Absorptive capacity: preventing effective use of Global Fund resources to end the three epidemics
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Absorption capacity:
The absorption capacity is the degree in which an organization is able to effectively and efficiently spend financial resources.

Administrative Absorption Capacity:
the capacity of PRs to prepare plans, projects and programs in due time, to select the best SRs, to organize an efficient partnership framework, to observe administrative and reporting duties, and to finance and supervise the implementation process, by avoiding any irregularities

Budgetary Utilization:
the means by which all planned activities will be delivered and responsiveness in the activities will create the outcome for reporting by the end of the implementation period.

Community Group:
Is a type of group or organisation that is created and operates for a specific purpose or to provide a specific service in a community for the public benefit of the members of the community. Many communities have a variety of different community groups which have a specific purpose and provide a specific service to members of that community.

Civil Society Organization:
"Civil society Organizations (CSOs) refers to the wide array of non-governmental and not-for-profit organizations expressing the interests and values of their members or constituencies, based on ethical, cultural, scientific, religious or philanthropic considerations. Thus, civil society organizations have the following dimensions:
• Not governmental and not part of the public administration,
• Not for profit,
• Serving the general interest (interest of its members or of others),
This study was commissioned and supported by the Eastern Africa National Networks of AIDS and Health Service Organizations (EANNASO) as a critical step towards addressing funds and budgetary utilization challenges faced by Civil Society (CSO) PRs implementing Global Fund grants. EANNASO is grateful to the strategic partners for their support, including technical and financial, that contributed to the successful implementation of the study.

EANNASO is grateful to the Technical and Development Partners who provided insights that enriched the content of the study report. Specifically, EANNASO is grateful to the Reference Group that constituted representatives from UNAIDS RST, the GF, Aidspan, Frontline AIDS, and the UNAIDS Technical Support Mechanism, for their valuable inputs from the study design stage to analysis and quality assurance of the study report.

EANNASO is deeply indebted to all the study respondents who took time to complete a detailed questionnaire and sharing additional information on the true status of GF grants as implemented by CSO PRs. These include GF grants implementers (PRs and SR), Development and Technical Partners, CCM Members from the 8 study countries; Ethiopia, Ghana, Malawi, Nigeria, South Sudan, Tanzania, Zambia and Zimbabwe.

Finally EANNASO recognizes and acknowledges the good work done by the Consultant in the design and implementation of the study as well as its staff for supporting the study project process through effective coordination, communication and technical and logistical support.
Global Fund is a Global partnership that mobilizes and invests billions of US dollars annually to support programs run by local experts in countries and communities most in need. Spending the money however has not been a walk in the park for recipient countries and the Global fund has indeed noted with concern the inability of some recipient countries to spend grants fast enough. In his recent visit to Nairobi Kenya, the Global fund Executive Director Peer Sands is quoted to say;

“If the money isn’t being used, it isn’t having an impact,” he said. “Our raison d’être is to save lives, reduce infections, and ultimately end the epidemics. The money has to be used.”

Therefore, if the money is not being used as fast as it is intended to be used, then the implication is that many people who would have benefited miss out leading to a possible loss of life where it could have been saved.

This study report hence seeks to shed light to the concept of absorptive capacity in GF grants that are administered by Civil Society Organizations (CSOs) principal recipients (PRs). Multiple GF and CSOs PRs characteristics within a given country context determine the absorption of GF grants.

In order to establish what these characteristics may be, interviews and extensive review of existing literature on GF grants administered by CSOs PRs was undertaken in order to consolidate knowledge on frequently encountered constraints to GF grant implementation. The study was conducted in 8 countries; Ethiopia, Ghana, Malawi, Nigeria, South Sudan, Tanzania, Zambia and Zimbabwe.

The findings indicate that constraints to absorptive capacity in all countries are more or less similar given that countries in Africa face comparable demands for skilled workforces, organizational systems and infrastructure, the only caution being the added difficulties in fragile states. All countries face challenges equally from GF- side constraints. The study therefore identifies 3 tiers of constraints to absorption capacities of GF grant implemented through CSOs PRs.

This study report ends with a conclusion and recommendations aimed at;
1) Improving PRs absorption capacities and,
2) Promoting greater understanding GF’s constraints.

The report also calls for enhancing structural flexibility to adapt to emerging obstacles that arise in GF grants.

