most often they are in the health sector, but we are seeing more non-health sector SOs include lower level objectives and expected result statements focus on AIDS.
- **Who are the HIV/AIDS personnel?** Currently, in Washington, the Global Bureau HIV/AIDS Division has approximately a dozen professionals; the Africa Bureau has 2 (plus recruiting a third); Latin American—one; Asia Near East—one; and the NIS area—one. Additional health staff contribute portions of their time from various perspectives (e.g., reproductive health), as well as education officers and so on. At the mission level, some have a dedicated HIV/AIDS person.

What needs to be changed?

Generally, the Washington based HIV/AIDS groups work very well together (G Bureau and AFR Bureau primarily). However, the multisectoral concept is just beginning. In the Africa Bureau, we have taken the lead to develop a multisectoral working group under the auspices of the director of the technical office, the Office of Sustainable Development. This group is simply comprised of technical representatives from each of the sectors. With our multisectoral meeting the other day, this is the first time the agency is heading in this direction.

The agency has not grappled with the funding problem imposed by the health-specific earmark. As a result, other sectors could spend some of their money on AIDS, but they are reluctant to do so given ever constricting budgets. Meanwhile, the HIV/AIDS funds cannot be spent on non-health oriented activities.

The current placement of HIV/AIDS staff is on a par with many other health issues—i.e., they compete for attention with other problem priorities. There is a recognition of the special need of HIV, but when push comes to shove, HIV/AIDS may not get the attention it deserves (particularly in the Global and non-Africa regional bureaus), as well as from a non-health sector perspective.

The need for special disaster planning for many areas in Africa, and soon in India. The nature of HIV as a social phenomenon is not well recognized within the agency. In addition, the numbers in many African countries imply a great need to do disaster planning to account for the impact.

Suggested Options:

1. Create an AIDS Office at the Administrator level. This essentially would elevate the current HIV/AIDS Division from the Global Bureau and move it up. Additional staff would be assigned with non-health sector expertise to make it truly a multi-disciplinary team. Procurement authority with funding (current levels, possibly more) would be housed in this office. A commensurate change would be to create a parallel office at the regional bureau level.

PROS: Creates an opportunity for a multisectoral approach, with authority to cut across sectors.

Ability to look at issues from a different perspective.

Would set the tone for missions and other donors about the importance of AIDS in development work.

Higher level of importance and visibility.

CONS: Will upset some of the current organizational hierarchy and actors.

Could be divorced from the operational side of HIV/AIDS programs.

2. Elevate the HIV/AIDS Division in the Global Bureau HPN Center to a Global Bureau Center (higher level) attached to the Assistant Administrator, Global Bureau. Commensurate change at the Regional Bureau level. Create multisectoral working groups in the Global, regional, and mission levels.

PROS: Creates opportunity for a multisectoral approach and response, with authority and funding.

Closer link to the Bureau decision-makers

CONS: Funding constraints (earmarks) could hamper these efforts.

3. Leave the structure as is, but create multisectoral working groups.

PROS: Easiest bureaucratic option.

CONS: Does not advance the resolution of other structural possibilities.

4. Leave everything as is, but hire an Agency AIDS Coordinator at the Administrators level.

PROS:

CONS: Does NOT work. Person is quickly isolated.

Recommendation

If you want to achieve major change, number 1 or 2 strive for that. But it won't be easy. First, Brady Anderson does not strike me as someone that has a major vision in this regard and he'll turn to others in the agency for input. They could (will) resist. Second, Paul will not want to be in a position of rocking the boat and may not agree that there is a need to change. In turn, he may argue that there is so much to do now those extra burdens are not welcome.

There is nothing like a disease specific-like office at the administrator's level. Then again there is nothing like AIDS either—a disease that will have the honor of being the deadliest in history.

Another issue is that some people in the regional bureaus (potentially including Vivian) will question whether an option like #1 undercuts the regional bureau's ability to make its own funding decisions for and with the missions—a key prerogative in the agency.

BACKGROUND

What is an Endowment?

An **endowment** is a fund that has been set aside for a specific purpose. Generally, endowments are designed to disburse only the income from the assets; the principal or "corpus" of the fund remains intact and invested (PROFIT 1994:3). A **foundation** is an organization with one or more funds of its own, managed by its own trustees or directors, and established to promote social, educational, charitable, religious, or other activities serving the common welfare (F. Emerson Andrews, as cited in Rigby et al. 1993:7). While most foundations are nonprofit and nongovernmental, some are quasi-public, such as the National Endowment for Democracy. The goal of most foundations is to build an endowment to establish a permanent collection of funds (Rigby et al. 1993:8). This study focuses primarily on endowments (a funding mechanism), rather than on foundations (an organizational structure), although there clearly are areas of overlap in terms of management.

The terms "trust," "capital fund," "sinking fund," and "endowment" describe similar financial arrangements, although there are differences in the ways they are managed. A trust is a fund whose assets are managed by a person or group ("trustees") on behalf of another group ("beneficiaries"). A board of directors, sometimes called the board of trustees, is responsible for managing the trust's assets, following the terms of the trust agreement and applicable laws (Mikitin and Osgood 1995:6). Several USAID-funded endowments, particularly ones created with U.S.-appropriated dollars, are in the form of trusts. A capital fund is an endowment that is managed by the endowed organization (Lion 1992:3). A sinking fund is designed to disburse the entire principal over a fixed period (Mikitin and Osgood 1995:8).

A number of other funding arrangements are available to donors to address the need for sustainable financing of international development activities. With revolving funds, new resources are added to the principal as existing funds are spent, replenishing or augmenting the original principal amount (Mikitin and Osgood 1995:8). The Belize "Protected Areas Trust Fund" (PACT), which the World Wildlife Fund helped design, is an example of a revolving fund. PACT is financed by a \$20 conservation fee collected from each foreign tourist who arrives in Belize. These fees are expected to contribute more than \$2 million in new revenues each year for the trust fund (Larson 1993:7-8). Most of USAID's experience, however, has been in setting up endowments that are intended to last indefinitely, rather than establishing sinking or revolving funds.

Debt swaps, another funding mechanism, involve the purchase of developing country debt by a third party (usually a nongovernmental organization [NGO]) at a discounted value in the secondary debt market. The debt is cancelled, and local currency proceeds are used for development activities. Many U.S. environmental NGOs also have used this funding



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

April 17, 1998

[Signature]

Cooney

This is who

Rison signed

The Administrator

MEMORANDUM

TO: The President

FROM: J. Brian Atwood *[Signature]*

SUBJECT: Response to the French Proposal to Increase Access to Antiviral Treatments for HIV Infection in Developing Countries

You and President Chirac recently discussed a French proposal to establish a trust fund for the procurement of the most recent antiviral HIV treatments and for medicinal products for the treatment of opportunistic infections for persons in the developing world. This may also come up at the next meeting of the G-8 in Birmingham. USAID has already been engaged with the development community on this issue.

We agree with the French that there is a continuum between the prevention of HIV infection and the provision of selected components of AIDS care. An integrated approach is essential. However, the provision of extremely expensive and technically complicated antiretroviral drug regimens in the developing world would devastate our foreign assistance budget for AIDS. The average cost for these combination therapies is currently between \$10,000 and \$20,000 per patient per year for the remainder of the person's life. This is in the context of average annual expenditures for health of \$5 to \$10 per person in the developing world.

The recent announcement by the Glaxo Company to provide AZT (Zidovudine, also called ZDV) at a 75 percent reduction in current costs does not solve the problem. The Glaxo preferential price is intended only to reduce HIV transmission from HIV infected mother to newborn infant. This is a very limited short course use of just one drug (AZT) and does not benefit the mother's health. Even if the cost of all the antiretroviral drugs that are part of the current recommended regimen in the

United States were dramatically reduced, the financial burden of the treatment to those infected in any developing country would still be significantly greater than current levels of health financing.

Moreover, costs are not the only problem. Antiretroviral care interventions would not decrease transmission of new infections of HIV; thus, we would not achieve any impact on the rapidly expanding global pandemic. The current U.S. Government strategy is to support primary prevention of HIV transmission as the most powerful and effective way to combat the HIV/AIDS pandemic.

As far as provision of care, it is far more effective to support appropriate HIV testing and counseling, so that individuals can voluntarily learn their HIV status, and then to provide realistic, cost effective treatments for opportunistic infections, especially tuberculosis, which afflicts over 60 percent of persons with HIV infection in the developing world.

All of the interventions noted above are exactly what USAID and our other partners in the international community and at national levels are doing in those developing countries that are most severely affected by this epidemic.

Raising this issue at the G-8 Meeting in Birmingham:

The USG should not support the French proposal in its current form. It is financially unrealistic, would not impact on the incidence of new HIV infections, and would divert critical resources away from far more appropriate prevention and care interventions. Instead, we should reassert the recommendations that were made at the recent Sherpa meeting that the G-8 continue to support AIDS vaccine research, the Joint and Co-sponsored United Nations Programme on AIDS (UNAIDS), and direct assistance to countries most severely affected by the HIV/AIDS pandemic for prevention and selected rational care interventions.

cc: Sandra Thurman
Wendy Sherman

OVERVIEW OF USAID SUPPORT

*" The vision which fueled our struggle for freedom; the deployment of energies and resources; the unity and commitment to common goals - all these are needed if we are to bring AIDS under control. Future generations will judge us on the adequacy of our response "*President Nelson Mandela, Davos 1996.

USAID' s PAST AND CURRENT SUPPORT

USAID' s past and current support in the area of HIV/AIDS has included components of the bilateral Equity project, the HIV/AIDS small grants programs, and several targeted activities utilizing USAID/W funding. As part of the Equity program to strengthen the integrated primary health care system, projects are being carried out to directly support this goal. Activities have included strengthening HIV/AIDS policies and norms; assisting regions to strengthen HIV/AIDS plans; strengthening data collection, laboratory services, and information systems; strengthening community groups, counseling services, care of orphans; strengthen community based referral and follow up of tuberculosis; and, strengthen condom distribution and social marketing programs. As a result of these efforts, tuberculosis treatment using the ADOTS@ methodology has increased significantly, from none to ten sites, easy condom access has increased from 27% of the clinics having easy accessibility to 78% in only one year.

The HIV/AIDS small grants program started in 1991, under the former apartheid government, when grants were provided to select NGOs who were struggling to insure that the emerging HIV/AIDS/STD epidemic would receive the attention required to help slow its pace. These NGO grants were critical in helping focus attention on developing a national strategy and begin implementation of a national program to combat the epidemic, and supported several national NGOs (NACOSA, AIDS Consortium) to develop the national plan and strategy. Some of the USAID grants also provided support for much needed programmatic interventions at the local and community levels. Some key results include support for NACOSA during the National Review process; support for operations research in a mining community to address STD which has led to the mining company adopting the program and covering the majority of the costs; training for traditional healers in rural communities. All these grants ended in September 1998.

USAID' S FUTURE SUPPORT

USAID/South Africa, in collaboration with the Government of South Africa and the NGO community, is currently developing a new HIV/AIDS activity for the public and private sector. For the coming five years (1999 B 2003), USAID/SA will support South Africa=s efforts at reducing the spread and impact of the HIV/AIDS epidemic, including addressing related STD, TB, and Reproductive Health (RH) issues. While the design is still in progress, the principal areas USAID will address include:

Awareness A number of studies have shown that the level of general awareness of HIV/AIDS is quite high. But there is still a lack of thorough and in depth understanding. For example, while people understand that HIV can be transmitted through Aunprotected sex@, the knowledge of using condoms to prevent the infection is not nearly as universally understood. Moreover, many people still believe that risk is determined by belonging to a population group B e.g. homosexual men and

women, prostitutes, etc., and not based on high risk behavior. Therefore, there is still the sense that HIV/AIDS is someone else's problem. This problem of denial starts at the individual, and expands to key leaders in the community, in public sector, and in private industry. There are several programs which are intended to increase awareness, but further refinement is needed to modify these programs based on the intended audience. For example, an awareness program for business leaders would be very different from an awareness program for local government leaders. As well, organizations need training in techniques for awareness raising. The young adult population represent a special challenge in this regard, as they often present a defiant and combative attitude towards any prevention programs. The breakdown in cohesive social, communal, and household structures has led young adults in search of alternative social structures, such as gang membership.

Prevention There is little understanding and documentation of the actual use of condoms for the prevention of STDs and HIV/AIDS. There is very strong evidence that both government and NGOs have increased their distribution substantially, and that commercial sales of condoms have also increased. But the extent to which this has translated into use is still not clear. Moreover, there is still much that needs to be learned about high risk behavior by certain groups, such as migrant workers and youth. The delivery of preventive services and programs has been primarily the role of the public sector, with a smaller role for NGOs. But much more needs to be understood about the demand and use of services by target populations, such as young adults. The public sector provides services for young adults, but in the context of an integrated primary health care program. Though this has been successful in some areas, in many others the young adults have felt that the public services do not respond to their specialized needs. In fact, it is now generally recognized that the public sector services are not the best outlet for the provision of services to this target group. One of the most widespread and consistent complaints about reproductive health services is the judgmental and prescriptive attitude of health care providers toward clients, especially young women. The largest NGO in this area, Planned Parenthood of South Africa, has played a critical role as a catalyst for the public sector. It has been active in alternative service provision models, such as community based distribution of contraceptives. It has also started a handful of experimental programs in reaching young adults, including life skills and gender education. PPASA has also worked collaboratively with the Equity Project to test new models, and has been involved in community work, for example with the Amy Biehl Foundation Trust, to enhance youth education.

Cure/Treatment The currently available combination of drugs is very expensive and in practical terms, an unrealistic option for containing the impact of the epidemic. The Government of South Africa has indicated that vaccine development for HIV/AIDS is a priority, though there is recognition that successful development is still many years away. Moreover, even after it is developed, there are still many unanswered questions about the acceptability and delivery of the vaccine. Though there are some limited trial programs to reduce vertical transmission of HIV, there is still much service linked research that needs to take place, and the options for scaling up such programs to a national level appear to be too costly for the public sector to take on. There is much better knowledge and well established interventions for the treatment for related conditions, such as STD and TB. Yet even here, the service delivery system faces a number of difficulties in ensuring the appropriate diagnosis and successful treatment. This is further exacerbated by a significant migrant labor pool and the establishment of multiple households. There is still little support by private industry to increase its contribution to supporting the diagnosis and treatment of STD and

TB, as limited data exist with respect to the economic impact.

Care/Support There are very limited resources available for the care and support of people living with AIDS. The public sector is usually a provider of last resort, and serves as home to AIDS patients who are too weak to care for themselves and are near death. A number of NGOs and community based organizations also provide hospice and home care, but are stretched thin with limited resources and increasing demand. Most simply try to meet the demand, and are unable to establish any kind of strategic approach which may bring on more partners in care and support. The issue of orphans is especially problematic - though many orphans themselves are HIV positive, many more are not. Yet because they are labeled as "AIDS Orphans" it is very difficult to find adequate homes and accepting communities. The burden of care thus falls on orphanages that are finding their resources stretched. Equally problematic is the acceptance by communities of people living with AIDS. The recent (December 1998) violent killing of an AIDS activist in her own community by her neighbors who stoned and clubbed her to death is a sad reminder of the stigma attached to people living with AIDS, and the lack of community support.

