



Independent observer
of the Global Fund

Global Fund African Constituencies meeting in Ethiopia focuses on absorptive capacity

Low absorption of funds within Global Fund grants has been a persistent and pervasive challenge in grant implementation, especially in sub-Saharan Africa, which receives about two third of Global Fund investment. This question was again debated in the African Constituencies (Eastern and Southern Africa and West and Central Africa) annual consultative meeting of the Global Fund that was held from 18-19 October 2018, in Addis Ababa, Ethiopia.

Participants of the meeting came from the 46 countries within the constituencies, and also present were six participants from the Global Fund Secretariat, three from UNAIDS, and Global Fund Board Chair Aida Kurtovic. Representing the countries were the two board representatives for each constituency, their respective alternates from the African Constituency, representatives of the Country Coordinating Mechanism (CCM), and State Principal Recipients.

Absorptive capacity measures how effectively allocated grants are utilized to achieve desired impact. Absorption can be measured on different levels/dimensions including:

- Allocation utilization: a ratio of disbursement forecast to allocation;
- In-country absorption: a ratio of in-country expenditure to budget;
- Budget utilization: a ratio of disbursement to budget; and
- Disbursement utilization: a ratio of expenditure to disbursement.

Low absorptive capacity denies potential beneficiaries timely access to interventions; leads to reduced

value for money due to limited efficiencies in grant implementation, and more importantly, raises concerns among donors as to why they need to stake more resources when those already available cannot be put to full use.

Identifying problems that lead to low absorptive capacity

While low absorptive capacity was recognized much earlier as a challenge, the problem seemed to have increased with the introduction and rolling out of the New Funding Model (NFM). Implementers' own assessment of the causes of low absorptive capacity point to a number of issues.

Participants in the ACB meeting agreed that absorbing grant funds is a shared responsibility between the countries' stakeholders and the Secretariat.

Important issues identified during the workshop that affect absorptive capacity include:

- Delays in contracting procedures and disbursement of funds that resulted in delayed implemented especially at the beginning of the NFM;
- Low capacity in country, including within the Country Coordinating Mechanism (CCM), Principal Recipients (PR) (see OIG audits on [Zambia](#) and [Malawi](#)), and poor health systems;
- High levels of government bureaucracy, for example in procurement procedures;
- Reprogramming (changes to programming activities whose choice was initially based on poor planning or data, or because of delays in implementation);
- Poor relations between implementers and Global Fund country teams;
- [Stringent Global Fund fiduciary policies and guidelines](#), which are well-intentioned but in some ways impede work, for example the "Zero cash policy".

(Additional information was obtained from prior GFO publications on [country-level impediments to absorption of funds](#), [low absorptive capacity](#), [Secretariat-level impediments to absorptive capacity](#), and a publication by the [African Constituencies Bureau](#) (ACB))

Participants expressed the view that the Secretariat already possesses the necessary resources to fix their issues quickly; for example, they said, country teams could be more pro-active in identifying the need for reprogramming, minimize the delays in replying to countries' enquiries or in responding to requests for reprogramming, and in sending management letters when Local Fund Agents (LFA) identify key issues during their assessment.

Another issue that countries discussed at length is the high number of Global Fund 'country team' visits country or/and the lack of structure of some of those visits. The issue is that repeated and sometimes untimely visits by country teams disrupt program implementation as staff do not have the time to concentrate on the work as they have to hold meetings and take visitors around.

Recognition of the absorption problem across PRs, CCMs and the Secretariat, as well as of the various contributing factors, has led to various responses being implemented, especially in the later part of the 4th Replenishment cycle, including:

1. [Implementation Through Partnerships](#) (ITP): A total of 20 countries with marked absorption challenges were identified and supported to conduct a country-level diagnosis of the bottlenecks and suggested actions including mobilization of partners' resources. For example, the Abidjan meeting of 2015 brought together Francophone countries that had significant absorption challenges and at the end of the meeting each country developed a roadmap for action that was reviewed a year later to assess progress;

2. Targeted capability development and flexibilities based on country categorization (Challenging Operating Environments [COE], Francophone countries);
3. Continuous monitoring of implementation progress at both operational and senior management level of the Global Fund Secretariat. There was a general feeling that implementers were increasingly receiving more support from the Secretariat over the last implementation period (2014-2017) and had better working relationships, which was a marked contrast to earlier years when country teams were viewed with apprehension instead of implementers seeing them as partners.
4. Enforcement of cut off (ie. no possibility to carry unused funds over to another grant) provided an incentive for implementers to improve planning and focus on reprogramming as early as possible. The Global Fund has made it clear that unspent money at the end of the grant cycle would be put back into the pool. This has motivated countries to act to improve their absorption.
5. Financial management strengthening and capacity-building initiatives: As the New Funding Model (NFM) was being rolled out, many concepts that affected utilization of funds were not clear to countries, including the fear of incurring ineligible expenses, among others.
6. The [African Constituencies Bureau](#) helped galvanize and bring together the ESA and WCA constituencies, and motivated member-country participation and engagement with the Global Fund, including several meetings with the Secretariat Leadership and OIG to unlock some of the challenges with which they had previously grappled in isolation.

All these actions seemed to have contributed to the progress recorded towards the end of 2017, participants said, when it was observed (as shown in a presentation made by the Secretariat) that absorption, particularly in-country spending, had dramatically improved in both East and Southern Africa (79%) and West and Central Africa WCA (75%) regions as well as by disease area (HIV-80%; Malaria-76% and TB-72%). This data was featured as part of a presentation at the meeting by the Secretariat (Financial Controlling) that summarized the range of issues around absorption, and lessons learned from the 4th Replenishment implementation period.

Participants highlighted their concern with the manner in which those improved (and high) absorption rates were obtained. Towards the end of 2017, countries and the Secretariat, aiming to increase absorption, focused most reprogramming efforts on health commodities – on which money can be spent more quickly – rather than on health system strengthening. In countries with weak supply chains, such a push may result in wastage because of unnecessary expiries or poor storage. As one participant said, “A high absorption rate is sometimes good, sometimes bad: what is behind this figure should be carefully analyzed”. Participants agreed that the absorption rate should not be an end in itself, and countries should not take this “easy way out” to absorb unused funds.

Participants from countries with challenging operating environments and additional safeguard policies also raised specific concerns. All have more stringent control mechanisms, and some do not choose their own PR. While these policies and checks contribute to reducing fraud and mismanagement, they also slow down implementation, thus reducing absorption. Participants said that the Global Fund and countries should work together on strengthening countries internal processes so that those countries eventually graduate out of additional safeguard policies.

Conclusions

Workshop participants affirmed that absorption of funds in Global Fund grants markedly increased between round-based and NFM grants across the portfolio, through joint recipient-country and Secretariat efforts. They emphasized that country-team engagement and support are critical to alert them to issues in their absorptive performance with enough lead-time so that corrective actions can be taken. If unused funds are identified, they can be put to better use. All Participants all agreed that countries, partners and

the Secretariat need to maintain efforts geared towards sustaining higher absorption of funds so that for the gains not to be lost.

Editor's note: This article mainly reflects the views of participants at the African Constituencies annual consultative meeting. The Global Fund Observer will do a follow-up article in a forthcoming issue discussing Secretariat initiatives to support improved absorption of funds in Global Fund grants.

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