These possible mitigation strategies range from capacity building targeting personnel skills and organizational infrastructure, addressing country specific national statutory requirements, strengthening the CCMs oversight role to supporting PRs and sensitizing the GF of its inherent limitations.
The question of absorption capacity has arisen in various international development contexts. In the case of absorption capacity of Global Fund (GF) grants, it is defined as the percentage of actual expenditures compared to grant budget; or, simply, how much of the budgeted funds have been spent by a country. The Global fund allocation are done through a rigorous process that takes into account the disease burden of a particular country that determines how much money is allocated thereof. As such every dollar allocated is intended to translate into increased access to services for the most-needy. Program reviews and previous studies have shown that when a GF principal recipient experiences low absorption of its Global Fund grant funds, it means that communities in that country are not receiving life-saving prevention, diagnosis, and treatment services. Incidentally, most countries that experience low absorption capacities are in most need of the GF grants, and these countries are mostly in Sub-Saharan - Eastern and Southern Africa region.

Understanding absorptive capacity of GF grants is a challenge in itself. It involves chiefly understanding the characteristics of recipients’ countries themselves - internal factors that increase or decrease the absorption of the grants. Still, a national atmosphere conducive to grants absorption and program implementation is not sufficient. Two other critical dynamics are involved; 1) Organizations administering the grants (CSOs PR in this case) need to have the capacity to utilize and manage the funds received, and 2) The GF should consider critique their processes as well as their assumptions about the recipients (CSOs PRs), and consider readapting the grants to fit reality on the ground.

Absorptive capacity can only be understood in relation to a specific GF program objective, it is not possible to establish a blanket method for predicting the overall absorptive capacity of a CSOs PR. The reason being that for any given program objective there will be a unique set of constraints and challenges that may contribute to hindering efficient absorption of funds. Hence, in the design stage of each GF grant, a casuistic analysis of absorptive capacity must be undertaken. The difficulties of correctly assessing CSOs PRs’ constraints and their extent are diverse, and this activity usually becomes an exercise in trial and error. This suggests that the GF must ensure the grant design has enough flexibility to be reshaped in order to adapt to emerging constraints previously unaccounted for.

The Eastern Africa National Networks of AIDS & Health Service Organizations (EANNASO) as the host of Global Fund CRG Regional platform for Communication and Coordination on HIV/ AIDS, TB and Malaria in 25 Anglophone African countries working with partners in the region, commissioned this study, seeking to generate information on factors influencing GF grants absorption capacity of the Civil Society Organizations (CSOs) Principal Recipients (PRs) in the Anglophone Africa countries.

The study findings are aimed at Strengthening the Role of Civil Society and the Private Sector in the Global Fund’s Work, as outlined in the GF strategy framework, which is anchored under the dual track financing policy framework.

**Study Aim**

The overall aim of the study is to critically analyze factors influencing CSOs PRs capacity to fully utilize allocated funds from the GF and explore mitigation strategies.

**Study Objectives**

To achieve the overall aim of the study, three objectives have been included;

- Assess factors at grant design stage that have a bearing on budgetary utilization during implementation.
- Assess factors at grant implementation stage that influence budgetary utilization.

Ultimately, EANNASO has tried to answer the question of how the GF and CSOs PRs can overcome the constraints to absorption capacity in GF grants. In order to do this, EANNASO has gathered, through this study, information on grant absorption capacity limitation to both the CSOs PRs and the GF, as the first step. From here, EANNASO will use the findings of this study to work with partners, to use the recommendations to support CSOs PRs and work with the GF to increase both the GF’s and CSOs PRs’ absorption capacity.

There is broad agreement that making progress in eliminating the three epidemics; HIV, TB and Malaria in Sub-Saharan Africa will entail additional finance, but there is less consensus on how easily and effectively extra flows of finances will be absorbed. In general; does lack of absorptive capacity undermine the overall Global Fund goal?

Low absorption capacity by PRs means intended program services are not delivered in terms of diagnostics, treatment, and health promotion. There is a pattern low absorption in the very countries with the greatest need for Global Fund support, since it goes hand-in-hand with weak health systems. Majority of such countries are in Sub Saharan Africa, a region receiving slightly more than 65% of GF funds.

Absorption capacity limit the point at which an organization can no longer absorb or spend funds efficiently, and additional funds are then subjected to diminishing returns, reducing the impact of the programs. Funding agencies, including the GF, face the challenge of inability to timely and correctly assess and consider an institutional characteristics and absorption constraints at the program design stage. In most cases, issues around absorption capacity are addressed during grant implementation, in a reactive manner.