Mitigation Closely related to the constraints in care and support are the broader, cross sectoral issues related to mitigating the impact of HIV/AIDS. The constraints range from discrimination in the work place to lack of housing to violence against women. The various public and private sector institutions that attempt to address these issues are not well equipped to link their programs with those related to HIV/AIDS.

SOUTH AFRICA PROGRAM

Strategic Framework

USAID/South Africa has shaped its assistance programs to support the Republic of South Africa (RSA) in its long term challenges of democratic consolidation, equity of social services, economic policy capacity and broadening of asset ownership. The overall goal is "sustainable transformation" and includes developing the management and technical capacity of the majority population, as well as supporting institutional change. President Clinton committed the U.S. to an approximate doubling of U.S. assistance over the period FY94 - FY96 to support new democratic changes. USAID's current 10 year strategy for sustainable transformation is a \$435 million assistance program focusing on six strategic targets which support RSA developmental priorities.

- (1) Democratic institutions strengthened through civil society participation.
- (2) Transformed education system based on equity of access and quality.
- (3) More equitable, unified, and sustainable systems delivering integrated primary health care services to all South Africans.
- (4) Improved capacity of key government and non-government entities to formulate, evaluate and implement economic policies.
- (5) Increased access to financial markets for the historically disadvantaged population.
- (6) Increased access to environmentally sustainable housing and urban services for the historically disadvantaged population.

USAID Program Highlights

- **Democracy and Governance:** Supports democratic consolidation; the promotion of human rights; a more equitable justice system; civil society participation in the development of new public policies and law; conflict management capacity; strengthening of legislatures; and, improving new government structures at provincial and local levels.

Impact: Key accomplishments are reflected in the establishment of constitutional and statutory frameworks for rights protection, duly enforced by a set of independent institutions, including the USAID-funded Truth and Reconciliation Commission. An emerging and significant trend

from the conflict-resolution activities is the steady decline of politically-related deaths in Kwa-Zulu Natal.

- **Education:** Supports policy reform; the creation of effective systems for education delivery; and improved human and organizational capacity.

Impact: USAID scholarship programs have trained over 5,000 black South Africans since 1985 at the undergraduate, graduate and post-graduate level. USAID training prepared 350,000 South African teachers for the adoption of the National Curriculum 2005 which will be introduced in 1998.

- **Health:** Strengthens the Eastern Cape Department of Health's capacity in delivering primary health care (PHC), and later that of other provinces, through capacity building and systems development.

Impact: A solid partnership with the Eastern Cape Department of Health has been achieved. USAID support has led to the existence of visible basic management tools and systems and an integrated package of PHC services has been introduced in clinics, thereby increasing access to a variety of PHC services provided by adequately trained staff through the pre-and in-service training program. Improved management systems facilitate Departmental resource allocation. In the area of HIV/AIDS, technical and program development capacity and leadership has translated to better service delivery by NGOs.

- **Economic Capacity:** Finances post-graduate economics training through the Mandela Economics Scholarship Program; provides technical assistance and short-term training to government departments responsible for developing and implementing economic policies; and provides research support to private economic think tanks.

Impact: USAID-funded NGOs are making significant contributions to reformulating economic policy. The training of scholars is continuing as planned.

- **Private Sector Development:** Provides capital and leverage capital for small businesses and microenterprises, through credit, a loan guaranty program, and the Southern Africa Enterprise Development Fund; supports policy and regulatory reform through technical assistance and training; and supports broad business development, the enabling environment for small and medium enterprises, and business input to national economic policy making.

Impact: An increased number of historically disadvantaged South Africans are obtaining credit and equity financing and are winning South African government and private sector contracts, as a result of programs and policy change initiatives supported by USAID.

- **Housing and Urban Services:** Provides technical assistance to help develop and implement public policies that facilitate the provision of housing and urban services to low income households and communities; and provides grants, TA and training to increase access to credit and non-credit assistance for shelter and urban services.

Impact: USAID assistance has made credit available for housing to over 271,000 historically disadvantaged households. Approximately \$400 million in credit has been made available by USAID partners for the provision of housing and urban services to low-income communities.

O:\sapub\soafrica\minibriefer
10-98

Subject: Revised S&T Doc from USAID:

Date: Tue, 9 Feb 1999 07:53:33 -0500

From: lEllis@osophs.dhhs.gov (Isabel Ellis)

To: aross@af-sd.org

Alex,

Transmission of the above successful! It looks good. Thank you.

Re: HIV info from NIH. The only specific piece I have is what K. Western sent for the briefing booklet. It had to be redrafted into two sections: one on HIV and the other on ERIDs. It reports outputs; recompetition of RFAs. Also development of overseas sites for (1) Vaccine Trials and (2) Prevention, over \$13M. See below.

---Isabel

The National Institute of Allergy and Infectious Diseases (NIAID/NIH) current and future activities in South Africa are as follows:

Current Activities

AIDS

-- NIAID currently provides direct sub-contract support to a HIV Network for Prevention Trials (HIVNET) to the University of Witwatersrand and the Baragawath Perinatal Research Unit in Bertsham (Soweto) for peri-natal HIV prevention studies, including behavioral interventions to reduce transmission of the virus. (1998-2002).

-- NIAID also supports a second HIVNET sub-contract to the Medical Research Council, Durban (MRC/Durban) to carry out heterosexual prevention studies in Kwa-Zulu Natal. (1998-2002).

-- HIV/AIDS vaccine development University of Alabama/Birmingham, New York University, Virogenetics, Troy, NY, and University of the Free State, Bloemfontein determined that immunization of chimpanzees with a recombinant canarypox-HIV-1 virus did not confer protection following challenge with a heterologous cell-free HIV-1 strain.

-- NIAID will participant in and provide funding for the XIII International Conference on "AIDS" in Durban in July 2000.

AIDS/Tuberculosis

-- The NIAID Laboratory of Immunoregulation (LIR/NIAID) and Johns Hopkins School of Medicine are collaborating with the National Institute of Virology to determine the impact of HIV-1/tuberculosis co-infection on viral load in HIV+ South African patients (1996-1998).

Future Activities (in general)

Future NIAID activities in South Africa will be determined by mutual scientific and public health interests, scientific opportunities, and since over 90% of NIAID resources are competitive extramural awards, the ability of South African scientists and their US collaborators to compete in the general grants pool and special Program Announcements

(PAs), Requests for Applications (RFAs), and Requests for Proposals (RFPs). The recent unprecedented growth of the NIAID and NIH budget provides optimism that successful ongoing collaborations will continue and that new or expanded collaborative efforts can be funded.

AIDS

NIAID expects to continue to support for both the Barangawath and Kwa-Zulu Natal HIVNETS. During Fiscal Year (FY) will reorganize the existing Domestic and International HIVNET. NIAID has decided to develop domestic and overseas sites HIV Prevention Trials Units (HPTUs) and HIV Vaccine Trials Units (HVTUs). HVTUs will be dedicated to the clinical evaluation of promising HIV vaccines. HPTUs will evaluate a broad range of HIV prevention strategies such as education and behavior change, maternal-infant transmission, vitamin supplementation, reduction of sexually transmitted diseases (STDs) and/or tuberculosis, and topical microbicides. NIAID has recently solicited applications to select the coordinator of the HIV Prevention Leadership Group (HPLG) and the HIV Vaccine Leadership Group (HVLG). An announcement soliciting applications for HPTUs and HVTUs to participate the HPLG and HVLG will appear this Spring. The first year set asides for domestic and international HPTUs will be \$ 13.0 million with \$ 15.0 million for HVTUs. Existing South African HIVNETs will be eligible to apply to become a HPTU, HVTU, or both. Additional South African institutions will also be eligible to compete directly or in partnership with a U.S. institution.

<oirh>n:\africa\bnc1999.doc\hiv.nih

US BILATERAL ASSISTANCE SOUTH AFRICA

Millions of US Dollars						
		FY 95	FY 96	FY 97	FY 98	FY 99
		Actual	Actual	Actual	Actual	Request
— Economic						
DFA		99.979	118.647	65.600	70.600	50.531
ESF						
PL 480						
Title I (Loan)						
Title II (Grant)						
Title III (Grant)						
Section 416						
Special Self Help		0.500	0.500	0.500	0.500	0.500
Refugee Programs						
O.F.D.A.			0.025			
Peace Corps			0.871	1.528	1.958	2.199
Subtotal		100.479	120.043	67.628	73.058	53.230
— Military						
FMF						
CIT		0.250				
IMET		0.297	0.500	0.656	0.800	0.800
NEPDC						
PKO						
Subtotal		0.547	0.500	0.656	0.800	0.800
— Democracy/Human Rights						
116(e) Fund (DHRF)						
AREAF						
Subtotal		0.000	0.000	0.000	0.000	
Total		101.026	120.543	68.284	73.858	54.030



U.S. Agency for International Development
Washington, D.C. 20523

USAID MISSION TO UGANDA
P.O. BOX 7856
KAMPALA, UGANDA

FACSIMILE TRANSMITTAL COVER SHEET

DATE: 3/20/00

TO:

ATTENTION: Sandra L. Thurman,
Director

FAX PHONE: 202-456-2438

ORGANIZATION: Office of National AIDS
Policy

OFFICE PHONE: 202-456-2437

FROM:

ORIGINATOR: Dawn Liberi, Director

FAX PHONE: 256-41-258981 OR
233417

ORGANIZATION: USAID-Uganda

OFFICE PHONE: 254-41-235-879/342896

SUBJECT: Olivia Nantongo

NUMBER OF PAGES *(including this cover sheet):* 3

COMMENTS:

Sandy,

Attached, are the results of Olivia's tests.

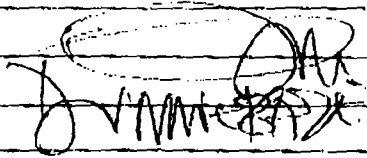
Please let me know what the collective wisdom is on a treatment protocol and let us try to talk this week. Hope all is well.

Best Wishes, Dawn.

201
654
5845

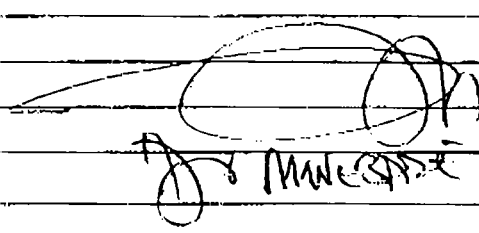
NAME: OLIVIA NANTONGO No. 224
AGE: 22 SEX: F

NSAMBYA HOSPITAL KAMPALA O.P.D

Date	Notes
20/3/2000	Date of Results 2/3/2000
	CD4 21 cells/ml
	CD8 285 cells/ml
	Viral load 465,550 c/ml
	

NAME: Olivia Kiantogo No. 224
 AGE: Ad SEX: F

NSAMBYA HOSPITAL KAMPALA O.P.D

Date	Notes
Cost	
600,000/-	1 tab Viracept 750mg 8hly → 1/12
250,000/-	2 tab Videx 400mg daily
270,000/-	3 Tabs ZERT 400mg (SD) →
 Dr. Mwezi	



HIV/AIDS DIVISION FAX

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

DATE: 4/28/00

TO: CHERYL BAVERLE ORGANIZATION: ONAP

FAX PHONE: 456-2439 OFFICE PHONE: _____

FROM: ALAN OFFICE PHONE: _____

FAX PHONE: 202-216-3046 NUMBER OF PAGES (INCLUDING COVER) 2

COMMENTS:

USAID BUDGET #'s

AS REQUESTED

REVISED FY 2001

USAID HIV/AIDS FUNDING

FY 1985 - FY 2001

All Accounts (\$ millions)

Account	FY 1985 Actual	FY 1986 Actual	FY 1987 Actual	FY 1988 Actual	FY 1989 Actual	FY 1990 Actual	FY 1991 Actual	FY 1992 Actual	FY 1993 Actual	FY 1994 Actual	FY 1995 Actual	FY 1996 Actual
DA/DFA	-	1,141	5,000	34,685	47,122	48,503	78,449	95,720	124,343	112,268	117,586	117,805
ESF	-	-	-	-	-	-	-	-	146	504	2,472	-
SEED	-	-	-	-	-	-	-	-	-	18	193	-
FSA	-	-	-	-	-	-	-	-	-	21	403	-
Total	-	1,141	5,000	34,685	47,122	48,503	78,449	95,720	124,489	112,811	120,654	117,805

Account	FY 1997 OYB	FY 1998 OYB	FY 1999 OYB	FY 2000 OYB	FY 2001 Request
CSD	117,500	121,000	135,000	175,000	244,000
ESF	898	2,400	4,190	4,000	2,645
SEED	700	-	-	-	-
FSA	2,027	2,242	2,916	1,000	3,555
PL 480	-	-	-	10,000	10,000
Other	-	-	-	10,000	-
Total	121,125	125,642	142,106	200,000	260,200

Updated 4/28/00

Estimating Costs for Prevention of Mother to Child Transmission of HIV in Sub Saharan Africa

According to U.S. Bureau of Census estimates, 25 million women become pregnant each year in sub Saharan Africa. Approximately half of these women (12,500,000) have contact with the formal health care system and could in theory be screened for HIV infection and offered a package of interventions to prevent mother to child transmission of HIV. This package would likely consist of the antiretroviral drug Nevirapine and breast milk replacements.

Since not all of the facilities where antenatal care is delivered would be capable of offering this package it is assumed that about one half of pregnant women receiving antenatal care or 6,250,000, would be eligible for HIV testing and subsequent intervention. On average 6.5% of pregnant women in sub Saharan Africa are infected with HIV so that about 400,000 women could potentially benefit from the package each year. (HIV prevalence among pregnant women in sub-Saharan Africa ranges from less than one percent to fifty percent in high prevalence settings.)

To provide voluntary counseling and testing to 6,250,000 women annually would cost roughly \$75 million. To provide Nevirapine and breast milk substitutes to the 400,000 HIV infected women identified would cost roughly \$22 million. Therefore the total annual cost to provide MTCT services in sub Saharan Africa would be approximately \$100 million dollars. This does not include the additional costs of training, improvements to facilities, and additional personnel, which would likely add another \$10 to \$20 million per year.

This expenditure could be expected to prevent 97,500 infections at a cost of \$1,000 per infection (death) averted. The cost per death averted goes down as the prevalence of HIV among pregnant women goes up. As a result, the cost per death averted exceeds \$5000 in low prevalence countries such as Madagascar, and is less than \$350 in high prevalence settings such as Botswana. The World Bank has estimated that the cost per death averted for measles vaccination programs and tuberculosis treatment at about \$650 and \$100 respectively. Thus MTCT interventions in high prevalence countries are competitive with other prevention and treatment interventions.

