



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

Office of Inspector General

Office of Inspections

**Review of
President's Emergency Plan for Aids Relief
in Small Investment Countries**

Report Number ISP-I-11-59, August 2011

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PURPOSE, SCOPE, AND METHODOLOGY OF THE INSPECTION

This inspection was conducted in accordance with the Quality Standards for Inspection and Evaluation, as issued in 2011 by the Council of Inspectors General on Integrity and Efficiency, and the Inspector's Handbook, as issued by the Office of Inspector General (OIG) for the U.S. Department of State (Department) and the Broadcasting Board of Governors (BBG).

PURPOSE AND SCOPE

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

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

METHODOLOGY

In conducting this inspection, the inspectors: reviewed pertinent records; as appropriate, circulated, reviewed, and compiled the results of survey instruments; conducted on-site interviews; and reviewed the substance of the report and its findings and recommendations with offices, individuals, organizations, and activities affected by this review.



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PREFACE

This report was prepared by the Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended, and Section 209 of the Foreign Service Act of 1980, as amended. It is one of a series of audit, inspection, investigative, and special reports prepared by OIG periodically as part of its responsibility to promote effective management, accountability and positive change in the Department of State and the Broadcasting Board of Governors.

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

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

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

A handwritten signature in black ink, appearing to read "H.W. Geisel".

Harold W. Geisel
Deputy Inspector General

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Key Judgments

- Individual embassies and most of the embassies in regional programs that receive small investments of less than \$5 million from the President's Emergency Plan for AIDS Relief (PEPFAR) have been effective in implementing the program and successful in working with host governments in prevention, treatment, and care.
- U.S. embassies in Central Asia need more guidance and direction from the Office of the Global AIDS Coordinator. Problems with coordination, communication, and organization indicate a full review of the program is needed.
- Embassies' responses to an OIG questionnaire indicated that most of the low-investment programs are working well in countries where the host government shares a common strategy with the United States for combating the HIV/AIDS epidemic.
- There is no assurance that host countries can or will maintain and sustain these activities if funding is reduced or discontinued. Further, transition timelines are unrealistic, especially in Africa.

The inspection took place in Washington, DC, between May 11 and June 30, 2011. (b) (6)



Context

In 2003, at the urging of then-President George W. Bush, Congress passed the United States Leadership against HIV/AIDS, Tuberculosis, and Malaria Act of 2003 (P.L. 108-25). It called for a comprehensive, integrated 5-year strategy to combat global HIV/AIDS and authorized \$15 billion for 5 years to fund these efforts. The act required coordination among the implementing executive branch departments or agencies: the U.S. Department of State, the U.S. Agency for International Development (USAID), the Centers for Disease Control and Prevention (CDC), the Departments of Defense, Labor, and Commerce, and the Peace Corps.

In 2008, Congress expanded this effort. The Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis and Malaria Reauthorization Act of 2008 (H.R. 5501) authorized a budget of up to \$48 billion to cover FY 2009 through FY 2013.¹ This bill authorized the use of compacts or framework agreements between the United States and countries already receiving U.S. funds to fight HIV/AIDS and emphasized strategies to promote the sustainability of health care systems in affected countries.

In 2010, PEPFAR announced new results from its efforts to support countries in providing HIV prevention, treatment, and care to their people. The results showed that the United States is directly supporting antiretroviral treatment for more than 3.2 million men, women, and children worldwide, up from less than 2.5 million in 2009. It also is supporting antiretroviral prophylaxis to prevent mother-to-child HIV transmission for more than 600,000 HIV positive pregnant women, allowing more than 114,000 infants to be born HIV free.

Combating HIV/AIDS is a shared global responsibility. The Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) supports programs the United States and other donors fund. Some treatment programs receive support through PEPFAR bilateral programs, the Global Fund, or both. Since 2003, the U.S. Government has contributed almost \$1 billion of PEPFAR's total annual budget to the Global Fund. The United States is the single largest contributor to the Global Fund; U.S. contributions represent approximately 30 percent of annual funding. Between 2002 and 2010, the United States contributed \$10.5 billion to the Global Fund. In 2010, the U.S. Government pledged \$4 billion in contributions for the period 2011-13.

The PEPFAR country programs fall into three categories. Countries with large programs and funding over \$5 million must prepare country operational plans. The Office of the U.S. Global AIDS Coordinator (S/GAC) approves these work plans. These large programs are subject to extensive data collection and S/GAC's reporting requirements.

¹ Section 101 of the Lantos-Hyde Act (Reauthorization Act of 2008, H.R. 5501), July 30, 2008, requires the Inspectors General of the Department of Health and Human Services, USAID, and the Department of State to develop coordinated annual plans for PEPFAR oversight for FY 2009 through FY 2013.

In the next group, which is called Foreign Assistance Operational Plan (F OP) countries, each country receives less than \$5 million in assistance. These countries typically had a preexisting HIV/AIDS program funded by the Global Fund, other donors, the host country, or another U.S. Government agency. Other agencies must report on their PEPFAR activities, along with all other foreign assistance grants their countries receive, to the implementing agency's headquarters and to the Department's Director of Foreign Assistance.

