International Development Association

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FROM: Vice President and Secretary

August 23, 2000

ETHIOPIA / KENYA: Multi-Country HIV/AIDS Project

Project Appraisal Document

Attached is the Project Appraisal Document (20727-AFR) regarding proposed Multi-Country HIV/AIDS credits to the Federal Democratic Republic of Ethiopia and the Republic of Kenya (IDA/R2000-155). This project will be discussed at a meeting of the Executive Directors on **Tuesday, September 12, 2000.**

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Document of
The World Bank

Report No: 20727 AFR

PROJECT APPRAISAL DOCUMENT

FOR

PROPOSED CREDITS

IN THE AMOUNT OF SDR 45.2 MILLION (US$59.7 MILLION EQUIVALENT)
AND SDR 37.9 MILLION (US$50.0 MILLION EQUIVALENT), RESPECTIVELY,
TO THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA AND THE REPUBLIC OF KENYA

IN SUPPORT OF THE FIRST PHASE OF

THE US$500 MILLION MULTI-COUNTRY HIV/AIDS PROGRAM FOR THE AFRICA REGION

AUGUST 14, 2000

AFRHV
AIDS Campaign Team for Africa (ACT*africa*)
Africa Regional Office

O. The World Bank

International Bank for Reconstruction and Development
International Development Association
International Finance Corporation
Multilateral Investment Guarantee Agency

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Sandy Thuman

DRAFT

Statement by Jan Piercy
Date of Meeting: September 12, 2000

Multi-Country HIV/AIDS Project

Introduction:

1. We commend staff for their rapid development of the overall Africa HIV/AIDS project and the two initial country programs. The USED has joined other members of the Board calling for bold and immediate action regarding HIV/AIDS in Africa and the world. We support this new effort for HIV/AIDS in the context of the Bank's expanding support for basic health. Today's documents confirm that the Bank can move quickly when it decides and can generate creative approaches to demanding problems. We welcome the emphasis on learning and applying lessons during implementation given the dramatically different situations across countries. We agree with general flexibility of implementation *as long as approaches are strongly governed by the Bank's fundamental policies and principles.*

2. The Multi-Country Program for Africa (MAP) and the two initial country PADs for Kenya and Ethiopia present the stark picture of HIV/AIDS in sub-Saharan Africa. Due to delayed comprehension and action by the HIV/AIDS disease has evolved into a pandemic, which is an economic and social as well as health crisis.

3. Given increasing rate of prevalence, the deteriorating development indicators and the profound economic effects associated with HIV/AIDS, the Bank is correct that immediate action is necessary. We do have concerns, however, with the design of the project. The horizontal APL is an untested instrument that is being used to respond to a unique and urgent situation. The APL instrument itself has never been evaluated for its development effectiveness. The APL may have implications for Bank policies, CASs and poverty reduction, which are not yet clear. Implementation of this horizontal APL must be fully congruent with Bank policies and strategies. Monitoring of implementation during the first phases is critical. Given the project risks and importance of learning all we can as we proceed, we believe it is important to schedule regular informal briefings with the Board.

4. The horizontal APL also asks the Board to approve programs in future countries without an indication of which countries will be participating. While the document provides a summary of the entire situation in Africa, it does not specify countries for future projects. We must have a list of countries that are candidates for MAP projects. If that is not possible, the Board must have the right, should three Directors request, to call for a vote on subsequent projects. We would like Management's assurances that the process allows a Board vote on subsequent projects. Anything short of that would require us to oppose any future horizontal APLs or instruments of a similar design. Given the major concerns we oppose this horizontal APL establishing a precedent.

5. We understand that this project addresses IDA-only countries that are in good standing and fulfill basic criteria such as a sound national HIV/AIDS strategy. We appreciate the dilemma regarding Africa's IBRD countries and emphasize that this problem must be considered thoroughly and appropriately. How the Bank will address this challenge is an issue that will have to be considered by IDA Deputies as well as the Board. We would like assurances that any use of IDA funds, including IDA grants, is understood to be an issue for IDA Deputies consideration. There are options to consider for IBRD countries including, the expansion of DGF resources.

6. The fact that this project is over and above what countries receive as part of their IDA allocations raises questions regarding the implications for CPIA. Similarly, this raises the question of which countries are eligible for the project -- whether in fact there is adequate emphasis on country performance. We believe that the eligibility criteria has to include adequate emphasis on country performance and ownership of which the CPIA is an important measure. Most importantly, the CPIA is a program that is critical to IDA. Only IDA Deputies have the authority to change fundamental aspects of the IDA-12 agreement. We do not agree that there is any agreement regarding the distancing of the project from CPIA for the short term or long term.

Project Focus:

7. We appreciated the briefing last Friday that confirmed that the project's focus will be on prevention. From the grim statistics highlighted in the documents, it is clear that prevention is a priority. Attention to the increasing number of orphans and improving quality of care is also important. The MAP's estimate of savings governments will have from controlling and reversing the trend are clear and support the importance of ensuring this project's success.