FAX MESSAGE



U.S. Agency for International Development
HIV-AIDS Division, Office of Health and Nutrition
Global Bureau

Mailing address: G/PHN/HN/HIV-AIDS
3.07--075M, 3rd Flr, RRB
Washington, DC 20523-3700
U.S.A.

To: *Sandy Thurman*

Phone: *456 2438*
FAX:

cc:

From: Paul DeLay, M.D., D.T.M. & H.
Chief, HIV/AIDS Division

Phone: 202 712 0683
FAX: 202 216 3046

Pages: *3*

Date: *Jan 3*

Subject:

1999 USG allocations for global AIDS

USAID \$125 + \$10 for children = \$135

CDC \$10 m

NIH \$40 m

\$185 million

USAID HIV-AIDS FUNDING by FISCAL YEAR (FY 1985-2001) and USE (1)
Sustainable Development/Child Survival Disease Account : (\$US x 1,000)

FISCAL YEAR	CARE & SUPPORT	PREVENTION	POLICY ANALYSIS REFORM & SYSTEMS STRENGTHENING	SURVEILLANCE	TOTAL
1985 Actual		0			0
1986 Actual		1,141			1,141
1987 Actual		5,000			5,000
1988 Actual		34,685			34,685
1989 Actual		47,122			47,122
1990 Actual		48,503			48,503
1991 Actual		78,449			78,449
1992 Actual		95,720			95,720
1993 Actual		124,489			124,489
1994 Actual		112,811			112,811
1995 Actual		120,654			120,654
1996 Actual		117,805			117,805
1997 OYB		101,050	16,450		117,500 (2)
%		86%	14%		100%
1998 OYB	1,210	107,690	12,100	0	121,000 (3)
%	1%	89%	10%	0%	100%
1999 OYB	8,937	102,222	18,563	5,279	135,000 (4)
%	7%	76%	14%	4%	100%
2000 OYB	14,000	154,000	24,000	8,000	200,000 (5)
%	7%	77%	12%	4%	100%
2001 Request	20,000	150,000	20,000	10,000	200,000 (6)*
%	10%	75%	10%	5%	100%
TOTAL	44,147	1,407,341	91,115	23,279	1,565,879
%	3%	90%	6%	1%	100%

(1) In FY85-FY96 USAID only coded "Prevention;" In FY97 "Prevention" and "Policy" were coded; from FY98 on "Care & Support," "Prevention," "Policy Analysis Reform & Systems Strengthening, and " HIV/AIDS Surveillance" were coded. The dollar figures for each coding category from 1997 through 1999 were computed by multiplying the percentage distribution as actually coded (FY97-99) or in the FY2000 request, against the total OYB amount in the "Total" column of this table.

The percentage distribution by coding category for FY 2001 was projected by the G/PHN/HN/HIV-AIDS Division.

(2) Does not include \$0.898 mm ESF or \$2.727 mm E&E

(3) Does not include \$2.4 mm ESF or \$2.242 mm E&E

(4) Includes the \$10 mm supplemental appropriation for children affected by HIV/AIDS but not \$4.19 mm ESF or \$2.916 mm E&E

(5) \$130 mm CSD + \$5 mm Other Accounts + \$45 mm LIFE (CSD) + \$10 mm Children Affected by AIDS + \$10 mm FY2000 Food Aid

(6) \$200 mm is OMB's "Pass-Back" to USAID's FY2001 request level as of December 9, 1999.

*pre OMB
meeting*

**USAID HIV-AIDS FUNDING by FISCAL YEAR (FY 1985-2001) and USE (1)
Sustainable Development/Child Survival Disease Account : (\$US x 1,000)**

FISCAL YEAR	CARE & SUPPORT	PREVENTION	POLICY ANALYSIS REFORM & SYSTEMS STRENGTHENING	SURVEILLANCE	TOTAL	
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(6) \$200 mm is OMB's "Pass-Back" to USAID's FY2001 request level as of December 9, 1999.

*pre OMI
meeting*

**AIRLIE CONFERENCE CENTER
GUEST FACSIMILE COVER SHEET**

TO: Sandy Thurman

COMPANY: _____

FAX #: 202-456-2439 (2438)

PHONE: _____

PAGES: _____

FROM: Alp Ross

.....
Sandy, I sent both of these documents
by email (from JLFORTIER@ADL.com).
Also the last page of this fax belongs to
the endowment paper I gave you last
night.
Thanks Alp

HIV/AIDS Public-Private Partnership The Role of USAID

HIV/AIDS, the deadliest epidemic in history, is having an enormous impact on many African countries and increasingly in Asia. To date, the response has largely come from the public sector donor agencies of several countries. African countries themselves have not mustered much of their own resources. Moreover, the donor community investment in AIDS prevention in Africa annually is only about \$160 million a year (national African resources make up very small percentage) – a figure to consider in light of the estimated prevention annual need of \$1 billion year for Africa alone. The LIFE initiative is a beginning, but much more needs to be done. The private sector in general has not contributed its share to the overall resource mobilization—either in funding or in-kind contributions.

With the advent of new drugs to reduce the impact of AIDS in individuals, and to prevent the transmission of HIV from mother to child, the demands for more equitable distribution of these medications in the developing world have risen. Moreover, basic drugs to address common opportunistic infections such as tuberculosis and fungal infections are not commonly available in many developing countries. This is a function of the lack of drugs as well as poor distribution systems. In many countries, prevention commodities such as condoms are not sufficient to meet increasing demands, which poses an immediate threat to the credibility and success of the HIV/AIDS program.

AIDS Marshall Plan Concept

Former Rep. Dellums, and current Rep. Barbara Lee, have introduced the concept of an "AIDS Marshall Plan for Africa" that would call for private sector contributions to fight AIDS in Africa, along with matching public sector funds. The current Lee bill in Congress is flawed. First, it places much higher emphasis on public sector funds (\$200 m annually) without any assurance of private sector contributions (the public sector appropriation would continue without any private sector contribution potentially). Second, the bill creates an independent agency to receive the funds. In reality, this would directly compete with funding appropriations for USAID and other USG agencies involved in AIDS internationally. Third, the bill contains no checks or balances on the use of the funds. It is essentially a simple grant program to countries or NGOs without any criteria or oversight—a dangerous possibility. Finally, the bill calls for G8 countries to contribute to this fund (a US Government agency) which is unrealistic.

Nevertheless, Mr. Dellums and Rep. Lee are to be commended for their leadership and moral position on the issue. Based on their concept, we can move forward to more appropriately design an alternative without jeopardizing the current USG work internationally as well as to improve synergies between public and possible private partners and investments.

There are two critical questions concerning the involvement of the private sector and possible funding/in-kind streams of support:

- What mechanisms do we use to manage the funds?
- What will the funds be used for?

MECHANISMS

USAID has several mechanisms and models that it has used to spur the involvement of the private sector and to manage private sector funds in developing country contexts. Whereas all of the details are not fully developed as concerns AIDS, the following examples help explore some possibilities:

Endowments

USAID has made particular use of endowments to support and/or create local institutions to serve a particular purpose. As of 1996, USAID had supported over 35 endowments, and that number has grown since. Typically the endowments use federally appropriated dollars. However, many of these institutions have since accepted funds from developed world foundations, the private sector, and other donors. The organizations receiving the endowment funds are private, non-governmental. There are different kinds of endowment funds that range from trusts to capital funds to sinking funds. Generally, USAID has favored those mechanisms that do not spend down the capital. Boards of Directors exist for the organizations and they are independent. Endowments have also been used to support debt swap arrangements in countries. This example could be used to support the recent call for using debt forgiveness proceeds in developing countries for AIDS programming. Governments could create independent bodies in countries to receive local currency proceeds for AIDS work and grants. Many endowments are managed by a non-profit PVO and there are many possible models.

Private sector funds to be used for AIDS could be channeled into a single endowment for purposes of making sub-grants or to a series of endowments at national levels to support programming more directly in-country. USAID has used endowments to support the International Center for Diarrheal Research in Bangladesh to support the work of a leading organization to advance knowledge in this field.

Foundations

USAID has supported the development of foundations to serve the purposes of development. The Summa Foundation was created by one project to support a revolving loan fund for health care programs (family planning oriented) in country. Many examples of this type are based on revolving loan funds. Private sector AIDS funds could support, in part, the creation of such funds for specific aspects of AIDS programming. One parent fund could be created worldwide that then manages the loan portfolio with organizations in country. USAID also supports the African Development Foundation in Washington (contact: Dick Day)—however I do not have details yet on this model.

The USG has other foundation examples that are primarily vehicles to accept private sector funds and to spend them to support the overarching goals of the USG agency to which they are attached. These include the Henry Jackson Foundation (NIH) and the CDC Foundation. USAID, with legislative authorization, could create such a foundation.

Each of these mechanisms contain common themes:

- Independence
- Direct support of USAID program goals and synergy with USAID programming
- Enhanced sustainability and flexibility
- Faster response once established.

A mix of mechanisms may be envisioned for an AIDS private sector fund, including a parent organization linked (loosely) to USAID that manages endowments and loan funds depending on the programming need and purpose.

What About In-Kind Contributions?

Some private sector firms, particularly pharmaceutical companies may wish to contribute in-kind with commodities or equipment. USAID has experience with this type of involvement, as do other agencies such as UNICEF and UNAIDS. The key issue to be worked out is the distribution and planning system for such assistance. USAID would likely use an intermediary PVO to help manage such interventions. For example, PSI (with experience in condoms and other product distribution) could help with some distribution. USAID could bid for other groups to manage pharmaceutical distribution as part of larger HIV/AIDS programming. We could partner with UNICEF as well for issues such as MTCT.

The problem to be avoided is the contribution of small amounts of products, as well as large donations, without adequate distribution systems in country.

A Caution

The prospect of large sums of money can actually harm worldwide efforts to control HIV/AIDS as much as they can help.

First, there are various streams of assistance present: USG agency support; other bilateral donors; multilateral donors; independent PVOs; the prospect of debt relief resources, etc. However, as we have seen, national governments are not contributing their own resources. The infusion of large amounts of private sector funds without commensurate conditions that governments increase their own contributions could well sabotage our efforts.

Second, the proposition of funding (especially non-loan funds) will encourage many governments and organizations to step forward to capture the funds without the capacity or even conscientiousness required to serve the purpose of AIDS control and mitigation. There is a great need to be wise about how we go about programming.

Third, creating endowment and foundation strategies may take some time (i.e. congressional approval). We therefore need to proceed as soon as possible to create or use existing structures.

WHAT DO WE DO WITH THE FUNDS?

Considering that donors are already supporting governments and private NGOs/PVOs, the possibility of large amounts of and flexible resources identify the possible uses. Such assistance encompasses a broad array of programming ranging from training to social marketing to MTCT interventions.

There is a need to choose a few countries to pilot strategies on a country wide level.

Private sector funds (and their mechanisms) need to support the goals of the LIFE initiative, as well as to expand into areas such as multisectoral programming.

Some specific ideas (they are not mutually exclusive):

- Support for a package of services including voluntary testing and counseling, provision of navaripine to prevent MTCT, ongoing provision of health care services and psycho-social support services for the mothers, and planning for orphan care. This is a cutting edge area for which such an integrated approach does not exist on any wide scale. Issues of stigma will need to be addressed. Private sector funding could support the integrated package, with in-kind contributions also helping.
- Support for a new program approach that creates district/village based AIDS committees and provides small funding amounts to these groups to program AIDS-related interventions. This "bottom up" approach may yield better results than the more traditional top-down approach. In particular, this effort would empower communities to get much more involved. Different approaches are required in urban vs. rural areas.
- Support for national centers of excellence for training. Available AIDS expertise is sorely lacking in countries given the scope of the problem. Endowments could be particularly useful to support national institutions to serve as training centers of excellence for a wide array of expertise.
- Support for development and implementation of distribution systems for commodities. Not a sexy proposition, but absolutely critical to the success/failure of AIDS programs. This would cover commodities such as condoms to basic drugs to treat opportunistic infections. USAID has expertise (via private organizations) in helping to design and implement such systems.
- Targeted purchase of in-kind contribution of drugs. There is a great need for the acquisition of basic drugs to treat tuberculosis, fungal and bacterial infections, and

STDs in developing countries. Related to this is the great need for training of health workers in proper diagnosis and treatment protocols. Expensive anti-retrovirals are not recommended.

- **Multisectoral approaches.** The great advantage of private sector funds is its flexibility, as well as the underlying possible breadth of expertise contributors can bring. Support for educational system interventions, for involving various economic sectors and firms, for impact studies and modeling, and for interventions that directly support affected families (e.g., microfinance) can be achieved. In addition, efforts are needed to bring in more community groups and leaders such as the religious community, local business community, traditional leaders and healers, and the military.
- **Support for vulnerable families and children.** Given the figures for AIDS affected children and families, there will be great needs to address this population in the context of the broader country needs (i.e., many are poor). New models will be needed.
- **Additional emphasis on prevention.** Private sector funds, in coordination with donor and national programs, could support prevention programs that include behavior change; media campaigns; youth programs; stigma reduction; and prevention/operations research. The latter includes vaccine related research (e.g., in collaboration with IAVI) as well as a good deal of needed behavior-related research.

First Draft: Alex Ross, Deputy Chief, Human Resources Division, Office of Sustainable Development, USAID Bureau for Africa and USAID Africa Bureau AIDS Coordinator.
10/15/99

HIV/AIDS IN USAID

Where Does It Fit?

Deciding where to place responsibility for the HIV/AIDS program inside of USAID requires consideration of several issues. The key question that needs to be addressed is what do we want to achieve? How are things changing that require a different mindset about how the bureaucracy needs to respond? The issues that will arise will be having contradictory implications. For instance, an argument to place the responsibility at a certain level will conflict with the realities of congressional appropriations and so on.

CONSIDERATIONS:

Definitions

- Which HIV/AIDS staff are we discussing? The Global Bureau HIV/AIDS Division (housed in the Office of Health and Nutrition, in the Center for Health, Population, and Nutrition)? The regional bureau HIV/AIDS staff? The field based HIV/AIDS staff (housed in the health units) in the mission organizational contexts?
- What aspects of HIV responsibility are we talking about? Program and policy guidance? Funding allocations? Technical research? Operations? Monitoring and evaluation?

Political

- Political capital required to move the office(s). There are many vested interests in keeping the situation as is. The Congressional HIV/AIDS earmark is health specific (as part of the child survival account) which reinforces the placement of the HIV/AIDS programs in the health offices of the Global, Regional Bureaus and missions. Duff would not be pleased with the loss of the HIV/AIDS program.
- Perception that HIV is primarily a health issue. Regardless of new trends, HIV is a virus and thus is seen as primarily a health issue rather than a social/development issue. Revising the bureaucratic perception and action will take political capital.
- US Congress viewpoints. As noted above, Congress has earmarked AIDS funding within the child survival account. Certain members, such as Sonny Callahan, Helms, and others may be more vocal about opposing a change to this method.
- Where power lies inside USAID. The power centers within USAID lie in the missions, the regional bureaus (that allocate the funds), the global bureau for technical input, and finally the Policy Planning Center office (attached to the Administrator's office) in descending order of importance. If you follow the funding stream, it primarily goes from the regional bureaus to the missions. Any change in placement of HIV/AIDS responsibilities in the agency will need to take this into account.