Most studies on absorption capacity focus on the effects of aid on country economic growth, with very little focus on public consumption and investment. This creates evidence gap as evidence in aid and economic growth do not provide insights into the relationship between grants and primary intended outcomes, such as limiting the capacity for direct service delivery.

Previous studies have shown that institutional absorption capacity goes beyond the control of an individual organization. There are a number of factors outside the control of an organization that influence absorption capacity, some relate to national government policies and some, ironically, relate to donor funds delivery constraints. This is common perception with the GF as a donor, that is considered to have cumbersome and stringent funding requirements by most current and previous PRs. Addressing causes root causes of low absorption capacity by PR require a comprehensive approach that will also attempt to address the limiting GF Funding requirements and systems.

The complex process of reviewing allocated funds to countries by the GF is a good starting point to address the discrepancies between country allocations, approved and disbursed funds. A funds allocation formula that reflect countries absorption capacities should be used.

The administrative burden of administering GF funds is considered to be a key issue in sub-Saharan Africa, and more so, in fragile states. Most CSOs PRs require strong internal systems and infrastructure that can administer increased funding levels. There is a view that, the GF should increase investments in organizational development for PRs to enhance funds utilization and minimize risk. Studies have shown that project outcomes do not depend exclusively on the increased investments, but also on institutional capacity to utilize available budgets. Borrowing from this evidence, it is therefore worthwhile to support institutional strengthening for CSOs PRs through identifying root causes of low absorption capacity and design and implement comprehensive responses.

Absorption capacity and absorption capacity limits varies across CSOs PRs, and there are CSOs PRs that have absorbed allocated funds efficiently and performed well in budgetary utilization. Such PRs provide an excellent learn point for other PRs with relatively low funds absorption capacities, although the contexts might be different, it is worth studying both environmental factors as well as institutional factors that contribute to success.
Study design

The study design takes the form of a situational analysis, using the broad GF grants cycle as the unit of analysis, with a bias towards performance of GF country grants against intended outcomes. Performance, in this study, is in relation to answering the question; “is the grant effectively meeting its intended outcomes through full utilization of allocated budgets?”. Areas of analysis include quality of grant outcomes/outputs, and effective utilization of allocated funds.

To achieve this, the study analyzed associations of relevant variables across the GF grant cycle, from design to grant closure, and analyze them for possible cause and effect. The study sought to draw inferences from a sample of GF principle recipients implementing GF grants, who will not be under the control of the study or investigation process.

This study design has been selected due to its capacity to 1) illustrate complexities inherent to GF grants cycle as they constantly change and create patterns and positions, 2) reveal ignored/subjugated grant design and implementation best practices and 3) allow for mixed data collection methods including direct observation, and analysis of already collected data, mostly grant performance reports and ratings by the LFA. The study design also allows for methodological flexibility, as key and necessary in this type of investigation.

Study Methodology

The study followed qualitative study methodologies aiming for a complete, detailed description of observations, including the context of events and circumstances surrounding GF grant cycle processes and their implication on the grant performance. Qualitative methods allow for collection of data relevant to explaining the “how” and “why” of the current status of the GF grants and give an in-depth contextual sketch of relationships between the many GF grant design and implementation processes.

Qualitative data collection methods also allow for capturing data and experiences from respondents directly involved in GF programs at country level. Considering the large amount of existing data on GF grant implementation, qualitative methods provide an avenue for in-depth review of this data and explain current grant implementation trends and related critical factors.

Data collection

The study employed the following three qualitative data collection methods;

A self-administered questionnaire (SAQ): Self-administered questionnaires was the primary data collection method. The questionnaires were designed specifically to be completed by the respondents without intervention of the consultant. The SAQ was uploaded online and links shared with respondents.

In-depth interviews: In-depth interviews were conducted to collect data from respondents with a wealth of knowledge on GF processes and programs, capturing their perspectives and experiences particularly on grant performance, critical challenges and factors influencing overall quality of grants’ outcomes and utilization of allocated funding levels.

Document review: The consultant conducted a systematic review of existing records, including GF grants progress reports, previous assessments, OIG reports, and other relevant materials on GF grants implementation. Existing GF grant performance reports, by Local Fund Agencies (LFA) were valuable to this study as they provided detailed and verified data on grant implementation process. This
data is usually acceptable by all grant stakeholders and improves the validity and accuracy of information presented.

**Sampling Design**

A maximum variation/heterogeneous purposive sampling design was used to ensure a diverse range of countries relevant to the objective of the study are selected, for example, the inclusion of both social political fragile and stable states, middle- and low-income countries and a country epidemiological status, as the first level of study sample selection.

