Aidspan

Independent observer of the Global Fund

IDENTIFYING SECRETARIAT-LEVEL IMPEDIMENTS TO FULL ABSORPTION OF GLOBAL FUND GRANT MONEY

According to representatives from the sub-Saharan Africa delegations to the Board, issues at the level of the Global Fund Secretariat contribute to the problems many countries experience with respect to fully absorbing grants. Representatives of the Secretariat respond that they are aware of the concerns the delegations are raising, but point to a need to balance swift disbursements with proper controls.

This third part of a Global Fund Observer series on the causes of lapsed funding considers these Secretariat-level challenges, as well as changes proposed to address them.

The delegations told Aidspan there are several actions and policies that create hurdles to full absorption.

In terms of actions, they pointed specifically to the introduction of conditions precedent and management actions. A condition precedent is a measure to address a critical issue that impacts grant implementation, but was not resolved by the time the grant agreement was signed. It is incorporated into the grant documentation and its conditions must be fulfilled before a specific action, often a disbursement, can take place. A management action is similar to a condition precedent, but addresses an issue that is not deemed to be as critical. If a principal recipient (PR) fails to meet the conditions or actions, the Secretariat can delay disbursement, which can then stall grant implementation.

Regarding policies, the delegations identified two: (a) fixed vs. variable payments for sub-recipients (SRs); and (b) country categorization. The delegations said that the rigorous nature of these policies can make it difficult for PRs and SRs to implement grant activities.

In all of these situations, the delays can make it difficult for PRs and SRs to meet targets set forth in the grant agreements, leading to lapsed funding.

Conditions precedent and management actions

Bernice Dahn, who is both the Liberian health minister and the alternate Board member for West and Central Africa, said both conditions precedent and management actions can lead to significant delays in implementing activities.

“The satisfactory attainment of many of those conditions limited country capacity to absorb, as some of the conditions were either unattainable or, in some instances, partially attainable given various circumstances, some of which were beyond the control of the government,” she said. In instances where the countries or PRs are unable to meet the conditions or actions, this can cause significant delays in disbursements as they attempt to renegotiate the terms with country teams from the Secretariat.

Additional delays can be created by local fund agents (LFAs), who assess country disbursement requests. According to Ibrahim Tajudeen Olaitan, who was an advisor to the focal person for the West and Central Africa delegation, this has led to situations where the LFAs communicate problems to the Secretariat, which then alerts the countries through a management action letter, but sometimes not until months after the LFA’s assessment. Meanwhile, disbursements are delayed and activities must be placed on hold until the management actions are resolved.

Olaitan said sometimes LFAs flag potential issues and delay disbursements without fully understanding the context that led to the situation. He urged the Secretariat to devolve more oversight responsibility to the country coordinating mechanisms which, he said, have a better contextual understanding of these issues and may be able to more quickly investigate and explain them than the LFAs or country teams.

Dahn said that the delegations from the African constituencies understood and appreciated the need for conditions precedent and management actions, but called for them to “be realistic and attainable given the country’s own context and specificity.”

Global Fund spokesperson Seth Faison said the Secretariat has to balance “country-specific issues against the need to uphold policies” and that doing so “requires evaluation on a case-by-case basis.” Where implementing partners raise concerns, he said, country teams must carefully evaluate whether it is necessary to develop a tailored approach or suspend normal controls.

Fixed vs. variable payments

Dahn said the policy on fixed vs. variable payments was slowing grant implementation within her constituency. In countries under safeguard mechanisms or non-cash policies, SRs are allowed only to make fixed expenses, like salaries, while PRs must handle variable purchases, including supplies. This creates situations where PRs are required to deal directly with the suppliers on behalf of the SRs, which can take time away from the PRs’ other activities.

“This has seriously slowed implementation and has made PRs implementers in a sense,” Dahn said. Her solution is that “the PR should be advancing funds to SRs to implement and the PR should monitor the implementation and receive reports from the SRs.”

Country categorization

The Global Fund has a policy that allows it to categorize some countries (or regions) as challenging operating environments (COEs). These countries are generally characterized by weak governance, poor access to health services and manmade or natural crises, which can make it difficult to implement activities.

The Secretariat has pursued a policy to “improve effectiveness in COEs through innovation, increased flexibility and partnership,” but the COE designation also imposes requirements and conditions that can lead to delays in implementation, such as a no-cash policy with respect to the payment of invoices.

Syson Namaganda Laing, the focal point for the Eastern and Southern Africa delegation, said within her constituency there have been situations where grant activities were delayed because of the restrictions that come with the COE designation. She said it could be difficult to meet even the flexible requirements to bring on PRs and SRs and to work around a no-cash policy.

“Because of the additional safety policies and measures [related to the no-cash policy] there are delays getting them on board,” she said. “This eats into grant implementation and absorption timelines.” She suggested wider consultations on the implementation of safety measures after a COE designation has been made.

Efforts to improve absorption

Faison said the Secretariat’s policies and actions are a reflection of its attempt to strike a balance between “the need for swift disbursements with proper controls so that we can be as effective as possible,” and the need to avoid situations of inadequate supervision or waste. “Some delays are inevitable,” he cautioned, for reasons that range from the need for documentation, fiscal analysis and oversight, to political developments in a country.

Faison said the Secretariat has made, and continues to make, efforts to improve grant absorption, including through the Implementation Through Partnership (ITP) initiative. Started in October 2015, the ITP focused on 20 countries – 18 of them from the two African constituencies – that had received allocations of more than $150 million and met one of the following criteria:

- historic fund absorption rates (expenditure vs. budget 2010-2014) of less than 70%; or
- scale-up of greater than 50% in annual expenditure required; or
- forecasted grant disbursements for the period 2015 (second quarter) to 2017 suggesting that greater than 20% of the country’s allocation will remain undisbursed at the end of 2017.

The initiative was designed to work with a range of parties to identify bottlenecks to absorption and increase efficiency and effectiveness. Ultimately, the countries were expected to implement actions, monitor their impact and integrate that learning into their programs going forward. The initiative has transitioned into “Impact Through Partnership,” which is now mainstreaming those lessons.

There have been two GFO articles about the ITP initiative (here and here). We plan to prepare an update on the ITP in the near future.

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