Operational

- Relationship of policy, implementation, and funding. Currently, the Global Bureau in USAID serves two key functions: technical staffing for HIV/AIDS and procurement of several central contracts (e.g., FHI, PSI, Horizons, and US Bureau of the Census). The regional bureau (such as Africa) also provides technical guidance, some research support, and operational staffing on issues of funding allocations. The regional bureaus are also more specific to their geographic zone. Policy development is not centralized. In the Africa case, the Global Bureau and Africa Bureau share in the development of policies. However, the Africa Bureau's policies will have direct impact on missions as opposed to G Bureau's which are more advisory. The more general policy office of USAID (PPC) has not played a significant role in HIV/AIDS.
- Mission programs. These are governed by what are called "strategic objectives." Most often they are in the health sector, but we are seeing more non-health sector SOs include lower level objectives and expected result statements focus on AIDS.
- Who are the HIV/AIDS personnel? Currently, in Washington, the Global Bureau HIV/AIDS Division has approximately a dozen professionals; the Africa Bureau has 2 (plus recruiting a third); Latin American—one; Asia Near East—one; and the NIS area—one. Additional health staff contribute portions of their time from various perspectives (e.g., reproductive health), as well as education officers and so on. At the mission level, some have a dedicated HIV/AIDS person.

16228

What needs to be changed?

Generally, the Washington based HIV/AIDS groups work very well together (G Bureau and AFR Bureau primarily). However, the multisectoral concept is just beginning. In the Africa Bureau, we have taken the lead to develop a multisectoral working group under the auspices of the director of the technical office, the Office of Sustainable Development. This group is simply comprised of technical representatives from each of the sectors. With our multisectoral meeting the other day, this is the first time the agency is heading in this direction.

The agency has not grappled with the funding problem imposed by the health-specific earmark. As a result, other sectors could spend some of their money on AIDS, but they are reluctant to do so given ever constricting budgets. Meanwhile, the HIV/AIDS funds cannot be spent on non-health oriented activities.

The current placement of HIV/AIDS staff is on a par with many other health issues—i.e., they compete for attention with other problem priorities. There is a recognition of the special need of HIV, but when push comes to shove, HIV/AIDS may not get the attention it deserves (particularly in the Global and non-Africa regional bureaus), as well as from a non-health sector perspective.

The need for special disaster planning for many areas in Africa, and soon in India. The nature of HIV as a social phenomenon is not well recognized within the agency. In addition, the numbers in many African countries imply a great need to do disaster planning to account for the impact.

Suggested Options:

1. Create an AIDS Office at the Administrator level. This essentially would elevate the current HIV/AIDS Division from the Global Bureau and move it up. Additional staff would be assigned with non-health sector expertise to make it truly a multi-disciplinary team. Procurement authority with funding (current levels, possibly more) would be housed in this office. A commensurate change would be to create a parallel office at the regional bureau level.

PROS: Creates an opportunity for a multisectoral approach, with authority to cut across sectors.

Ability to look at issues from a different perspective.

Would set the tone for missions and other donors about the importance of AIDS in development work.

Higher level of importance and visibility.

CONS: Will upset some of the current organizational hierarchy and actors.

Could be divorced from the operational side of HIV/AIDS programs.

2. Elevate the HIV/AIDS Division in the Global Bureau HPN Center to a Global Bureau Center (higher level) attached to the Assistant Administrator, Global Bureau. Commensurate change at the Regional Bureau level. Create multisectoral working groups in the Global, regional, and mission levels.

PROS: Creates opportunity for a multisectoral approach and response, with authority and funding.

Closer link to the Bureau decision-makers

CONS: Funding constraints (earmarks) could hamper these efforts.

3. Leave the structure as is, but create multisectoral working groups.

PROS: Easiest bureaucratic option.

CONS: Does not advance the resolution of other structural possibilities.

4. Leave everything as is, but hire an Agency AIDS Coordinator at the Administrators level.

PROS:

CONS: Does NOT work. Person is quickly isolated.

Recommendation

If you want to achieve major change, number 1 or 2 strive for that. But it won't be easy. First, Brady Anderson does not strike me as someone that has a major vision in this regard and he'll turn to others in the agency for input. They could (will) resist. Second, Paul will not want to be in a position of rocking the boat and may not agree that there is a need to change. In turn, he may argue that there is so much to do now those extra burdens are not welcome.

There is nothing like a disease specific-like office at the administrator's level. Then again there is nothing like AIDS either—a disease that will have the honor of being the deadliest in history.

Another issue is that some people in the regional bureaus (potentially including Vivian) will question whether an option like #1 undercuts the regional bureau's ability to make its own funding decisions for and with the missions—a key prerogative in the agency.

BACKGROUND

What is an Endowment?

An **endowment** is a fund that has been set aside for a specific purpose. Generally, endowments are designed to disburse only the income from the assets; the principal or "corpus" of the fund remains intact and invested (PROFIT 1994:3). A **foundation** is an organization with one or more funds of its own, managed by its own trustees or directors, and established to promote social, educational, charitable, religious, or other activities serving the common welfare (F. Emerson Andrews, as cited in Rigby et al. 1993:7). While most foundations are nonprofit and nongovernmental, some are quasi-public, such as the National Endowment for Democracy. The goal of most foundations is to build an endowment to establish a permanent collection of funds (Rigby et al. 1993:8). This study focuses primarily on endowments (a funding mechanism), rather than on foundations (an organizational structure), although there clearly are areas of overlap in terms of management.

The terms "trust," "capital fund," "sinking fund," and "endowment" describe similar financial arrangements, although there are differences in the ways they are managed. A trust is a fund whose assets are managed by a person or group ("trustees") on behalf of another group ("beneficiaries"). A board of directors, sometimes called the board of trustees, is responsible for managing the trust's assets, following the terms of the trust agreement and applicable laws (Mikitin and Osgood 1995:6). Several USAID-funded endowments, particularly ones created with U.S.-appropriated dollars, are in the form of trusts. A capital fund is an endowment that is managed by the endowed organization (Lion 1992:3). A sinking fund is designed to disburse the entire principal over a fixed period (Mikitin and Osgood 1995:8).

A number of other funding arrangements are available to donors to address the need for sustainable financing of international development activities. With revolving funds, new resources are added to the principal as existing funds are spent, replenishing or augmenting the original principal amount (Mikitin and Osgood 1995:8). The Belize "Protected Areas Trust Fund" (PACT), which the World Wildlife Fund helped design, is an example of a revolving fund. PACT is financed by a \$20 conservation fee collected from each foreign tourist who arrives in Belize. These fees are expected to contribute more than \$2 million in new revenues each year for the trust fund (Larson 1993:7-8). Most of USAID's experience, however, has been in setting up endowments that are intended to last indefinitely, rather than establishing sinking or revolving funds.

Debt swaps, another funding mechanism, involve the purchase of developing country debt by a third party (usually a nongovernmental organization [NGO]) at a discounted value in the secondary debt market. The debt is cancelled, and local currency proceeds are used for development activities. Many U.S. environmental NGOs also have used this funding

Subject: Sandy Thurman visit to Kenya, TZ, Rwanda, and Uganda in January

Resent-Date: Mon, 13 Dec 1999 22:45:04 -0500

Date: Thu, 16 Dec 1999 15:00:01 -0500

From: "Dawn Liberi" <dliberi@usaid.gov>

To: <AROSS@AFR-SD.ORG>

Forwarded to: Alex Ross@AFR.SD.OFF@AIDW, Paul Delay@G.PHN.HN@AIDW
Rebecca Rohrer@SO4@KAMPALA
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Dana Vogel@USAID.PHD@NAIROBI
Patrick Fleuret@DIR@KAMPALA

cc:

Comments by: Dawn Liberi@DIR@KAMPALA

Comments:

Alex - thanks for giving us the heads-up on Sandy's visit. As you know, we've hosted Sandy twice before and always welcome her to Uganda - she's a great supporter of our program! However, we have a concern about two things - the first is timing. We are already schedule to have two CODEL's during the same time as Sandy's visit - 1) Shelby/Specter and 2) Durbin - all fall in the Jan 5-15 timeframe. Clearly, the timing of the visits needs to be coordinated and we can't load too much on at once. Three successive/concurrent high level visits are just too much for us to handle.

Secondly, for this visit to be successful, we will need to not only know what our country budget allocations are for LIFE, but we'll need to HAVE THE MONEY IN HAND!! We've made lots of promises, now it's time to deliver. CDC has already been here on a planning visit with money in hand for Uganda - it's difficult for USAID/Uganda to be a partner without knowing and having our share of LIFE funding clearly allocated. If LIFE \$\$\$ is held hostage to the normal OYB allocation process, we're looking at June/July of next year and that just won't cut it. Further, it will illicit bad will if Sandy and co come here and have to say 'the check is in the mail...'

So, while we'd love to host Sandy, before we can agree to the visit we have to address these two issues. Please get back to us asap and let us know what the response is - many thanks, Dawn

----- [Original Message] -----
Dear all:

Paul Delay and I spoke with Sandy Thurman today to discuss her plans for a visit to Kenya, Tanzania, Rwanda and Uganda (not necessarily in that order) in January. This visit will not be a codel, presdel or presidential mission. Rather, she will visit in an official capacity representing her office (Office of National AIDS Policy=ONAP, White House) with a few people--we expect a total party of between 4-7 people. Among the persons who may accompany her are: Micahel Iskowitz (consultant to ONAP), Mary Fisher (a noted Republican party activist who is HIV + and had addressed the Republican Party convention), former republican Rep. Steven Gunderson, Kate Carr of the Elizabeth Glaser Pediatric AIDS Foundation. Other names may arise.

The proposed dates for the visit are January 8-22. These dates are generally firm given Ms. Thurman's other responsibilities (e.g. State of the Union address being delivered on Jan 24).

The purpose of the visit is generally twofold: a) Advocacy for HIV/AIDS. Ms. Thurman and her party would welcome high level public and

private sector meetings to discuss HIV/AIDS action in the respective country. This should not only include political but possibly religious, business, and other leaders. b) To look at issues specific to women (including care and support issues), children, mother to child transmission issues, and broader community mobilization. A number of the possible participants (Ms. Carr, Ms. Fisher, and Mr. Gunderson) are very involved in pediatric and women and AIDS issues/concerns. Moreover, the selection of these countries clearly focuses on the Great Lakes region.

The entire party will be self financed and missions are not requested to provide any financial support.

Finally, Ms. Thurman would likely announce/discuss the LIFE initiative in the respective country.

REQUEST TO MISSIONS:

Please let me know as soon as possible of your interest in hosting such a visit, any issues surrounding the proposed dates and what may be happening in country that could pose scheduling or similar problems, any specific questions you may have, and so on. Your specific ideas for site visits would be welcome as any requests for additional clarification.

Ms. Thurman has been to Uganda previously.

Thank you

Alex Ross
AFR/SD



Alex Ross <aross@afr-sd.org>

12/20/99 12:21:32 AM

Record Type: Record

To: Verne Newton <vnwton@usaid.gov>, Pat Dixon <pdixon@usaid.gov>

cc: See the distribution list at the bottom of this message

Subject: Final LIFE cable for Vivian's approval

Verne,

Vivian was in an all day retreat on Friday. As such, attached is the final draft cable that announces the LIFE and other HIV/AIDS increases for FY 2000. BHR, Global/PHN/HIV-AIDS, Carleene, Bill Jeffers, Hope Sukin, as well as two levels in HHS, and Sandy's office have cleared. The cable also reflects your change on timing (removed conflicting timeframes). It is very important that this get out ASAP. Please present this to Vivian on Monday so that she make any revisions and approve. At that point, we will ask Felicia Few (AFR/SD/HRD) to put this into final and to send it out to all of the mission directors and HPN officers.

PAT: Please print out on Monday morning. In the event that Verne is not in, please present to Vivian with this email.

I will be accessible by cell phone on 301-370-9168 (please note that I am in California and hence 3 hours behind DC). I will also be checking my email. Please send me an email with any updates on the cable (e.g., changes, approval, etc).

Alex



- CABLELIFE10.DOC

Message Copied To:

"Richard J. Greene" <greene@usaid.gov>
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Vivian Lowery Derryck <vderryck@usaid.gov>



Duff Gillespie <dgillespie@usaid.gov>

02/10/2000 03:25:30 PM

Please respond to dgillespie@usaid.gov

Record Type: Record

To: See the distribution list at the bottom of this message

cc: Joy Riggs-Perla <jriggs-perla@usaid.gov>, Paul Delay <pdelay@usaid.gov>, Shirley Coly <scoly@usaid.gov>

Subject: USAID's HIV/AIDS Portfolio

Dear Colleague: During the Seattle foundation meeting on HIV/AIDS, I promised to send you information on USAID's HIV/AIDS program. It so happens that we are updating our Center's project descriptions. Rather than send you dated information, I waited for the HIV/AIDS information to be updated. This is attached.

The entire Population, Health and Nutrition Center's program, plus mission and regional bureau information, is contained in our "USER'S GUIDE." The present version this, done last summer, can be found on our web site: http://www.info.usaid.gov/pop_health/phnug.htm. The revised version of the Guide will be on the web March 1.

As I indicated, we, and our cooperating agencies, are more than happy to assist as you consider your next steps in this area. Please feel free to contact Dr. Paul Delay, who is Chief of our HIV/AIDS division, Joy Riggs-Perla, Director of the Office of Health and Nutrition, or me. Their email addresses are above. Paul's telephone number is: 202.712.0683. Joy's number is: 202.712.4150. The number of the cooperating agencies and Paul's staff are found in the attachment and in our web site.

Of course, this invitation to provide assistance holds for the entire Center. Please don't hesitate to take advantage of this resource. The Center has a donor coordinator, Shirley Coly, who assists bilateral and multilateral donors find the right project or person to contact. More recently, she has helped a number of foundations in this manner. Shirley can be reached at 202.712.5955. Her email address is also above.

Again, please don't hesitate to call if you have any questions.