The third group of PEPFAR countries is comprised of regional groups that develop Regional Operational Plans (R OP). Each of the embassies in these regions also receives less than \$5 million. The total funding for the F OP and R OP countries is about \$55 million. The regional groups funded specifically by the Department's Global Health and Child Support Account are the Caribbean region, Central America region, and Central Asia region. The other regions—Africa, which includes East, Southern and West Africa; Eurasia, Latin America and the Caribbean; and Asia and the Middle East—are funded directly through USAID, and USAID manages these programs. All of these groups report on their activities to the Department's Director of Foreign Assistance, S/GAC, and the implementing agencies.

The regional programs have designated regional coordinators and coordinating embassies. In the case of the Central American and Caribbean regions, the countries in the region have signed a regional partnership framework with the embassies in the region.

S/GAC is responsible for the coordination and oversight of all of these programs and compiles data from the F OPs and R OPs with the larger countries. Given the limited investment of PEPFAR funds in these F OP and R OP countries however, in-country oversight has been primarily carried out by the agency receiving the funding, as required in memoranda of agreement. S/GAC does not have PEPFAR coordinators in any country that receive less than \$5 million.

Management and Leadership

According to S/GAC and the OIG team's analysis of responses to an OIG questionnaire, it appears that PEPFAR programs, funded at less than \$5 million, are for the most part well managed. Leadership for countries with small PEPFAR funds falls to the ambassador and deputy chief of mission (DCM). In some cases, a representative of one of the implementing agencies or an embassy political or economic officer has responsibility for managing these programs. Many responses to the OIG questionnaire indicated that PEPFAR has the potential to bring diplomatic benefits; but, unless the public affairs section works to identify the PEPFAR contribution, it is likely that recipient countries will view it as part of other U.S. foreign assistance. Where there are national AIDS days, ambassadorial presentations with ministers of health, and other publicity and acknowledgement activities, the program tends to be better recognized. S/GAC believes that the programs are more successful when the contribution and impact of PEPFAR is acknowledged.

Since 2003, funding for PEPFAR has been provided directly to S/GAC and distributed through memoranda of agreement with the implementing agencies, which are CDC, USAID, Department of Defense, and Peace Corps. These funds are allocated on the basis of budgets developed with each agency.

Following the requirements stated in the memoranda of agreement, those agencies receive the funding through transfers that include U.S. Department of Treasury nonexpendable transfers (SF-1151). They are responsible for implementing the program, for obligations, outlays, transfers of funds, and for auditing the funds as specified in the memoranda. These agencies often also receive funding through direct appropriations. S/GAC is charged with providing continuing guidance and direction for all PEPFAR funds. It is important to note that when funds are transferred to the other agencies, the Department is no longer accountable for the expenditure of those funds.

S/GAC mandates periodic reporting regarding performance and outcomes. From the start, the goal for PEPFAR was to provide prevention, treatment, and care for those affected with HIV/AIDS and for the most at-risk populations and youth. A secondary goal is to leverage other donors' funding to augment PEPFAR funding, for example, the Global Fund.

Regional Operational Programs

Some smaller programs get direct bilateral funding as in the case of Embassy Brasilia, which supports programs in Angola and Mozambique, while others get funding through a regional center such as Embassy San Salvador. Regional programs are managed from a designated embassy or constituent post. Regional programs are often led by coordinators who are members of CDC or USAID staff. In some instances, Washington- or Atlanta-based staff manages regional programs. According to the embassies' responses to OIG's questionnaire and S/GAC's information, these programs tend to be successful and meet PEPFAR goals. In countries where the host government has not made a serious commitment to supporting HIV/AIDS prevention and treatment goals, these programs may not be sustainable should U.S. funding be reduced or ended.

Differences in implementing programs exist between the primary implementing agencies. For example, USAID tends to use contractors to run its programs. This allows USAID to ramp up its professional staff quickly with personnel who deal with community organizations and civil society. The CDC staff, usually direct hire personnel, is often embedded in hospitals and with ministries of health, and in laboratories. Its professional staff performs a technical assistance role, funding the establishment of laboratories and working on epidemiology, trends, and risk factors. Peace Corps volunteers teach prevention and life style choices. The Department of Defense focuses on training foreign military personnel about prevention.

Proposed allocations of funding for bilateral and regional PEPFAR programs are developed through an iterative process that considers multiple variables. These include historic funding, partner government contributions, and Global Fund contributions. The process also considers the rates of coverage of key HIV medical interventions, strategic opportunities, the interests of the U.S. Government, and the scale and trajectory of the national or regional epidemic. All these factors determine whether a country falls into one of three broad investment bands: transition (reduced funding over time), maintenance, or scale-up/intensive intervention.

