



Independent observer  
of the Global Fund

## Challenges at Global Fund Secretariat and implementer levels found to impede grant absorption

As the Global Fund approaches the replenishment of funds for the next implementation period, 2020 to 2022, the question of how well Global Fund grant funds are absorbed has become prominent. It is a topic, among others, in recent reports by the Global Fund's Office of the Inspector General (OIG), the Secretariat and civil society organizations. Absorptive capacity measures the percentage of actual expenditure compared to the total grant budget according to the Global Fund. Sometimes, in the absence of actual expenditure data, the percentage of disbursements compared to the total grant budget is used as a proxy.

Absorption of Global Fund grants, worldwide, was on average 75% between 2015 and 2017, on track for the target of 75% by 2022, according to the [Secretariat's Strategic Performance report for 2018](#). On average, absorption was highest in Southern and Eastern Africa (83%), closely followed by Eastern Europe and Central Asia (EECA; 79%) and lowest in the Americas (72%). The [OIG advisory report on grant implementation in Western and Central Africa \(WCA\)](#) pointed out that this average absorption concealed wide discrepancies across countries. For instance, in WCA, between 2014 and 2017, Côte d'Ivoire, Senegal and Burkina Faso spent most of their funds – 97%, 94% and 93% respectively – while Mauritania and Guinea spent barely one-third of their – 33% and 28% respectively. Interestingly, the Secretariat noted that [absorption had improved](#) in most countries, especially in WCA, in 2018.

This article, the first in a series on grants' absorptive capacity, discusses the root causes of low absorption among Global Fund recipients in sub-Saharan Africa, as identified in recent literature. Information for this article comes from the [OIG advisory report on grant implementation in WCA](#), the [Secretariat's Strategic Performance report for 2018](#) presented to the Board during the 41st Board meeting in May, a 2017 analysis of the Global Fund's absorptive capacity by the Technical Evaluation Reference Group (TERG),

findings of a situational analysis of the absorption of civil society PRs (commissioned by the Eastern Africa National Networks of AIDS Service Organisations [EANNASO]) and presented during a meeting of civil society PRs in June 2019 – see [separate article in this issue](#)) and grant absorption experiences by Nigeria, presented during the meeting by Oladeji Adeyemi, a Project Coordinator for HIV at the Association for Reproductive and Family Health (ARFH).

Absorption lower for challenging operating environments, less commoditized grants, and government implementers

Certain regions – Latin America and the Caribbean (LAC), Middle East and North Africa (MENA) and WCA – appear to have lower absorption compared to others. However, lower absorption is more likely to be linked to challenging operating environments (COEs) rather than to a region, according to a report on the Secretariat's strategic performance. Countries classified as COEs spent on average 73% of their grants, which was less than non-COE countries (81%) in 2018. Most COEs are either in MENA or WCA and hence skew the regions' average absorption.

The report to the Board also noted that less commoditized grants – TB and RSSH – are likely to have a lower absorption rate. TB grants had lower absorption (69%) relative to HIV (83%) and malaria (80%). Countries spent on average 66% of RSSH grants. Further analysis by the Secretariat revealed discrepancies in absorption of funds meant for commodities and non-commodities. Absorption of funds for commodities was high across all disease components: HIV (89%), malaria (87%) and TB (73%). In contrast, absorption of funds for non-commodities i.e. in-country activities, was comparable across all the disease components – HIV (72%), malaria (70%) and TB (69%) – but lower than that for commodities.

Government implementers are less likely to absorb funds when compared to multilateral organizations and civil society in LAC, EECA and Asia, according to the Secretariat. Interestingly, absorption is similar for government and civil society implementers in Africa and MENA.

The Secretariat reported a strong association between absorption and the age of the grant in what it called the 'first-year effect'. It is not surprising that absorption is likely to be lower in the first year of implementation as compared to later years. The first year is when implementers are starting the grant and there are often delays, and it is only in the second year that implementers settle and focus on implementing the grant activities, according to the TERG analysis of 2017.

Root causes of low absorption in sub-Saharan African countries

The various sources of information for this article identified almost similar causes of low absorption, which we have classified into two broad categories: Secretariat-level and country-level causes. We have also highlighted other potential causes of low absorption that are beyond the control of the Global Fund and the implementers.