Duff G. Gillespie, Ph.D.
Deputy Assistant Administrator
Population, Health and Nutrition
G/PHN/DAA, Rm. 3.6.1
1300 Pennsylvania Ave., NW
Washington, DC 20523
Tel: 202-712-4210
Fax: 202-216-3485

Paul Charles



- HIVAIDS.PDF

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rise to approximately \$4.0 million in FY2001. The field based regional USAID program will address the following areas:

1. **Transport Corridors**: One of the defining characteristics of the HIV/AIDS epidemic in Southern Africa is the excellent transport system and the resultant mobility of people within and across countries. As a result, migration and the poverty of women exacerbate the epidemic. This mobility results in an exceptionally efficient carrier system for the spread of the epidemic. Transportation corridors that range from Durban to Lusaka, from Maputo to Pretoria, from Johannesburg to Francistown and Bulawayo, can all be considered prime routes through which the epidemic can spread. Within these corridors, the border crossings are particularly vulnerable sites. The USG through USAID will establish pilot programs in key border crossings.
2. **HIV/AIDS Surveillance**: The quality of data varies widely across countries of the region. USAID together with CDC will work with countries and with SADC to improve data collection and analysis.
3. **Policy**: While policies are the responsibilities of each country, there are many experiences that represent "best practice". USAID will work with SADC and with countries in sharing these experiences. In relation to the transport corridors program, USAID will identify critical policy impediments to services and programs at border crossings. Specific interventions will be carried out to address selected policy constraints.
4. **Regional Coordinator**: The regional program is located at USAID/South Africa. In order to manage all aspects of this program, a Regional Coordinator has been hired.

USAID REGIONAL PROGRAM PROGRESS TO DATE

➤ *Transport Corridors*

The first corridor for intervention is the Durban to Lusaka transport corridor. An assessment has been carried out at the border sites of Messina (South Africa), Beitbridge (Zimbabwe), Churundu (Zimbabwe) and Churundu (Zambia). As suspected, all indications are that HIV rates are much higher at these locations than in the countries as a whole. There are also a number of policy constraints to services being effectively delivered. One such example is that a national from one country cannot receive health services in another country.

A second corridor for intervention is the Maputo to Maseru to Pretoria corridor. This triangle, encompassing the southeastern corner of South Africa, bordering Mozambique and Swaziland, is a major transit point for migrant labourers. A third corridor for intervention is the Pretoria to Francistown to Bulawayo corridor.

Each of the corridors will be phased in over time.

➤ *Regional Co-ordinator*

Ms. Michelle Russell

In January 2000 a regional co-ordinator, Ms. Michelle Russell was hired. Ms. Russell has spent the past four months travelling the region to get an overview of the HIV/AIDS epidemic in each country. Among her critical activities:

- Strategic planning on how to include BLS (Botswana, Lesotho, Swaziland) countries where USAID does not have programs. The plan is for USAID to work closely with the Embassies, especially PAS and the Self-Help program, to develop programs and to provide resources from the regional initiative funds. It is envisioned that an Inter Agency Agreement (IAA) will be developed to enable the BLS countries to participate in the regional initiative.
- Consultation with each of the countries, to determine how best the Regional Program can respond to specific country needs.

DEPARTURE PROCEDURES FOR USG

PARTICIPANTS IN U.S.-SADC FORUM

May 10-11, 2000 – Maputo, Mozambique

1. **Passports/Airline Tickets:** all participants should already be in possession of their passports and confirmed airline tickets. If not, please obtain them from the U.S. Embassy Control Room (#1108).

2. **Departure Tax:** the rate is \$10 for flights within southern Africa, and \$20 for direct flights to Europe.

3. **Baggage Call:** baggage will be collected in advance by the following schedule:

A. Thursday, May 11 SA-145 3:20 pm

Luggage Call: Luggage will be picked up with tickets, departure fee, and passport from 12:45 pm through 1:00 pm.

Passenger Pick-up: 2:00 pm sharp(!) departure from Hotel Rovuma Carlton

B. Thursday, May 11 TM-304 5:00 pm

Luggage Call: Luggage will be picked up with tickets, departure fee, and passport from 2:30 pm through 3:00 pm.

Passenger Pick-up: 3:30 pm (departure from Hotel Rovuma Carlton)

C. Friday, May 12 SA-143 11:30 am

Luggage Call: Luggage will be picked up with tickets, departure fee, and passport from 8:30 am - 9:00 am.

Passenger Pick-up: Must depart from the Hotel Rovuma Carlton at 10:00 am

D. Friday, May 12 SA-147 6:10 pm

Luggage Call: Luggage will be picked up with tickets, departure fee, and passport at 3:00 pm.

Passenger Pick-up: Must depart from the Hotel Rovuma Carlton at 3:00 pm.

E. Saturday, May 13 SA-143 11:30 am

Luggage Call: Luggage will be picked up at 8:30 am.

Passenger Pick-up: Must depart from the Hotel Rovuma Carlton 10:15 am.

NOTE:

1. To expedite check-out, please have your credit card imprint made at the reception desk as soon as possible.
2. Check your hotel bills to ensure accuracy.
3. If you don't expect to be in your room during luggage call, please deliver your luggage to the U.S. Embassy Control Room (#1108) where they will be picked up.
4. Your baggage will be checked in as diplomatic baggage and secured on a separate trolley and will be safeguarded. The trolley will be under guard by Embassy personnel.
5. Boarding passes will be delivered to the VIP lounge. Check-in procedures will be done by the Embassy expediter.
6. Check-in closes 45 minutes before departure time; travelers must be at the VIP lounge at that time.

4. Shopping: there are still a few miscellaneous souvenir items, including cashews, left in the U.S. Embassy Control Room (#1108) for sale. These items are very reasonably priced and would make nice "deliverables" back on your home front.

5. Reverse Accommodation Exchange: we will offer reverse accommodation exchange at the following times on Thursday, May 12 in the U.S. Embassy Control Room (#1108):

07:30 – 09:00

12:00 – 14:00

17:00 – 19:00

6. Misc. Please check the message folders in the U.S. Embassy Control Room (#1108) prior to departing. Ensure that you have not left any important documents behind in your room.

7. Departure Schedule: the following list shows all passengers and their scheduled departure times according to our records. Please advise if there are any inaccuracies in this list.

Anthony Vance	SA-143 11:30	
Vladimir Sambaiew	SA-143 11:30	
Greg Gottlieb	SA-143 11:30	
Larry Broun	SA-143 11:30	
Amb. David Dunn	SA-143 11:30	
Amb. Charles Stith	SA-143 11:30 (Waitlisted)	SA-147 18:10
Gerald Feldman	SA-143 11:30 (Waitlisted)	SA-147 18:10
Ed Casselle	SA-143 11:30 (Waitlisted)	SA-147 18:10
Vivan Derryck	SA-147 18:10	
Col. Mark Adams	SA-147 18:10	
Deborah Netland	SA-147 18:10	
Kristen Bauer	SA-147 18:10	
Stefanie Amadeo	SA-147 18:10	
Jill Johnstone	SA-147 18:10	
Amb. Shippy	SA-147 18:10	
Charity Dennis	SA-147 18:10	
Kathleen Fitzpatrick	SA-147 18:10	
Anthony Newton	SA-147 18:10	
Ken Yamashita	SA-147 18:10	
Amb. Arlene Render	SA-147 18:10	
Michael Fritz	SA-147 18:10	
Richard Helm	SA-147 18:10	
Robert Clay	SA-147 18:10	
Amb. Tom McDonald	SA-147 18:10	
Amb. Johnson	(Driving)	

MAY 13 (Saturday)

Bryan Hunt	SA-143 11:30
Jan Hartman	SA-143 11:30
Sandy Robinson	SA-143 11:30
Amb. Joseph Sullivan	SA-143 11:30
Witney Schneidman	SA-143 11:30

MAY 11 (Thursday)

Amb. Peterson	SA-145 15:20
Amb. Erwin	SA-145 15:20
Adam Grissom	SA-145 15:20
Nancy Carter-Foster	SA-145 15:20
Rosa Whitaker	SA-145 15:20
Strobe Talbott	Charter 17:00 Streamline Charter
John Bass	Charter 17:00 Streamline Charter
Kathleen Doherty	Charter 17:00 Streamline Charter
William Fitzgibbons	Charter 17:00 Streamline Charter
Peter Ford	Charter 17:00 Streamline Charter
Lewis Lukens	Charter 17:00 Streamline Charter
John Norris	Charter 17:00 Streamline Charter
Ass. Sec. Susan Rice	Charter 17:00 Streamline Charter
Ambassador Lewis	Charter 17:00 Streamline Charter
Witney Schneidman	Charter 17:00 Streamline Charter
Bernd McConnell	Charter 17:00 Streamline Charter
Philip Drouin	Charter 17:00 Streamline Charter
Julia Taft	Charter 17:00 Streamline Charter
James Schroeder	Charter 17:00 Streamline Charter
Nora Dempsey ??	Charter 17:00 Streamline Charter
Frankie Denise King	Charter 17:00 Streamline Charter
Sandy Thurman	Charter 17:00 Streamline Charter
Stephen Radelet	TM-303 17:00
Scott Fisher	TM-303 17:00
Amb. Swing	TM-303 17:00
Charles Evans	Driving

MAY 12 (Friday)

Amb. John Lange	SA-143 11:30
Amb. Bader	SA-143 11:30
Mike Morrow	SA-143 11:30
Robert Macke	SA-143 11:30
Donald Booth	SA-143 11:30
Amb. Peter Chaveas	SA-143 11:30
Maj. Daniel L. Hampton	SA-143 11:30
Mike Koplovsky	SA-143 11:30
Wendy Chamberlain	SA-143 11:30
David Hales	SA-143 11:30
Michele Russell	SA-143 11:30
Scott Allen	SA-143 11:30
Raymond Morton	SA-143 11:30
Peter Gore	SA-143 11:30
Carol Martin + Husband + Baby	SA-143 11:30
Marcia Musisi-Nkambwe	SA-143 11:30
Farooq Mangera	SA-143 11:30
Lovemore Bingandadi	SA-143 11:30
Robert Hellyer	SA-143 11:30

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Corridors of Hope in Southern Africa

HIV Prevention Needs and Opportunities in Four Border Towns

O-USAID

USAID Working Paper No. 221

Center for Development Information and Evaluation

Endowments as a Tool for Sustainable Development

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U.S. Agency for International Development

July 1996

PN-ABY-616

PREFACE

This study was conducted over a two-month period in 1996. Data were collected through interviews, primarily with USAID staff, and through document review. The assistance of Naydu Yaniz and Molly Davis, both from the Research and Reference Services Project of USAID's Center for Development Information and Evaluation (CDIE), is greatly appreciated. Ms. Yaniz collected data on other donor use of endowments and drafted that section of the report. Ms. Davis assisted with data collection on USAID experience and developing country foundations.

The study benefited greatly from the expertise of many individuals, primarily from USAID, who generously participated in interviews, provided written materials, and made suggestions on the structure and content of the study report. Gerald M. Britan, Acting Director of CDIE, was especially helpful in his review of report drafts. Special thanks go to Marcy Bernbaum, CDIE Senior Policy Advisor, who facilitated many interviews and provided valuable feedback on the report. The authors retain full responsibility for any errors in this study, however, and hope any such errors will not detract from its usefulness.

EXECUTIVE SUMMARY

USAID has considerable experience in establishing endowments and is at the forefront of donor involvement in this area. USAID has directly funded about 35 endowments, primarily with local currency. The majority of these are in Latin America and the Caribbean. There are two endowment models: those that strengthen an institution to help ensure its financial sustainability, and those for local grant-making organizations.

Because of the newness of most endowments and the scarcity of evaluations, the study does not definitively assess the impact and sustainability of USAID-funded endowments. However, all the endowed organizations continue to exist and seem to be making strong contributions to development. A full field-based evaluation is needed to assess impact and sustainability, as well as to determine the institutional characteristics of "successful" endowed organizations.

Several lessons can be learned from USAID and other donor involvement in setting up endowments. These include the need for adequate financing to establish the endowment; the strategic use of matching funds to leverage USAID resources; and the importance of organizational independence from government or secular interests. The study's principal conclusions are that:

- Under the appropriate conditions, endowments can be a viable option for providing long-term sustainable development in countries with or without a USAID presence.
- Using endowments can be an important strategy for increasing the capabilities of indigenous organizations as development partners.
- Strong institutions that are well-managed and have successful track records are an essential prerequisite to funding an endowment.
- By their very nature, endowments involve less USAID monitoring and oversight than other types of activities. Instead, safeguards are built into the endowment design.

A number of factors should be considered when determining the feasibility of an endowment. For example, the country's legal, regulatory, and financial environment should be amenable to establishing an endowment. The purpose of the endowment should be consistent with the development priorities of USAID and the host country. The risks and benefits of alternative financing mechanisms should be explored to ensure that an endowment is the most appropriate funding vehicle.

Endowments appear to be a reasonable strategy for promoting sustainable development. Because they encourage organizational self-reliance, endowments promote more independent partnerships with USAID. When they are well designed and consistent with USAID and host country development priorities, endowments are a "natural" for countries graduating from USAID assistance.

INTRODUCTION

There is considerable interest in the U.S. Agency for International Development regarding the use of endowments as a financing mechanism. Endowments show potential as a means of developing self-reliant, effective local organizations. Endowments can enhance an organization's financial sustainability, and are a way to leverage other public and private funding resources. Endowments also can be a mechanism for developing civil society by encouraging local involvement in development. These concerns become increasingly more important in times of diminishing donor resources for development.

In April 1996, USAID Administrator J. Brian Atwood requested the Center for Development Information and Evaluation (CDIE) to conduct a study examining the experience of USAID, other donors, and developing countries in establishing endowments and foundations. The purpose was to determine whether these entities are viable and sustainable; to explore their potential for fostering effective development assistance activities; and to assess the extent to which they can be used to fulfill development objectives after USAID departure from a country.

To date, there have been no studies examining the status of USAID-funded endowments set up in the 1980s with local currency funds, nor a review of endowments recently established with appropriated dollars. The objective of this study is to begin filling that gap, and to examine what has been done outside USAID. The study focuses primarily on USAID experience, providing an overview of the types of endowments that USAID has funded and highlighting several case studies.

Among international donors, USAID has considerable experience in establishing endowments. Most donor involvement has been limited to the environmental sector. The study also briefly examines the growing interest of private donors in creating and endowing private philanthropic organizations in developing countries.

Most USAID-funded endowments have been established only recently, and there are few formal evaluations available. Thus, this study cannot definitively assess the effectiveness or sustainability of endowments. Preliminary evidence indicates, however, that endowments can be financially sustainable and that they contribute to sustainable development. The study provides a number of "lessons learned" in setting up endowments, as well as considerations in deciding when it is appropriate to use an endowment.

BACKGROUND

What is an Endowment?

An **endowment** is a fund that has been set aside for a specific purpose. Generally, endowments are designed to disburse only the income from the assets; the principal or "corpus" of the fund remains intact and invested (PROFIT 1994:3). A **foundation** is an organization with one or more funds of its own, managed by its own trustees or directors, and established to promote social, educational, charitable, religious, or other activities serving the common welfare (F. Emerson Andrews, as cited in Rigby et al. 1993:7). While most foundations are nonprofit and nongovernmental, some are quasi-public, such as the National Endowment for Democracy. The goal of most foundations is to build an endowment to establish a permanent collection of funds (Rigby et al. 1993:8). This study focuses primarily on endowments (a funding mechanism), rather than on foundations (an organizational structure), although there clearly are areas of overlap in terms of management.