Officials from the other agencies and responses to the OIG questionnaire indicate that the PEPFAR program has had positive impacts on bilateral relationships. For example, CDC officials said that country health ministers work collegially with CDC and often seek CDC help and guidance in dealing with difficult medical issues, having gained confidence from working with CDC on HIV/AIDS and other diseases. Ambassadors and DCMs report that they have greater access to host government officials as well.

Central Asia Region

Central Asia Region	GAP	GHCS (State)	GHCS (USAID)	Central GHCS (State)	Total All Funding Sources
HHS	\$ 150,000	\$ 6,759,425	\$ -	\$ -	\$ 6,909,425
Peace Corps	\$ -	\$ 145,000	\$ -	\$ -	\$ 145,000
State	\$ -	\$ -	\$ -	\$ -	\$ -
USAID	\$ -	\$ 7,759,575	\$ 1,000,000	\$ -	\$ 8,759,575
Grand Total	\$ 150,000	\$ 14,664,000	\$ 1,000,000	\$ -	\$ 15,814,000

Source: THE U.S. PRESIDENT'S EMERGENCY PLAN FOR AIDS RELIEF (PEPFAR) FISCAL YEAR 2010: PEPFAR OPERATIONAL PLAN April 2011

Central Asian embassies reported significant difficulties with the regional program that includes Kazakhstan, the Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan. The program has been in existence for nearly 2 years. It is struggling to organize and establish itself. The processes for reporting and managing regional coordination from Almaty, the designated regional coordinating office, are unclear. S/GAC has not developed guidance that communicates clearly to the embassies in the region, the implementing agencies, and to ambassadors and DCMs what the roles and responsibilities of ambassadors and DCMs are for PEPFAR programs. Funding decisions, first made in S/GAC and refined in the region, are reported to be slow and, for some, frustrating and not transparent. According to the responses to the OIG questionnaire, there is no coordination among the participants in this regional program.

Concerns about HIV in Central Asia prompted PEPFAR to fund the regional program, although the prevalence of HIV in that region is low. The program focuses on intravenous drug users and the recognition that these countries are a gateway to drug distribution and sex trafficking. Responses to the OIG questionnaire indicated that there are questions about whether S/GAC's objectives have been aligned with the regional bureau and whether they have been integrated into foreign policy issues for Central Asia. The responses indicate that the low level of funding may not be adequate and the risk of lessened funding would likely end the programs. The embassies report that these countries would not sustain these programs.

Recommendation 1: The Office of the U.S. Global AIDS Coordinator should conduct an analysis to determine the costs and benefits of funding the President's Emergency Plan for AIDS Relief in Central Asia to determine whether it should remain a regional program with five or fewer participants, become five or fewer bilateral programs, or be discontinued. (Action: S/GAC)

While S/GAC did not disagree with the recommendation, its response to a draft of this report indicated that it did not wish to discontinue the program or to create five bilateral programs. Further responses to this recommendation will incorporate costs and benefits of each of the options reviewed by S/GAC.

One embassy said that when the interagency team asked S/GAC staff to communicate directly with the chiefs of mission to help advance program objectives, it received no assistance. A better definition of regional goals and reporting requirements for PEPFAR programs spread across thousands of miles is needed. According to one regional DCM, there is no clear structure for leadership or accountability. That embassy is the regional lead, yet it is not clear what S/GAC expects vis-à-vis program oversight and management or coordination with the other embassies' executive offices. In addition, it was not clear how each of the other embassies will ensure PEPFAR programs in their countries will work with or build on existing efforts other donors fund. A cable providing guidance to the five chiefs of mission is needed and, reportedly, in draft in S/GAC.

Informal Recommendation 1: The Office of the U.S. Global AIDS Coordinator should develop specific guidance and direction for ambassadors and deputy chiefs

of mission in the Central Asia region detailing goals, responsibilities, and reporting requirements.

The implementing agencies in the region have different strengths and experiences. Embassies in the region report that, instead of working together to make the program a success, they have been undermining each other.

S/GAC knows about the problems in this region and told the OIG team that the regional embassies do not coordinate well and that they recognize that the small sums of money the regional program provides do not make it a priority for the executive offices. The implementing agencies are also not working well together. S/GAC sponsored an off-site retreat where the participants practiced team building and learned how to cooperate and communicate more effectively.

Central America Region

Central America Region	GAP	GHCS (State)	GHCS (USAID)	Central GHCS (State)	Total All Funding Sources
DoD	\$ -	\$ 730,000	\$ -	\$ -	\$ 730,000
HHS	\$ 1,025,000	\$ 2,860,000	\$ -	\$ -	\$ 3,885,000
Peace Corps	\$ -	\$ 140,000	\$ -	\$ -	\$ 140,000
USAID	\$ -	\$ 2,441,000	\$ 5,391,000	\$ -	\$ 7,832,000
Grand Total	\$ 1,025,000	\$ 6,171,000	\$ 5,391,000	\$ -	\$ 12,587,000

Source: THE U.S. PRESIDENT'S EMERGENCY PLAN FOR AIDS RELIEF (PEPFAR) FISCAL YEAR 2010: PEPFAR OPERATIONAL PLAN April 2011