Secretariat-level challenges

The Global Fund has established processes, policies and systems to ensure effective implementation of grants while safeguarding its financial investments. Unfortunately, some of the risk mitigation measures sometimes delay or prevent implementation of grant activities and consequently delay or prevent the absorption of funds. In fact, the TERG analysis had noted that stakeholders felt that the Global Fund placed too much emphasis on risk management at the expense of grant implementation.

Delays caused by the Global Fund

In some cases, according to the participants of the meeting, the Global Fund delays grant signing with the PR, and therefore the disbursing of funds. An example was a grant signed in mid-March but backdated to

January; the PR lost, on the date of signing, funds for staff and other overhead costs for more than two months. Such grants start off with lower absorption even before implementation has begun. PRs often fail or find it difficult to get program implementation back on track after these kinds of delays. An in-depth analysis of the absorptive capacity, by the Technical Evaluation Reference Group (TERG) of the Global Fund, related the delays to the lack of, or poor quality of, required documentation. For instance, training and procurement activities may be delayed due to the lack of (approved) plans for them.

The Secretariat also causes delays in the approval of reprogramming requests, according to the OIG advisory report and the Nigeria presentation. Even though the Global Fund policy, on paper, encourages focused and timely reprogramming throughout the grant life cycle, sometimes it takes as long as six months for countries to get feedback from the Secretariat on their reprogramming requests.

### Stringent Global Fund conditions and requirements

Global Fund requirements, conditions and processes often impose a heavy burden on implementers, according to the EANNASO study. According to an implementer in Mali cited by the OIG, “the supported programmes are designed to meet GF (Global Fund) rules and expectations rather than the actual needs and expectations of the country”.

One of the measures that the Secretariat set in place to mitigate risks is to compel Principal Recipients to reimburse ineligible expenses made with grants funds. As a result, implementers fear making ineligible expenditures: The PRs and sub-recipients (SRs) sometimes opt out of implementing activities to avoid incurring ineligible expenditures, or they request additional approval from the country team to protect themselves.

In the civil society meeting, Adeyemi noted that the frequent in-country visits by country teams and LFAs usually draw attention away from the implementation of grant activities. In-country stakeholders have persistently raised this concern. He also cited a poor relationship between Nigerian implementers and Global Fund country teams. Similarly, the African Population and Health Research Center (APHRC) in a report released [in 2016](#) noted that poor relations between implementers and Global Fund country teams often led to delayed feedback and delayed grant start dates in Francophone countries. (At the time, APHRC, which is based in Kenya, was supporting the African constituencies to influence Global Fund Board decisions and policies).

### Failure to leverage existing flexibilities in challenging operating environments

The Global Fund has categorized countries characterized by weak governance, poor access to health services, limited capacity and fragility due to man-made or natural crises as challenging operating environments (COEs). When classified as a COE, a country should ideally benefit from increased flexibility, partnerships and innovations to attain grant implementation effectiveness similar to that of non-COE countries. However, in practice, the Global Fund has not yet fully taken advantage of the flexibilities, across the grant life cycle, to reduce the administrative burden on the implementers. For instance, the OIG advisory report noted that COE countries use the same reporting procedures as non-COE countries, which, despite efforts to simplify them, are still complex and cumbersome. In practice, COEs report two or more months after the reporting date whereas non-COEs take on average 15 to 30 days. Delays in reporting lead to delays in disbursements and implementation of grant activities, which ultimately lead to lower absorption.

### Implementer-level challenges

#### Weak implementation arrangements

The OIG advisory report noted that implementation arrangements have a bearing on programmatic

performance, absorption and sustainability. WCA countries with strong implementation arrangements that are tailored to their country contexts, and with available capacity, have better absorptive capacity: some of these are Burkina Faso, Senegal, Democratic Republic of Congo (DRC) and Cote d'Ivoire.