The terms "trust," "capital fund," "sinking fund," and "endowment" describe similar financial arrangements, although there are differences in the ways they are managed. A trust is a fund whose assets are managed by a person or group ("trustees") on behalf of another group ("beneficiaries"). A board of directors, sometimes called the board of trustees, is responsible for managing the trust's assets, following the terms of the trust agreement and applicable laws (Mikitin and Osgood 1995:6). Several USAID-funded endowments, particularly ones created with U.S.-appropriated dollars, are in the form of trusts. A capital fund is an endowment that is managed by the endowed organization (Lion 1992:3). A sinking fund is designed to disburse the entire principal over a fixed period (Mikitin and Osgood 1995:8).

A number of other funding arrangements are available to donors to address the need for sustainable financing of international development activities. With revolving funds, new resources are added to the principal as existing funds are spent, replenishing or augmenting the original principal amount (Mikitin and Osgood 1995:8). The Belize "Protected Areas Trust Fund" (PACT), which the World Wildlife Fund helped design, is an example of a revolving fund. PACT is financed by a \$20 conservation fee collected from each foreign tourist who arrives in Belize. These fees are expected to contribute more than \$2 million in new revenues each year for the trust fund (Larson 1993:7-8). Most of USAID's experience, however, has been in setting up endowments that are intended to last indefinitely, rather than establishing sinking or revolving funds.

Debt swaps, another funding mechanism, involve the purchase of developing country debt by a third party (usually a nongovernmental organization [NGO]) at a discounted value in the secondary debt market. The debt is cancelled, and local currency proceeds are used for development activities. Many U.S. environmental NGOs also have used this funding

mechanism to conduct debt-for-nature swaps. The proceeds from debt swaps can be used to establish an endowment.

Legislative History

Prior to 1990, U.S. appropriations law prohibited grantees from retaining interest earned on appropriated dollars. As a result, endowments could not be established with dollars appropriated to USAID, or with local currency acquired by the exchange of these dollars. Endowments could be established with USAID funds only through Congressional approval or by using host country-owned local currency (USAID 1994a:1-2).

Legislation enacted as part of the Fiscal Year (FY) 1990 foreign assistance appropriations act allowed for the establishment of endowments with local currency acquired through the exchange of appropriated dollars. This legislation was directed mainly at transactions involving debt swaps (USAID 1994a:2). In FY 1993, Congress expanded this authority to permit NGOs to retain interest on, and thus establish endowments with, appropriated dollars as well as those converted into local currency. Since enactment of the 1993 legislation, USAID has set up at least nine endowments with appropriated dollars. In July 1994, USAID issued guidelines for establishing dollar-appropriated endowments (USAID 1994a).

Because of legislative restrictions, most pre-1990 USAID endowments were financed with host country-owned local currency. The U.S. government, however, can now directly grant appropriated dollars for an endowment. Dollar appropriated endowments must be invested with a U.S.-based assets manager (USAID 1994a:7). The rationale for this requirement is to ensure the security of the investment; to protect it from devaluation; and to provide ready access to the funds if the U.S. government has to dissolve the endowment. With both types of endowments, however, certain checks and balances are put in place to ensure funds are used for the designated purpose.

Why Choose an Endowment?

There are a number of reasons for choosing an endowment over another funding vehicle. USAID experience indicates that earlier local currency endowments often were used to promote the financial sustainability of an individual institution. Several recent dollar-funded endowments, on the other hand, have been used to provide a secure funding base for local grant-making foundations. Frequently-cited advantages of endowments include the following:

- **Providing a secure funding source.** Endowments are sometimes used to ensure a secure source of funding for an organization, to help it move toward financial sustainability, or to insulate it from government or donor agency budget fluctuations (USAID 1994a:4).
- **Supporting local capacity building.** Endowing a local NGO can help it expand its financial management, programmatic (grant-making) and fund-raising capabilities.

- **Expanding sectoral support.** Endowments can broaden the funding base for activities in a particular sector. Endowment funding has been frequently used in the environmental sector, for example, because of the long-term commitment needed to make sustained improvements in the environment. Several USAID-funded endowments have been established for grant-making environmental foundations (e.g., Indonesia, Mexico, Panama, and the Philippines).
- **Developing civil society.** Establishing an endowment (and, frequently, a companion local foundation) can be a way to encourage local participation in development and to expand the foundations of civil society. In some cases (e.g., the Mexico Nature Conservation Fund), diverse groups join together for a common purpose. The Boards of Directors of many endowed foundations often are composed of a majority of NGOs or community leaders.
- **Encouraging local philanthropy.** In many countries, the philanthropic tradition is not well established. Providing an endowment to a local organization, particularly when matching funds are required, is one way to encourage the development of local philanthropy (USAID 1994a:4).
- **Leveraging other sources of funds.** A USAID-funded endowment can be designed to provide a specified portion of the total amount of required funds, with the endowed organization responsible for securing additional funding. Thus, an endowment can be used for leveraging funds from local sources as well as from external donors. Endowing an organization with U.S. government funds, with their associated conditions and safeguards, may make it easier for the organization to attract funds from other sources (USAID 1994a:4).
- **Leaving a U.S. development "legacy."** Establishing an endowment is one way for USAID to continue supporting local development activities after the closure of a USAID Mission (USAID 1994a:4). Examples of this strategy include the dollar-funded Panama Ecological Trust Fund and the Costa Rica/USA Foundation.

Key USAID Resources on Endowments

USAID staff who are considering the use of an endowment should first become familiar with USAID's policy guidance, *Guidelines: Endowments Financed with Appropriated Dollars (USAID Policy Determination 21)*. These guidelines, also known as PD-21, were developed by USAID's Bureau for Policy and Program Coordination in 1994. PD-21 outlines USAID's policy regarding the establishment of dollar-funded endowments, types of organizations eligible to receive endowments, and administrative and contractual procedures, including financial management arrangements. Guidance to assess the appropriateness of using an endowment and in designing the endowment structure are included (USAID 1994a). Although the guidelines were developed for dollar-funded endowments, they also are helpful in designing local currency endowments.

Another useful publication, *Terms of Endowment: A New A.I.D. Approach to Sustainable Development*, was prepared by Gary Hansen of USAID's Center for Development Information and Evaluation (CDIE) in 1990. It provides an overview of several local currency endowments established in Latin America and the Caribbean in the mid-1980s. Given the newness of the endowments, the study does not assess their impact. The report provides useful information, however, on topics such as the purpose of endowments, managing an endowment, and other issues (Hansen 1990).

USAID EXPERIENCE WITH ENDOWMENTS

The conventional wisdom is that USAID is relatively inexperienced with the use of endowments, but data collected for this study indicate the opposite. An informal survey uncovered about 35 endowments (both local currency and dollar) that were directly funded by USAID. In addition, there are seven U.S. Government-sponsored Enterprise for the Americas Initiative (EAI) Funds in Latin America that were set up through debt reduction arrangements. This inventory of USAID-funded endowments is a continuing process; there may be additional endowments that have not been included here. A summary table is presented in Appendix A, with a brief description of each endowment in Appendix B.

The focus of the study is on endowments USAID directly funded or arranged with the host government for local currency funding.¹ Most of USAID's experience with local currency endowments has been in the Latin America and Caribbean region, while the dollar-appropriated endowments show broader regional representation. For most of the endowments highlighted below, there was an available USAID evaluation or audit.

Local Currency Endowments

Some early USAID endowments in the 1970s and 1980s were in the form of trust agreements to support binational foundations that replaced direct USAID programs. For example, in 1985 USAID helped establish the Luso-American Development Foundation in Portugal. Its goal was to promote economic and social development by encouraging cooperation between Portugal and the United States in science, technology, culture, education, and commerce. USAID granted approximately \$118 million in Economic Support Funds (ESF) to the Government of Portugal, which, in turn, provided funding for the endowment (USAID 1989b:75).

Latin America

In the mid-1980s, several USAID Missions and host governments in Latin America and the Caribbean collaborated in setting up and funding endowments (Hansen 1990:1). One factor that facilitated the establishment of endowments in the region was the presence of an enabling legal and financial infrastructure. For example, the existence of laws and regulations relating to endowments and foundations, including those that protect against the ability of the government to seize assets, is important (Rigby et al. 1993:49). The absence of this infrastructure in Africa has contributed to the limited USAID funding of endowments in that region. Local currency endowments in Latin America and the Caribbean are in

¹ The study also uncovered a few cases in which USAID helped an NGO establish its own endowment (e.g., by granting funds to cover initial operating costs). Although these cases are not included in this report, they also contribute to the Agency's expertise with endowments.

agricultural education, development and research; environment; export promotion; and sustainable development.

USAID has funded endowments for several agricultural schools. In 1985, USAID and the Government of Costa Rica jointly funded the Agricultural College of the Humid Tropical Region (EARTH), a four-year undergraduate institution. A local currency endowment of \$60 million was established to help cover the college's operating expenses (Hansen 1990:18). A 1991 audit revealed that the endowment principal was \$14.1 million short of the projected 1990 level, however. This decrease was due largely to a three-year delay in transferring funds to the endowment; local currency devaluations reduced the amount transferred (USAID 1991:4). According to a recent interview with a USAID/Costa Rica officer, the endowment fund has been effectively managed.

In addition to supporting educational institutions, USAID endowed several agricultural development foundations in Ecuador, Honduras, and the Dominican Republic. In 1984, USAID helped establish the Honduran Agricultural Research Foundation (FHIA), awarding a 10-year grant to help cover operating and program expenses (Hansen 1990:14). In 1993, USAID and the Government of Honduras granted funds to FHIA for establishing an endowment. A 1994 evaluation of FHIA concluded that the organization has developed into a viable research institution with an international outlook; since the endowment was just created in 1993, its impact could not be assessed. The overall evaluation points out, however, that the present endowment structure will enable FHIA to maintain its current level of core services for the foreseeable future (Easterling et al. 1994:1).

In the Dominican Republic, a USAID grant to the Agricultural Development Foundation (ADF) in 1987 promoted research in nontraditional crops, established a technical information center, and set up an endowment to support the foundation. A 1993 Project Assistance Completion Report stated that ADF was able to more than double its local currency endowment. However, the fall in the foreign exchange rate "wiped out the gain in dollar terms," leaving the endowment with about \$2.7 million at the time of the evaluation, slightly more than half of its dollar-equivalent starting value (USAID 1993a:6).

Several local currency endowments for the environment also have been set up in the region. These include the Foundation for the Development of the Central Volcanic Cordillera (FUNDECOR) in Costa Rica, the Jamaica National Parks Trust Fund, and the Honduran Environmental Trust Fund. The Jamaica National Parks Trust Fund was established under the Protected Areas Resources Conservation project, initiated in December 1990. The Nature Conservancy, a U.S. NGO, facilitated a debt-for-nature swap of approximately \$400,000 to fund a local currency endowment held by the Jamaica Conservation and Development Trust (Church et al. 1994c:5-6). The creation of a trust fund helped to attract additional capital assets to support local conservation efforts. Since its establishment, the Jamaica Conservation and Development Trust has obtained funding from several environmental foundations, foreign governments and Jamaican business firms,

increasing the endowment from about \$400,000 to nearly \$1.2 million in 1994 (Church et al. 1994c:17).

The only local currency endowment for export promotion identified in Latin America is the Costa Rican Export Promotion Fund (FUNDEX). This fund was established to provide grants to organizations and agencies that promote foreign investment and exports. The main beneficiary of FUNDEX was the Costa Rican Coalition for Development Initiatives (CINDE), a private sector institution established in 1982 with USAID support.

FUNDEX was set up as a five-year fund that would end in 1996 unless the Government of Costa Rica and USAID agreed to extend it. An evaluation of FUNDEX was conducted in 1995 to determine whether or not funding for trade liberalization should continue, and, if so, under what conditions. The evaluation concluded that the impact of the fund was positive, and that there was a continuing need for financing (USAID 1995c:44-49). The evaluation also found that FUNDEX unfairly held up funds for CINDE in 1994. FUNDEX granted funds to CINDE based on a performance score related to CINDE's achievements. The evaluation noted that FUNDEX's monitoring methodology had a counterproductive effect on CINDE's capacity to implement its programs, since it was incorrectly imposing financial cuts to important and successful programs (USAID 1995c:45-47). The USAID Mission and the Government of Costa Rica have agreed to continue funding for trade liberalization under the overall umbrella of the Costa Rica/USA Foundation, rather than maintaining a separate fund with its own administrative costs.

The recently created Costa Rica/USA Foundation (CRUSA) is an example of an endowment with a broader scope. CRUSA, created to continue development activities when USAID/Costa Rica closes in 1996, is a grant-making foundation that supports sustainable development through technical cooperation, training, and technology transfer between the United States and Costa Rica. One priority is to provide technical assistance to the Costa Rican government to reform state institutions, strengthen local governments, and decentralize national government functions. To establish the endowment, CRUSA will receive remaining funds from selected local currency trust funds managed by USAID/Costa Rica. The endowment currently is worth \$12 million, but is expected to reach \$25 million.

CRUSA has an assembly of ten founding members, half Costa Rican and the other half American. It also has a five-member Board of Directors, one of whom is appointed by the U.S. Ambassador to Costa Rica. Since USAID will no longer have an in-country presence, the endowment funds will be monitored by the founding members and annually reviewed by the Controller General of the Republic of Costa Rica.

Africa

The bulk of USAID's experience in the creation of endowments has been in Latin America. Three local currency endowments in Africa have been identified, however: the Family Life Association of Swaziland, the Ghana Community Enterprise Development and Investment Trust, and the Madagascar Environmental Endowment Foundation.

In September 1992, USAID began a project with the Family Life Association of Swaziland (FLAS) to improve and expand family planning services; an endowment of about \$1.7 million was created (USAID 1992:4). In this case, USAID provided an endowment to an existing institution (established in 1979) that had a successful track record. Since the endowment was provided through a project arrangement, USAID plays a larger role in monitoring and oversight. During the life of the project, USAID will work with FLAS to select activities to be supported with endowment income, monitor their implementation, and evaluate their results (USAID 1992:5). A 1995 evaluation noted that FLAS largely had achieved its strategic goals (Coopers and Lybrand 1995:15). However, the evaluation recommended that FLAS seek additional sources of funding, as well as make investments outside Swaziland to obtain higher rates of return. Unless revenue generation becomes an integral part of its operations, the evaluation concludes, FLAS will not be capable of further growth or even sustain its current level of operations (Coopers and Lybrand 1995:10).

Asia

USAID's experience in establishing local currency endowments in Asia also has been limited. In Korea, two institutions were endowed with local currency funds: the Korea Development Institute and the Korean Institute for Science and Technology. Both were set up as part of the country graduation process to leave behind organizations that would continue to contribute to Korea's development. In 1992, USAID/Philippines worked with the local NGO environmental community, Philippine Business for Social Progress (a well-established NGO) and the World Wildlife Fund to create the Foundation for the Philippine Environment (FPE). FPE received an endowment valued at \$22 million, the result of two debt-for-nature swaps involving \$18 million in USAID funds.