PEPFAR programs have been in Central America and the Caribbean for some time. In 2010, the Central America regional PEPFAR program signed a partnership framework with Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama. The framework focuses on reducing HIV transmission; building capacity within national and regional health systems to deliver services; building capacity at the country level to monitor and use strategic information to support an evidence-based and sustainable program; and improving the policy environment for the provision of HIV/AIDS services. HIV/AIDS is prevalent among the most at-risk populations. Continued discrimination against these populations represents a major barrier to addressing the epidemic. However, building upon this reported level of progress so far and with the host governments' active participation, the small programs have been successful in establishing treatment and prevention activities. The ambassadors and the DCMs are involved and the implementing agencies work collaboratively with the host governments and other donors. They research data and monitor their programs' effectiveness.

Caribbean Region

Global Health and Child Survival funding in this regional program includes State, USAID, and CDC funds. These sums are allocated to Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, St. Vincent, Suriname, and Trinidad and Tobago. Funding for Jamaica is the minimum within a regional program.

Reponses to the OIG questionnaire from this region were mostly positive. Ambassadors and DCMs are engaged, host countries participate, and coordinators are successful. Regional participants' responses gave credit to Embassy Barbados for providing technical support and

being easy to reach if questions arise. In contrast to activities in the Central Asia region, the Caribbean regional embassies participate in the planning and country work plan process throughout the programming cycle and are working in line with regional program goals.

The ambassadors in the region also participate in annual chiefs of mission meetings and are members of the regional program steering committee. This ensures that their guidance is included at various times in the process. The coordinating regional embassy provides program communications and seeks the proper balance of providing program information on all PEPFAR activities in the region and in the embassy country programs. This is done through biweekly calls for the interagency team. These embassies also have developed quarterly work plans, conference calls and/or in-country meetings, R OP planning meetings, and annual meetings.

PEPFAR budget development is done during the development of the R OP. The planning considers the epidemiology and drivers of the epidemic, country size and population, country program priorities and needs, and what other donors are funding in the region. The interagency work group teams meet to determine program priorities after a series of country consultations is completed with stakeholders. Budget levels are determined based on the fiscal year budget data S/GAC provides and agreed-upon percentages by goal area. The agencies then determine activities and implementing agency by goal area to be submitted into the annual R OP.

In the Bahamas, the Ambassador and the Bahamian Minister of Health held a public meeting to sign the PEPFAR agreement. This event received local media coverage. Further, the embassy has partnered with the media to promote the Ambassador's grant fund. The Ambassador wrote an op-ed piece for the two major newspapers for World AIDS Day and spoke at the HIV/AIDS prevention summit held in the Bahamas.

Directly Funded Programs

There are a number of low investment countries that receive PEPFAR funds directly from implementing agencies and do not participate in regional collectives. These countries often had preexisting HIV/AIDS programs that USAID or CDC or both were already implementing. According to responses to the OIG questionnaire, PEPFAR is working well in these countries. Each embassy's bilateral PEPFAR program is based on country-specific circumstances. For instance, in more developed countries, including Brazil and Peru, the focus is for CDC to provide technical assistance while the host country provides for program implementation. Where host country capacity is more limited, including Senegal, Sierra Leone, and other African countries, PEPFAR programs are more operational. These programs, similar to those in regional countries, aim primarily at the most at-risk populations and groups the host country marginalizes.

PEPFAR is included in the embassies' Mission Strategic and Resource Plans either as an independent goal or a component of a broader goal, usually health. Ambassadors and DCMs are involved commensurate with the priority placed on PEPFAR within strategic goals and relative to the size of other U.S. Government programs in the country. Responses to the OIG questionnaire indicate that the executive office responds to requests for their participation, as needed, in internal coordination and decision-making and in public diplomacy events.

These embassies reported success in leveraging modest PEPFAR programs to improve bilateral relations, facilitate access to high level officials in the host country, and to open a channel to other stakeholders and donors. Many embassies report that transition goals to move from U.S. assistance to having host countries sustain these programs are unrealistic. For some countries, embassies maintain that host country infrastructure and health systems are so underdeveloped that there is little chance of sustainability over the next several years. Even in countries where the host government has taken a leadership role and operates mature programs, embassy officials predict that gains cannot be maintained without some continued PEPFAR funding.

There are no full-time coordinators for these small PEPFAR programs. Day-to-day management varies depending on the number of implementing agencies and the funding each agency receives. At embassies where one agency has most of the funding, that agency has the lead. In Tbilisi, Georgia, for example, USAID receives almost all PEPFAR funds, and USAID's senior medical and infectious disease officer manages program implementation, monitoring, and evaluation. The Peace Corps director of programming and training manages about \$14,000. In Brazil, USAID and CDC, with nearly equal funding and staffing, coordinate in managing programs. In most cases, in the bilaterally funded programs, interagency coordination, including budget development, is good and there are few interagency tensions. This contrasts strikingly to what has happened in the Central Asia region.