The need to have diverse range of individual respondents participate in the study was also a critical factor for the study and influenced the second level sampling process. For example, selecting individual respondents with diverse experiences in GF programing processes was critical, these included GF grants program managers, CCM members, and individuals who are neither CCM members nor PR representatives but have knowledge of GF grant implementation processes.

This sampling design is meant to ensure the study captures as much insights as possible and construct a robust view of the GF country grants design and implementation.

**Sampling Frame**

The study targeted 24 anglophone African countries that receive GF financing for country specific programs on AIDS, Malaria and TB, and these 24 countries made the sampling frame for the study. Although majority of the anglophone countries are in Eastern and Southern Africa, the study considered the value of including countries from all Africa sub regions, due to high geographical contextual differences that may have direct impact of GF programs processes.

**Sample Size**

The sample size for the study was determined using the maximum variation/heterogeneous purposive sampling design and highly influenced by two critical considerations; 1) the expense of data collection, and, most important, 2) the need to have sufficient statistical power. The sample size is representative of all Anglophone Africa sub regions, as the study seeks to establish trends and challenges facing GF grants implementation in the region and establish applicable remedial strategies.

**Study countries**

A total of eight (8) countries, Ethiopia, Ghana, Malawi, Nigeria, South Sudan, Tanzania, Zambia and Zimbabwe were selected.

**Study respondents**

*Self-administered questionnaire:* A total of 30 respondents; five per country from the six selected study countries, were identified to participate in the study, to respond to the web based self-administered questionnaire. The respondents were drawn from the following categories:

- GF Grants Managers of persons responsible for the grants at the PR level
- CCM Members
- Respondents not linked to CCM and GF grant implementation but with considerable knowledge of the GF programing
- Representatives from the technical and development partners; UNAIDS, USAID and WHO

**Data Management**

Most of the data was captured online through the web based self-administered questionnaire. The raw data was downloaded and stored on local drive. The completed forms were verified for errors and inconsistency. The online platform was designed to automatically serialize each completed form.

Audio data sets from the FGDs were downloaded and saved into accessible audio files and saved in hard drives.

**Data Analysis**

A mixed approach was used to analysis the collected data. This included 1) a framework data analysis approach where the data was examined with a pre-defined framework reflecting the aims and objectives of the study. This was to allow the consultant to focus on key areas of interest. 2) The thematic network analysis where the consultant took a more exploratory perspective, examining all data before discarding, to make impressions and interpretation of unexpected, but relevant, information.
Quality Assurance

The study design and all stages of the study had quality and ethical standard assurance built into their execution to ensure that the collected data is reliable and privacy of respondents guaranteed.

Quality assurance in this study was planned at two levels;
1. Quality assuring the study process at all stages. This included ensuring the study process and activities followed the study design, research best practices, and implemented within the agreed time.
2. Quality assuring the study outputs. This included all study outputs being checked for quality, these included study data collection tools, collected data as well as the study report.

Quality assurance process included the following key approaches;
1. Ensure high level of consultations with all relevant persons involved. This include EANNASO technical focal persons and the study reference group.
2. Cleaning up completed questionnaires, including checking the completeness and coherence of completed questionnaires.
3. Conducting respondent follow-ups in case of inconsistencies and ambiguity on completed questionnaires.
4. Conducting source data verification (SDV) through comparing captured data with the original data source.
5. Presentation of the study outputs to the technical reference group through webinar for inputs.

Dissemination of Results and Publication Policy

Dissemination of the study results are done to ensure that the outputs inform practice and thereby maximize the benefit to the GF grants implementing partners, CCMs, the GF and, ultimately improve quality services to the affected communities. An all-inclusive dissemination approach will be used in order to achieve this objective. The dissemination process is based on the need to translate knowledge into practice.

The dissemination plan includes the following key activities;
- Written feedback to study participants including study report.
- Interactive stakeholder’s dissemination meeting/workshop (PRs Forum)/conferences
- Use of electronic media such as websites and other social media platforms
- Webinar
- Publications including Full, Executive Summary and Plain English summary report of the study

Thus, this proactive dissemination approach offers the breadth to reach out to multiple audiences.

Ethics

Like all research projects, ethical considerations were critical in this study. There was a deliberate effort to ensure the study design and process prevent against the fabrication or falsifying of data and therefore promote accurate and true interpretation of findings. The consultant sought high level collaboration to promote trust, accountability, and mutual respect among all stakeholders.