Dollar-Appropriated Endowments

The study identified nine endowments established with appropriated dollar funds: the Indonesia Biodiversity Foundation; the International Center for Diarrheal Disease Research/Bangladesh; the Nepal National Social Welfare Association; the Swazi Business Growth Trust; the Ecological Trust Fund (Panama); the Nature Conservation Fund (Mexico); the Centro Asesor para el Desarrollo de los Recursos Humanos (Honduras); PROFAMILIA (Colombia); and the Arias Foundation (Costa Rica). The establishment of an endowment for the Kenan Institute Asia (Thailand) was approved in June 1996, and several other endowment proposals are in the planning stages. Three dollar-funded endowments are highlighted below.

Panama

A \$25 million Ecological Trust Fund was established in Panama in 1995 (USAID 1995d). This endowment is part of USAID's Natural Resources Management (MARENA) project, which was designed to help Panama's public and private organizations manage the country's renewable natural resources, especially in the Panama Canal Watershed. The \$25 million endowment was funded by USAID (\$8 million), the Nature Conservancy (\$2 million), and the Government of Panama (\$15 million, consisting of reflows from a previous USAID project). The endowment is set up as a trust agreement, with the Nature Conservancy as trustee. The Natura Foundation, a Panamanian NGO, is the endowment beneficiary. Half of the endowment earnings are designated for the Panamanian government's Institute for Renewable Natural Resources to carry out environmental activities related to the MARENA project; the remainder is for grants to NGOs. The activities of the Natura Foundation will continue after the MARENA project ends and USAID/Panama closes.

According to USAID/Panama, there were no local NGOs with sufficient experience to manage the endowment, so the Mission is using a U.S. NGO as a financial intermediary and to provide programmatic oversight. USAID's monitoring of the endowment will end when the MARENA project does, in 1998. An interesting accountability requirement in the trust agreement is that the results of the Natura Foundation's annual audit will be published in a "leading and widely circulated newspaper in Panama, as well as distributed to a broad spectrum of the local environmental and conservation NGO community" (USAID 1995d:27).

Mexico

USAID provided \$19.5 million to establish an endowment for an environmental grant-making foundation in Mexico, the Mexican Fund for the Conservation of Nature (FMCN). The endowment will enable FMCN to finance biodiversity grants to Mexican NGOs. Project funding was reserved as "parallel financing" under the U.S. Government commitment to the Global Environment Facility (GEF), and was subsequently apportioned to the USAID/Mexico budget (USAID 1995b:6).

The institutional strengthening of FMCN was a prerequisite to establishing the endowment. USAID provided \$500,000 in 1994 for FMCN start-up and training activities. In addition, World Wildlife Fund and the Nature Conservancy assisted with the development of FMCN and the design of the endowment. One characteristic of the foundation design process was its emphasis on participation. Through six regional meetings, local conservation experts were invited to comment on how FMCN could best respond to local conservation needs. More than 450 individuals, representing 250 groups from 30 Mexican states, participated (USAID 1995b:27).

Costa Rica

USAID funding of the Arias Foundation is an example of support to an existing local foundation. Former Costa Rican President Oscar Arias Sánchez founded the Arias Foundation for Peace and Human Progress, endowing it with the monetary award from his 1987 Nobel Peace Prize. The foundation's mission is to promote sustainable development in Central America through programs focusing on women, conflict resolution, demilitarization and disarmament, and philanthropy. The Arias Foundation has an endowment of approximately \$2 million, as well as a diverse funding base. In 1993, USAID provided a \$500,000 endowment, the earnings of which are to cover part of the Foundation's operating expenses, to help ensure the financial sustainability of the organization.

The Enterprise for the Americas Initiative

The Enterprise for the Americas Initiative (EAI) was launched by the United States Government in June 1990 to reduce the debt burden of Latin American and Caribbean nations. Under the EAI, the United States has reduced the foreign assistance and food aid debts of Argentina, Bolivia, Chile, Colombia, El Salvador, Jamaica, and Uruguay by \$875 million. In exchange for debt reduction, each country agreed to establish a local currency fund to support environmental and child survival programs (U.S. Department of Treasury 1996:1). These funds are set up as endowments.

In each country, local boards of directors are established to govern the use of the EAI funds. The local boards are composed of a majority of local NGO representatives; a representative of the U.S. government; and representatives of the host government. EAI funds differ from USAID-funded endowments in that a U.S. government representative sits as a voting member on the Board of Directors. If there is a USAID Mission in the country, a USAID representative serves on the Board; if there is no USAID Mission, the board representative is a senior U.S. Embassy official. Another distinguishing feature of the EAI funds is the existence of a Washington-based EAI board. Its role is to advise the U.S. Government on EAI negotiations with host country governments, as well as review the composition of local boards and the annual operation of the funds (U.S. Department of the Treasury 1996:3).

Of the seven countries that have received debt reduction, Bolivia, Chile, El Salvador, Uruguay and Jamaica have operational boards that have begun disbursing funds. While most EAI funds are housed in private foundations established specifically for the EAI program, Bolivia's fund of \$21.8 million is housed in a government agency, FONAMA (the National Environmental Fund) (Asselin et al. 1996:7,35). A recent evaluation pointed out a number of problems with implementation of the fund due to its links to a government agency. One lesson learned from Bolivia's experience is the importance of insulating a fund from "national political currents" and turnover in ministries (Asselin et al. 1996:37).

Characteristics of USAID-Funded Endowments

USAID has had substantial experience with endowments. The study uncovered about 35 endowments funded directly by USAID. Of these, nine were funded with dollar appropriations, and the rest with local currency. The smallest endowment is \$400,000 and the largest, \$118 million. Half the endowments were for \$5 million or less; only three were over \$50 million. Most of the endowments are located in Latin America and the Caribbean. Only one endowment was funded by USAID/Washington; the rest were Mission-funded. About three-fourths of the endowments have been established since 1990.

Most of the USAID endowments are for activities in the environment and agriculture (agricultural education, research, development, and policy institutes). The majority focused on a particular sector (rather than broad development efforts), and were designed to last indefinitely. Several endowment agreements included a matching fund requirement to encourage the organization to leverage additional endowment financing from other sources.

USAID has provided endowments under two organizational scenarios: (1) to provide some measure of financial security to individual institutions; and (2) for local grant-making organizations. Examples of the first model are the endowments to the International Centre for Diarrheal Disease Research in Bangladesh and to educational institutions such as EARTH in Costa Rica and Zamorano in Honduras. The Indonesia Biodiversity Foundation and the recently created Costa Rica/USA Foundation are examples of local grant-making organizations. The majority of endowments have been for the operation of individual organizations, but endowments for local grant-making organizations recently have been increasing.

In most cases, USAID provided funding to an existing institution with a successful track record. In other instances, particularly for local grant-making organizations, a new organization was established to "house" the endowment. In these cases, USAID usually provided considerable technical assistance to prepare the organization to manage the endowment funds and its grant-making programs.

USAID also has used endowments as part of its exit strategy for four "graduating" countries: Korea, Portugal, Costa Rica and Panama. The Luso-American Development Foundation in Portugal and CRUSA in Costa Rica both have broad, multisectoral mandates. The Korea and Panama endowments are sectoral: Korea's are for the development of science and technology; the Panama endowment is for environmental activities.

USAID oversight

Both local currency and dollar-appropriated endowments have built-in accountability measures to ensure the integrity of operations and the continuation of the program purpose. All dollar-funded endowments approved since July 1994 have been required to follow USAID's policy guidelines (PD-21). The accountability measures for endowments include the following:

- USAID involvement in the design of the endowment agreement, which specifies the purpose of the funds and how they will be managed. PD-21 provides guidance in this regard (USAID 1994a).
- USAID can approve the initial Board of Directors (or Trustees). In some cases, USAID has appointed a member of the Board of Directors or Trustees to manage the endowment funds. A USAID representative often participates on the Board of Directors or Trustees in an official, non-voting capacity (USAID 1994a:15).
- During the period of oversight (usually 5-10 years), USAID can receive copies of the organization's annual audits and performance reports (USAID 1994a:15).
- For dollar-appropriated endowments, all funds are required to be invested in financial instruments offered in the United States through a U.S.-based financial intermediary. This limitation does not prohibit investment in global securities, since funds may be invested in a mutual fund that includes global investments (USAID 1994a:7).

OTHER DONOR EXPERIENCE WITH ENDOWMENTS

Many donors do not use endowments, and experience to date has been limited mainly to the environmental sector. Based on available information and contacts with several donors, donor involvement with endowments appears to be limited. Japan, Germany (German Technical Cooperation Agency [GTZ]), and Great Britain (Overseas Development Administration [ODA]) have little experience with endowments. Switzerland (Swiss Agency for Development and Cooperation [SDC]) has some experience with endowment funds, but the results have not encouraged them to continue. The SDC encountered problems in areas such as the administration of funds, long-term planning, inflation, use of the initial capital, and sustainability of the funds.

The World Bank also has little experience with endowments, although it occasionally has used trust funds to finance specific projects. The World Bank's involvement with endowments has been through the Global Environment Facility (GEF), which was created in 1990 to assist developing countries with projects that protect the environment. The GEF is jointly implemented by the World Bank, the United Nations Development Program (UNDP), and the United Nations Environment Program (UNEP).

The following section briefly examines donor involvement with endowments, including case studies of an endowment administered by the Inter-American Development Bank and a fund set up by Switzerland for debt reduction. The rest of the section focuses on National Environmental Funds (NEFs) that have been supported by donors.

Inter-American Development Bank (IDB)–Regional Fund for Agricultural Technology²

The IDB, a multilateral bank that makes both grants and loans, has had little experience with endowments. However, the Bank recently has been involved in setting up the Regional Fund for Agricultural Technology, an endowment that will be initiated in 1996. In 1995, the IDB and several Latin American nations began to discuss the need to create a fund to promote and finance joint research and development activities considered strategically important to the region (Pineiro and Trigo 1996:5). Funds for the endowment will come from contributions by IDB member countries, and the goal is to secure \$200 million. As the fund's Secretariat during the initial three-year phase, the IDB is responsible for administering financial resources. The fund's Board of Directors, which has one representative from each contributing country or organization, is responsible for deciding funding priorities and allocating resources among projects.

² Information on the Regional Fund for Agricultural Technology was obtained in part from interviews with Ruben Echeverría, Environment Division, IDB, and Laura Bocalandro, Attorney, IDB, on May 22, 1996.

The Swiss Debt Reduction Facility

In 1991, the Swiss Government established the Swiss Debt Reduction Facility (SDRF), a special fund for debt relief operations. The purpose of the SDRF is to assist countries to reduce their external debt with foreign governments, private commercial banks, and international financial institutions such as the World Bank and the International Monetary Fund. In return for the debt write-off, the debtor governments place the local currency equivalent of a small portion of the original debt into a national "counterpart fund," which can be an endowment, a revolving fund or a sinking fund. This fund then is used to finance domestic development programs (Blesse-Venitz et al. 1995). As of 1995, debt relief agreements had been signed with 17 debtor countries. The counterpart funds are used, for example, for micro- and small enterprises, environmental programs, and social sector activities (Blesse-Venitz et al. 1995). Some funds are managed solely by NGOs, while others are under the control of the government.

National Environmental Funds

Several donors, including Germany, Switzerland, Canada, the Netherlands, Norway, the World Bank, and the Inter-American Development Bank, have supported National Environmental Funds (IPG 1995b:21). NEFs are financing mechanisms designed to provide long-term sustainable support for the conservation of biodiversity, to strengthen local environmental institutions, or to promote sustainable development. Not all NEFs are permanent endowments; they also can be sinking funds, revolving funds, or debt-for-nature swaps (IPG 1995b:5).

NEFs have a number of advantages, such as: providing a mechanism for expediting and catalyzing national environmental priorities; increasing opportunities for local ownership of environmental programs; strengthening the role of local NGOs; providing sustainable financing for environmental programs; and serving as a means for donor coordination in the environmental sector (The World Conservation Union et al. 1994:6). On the other hand, there are several disadvantages of NEFs. The environment may be treated as an independent sector at the expense of other sectors, or an endowed organization may focus on fund-raising instead of program activities when there is a matching funds requirement. Government-dominated NEFs may be susceptible to changes when governments change. And finally, donors may be concerned about losing control over the funds or whether they will receive adequate recognition for their funding role (IPG 1995b:6).

NEFs tend to be governed by semi-autonomous entities situated within a government ministry, by NGOs, or by trustees selected from the NGO community (The World Conservation Union et al. 1994:13). Some new independent NGOs or charitable trusts are set up to manage the funds, and the boards of directors are composed of representatives from both government and nongovernment sectors. NEFs receive and manage money from a variety of sources, such as national governments, debt-for-nature swaps, bilateral debt reduction agreements, and direct grants from bilateral and multilateral aid agencies (The

World Conservation Union et al. 1994:21). The United States has supported the creation of 15 of the existing environmental funds, involving approximately \$250 million in U.S. government resources (IPG 1995b:8).

The Global Environment Facility (GEF), a major source of NEF funding, finances projects in four areas: reduction of greenhouse gases, conservation of biological diversity, pollution control in international waters, and combating ozone depletion (The World Conservation Union et al. 1994:21). The GEF supports eleven trust-like national or regional funds on biodiversity conservation around the world (IPG 1995a:13). Trust funds established with the GEF are set up as projects for the first five years of the fund. During this time, the Facility helps design and operate the fund. Two examples of endowed trusts under the GEF are the Bhutan Trust Fund for Environmental Conservation and the National Trust Fund for Protected Areas in Peru (see Appendix C for descriptions of these funds).

International NGOs that have organized and funded debt-for-nature swaps also have been a source of technical assistance for NEFs (The World Conservation Union et al. 1994:21). In addition, nonprofit foundations in industrialized countries are beginning to look at the potential for environmental funds. For example, a private foundation in Great Britain contributed the bulk of the money for the Guatemalan Trust Fund for Environmental Conservation, and the MacArthur Foundation in the United States has made substantial contributions to the Mexican Fund for the Conservation of Nature, Pronatura (the Dominican Republic), and the Foundation for Eastern Carpathian Biodiversity Conservation (IPG 1995a:13). In-country funding may come from taxes, fees, fines, fund-raising campaigns, and other sources.

FOUNDATIONS IN DEVELOPING COUNTRIES

While there is a substantial body of knowledge about philanthropic institutions in Canada, the United States, Western Europe, and Japan, less has been written about such organizations in the rest of the world (Biemann et al. 1992:ii). These institutions, however, can be a significant source of funding for economic and social development activities. Most foundations in the developing world have relied on external sources of funding, especially from donors and U.S. foundations. The role of local foundations becomes even more important as funding from bilateral donors is expected to decrease in the coming years.

Both the Synergos Institute and the South-North Development Initiative (SNDI) have conducted research on foundations in developing countries. Synergos, which is affiliated with the Ford Foundation, works with voluntary organizations and other community groups to develop effective, sustainable solutions to poverty-related problems. SNDI fosters the emergence of new development foundation initiatives in Southern nations. It provides technical assistance, promotes the development of foundations, and collects and disseminates information about new foundation models in developing countries (Biemann et al. 1992:ii).

