



Aidspan

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## LOW ABSORPTIVE CAPACITY OF GLOBAL FUND GRANTS AND ITS IMPLICATIONS FOR PROGRAMMING IN COUNTRIES

The Global Fund defines absorptive capacity as the percentage of actual expenditure compared to the total grant budget. Countries have long reported various policy and operational barriers that hinder their ability to fully absorb donor funds.

Some authorities in “development circles” have argued that higher relative aid flows in a country with low absorptive capacity have the potential to increase cost of service delivery, affect quality of service delivery, or both. Based on this logic, there are suggestions that countries with low absorptive capacity should receive only what they can absorb. In either case, health needs for which funding is available may go unmet.

At the 36th Board meeting held in November 2016, the Secretariat, in its analysis, explained that in the best-case scenario, approximately US\$1.1 billion in grant funds will remain unutilized at the end of 2017. These funds will be added en bloc to the 2017-2019 allocations. However, individual countries will not be able to carry over their unused funds to their 2017-2019 allocation.. The funding implication of this is that the allocation intended for the 2015-17 cycle will be factored into the subsequent country allocations. Countries with unutilized grants at the end of the current allocation cycle will not be able to carry over that money to the next allocation period. Such funds will be put back into the ‘pool’ for future allocations.

Further, “unutilized grants” will be a qualitative adjustment factor for allocation in the new funding cycle. The challenge is that most countries with high burden of disease and least ability to pay for the prevention and treatment of the three diseases, are also faced with significant absorptive capacity challenges.

Work carried out by the African Population and Health Research Center – APHRC, shows that in 34 countries within the two Africa constituencies that were assessed, only about 65% of funds from signed grants for the last three years had been disbursed. While this estimate does not use actual country expenditure, disbursement is dependent on balances in the countries, and therefore is a rough estimate of grant utilization.

APHRC work also identified broad categories of causes of low absorptive capacity including:

- Low capacity of country coordinating mechanisms (CCM) and Principle Recipients (PR) (examples include fear of making ineligible expenses which would mean a country having to refund such expenses; and delays in selecting sub-recipients who carry out the actual work on the ground);
- High levels of government bureaucracy; restrictive national policies;
- Reprogramming (changes to programming are necessitated often as a result of plans that were based on poor data and cannot be implemented);
- Poor relations between implementers and Global Fund country teams (delayed feedback, delayed start date among others).

APHRC's assessment concluded that most challenges identified were operational and are amenable to in-country actions/interventions while others were country specific and require contextual responses.

The Fund's Secretariat has recognized low absorptive capacity as a challenge facing grant implementation in countries. A total of 20 countries, of which 18 are African, are considered high impact (have a substantial burden of disease and Fund investment) and have low absorptive capacity (estimated at 69%). Responding to this challenge, The Fund's Secretariat initiated the ITP initiative (see previous GFO article [here](#)) to support countries in taking specific actions to change this. Building on the ITP initiative, APHRC conducted a rapid assessment to assess country progress against set milestones.

This assessment was carried out in ten high impact countries in the West and Central African constituency that developed and implemented tailored country roadmaps of priority actions to improve absorption. Overall, the countries reported progress in key areas including strengthening country coordinating mechanism leadership; and improving operational; financial and supply chain management. Taken together, country actions through ITP or implementation of country roadmaps are proving to be successful in addressing absorption bottlenecks. Such efforts should be sustained and institutionalized in countries facing significant absorption challenges.

Going forward, the onus is on countries to fast track their implementation and submit reallocation proposals if needed. This call to action is supported by the recommendations made by the two constituencies' meeting held in Rwanda in November 2016 (for further reading on this meeting, please see the previous GFO article [here](#)) The resolutions that could directly improve implementation include: strengthening the CCM; improving procurement & supply chain management cycle; improving performance in high-risk environments; and building local capacity for greater sustainability. All these are anchored in developing resilient and sustainable systems for health. Activities for these could be supported by the catalytic funding which will be available in the new funding cycle.

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