The EANNASO, working with the consultant ensured that agreed processes for data sharing, co-authorship, confidentiality and copyright guidelines were followed.
Profile of The Respondents

The study considered special characteristics of respondents to be significant in determining the respondents’ level of interaction with GF grants as well as respondents technical understanding of the study problem. Keeping this in mind, a set of respondents’ characteristics, namely, respondents’ technical background, respondents’ organization of affiliation and role in GF grants, were examined and results presented in this section.

Respondents’ technical area of expertise

Technical area of expertise was considered one of the most important characteristics that has a bearing on respondents’ understanding of global fund grants management and inherent challenges associated with global fund grants making facing CSOs GF recipients. Respondents work experience in grants financial management, monitoring, project management and oversight enhanced the validity of the data collected through drawing responses from individuals with vast knowledge and understanding of the study question.

Majority (66.6%) of the respondents, were GF Grants project managers, charged with the responsibilities of day to day implementation of GF grants workplans. Respondents with Financial Management responsibilities under GF grants formed 26.8% of total study participants. Participants’ in other technical areas of expertise included; Community responses and systems, advocacy and community mobilization and governance and leadership.

Respondents’ Organization of association

Respondents’ organization of association and affiliation play a key role in their exposure and interaction on GF grants related programs. It was critical to seek responses from respondents who are attached to organization that are directly or indirectly involved in GF grants and programs at country level. This included respondents from the Country Coordinating Mechanisms (CCM), Principle recipients (PRs) and Sub recipients (SRs). Such respondents were considered to have first-hand experience in dealing with GF grants implementation challenges that are subject of this study, and answers provided insights on practical grants management dynamics.

The study also targeted respondents from organizations that have a direct interaction with the GF grants at country level, without a direct implementation or oversight roles. These included respondents from institutions that implement TB, Malaria and HIV programs and their activities contribute to the same national responses as those of the GF grants. The chart below presents the distribution of respondents according to their institutional affiliation.

The Study findings show that out of the total respondents reached during this study, majority of them were affiliated to National NGOs, followed by representatives from CCMs. Those from government ministries and Faith based organizations represented less than 12%. Other respondents included those from development partners comprised 19% as presented in the respondent distribution chart.

A considerable number of study respondents, at 30.77%, were from GF grants recipients as PRs and SRs.
The absorption capacity is the degree in which an organization is able to effectively and efficiently spend financial resources. With this regard, for absorption capacity to happen, it is necessary, on the one hand, to have an absorption capacity from the Principal Recipients (PRs) in order to manage the funds received from the Global Fund (GF), on the other hand, an absorption capacity from the Sub Recipients and implementing partners whose activities these funds address. This put in question two distinct characteristics, namely the absorption capacity on the supply side (PRs) and absorption capacity on the demand side (SRs/Implementing partners).

The PR absorption capacity mostly falls under administrative absorption capacity. This refers to the capacity of PRs to prepare plans, projects and programs in due time, to select the best SRs, to organize an efficient partnership framework, to observe administrative and reporting duties, and to finance and supervise the implementation process, by avoiding any irregularities. The administrative absorption capacity was the main focus of this study.

Approach Used to study PR administrative absorption capacity

Further to the overall study methodology, the study also adopted a structured two stage approach in assessing administrative absorption capacity of the PRs. This included:

**Programming (Design) stage:** This was the input variable of the study. The elements that define this stage designs the conditions for the effective and efficient management of GF funds. This stage included studying the impact of meaningful engagement of the CSOs and Community Groups in the designing GF programs on funds absorption capacity. This was guided by the assumption that communities, who are the target of GF programs, help establishing relevant health community health needs as well as shed light on appropriate implementation strategies.

**Functioning stage:** This was the assessment of the extent to which GF funds are effectively and efficiently managed. Essentially looking at PRs’ grant management capacity, including subgrating capacity.

Absorption capacity of GF funds by CSO PRs: Underlying elements

**Programming/Design Stage**

The design stage of a country HIV, TB and Malaria programs under GF funding is very critical, mainly because the end product is informed by proposals and other inputs generated and discussed at design stage. The feasibility of a GF grant is also determined by the grant content, as well as execution strategies. There is a direct correlation between grant feasibility and absorption capacity. Previous studies have shown that grants that don’t speak to the need of the beneficiaries are less likely be implemented on time, and in most case are not fully implemented. It was also worth noting that complex and implementation strategies that are brought in by international organizations PRs, but not common at country level, slow down overall grant implementation, and thus affect overall grant burn rate.