In 1992, Synergos and SNDI published *A Survey of Endowed Grant-Making Development Foundations in Africa, Asia, Eastern Europe, Latin America, and the Caribbean* (Biemann et al. 1992). The survey focused on endowed organizations that were nationally located and governed. The study points out that a country's legal framework shapes its foundation sector (Biemann et al. 1992:3). Also, in some countries the concept of an endowment is uncommon, and the terminology used to describe an endowment or foundation is confusing. For example, the word for foundation in Spanish—*fundación*—can refer to many types of NGOs, not only those with an endowment (Biemann et al. 1992:2).

The survey highlighted the characteristics of foundations in different geographic regions, including their ages and sources of funding. Some of the main findings are:

- The foundation sector is diverse, dynamic, and, in most regions, young and growing.
- Some of the newer foundations are actively promoting the development of local philanthropy on a national and/or regional level.
- In Africa and Latin America, the foundation sector tends to be more established in the larger and wealthier countries (e.g., Mexico, Colombia, Argentina, Brazil, and South Africa).
- The African responses to the 1992 survey indicate there is local support for foundations—60 percent of the institutions raised some portion of their endowment funds from national private citizens.

- Asia is home to some of the oldest endowed grant-making institutions. Seventy-five percent of the survey respondents were foundations created before 1982.
- Most of the Asian foundations in the study raised significant endowment funds from in-country sources. The majority built their endowments from a single source, such as an individual, family, or corporation.
- The majority of the foundations surveyed in Eastern Europe have been established since the late 1980s.
- The Latin American institutions in the study are diverse in their organizational structure and funding. They include family and corporate foundations, foundations initiated with the support of various sectors of society, and grant-making NGOs (Biemann et al. 1992:32-36).

The Synergos Institute also completed case studies of eight foundation-like organizations (FLOs) in Asia, Africa, and Latin America (Overholt n.d.). These organizations support civil society in developing countries, leverage diverse sources of financing, serve as a new channel for the distribution of foreign aid, and act as an interface between civil society and the government and business sectors (Schearer et al. n.d.:1). Half of the foundation-like organizations in the study relied primarily on international funding sources; the other half depended more on domestic sources (Overholt n.d.:16). The study found that the FLOs created from domestic initiatives had the greatest impact on fostering local giving (Overholt n.d.:22). Also, the stronger FLOs were successful in strategic and financial planning, as well as marketing (Overholt n.d.:25). They conducted market research to understand the characteristics and needs of their clients.

Examples of local foundations that rely mainly on domestic sources of funding include Child Relief and You (CRY) in India and the Fundación para la Educación Superior (FES - Foundation for Higher Education) in Colombia. CRY was established in 1979 to support development efforts to improve the status of underprivileged children in India. From 1995 to 1996, CRY supported 96 projects and 35 fellows through grants to organizations. CRY's resources include contributions by corporations and the public, and revenues from the sale of CRY products and direct mail appeals (Schearer 1995:28). FES, a nonprofit organization created in 1964, supports education, science, cultural activities, health, income generation, and the environment through grants, technical assistance, and training.

Both FES and CRY are examples of foundations that earn revenues through the sale of products and services (Overholt n.d.:17). FES owns five financial service companies, the after-tax profits of which go to the foundation, and CRY sells greeting cards and calendars to generate funds (Overholt n.d.:18). FES also administers permanent endowment funds with resources from individuals, NGOs, community groups, and religious organizations (Schearer et al. n.d.). Both of these organizations have been successful in building their endowments (Overholt n.d.:21).

Most local foundations, though, rely on external sources of funding. Private foundations in the United States, such as the Ford, MacArthur, and Kellogg Foundations, are one source. The Ford Foundation, for example, has provided endowment funding for FES in Colombia and the Arias Foundation in Costa Rica.

Private foundations are not only a funding source, but their experience can be valuable to developing countries that are creating philanthropic institutions. In the United States, there is a range of foundation types, including corporate, private, and community models. Although it may not be feasible to transplant the U.S. model of foundations to other geographic regions due to economic, social, legal, and cultural differences, the U.S. experience in philanthropic giving can be shared. For example, the role of board members and strategies for fund-raising may be useful to indigenous foundations.

As the Synergos Institute points out, philanthropic institutions, both in the wealthy countries of the North and in the developing world, "still supply only a small fraction of resources for social and economic development... but they are powerful forces in building civil society" (Schearer 1995:24). A major challenge for these institutions is the need to build up their endowments and leverage funding from governments, external donors, and the private sector (Schearer 1995:26).

LESSONS FROM USAID AND DONOR EXPERIENCE

USAID Evaluation Findings

It was not possible to definitively assess the effectiveness and sustainability of USAID-funded endowments in this study. Many endowments have been established since 1990 and are too new to evaluate. In addition, for most endowments either no evaluations exist, or existing project evaluations are silent regarding the status of the endowment.

The key issues discussed in the available evaluations include devaluation, increasing the endowment level, financial administration, and government involvement. Devaluation was a problem for two local currency endowments: EARTH (Costa Rica) and ADF (Dominican Republic). Devaluation became an issue for EARTH because of a delay in project implementation. The Jamaica Conservation and Development Trust and ADF both succeeded at increasing the endowment level. Two endowments experienced difficulties in administering funds (FUNDEX in Costa Rica and the EAI Fund in Bolivia). Finally, the Bolivia experience underscores the importance of maintaining nongovernmental management of an endowment.

Donor Lessons

A number of common issues have emerged regarding the establishment of endowments. The concerns discussed below are based on interviews with USAID staff, USAID document review, and information on donor experience in setting up and operating the National Environmental Funds. Common concerns include the following:

Design

- **Establishing an endowment takes considerable time and effort.** Resolving legal issues (such as ensuring the tax-exempt status of the endowed organization), writing the endowment agreement, and designing a structure for management of the funds are examples of activities requiring substantial time and effort. USAID involvement is critical at this initial stage, since the Agency can make the greatest impact on development effectiveness through the design of the endowment. During this time, USAID also can focus on strengthening the organization to prepare for managing the endowment.
- **Provide linkage with other USAID activities.** Several USAID endowments were part of larger sectoral projects, such as the Ecological Trust Fund in Panama. Creating endowments that are consistent with the Mission's strategic objectives can help ensure the sustainability of USAID activities. It usually is easier for USAID to provide organizational strengthening and funding for start-up activities if the endowment is linked with a compatible USAID activity.

Funding

- **Adequate initial financing is needed.** An endowment must be large enough to generate earnings to finance operating costs and program activities. Making a large initial grant can provide adequate income streams, reduce administrative costs and assure program continuity. A possible concern for some donors, including USAID, is the sizeable amount of money needed for an endowment. Joint donor efforts are one solution (IPG 1995a:4).
- **Matching funds often are required.** Because of the sizeable financing requirements, many USAID-funded endowments are intentionally designed to leverage additional funds. There often is a requirement for the beneficiary organization to expand the endowment or obtain other sources of funding for operating expenses.

Organizational Issues

- **Organizational independence is important.** According to a USAID evaluation, creating an endowment fund often is necessary for the organization to become financially self-sustainable and to ensure that it does not become dependent on support from governmental or secular interests (Easterling et al. 1994:3). Another evaluation noted that it is important to insulate the endowment from national political currents and turnover in government ministries (Asselin et al. 1996:37).
- **Strong institutions are essential.** There is a clear perception that a strong, well-managed beneficiary organization is a prerequisite to funding an endowment. For existing organizations, USAID must ensure that the institution is well-established, has a successful track record, and has effective programs and financial management. If an organization is newly created for the purposes of the endowment, it must meet the Agency's minimum pre-award or "grant-worthiness" requirements. USAID often provides resources for institutional strengthening assistance.
- **Technical assistance may be needed for foundation grantees.** In some cases where USAID has endowed grant-making organizations, the local NGO community is too new or inexperienced to successfully obtain grant funds. USAID staff stressed the importance of providing technical assistance to NGO grant applicants to build their capability to compete for program grants. The endowed foundation may provide this technical assistance, or USAID may elect to finance the assistance separately.

Management

- **Committed and competent boards are essential.** A strong Board of Directors or Trustees is needed to effectively manage endowment funds and ensure the success of the endowment's program activities. Board members should be committed to the goals of the organization, support community and international development, and understand their

responsibilities as board members. Some USAID staff recommend that Boards of Directors receive training related to their roles as board members.

- **Separate program and financial responsibilities.** One way of ensuring accountability for the endowment is to separate the financial management of the endowment funds from program (grant-making) decisions. In some cases, a separate Board of Trustees was established solely to manage the endowment fund. Other organizations have a small group of Board members serving as an investment subcommittee. For dollar-appropriated endowments, fund management by a U.S. investment firm is required.
- **Endowments promote greater self-reliance.** One purpose of setting up an endowment is to provide a local organization or foundation with more financial and programmatic independence. Endowments, by their very nature, involve less USAID monitoring and oversight than traditional project activities.

IMPLICATIONS FOR USAID

Compared with other donors, USAID has a substantial amount of experience in using endowments for sustainable development. Most donors do not use endowments as a financing mechanism; the few existing donor-funded endowments are primarily in the environmental sector. Switzerland has a debt reduction facility that can be used to generate endowment funds, and several donors support National Environmental Funds.

A number of foundation-like organizations—both in the United States and in developing countries—are working to expand the private philanthropic base and encourage local grant-making foundations in developing countries. The Synergos Institute and the South-North Development Initiative, in particular, are documenting experiences in this area.

USAID has directly funded at least 35 endowments; nine of these are financed with dollar appropriations, and the rest with local currency. The majority of the endowments are in the areas of environment and agricultural education, research and development. There is relatively more experience in Latin America and the Caribbean than in other regions.

The study looked at two key questions: the extent to which USAID- and other donor-funded endowments have effectively promoted the development objective(s) for which they were established, and the sustainability of these endowments. No definitive answers can be provided regarding the effectiveness and sustainability of endowments, given their newness and the limited available evaluative information. On the other hand, since all 35 endowments in this study have continued to exist, some for more than ten years, circumstantial evidence indicates they are likely to be sustainable.

Endowments appear to be one of many options for achieving sustainable development goals. They show potential for use with ongoing country programs as well as for exit countries. Establishing an endowment also can be an important adjunct to Mission programming. It is important to note, however, that this study focused on endowments as a funding mechanism, and did not assess the functioning of institutions that "house" the endowment.

Endowments can encourage self-reliance by fostering the growth of independent partners and strengthening indigenous organizations. Strong institutions appear to be critical to the success of an endowment. In many cases, USAID has provided assistance to an existing institution to prepare it for the responsibility of managing an endowment. Institutional strengthening generally was provided, as well, when a new organization was created to manage an endowment. If a significant amount of institutional strengthening is required to prepare an organization, USAID may want to consider whether an endowment is the most appropriate financing mechanism.

Because an endowment inherently involves fewer USAID operational controls, USAID should have a less prominent role in managing the endowment—and that role should decrease

over time. There are some risks associated with endowments, however. Although USAID attempts to design endowments to limit its exposure, the Agency still has less control over endowments and their associated programs than with conventional bilateral or nongovernmental development activities. Financial or programmatic misconduct by Board members or foundation staff is one risk. There also are risks that the endowment principal may lose its value through devaluation or decapitalization. It is possible, as well, that endowment-sponsored activities will show little or no developmental impact. While USAID can design an endowment to minimize these risks, there is always some potential for embarrassment to the Agency because of the relative hands-off nature of an endowment.

To be successful, the rationale for and design of individual endowments must be carefully thought through. Some considerations in assessing the appropriateness of an endowment are provided below.

Deciding to use an endowment

Assess the host country environment. When considering whether to use an endowment, USAID should consider the legal, regulatory and financial "infrastructure" of the host country. Does it support (or at least not prohibit) the establishment of endowments? Is there a local philanthropic tradition? Building in opportunities for the community and the organization to participate in designing and establishing the endowment will help ensure local "ownership" of the endowment and its development activities.

Assess fit with development strategy. The purpose of the proposed endowment should be consistent with host country and USAID development priorities. The use of an endowment could be considered when it supports one of USAID's sustainable development priorities (economic growth, the environment, democracy and governance, and human capacity development) and when it falls logically within a Mission's strategic objectives. The explicit purpose of the endowment should reflect this strategic fit.

Weigh alternative financing mechanisms. An endowment is one option for financing development activities. Although an endowment allows USAID to address financial sustainability concerns, there are opportunity costs to its use. In assessing the appropriateness of an endowment, USAID staff should consider a benefit/cost analysis to look at alternate, potentially more efficient uses of financial and other resources, such as USAID staff time and the elapsed time required to establish an endowment.

Consider initial funding requirements. Since there frequently is a need for funds in addition to those earmarked for the endowment principal, endowment designers should consider setting aside funding for, among other things, feasibility studies, local legal counsel and technical assistance. This funding is even more critical when a local companion foundation is being established. Requiring matching funds to leverage USAID resources or encourage organizational fund-raising is an additional consideration.

Next Steps

USAID can take a number of steps to more fully explore the uses and impact of endowments and related financing mechanisms.

- USAID should conduct an ex-post (field-based) evaluation to assess the effectiveness and impact of endowments. This evaluation should take place after a number of endowments have "graduated" from USAID oversight. In this evaluation, USAID should look at what types of institutions can be most effectively supported by endowments and the characteristics of viable institutions. It also would be useful to evaluate the different types of endowments (e.g., local currency, appropriated funds, and EAI funds).
- The Agency should consider formal or informal ways to coordinate assistance to Missions in assessing the appropriateness and feasibility of an endowment, creating a new organization (when necessary), and establishing the endowment. There are many ways this in-house consulting could be provided: by publicizing the names of USAID's "subject matter experts," or by setting up a working group (or "virtual team" or "list serv") to encourage USAID staff dialogue.
- Additional short studies could be prepared on this subject, primarily using information already gathered for this study. Examples of "follow-on" studies include: case studies on setting up an endowment and/or creating a local foundation; operational considerations in the design of endowments, for use by project managers and designers; how USAID might promote the use of indigenous foundations to develop civil society; and a review of the range of alternative funding mechanisms for sustainable development activities.

Conclusions

Under the appropriate circumstances, endowments appear to be a reasonable strategy for promoting sustainable development. The endowed institutions continue to exist and seem to be making reasonable development contributions. By their very nature, endowments encourage organizational self-reliance and financial sustainability, as well as USAID's gradual disengagement, thus promoting more independent partnerships. When they are adequately designed and consistent with USAID and host country development priorities, the use of endowments is a "natural" for countries graduating from USAID assistance.

Although all endowment agreements contain safeguards for financial accountability and programmatic direction, it is impossible for USAID to predict and reduce to writing every possible outcome. Thus, it is critical to select or develop a strong, competent organization in which USAID trusts and has confidence. The characteristics of viable organizations are not yet clear; these need to be explored further. Further study also is needed to assess the long-term sustainability of endowments and the effectiveness of endowment-funded development programs.

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