Although ambassadors do not provide the same degree of oversight as they do in countries with large programs, they are involved. Often, the DCM has oversight responsibility. At Embassy Tbilisi, the DCM chairs an interagency committee to coordinate all foreign

assistance programs; and at Embassy Bamako, the DCM chairs a monthly PEPFAR country team meeting that includes all agencies' representatives.

S/GAC believes that, even with modest funding, PEPFAR is a potent political tool. Responses to the OIG questionnaire indicate that the embassies work to apply and maximize PEPFAR's multiplier effect to other aspects of bilateral and multilateral relationships. In some countries, for instance, even where Global Fund contributions dwarf PEPFAR's, the PEPFAR presence allows the embassy to participate in country coordinating committees, influence host country grants requests, work with other donors to avoid duplication, fill programming gaps, and identify synergies.

Most of the embassies' responses to a question about sustainability indicated that transition timelines are unrealistic, especially those in Africa. Some embassies are concerned that Global Fund resources will decrease with a corollary effect on sustainability. One response stated that overreliance on foreign assistance may impede progress toward host country ownership.

Some embassies want more input to PEPFAR decisions that S/GAC and the implementing agencies make. Others believe their successes in maximizing PEPFAR's impact with low funding could provide a template for best practices that better funded programs could duplicate. For a relatively small investment, these embassies reported that they have begun to develop models for foreign assistance and said their models, approaches, and strategies could be tools to produce efficiencies larger PEPFAR programs.

Training

Senior staff representing the Department of Health and Human Services, CDC, USAID, and Peace Corps told the OIG team that ambassadors' and DCMs' involvement in PEPFAR activities has been a key to success. Without it, programs may founder. Ambassadors facilitate access for these agencies to high level host government ministries and senior intergovernmental working groups. These officials stated that embassies' support, including the executive office and the International Cooperative Administrative Support Services staff, has been uniformly good. However, rotations among Foreign Service officers, particularly in the general services office, have led to occasional misunderstandings and difficulty with processing requirements. Local staff does not rotate and could provide needed help if embassy administrative processes were better understood.

In responses to OIG's questionnaire, USAID and CDC coordinators and staff echoed the view that embassy support was generally good and that most ambassadors and DCMs were actively and positively engaged in the PEPFAR program. For the most part, where embassies have a health issue in the Mission Strategic and Resource Plan, PEPFAR is included and getting attention from the public diplomacy section.

Where PEPFAR coordinators have been hired, coordination and collaboration have improved. However, in the Central Asia region, even the recent appointment of a coordinator has not remedied confusion regarding activities and responsibilities. Ambassadors, DCMs, and management officers need information about their roles and responsibilities for PEPFAR, during consultations or once they arrive at the embassy.

The Foreign Service Institute's School of Professional and Area Studies is developing, in coordination with S/GAC, a distance learning module that introduces PEPFAR and plans to develop a module to inform ambassadors and DCMs about the program and their roles.

State cable 02742, dated June 20, 2011, states the requirement that all personnel assigned overseas under chief of mission authority take the Mandatory Distance Learning Course PN 113, *Introduction to Working in an Embassy*. This course is mandatory for U.S. personnel who will be on temporary duty overseas for more than 30 days. When this requirement is followed, other agencies' staffs are more familiar with embassy operations and how to get needs met in all of the support areas.

Impact of the President's Emergency Plan for AIDS Relief

Responses to the OIG questionnaire indicate that FOP programs are functioning well and embassies have developed positive working relationships with their host countries and other in-country donors. They believe they have leveraged PEPFAR contributions to enhance the host government's ability to collect and analyze data, improve their country plans, and to maximize the effectiveness of the donor communities' activities. They report real value in their work with the Global Fund, helping to shape and manage the activities. The ambassadors and DCMs appear to be playing a leadership role with the host governments and donors.

For a relatively small investment, these embassies report that they have begun to develop models for foreign assistance that produce efficiencies for PEPFAR activities. S/GAC collects performance measures to determine the program effectiveness. Consequently, some programs are in transition to less funding and some will not be funded in the future.

Central America and Caribbean Region

The mature regional programs in Central America and the Caribbean have frameworks that outline a 5-year strategy toward combating HIV/AIDS. These strategies are linked to the host countries' national strategies and have the accord of donor communities and nongovernmental organizations, resulting in a positive engagement. The OIG team agrees that the embassies are playing a key role in supporting the Global Fund, providing the countries and the donor communities with technical and administrative assistance to improve prevention, treatment, care, management, and oversight.

Central Asia Region

The Central Asia regional program is relatively new and suffers from the lack of collaboration among the governments in the region, lack of critical engagement by ambassadors and DCMs, and competition rather than collaboration among the implementing agencies at the embassies. For these regional players, there is not a clear strategy for developing regional goals. They need leadership and guidance from S/GAC. In the absence of such guidance, these Central Asia regional embassies are pursuing their own bilateral programs. Some of the host governments show little or no interest in investing in HIV/AIDS programs; hence, there is little possibility for an effective, sustainable program or supporting a transition strategy. See Recommendation 1 in the Central Asia section of this report.