In existing implementation arrangements in WCA – and potentially in the rest of Africa – a disconnect exists between the role of the implementers and their mandate. The OIG advisory report noted that most WCA countries use national disease programs and other national entities outside the Ministry of Health (MOH) as either PRs or SRs for Global Fund-supported grants. However, the disease programs and non-MOH national implementers have no administrative authority or contractual relationship with service delivery entities. This disconnect between implementers' respective role and mandate limits the ability of these disease programs and non-MOH implementers to effectively drive program implementation. The resulting bureaucratic and coordination challenges impede timely approvals and implementation of grant activities and ultimately delay or prevent the utilization of grant funds.

The advisory report singled out Mauritania as an extreme case, involving a complex set of implementation arrangements with a non-MOH PR. Between 2014 and 2017, Mauritania had the worst absorptive capacity in WCA (28%).

#### Limited capacity of implementers

The Global Fund does not have an in-country presence and therefore relies on in-country institutions to implement grants. However, implementers do not always have the necessary capacity to effectively carry out grant activities. The EANNASO study found that civil society PRs sometimes lack the capacity to detect and report in a timely manner on low absorption or to negotiate financial management targets with the Secretariat and the LFA during grant making and implementation. In addition, civil society PRs often have limited experience in procurement and supply chain management. The civil society PRs opt to outsource this function.

The analysis by TERG also found that weaknesses in financial and SR management by the PRs were significant causes of low absorption. For the state PRs, such weaknesses relate to weaknesses in general health systems. Other health system weaknesses relate to procurement and supply chain, inventory management, monitoring and evaluation, and human resources.

PRs also delay selecting SRs in some countries, potentially due to the inefficiencies in the SR recruitment process, significantly delaying the implementation of some activities; no provision exists for PRs to contract SRs only after grant signing. Ultimately, these delays in selection and implementation lead to unspent funds, especially funds for staff salaries and overheads. Worse, some SRs – especially those at grassroots – come with weak documentation, compliance to regulations, reporting and leadership, according to Adeyemi. The PRs and SRs also face high staff turnover.

Despite gaps in capacity, the EANNASO study found that civil society PRs do not access or utilize technical support. According to this study, technical support in financial reporting, planning and targeting, and strategizing and negotiation would improve capacity in these areas.

#### Savings, revenue generation, exchange-rate and efficiency gains

Sometimes, implementers end up having unspent funds, not due to underutilization of funds, but due to savings, revenues and efficiency gains. For instance, some funding requests use global price estimates of goods and services, which tend to be higher than local prices, leading to over budgeting and consequently unspent funds.

The implementers may also accumulate savings if the foreign exchange rate falls in the course of a grant cycle. However, they cannot reprogram the gains without prior Global Fund approval.

Low absorption sometimes beyond the control of the Global Fund and implementers

Ultimately, some causes of low absorption are beyond the control of the Global Fund and the implementers, at least in the short term. Low absorption sometimes results from disruption of grant activities such as through changes in national policies and priorities, according to the EANNASO study and the Nigeria presentation. For instance, some activities targeting [key populations were stopped or slowed down in Tanzania](#) when government policy changed.

Although not commonplace, insecure working environments and government instability may also affect the implementation of grant activities and ultimately the use of funds, according to the TERG analysis. Disease outbreaks, especially in the context of weak health systems, may also disrupt implementation of grant activities compromising the absorption of funds as evidenced by the Ebola outbreak in three countries – Liberia, Guinea and Sierra Leone – between 2014 and 2016. In fact, the Global Fund noted in their report to the Board that absorption is significantly lower in Ebola-affected countries.

This article is the first of a two-part Global Fund Observer series on absorptive capacity in sub-Saharan African countries. The second part of this series will discuss successful strategies for raising the absorption of funds, and the lessons learnt.

Further reading:

- [Advisory report on Grant implementation in Western and Central Africa \(WCA\): Overcoming barriers and enhancing performance in a challenging region](#) (GF-OIG-19-013)
- 41<sup>st</sup> Board Meeting. [Strategic Performance Reporting](#) – end 2018 (GF/B41/14)
- [Moving the needle on grant absorption: Insights from Africa's Global Fund implementing countries](#)
- The Global Fund's [Strategic Review 2017](#) by the Technical Evaluation Reference Group (TERG).

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