8. The MAP and both country PADs emphasize the disproportionate effects of the disease on women, particularly young women. We are concerned, however, that there is little guidance on how to approach the problem practically. We are disappointed that the Ethiopia document highlights the negative impact of HIV/AIDS on Ethiopian women, but fails to explain how it will address the problem. There are many examples of programs that provide lessons in designing solutions that educate men and women and empower women and girls. We urge all country teams to examine and apply these lessons.

Project Design:

9. While we endorse the Bank's intent to move quickly, we are concerned with the design of the horizontal APL, which is an untested instrument. We understand from Staff that Bank monitoring and support will be extremely high. We think project success depends critically on this. We would appreciate assurances that this important support is adequately budgeted and staffed and that provisions will be made for sharing insights from initial experiences with staff and beyond the Bank so that successful interventions can be replicated.

10. The project risks may be increased by conferring responsibility on local levels. The capacity building at local levels cannot be overemphasized. We endorse the project's goal of reaching out to communities to provide them with the ability to respond to their own needs, but we are concerned by the project's complete decentralization. Lack of transparency and corruption exist to varying degrees in both Kenya and Ethiopia and the documents themselves state that the lack of capacity is one of the greatest challenges. In these circumstances decentralization is a tremendous risk particularly given financial and procurement weaknesses. Procurement controls are essential -- without them it is impossible to do any meaningful monitoring and evaluation.

11. In Kenya, for instance, past STI/AIDS programs have been hobbled by procurement problems. The Kenya PAD tries to address this problem, but decentralizing all processes is a great risk given weak capacity and corruption. The PAD does not provide the necessary details to ensure that there is no dilution of procurement and financial principles. While we raise this in the context of the proposal today, other countries have similar problems and we have to have hard and fast assurances that Bank rules and regulations will be enforced. We must have more detail on Kenya and must see more detail in future proposals.

12. The PAD proposes filling the evident gaps in capacity by outsourcing for accounting, disbursements, auditing and procurement. We believe it is important that the criteria for such outsourcing be clearly defined so that the regulations can be monitored and enforced. We do not see any definition describing the requirements and would appreciate an update from Staff on how the criteria are being developed and applied. The PAD also describes the development of new simplified community-based procurement and disbursement. We understand from Staff that the Bank is not developing new procedures, but using solid guidelines that are already in place and have been used in countries like Ghana. We would appreciate further clarification from Staff that the existing systems in place will be applied and enforced fully.

13. The MAP and country PADs discuss generally the procurement of pharmaceuticals. We want to stress that pharmaceutical procurement must be done on an open, transparent and competitive basis that respects intellectual property rights.

Monitoring Project Impact:

14. The MAP's focus on establishing and improving monitoring and evaluation throughout all the countries is critical. We support those efforts and welcome OED's participation in the monitoring and evaluation. As Staff indicate, improving monitoring and evaluation is key if

countries are to get long term control of the HIV/AIDS situation.

15. We agree with the general evaluation of the impact of the MAP. We agree with Staff that measuring results is difficult given the urgency of the situation and can accept that the focus on inputs and outputs. We do believe, however, that it is important to continue thinking about measuring impact as country projects are developed. Lessons will be learned through initial implementation and we must apply those lessons. Considering these issues at the earliest stages of project design is important to assure pragmatic measures of project effectiveness and the performance of participating countries.

Donor Coordination:

16. While the $500 million MAP is only a fraction of Africa's entire needs for fighting HIV/AIDS, it is a significant figure and is a good start. Leveraging these resources to ensure that other donors in the field continue to complement these resources well to ensure that the work of donors complement and extends the Bank's own efforts is quite important. GAVI and other partnerships hopefully give us that opportunity. The document reports close coordination with UNAIDS, but we would appreciate a brief report from Staff on how other donors view MAP and what donor coordination is planned on the ground.

18. While national HIV/AIDS secretariats are being established, the fact remains that these governments have weak coordination capacity. Is the Bank planning to provide technical assistance to help the governments coordinate donors working on HIV/AIDS?

Conclusion:

19. Our most fundamental concerns rests with the basic project design. The horizontal APL leaves many fundamental gaps in the financial management of the project. The focus on rapid decentralization of all responsibilities to community levels creates significant risks. We look forward to following closely the implementation of these two projects and the design of future ones.

20. Despite our concerns with the technical design, we commend the Bank on producing a project of this scope so quickly. We believe the four fundamental criteria outlined by the Bank are correct and targets the correct priority areas in making headway in the HIV/AIDS fight. As HIV/AIDS now consitutes a fundamental threat to sustainable development globally, the Board should remain engaged in overseeing the Bank's work and supporting donor collaboration with the Bank's efforts in this area.