Directly Funded Programs

F OP programs are providing countries with value relative to the small investments. They are essentially well managed, in part, because, in those countries with bilateral funding, the ambassadors are more directly involved in day-to-day oversight. The regional programs, where successful, demonstrate that a single medical professional located in a region where it is easy to travel among regional embassies is a cost-effective way to manage programs. This may be a useful methodology to consider when larger programs transition but still require technical assistance.

Formal Recommendation

Recommendation 1: The Office of the U.S. Global AIDS Coordinator should conduct an analysis to determine the costs and benefits of funding the President's Emergency Plan for AIDS Relief in Central Asia to determine whether it should remain a regional program with five or fewer participants, become five or fewer bilateral programs, or be discontinued. (Action: S/GAC)

Informal Recommendation

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

Informal Recommendation 1: The Office of the U.S. Global AIDS Coordinator should develop specific guidance and direction for ambassadors and deputy chiefs of mission in the Central Asia region detailing goals, responsibilities, and reporting requirements.

Abbreviations

CDC	Centers for Disease Control and Prevention
DCM	Deputy chief of mission
Department	Department of State
F OP	Foreign Assistance Operational Plan
Global Fund	Fund to Fight AIDS, Tuberculosis and Malaria
OIG	Office of Inspector General
PEPFAR	President's Emergency Plan for AIDS Relief
R OP	Regional Operational Plan
S/GAC	Office of the U.S. Global AIDS Coordinator
USAID	U.S. Agency for International Development

APPENDIX A

**MEMORANDUM OF AGREEMENT
BETWEEN THE
DEPARTMENT OF STATE
OFFICE OF THE U.S. GLOBAL AIDES COORDINATOR (OGAC)
AND THE
AGENCY NAME
TO ALLOCATE FUNDS APPROPRIATED IN FY 20XX**

I. AUTHORITY

Pursuant to Section 632(a) of the Foreign Assistance Act of 1961, as amended ("FAA"), the Department of State, Office of the United States (U.S.) Global AIDS Coordinator ("OGAC") hereby agree to allocate to the Agency an amount of XXX in funds appropriated in the Department of State, Foreign Operations, and Related Programs Appropriations Act date (PL that applies) ("SFOAA") under the heading "Global Health and Child Survival ("GHCS"), for the purpose of and subject to the terms and conditions set forth below in accordance with the authority granted in the FAA, the SFOAA and the United States Leadership Against HIV/AIDS, Tuberculosis and Malaria Act, 2003, (P.L. 108-25) ("U.S. Leadership Act"), as amended by the Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis and Malaria Reauthorization Act of 2008 (P.L. 110-293).

II. PURPOSE

Agency will use funds allocated under this Memorandum of agreement ("MOA") to support efforts to meet the HIV/AIDS prevention, care, and treatment goals set forth in the U.S. Leadership Act and the President's Emergency Plan for AIDS relief ("PEPFAR"). In particular, the agency will use funds allocated pursuant to this MOA to implement programs as noted in Annex 1, and incorporated by reference herein, and for such related purposes as OGAC may direct in writing. In so doing, agency will comply with revisions to those allocations, developed in coordination with agency, and which revisions will be incorporated into this MOA.

III. TERMS AND CONDITIONS

A. For country activities, the agency will work under the direction of the Ambassador and the U.S. Government coordinating committee in each of the countries to carry out its role within the approved Country Operational Plan. For central programs, headquarters technical oversight and management, and technical leadership and support, the agency and OGAC will mutually agree on how to proceed, consistent with the U.S. Leadership Act.

B. The agency will administer the funds allocated under this MOA in accordance with all applicable law and policy. To this end, the agency will secure appropriate commitments from grantees and contractors to ensure that conditions required by U.S. law are given effect, including the condition that commodities acquired with U.S. assistance not be subject to value

added taxes or customs duties or any such taxes if not reimbursed, and the conditions relating to prostitution and sex trafficking contained Section 301 of the U.S. Leadership Act.

IV. REPORTING

A. Agency will provide or contribute to the following reports:

1. Agency contributions to the Semi-Annual Program Results (SAPR) and Annual Program Results (APR) submissions of the U.S. Government PEPFAR coordinating committee in designated countries.
2. Semi-annual progress reports according to a template provided by OGAC. Reports are due on November 15 and May 15 each year, for the periods ending September 30 and March 31, respectively.
3. Quarterly reports of PEPFAR obligations, outlays, and transfers (including all PEPFAR funds) made by agency, in accordance with guidance provided quarterly by OGAC. Financial data reported in these reports will be consistent with the quarterly Standard Form 133 (SF-133) reports submitted by agency to the U.S. Treasury. These reports are due forty-five (45) days after the end of each quarter.
4. The Conference Report language for the Department of State, Foreign Operations and Related Programs (for year and law number), requires that third quarter financial data reports include a brief explanation of the factors contributing to countries being below target and obligation and outlay rates. For countries where this applies, agencies and bureaus will need to provide brief narratives explaining why obligations and outlay targets have not been reached. Target values are included in the Quarterly Obligation and Outlay report guidance sent to agency financial contacts. OGAC will upload the format for the narratives along with the third quarter templates.
5. On an annual basis, a report providing outlay data in accordance provided by OGAC.
6. A quarterly Report on Budget Execution of GHCS Allocations (SF-133) directly to the U.S. Treasury, in accordance with the Office of Management and Budget Circular A-11, and a fiscal year-end certification (FMS Form 2108). Headquarters will provide preliminary trial balances for the GHCS Allocation account to OGAC, Office of Budget, SA-29 2nd Floor, 2201 C St. N.W. Washington, DC 20520, within fifteen (15) days of the end of each quarter. Additionally, copies of the agency GHCS FMS for 2108s will be provided to OGAC within thirty (30) days after the end of the fiscal year.

B. The agency will keep full and complete records and will exercise due diligence in the use of funds provided under this MOA, in accordance with generally accepted U.S. Government accounting principles. The agency will monitor and report on programs, projects, and activities supported by this MOA to ensure compliance with funding categories designated in the appropriation. The agency will cooperate in the conduct of financial and administrative reviews,

audit of financial and other record, including all GAO audits and inspection of administrative procedures, including but not limited to authorization of travel and related expenditures.

C. Pursuant to section 7009(e) of the SFOAA, the Office of the Inspector General for the agency shall perform periodic program and financial audits of the use of funds allocated under this MOA. Upon consultation with and concurrence by OGAC, the agency may use funds allocated hereunder for the cost of such audits, which costs shall be identified in the Headquarters Operational Plan.

D. The agency will require all contractors and grantees that sub-contract (or sub-grant) to local organizations include specified indicators of sustainable institutional capacity as part of the yearly work plans and program performance reports. Specified indicators will be provided as part of " The President's Emergency Plan for AIDS Relief: Next Generation Indicators Reference Guide." Contractors and grantees should provide narrative information on sustainable institutional capacity building covering appropriate items in Annex 3 as part of periodic performance reports.

V. AVAILABILITY

A. All funds allocated under this MOA shall be obligated by date. Funds may be obligated after this date, only with the written authorization of OGAC. The programming of previously unallocated prior-and current year technical leadership and support funding will be notified to and approved by OGAC in writing before obligation.

B. The execution of the MOA does not, in itself, constitute an obligation of funds for either OGAC or the agency. The agency will receive the allocation as Treasury Department NO-expenditure Transfer Authorization (Standard Form 1151) Agency shall ensure funds transferred under this MOA are not comingled with funds agency receives from other sources.

VI. RESOLUTION OF DISPUTES

Disputes arising under this MOA shall be resolved informally by authorized representatives of the parties, taking into account the Treasury Financial Manual, Vol. I, Bulletin No. 2011-04.

VII. PERIOD OF AGREEMENT

The effective date of this MOA will be the date of the last signature on the MOA. This MOA shall remain in effect until funds are expended, subject to statutory limits, and may be modified or canceled upon mutual consent of both parties in writing.

Source: modification of signed MOA to reflect usual language.

APPENDIX B

Excerpt from Cable 11 State 56126

1. This is an action cable. Action items are in paragraph 8.
2. The Department's Office of Inspector General (OIG) is conducting its third review of the President's Emergency Plan for AIDS Relief (PEPFAR) at U.S. diplomatic missions. All PEPFAR-related OIGs oversight of PEPFAR programs is Congressionally mandated under PEPFAR's 2003 legislation and the 2008 reauthorization. This review falls within an interagency oversight program coordinated among the Inspectors General of USAID, HHS and the Department.
3. OIG's 2009 and 2010 reviews focused on PEPFAR Country Operational Plan (COP) countries. This review is focused on countries designated as Foreign Assistance Operational Plan countries. The review will evaluate PEPFAR program oversight, management, and coordination and transition strategies and challenges to achieving host country sustainability.
4. This Washington-based review will be conducted between June 1, 2011 and June 30, 2011. The review will include interviews and meetings with officials from S/GAC, other Department entities, and implementing agencies. This cable contains a questionnaire (Paragraph 8). Addressee posts are requested to submit replies to this questionnaire by June 15, 2011.
5. Your responses to the questionnaire will provide valuable information from posts' perspective. OIG encourages you to share this questionnaire with members of your country team. All comments and observations, including critical or positive remarks, are welcome. Responses will be held in confidence. Posts are requested to provide the name and contact information for those employees responsible for completing the questionnaire. The OIG may conduct selected follow-up teleconferences, if necessary.
6. Please send your responses via email on the unclassified system. If any remarks need to be classified, please send via cable, OIG Channel.
7. OIG thanks posts for their assistance during this busy season.
8. Questionnaire:
 - A. At your post who is responsible for day to day oversight of PEPFAR program implementation, monitoring and evaluation? Who is responsible for managing PEPFAR funds? Does post have sufficient resources and expertise to support PEPFAR programs?
 - B. Please describe the PEPFAR budget development process at your post. If there is more than one implementing agency at post, or if your post is a member of a regional program, how are the proposed allocations for each agency determined?

C. To what degree, and in what ways, is post using PEPFAR to leverage other donor (e.g., Global Fund, non-governmental organizations, Foundations) contributions and participation in HIV/AIDS assistance programs? Have these efforts been successful?

D. What does PEPFAR provide to the host country that is unique and different from assistance provided by other donors? Could program goals be met by multilateral and other organizations? Explain.

E. Is there appropriate visibility for PEPFAR programs? How is PEPFAR integrated into the posts' public diplomacy strategy?

F. If current programs cannot be expanded, is the current funding level sufficient to achieve a successful transition to host country sustainability and partnership framework goals?

G. Please comment on S/GAC's and agency headquarters guidance and responsiveness to post.

H. Please include any additional comments you may have on improving PEPFAR's effectiveness and efficiency.

Results: 26 of 27 embassies responded to the questionnaire, a 96 percent return rate. DCMs forwarded most of the results or implementing agencies sent them.

APPENDIX C

Survey questions for S/GAC

F OP:

- What are the criteria for providing funding to these countries?
- How is the money allocated and who manages it at post?
- What reporting is required? To whom?
- Are the programs aligned with the PEPFAR goals and strategies?
- How do embassies determine how much funding to request; how do embassies determine allocations for the funding requests.
- Who at an embassy requests the funding; how is the program implemented; what is the oversight?

R OP with State GHCS funding:

- What is the basis for allocating State GHCS money to regional programs?
- Is the funding allocated in line with strategic goals for each country, embassy, and region?
- Does the funding meet overall PEPFAR goals?
- Are there any embassies that receive bilateral and regional funding? What determines total funding? Does S/GAC consider other donors contributions when making funding decisions?
- Does State provide funding directly to the regional organizations? Does State assess the money the regional entity gets directly from USAID when deciding on the amount of funding?
- Who manages small programs? Are there coordinators? At the region or at the embassy? Are they sufficiently trained? Where and by whom?
- Who awards and manages the grants and other agreements/?
- Is the use of the State funding specifically designated a program or is the decision left to the regional organization?
- What type of reporting is required for countries receiving regional funding that State provides?
- What is the future relationship expected to be with GHI?

S/GAC activities

- How does S/GAC determine which countries should receive low investment PEPFAR funds?
- What is S/GAC's role in the F operational plan (OP) country process?
- Operational plan assistance reports, required for F, are completed at a high level of detail. Are these reports sufficiently detailed and specific enough for reporting information and data to meet S/GAC requirements?
- At F OP posts, who is responsible for oversight of PEPFAR programs and funding?
- What is the global health and child survival (GHCS)-State account? What are the funds used for and how does it differ from the GHCS-USAID and GAP accounts?

- Of the 25 F OP posts, in addition to USAID or HHS funding, 16 posts receive GHCS-State funds. How are GHCS-State funds allocated to embassies? Who manages these funds and programs? Four posts receive GHCS funds only.
- Of the 25 F OP posts, 4 receive GHCS-State funds only. How is this funding determined; what is it used for and who manages it?

APPENDIX D

Foreign Assistance Operation Plan Countries

	GHCS - State	GHCS - USAID	HHS	FY 2011 Base Funding
Africa				
Djibouti	1,800,000			1,800,000
Liberia	2,800,000	2,700,000		5,500,000
Madagascar	500,000	1,500,000		2,000,000
Mali	1,500,000	3,000,000	250,000	4,750,000
Senegal	1,535,000	3,000,000	50,000	4,585,000
Sierra Leone	500,000			500,000
East Asia Pacific				
Papua New Guinea	2,500,000	2,500,000		5,000,000
Europe and Eurasia				
Georgia	850,000			850,000
Western Hemisphere				
Belize	20,000			20,000
Brazil	1,300,000		1,000,000	2,300,000
El Salvador	20,000	1,090,000		1,110,000
Honduras	1,000,000	5,000,000		6,000,000
Nicaragua	897,000	1,000,000		1,897,000
Peru	50,000	1,240,000		1,290,000

Source: S/GAC

Regional Operational Plan Countries

	GHCS - State	GHCS - USAID	HHS	FY 2011 Base Funding
Central Asia Region	14,254,000	1,000,000	560,000	15,814,000
Kazakhstan	600,000	200,000		800,000
Kyrgyz	475,000	200,000		675,000
Tajikistan	524,000	200,000		724,000
Turkmenistan	75,000	200,000		275,000
Uzbekistan	590,000	200,000		790,000
Western Hemisphere				
Caribbean Region*	14,850,000	6,960,000	1,500,000	23,310,000
Central America**	6,171,000	5,391,000	1,025,000	12,587,000

* Caribbean Region includes: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent, Suriname, Trinidad and Tobago

**Central America region includes: Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama

Source: S/GAC

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