Having this in mind, the study sought to establish factors that contribute to designing feasible GF grants that can be implemented on time and ensure full budgetary utilization. Study finding show the following as critical factors affecting design of feasible GF grants:

Figure 2: Factors affecting designing of feasible GF grants

1. **Lack of meaningful community engagement**

The study respondents identified meaningful engagement of CSOs and community group in grant design as a critical process of ensuring feasible grants that respond to real needs of the communities and intergrade community-based implementation strategies that have been tested and proven to work in a country. Such grants are easy to start and implement due to contextual familiarity by communities and easy to identify implementing partners with short learning curves.

The study established three critical stages and processes of engagement in the design of GF grants;
Stage 1: Country Dialogue

Stage 2: Funding Request Writing

Stage 3: Grant Making

Figure 1 below shows majority of respondents agreeing that CSOs and Community Groups are engaged in the overall process of designing GF country programs.

Figure 2 shows that the majority of respondents dont agree that the CSOs and CGs participation in country dialogue is meaningful.

The study focused on the first two stages of program design and limited emphasis was put into the grant making stage. But it is also worth noting that only 4.2% of the study respondents agreed that CSOs and community groups are engaged in the grant making process.

Lack of meaningful CSOs engagement during country dialogue: Country dialogue is an open and inclusive conversation between different stakeholders who respond to and are affected by the diseases in a country. Country dialogue provides a platform for communities to input into overall ideas and identify areas of investment in response to the respective epidemics.

Figure 2 shows that the majority of respondents dont agree that the CSOs and CGs participation in country dialogue is meaningful.

More than half (52%) of the study respondents indicated that the community participation in country dialogue is not meaningful mainly because the community representation at the dialogue platform that do not reflect the various community constituencies. This has been attributed to the following factors:

a. Limited information of the dialogue process and this leaves out majority of the CSOs and community groups.

b. Poor national coordination mechanisms among the CSOs that tend to create small groups of CSOs that monopolize the dialogue process, and

c. Limited resources for supporting CSOs and community group to participate in across countries limit community participation.

d. Lack of utilization of CS and Community generated data and information to inform GF country programs. CS and Communities generate valuable data that if well utilized and strengthen the quality of GF country programs.

24% of the respondents noted that, country dialogue lacks consistency in process and procedure. Key Informant discussions also affirmed this position that the country dialogue process is mostly a rushed process with limited time for all-inclusive discussions by stakeholders across the country. Although there are guidelines with clear timelines for a comprehensive country dialogue process, countries often start the process late.

The quality of CSOs and community groups’ participating in country dialogue process including outputs is considered low. 79.2% of the study respondents stated that CSOs and community inputs into the country dialogue process are of poor quality. Information from key informants (KI) interviews explained that low quality is mainly attributed to poor preparations by the community groups and CSOs constituencies. 58% of the study respondents, stated that CSOs and community groups are not able to articulate the current
response strategies and thus creating a gap between community health needs and corresponding strategies

Lack of CSOs Engagement in the Funding request (FR) Writing: The GF Funding Request is the plan for how a country would use its allocated funds, once approved. This is a critical stage of program design as it is the stage where all priorities emanating from the country dialogue are consolidated and factored into the program. The capacity of CSOs to articulate their priorities and negotiate for their inclusion into the program is critical. It is also worth noting that CSOs and Community Groups do not effectively participate in the review of the disease specific National Strategic Plans. This is a critical process in analyzing the epidemiological situation to inform the country programs. Lack of participation in this process limits their contribution into the funding request.

Majority (88%) of the study respondents, agreed that CSOs and community groups are represented in the FR writing team. This would serve to show that CSOs are meaningfully engaged during the FR process. However, information from key informants indicate that inclusion of CSOs in the FR writing process is much of a mandatory for all CCMs hence most CCMs are forced to comply with this requirement. That the representation of CSOs during the FR is not genuine but just bring on board CSOs to rubber stamp the process. This argument is further strengthened by 45% of the study respondents who stated that CSOs and community representation in the FR writing team is mostly not legitimate because representatives are hand-picked by CCM secretariats without consulting the respective constituencies.

These findings point to poor quality representation of CSOs during the FR process. This is confirmed by 72% of the study respondents who acknowledged that the quality of CSOs’ and community groups’ inputs into the FR writing is wanting and below average.

It is also important to note that majority (66.7%) of the study respondents stated that the priorities from the CSOs and Community groups are not fully included into the final country program.

2. Limited access to and utilization of technical support during country dialogue and FR stage

The study also sought to establish the extent to which communities’ access Technical Support (TS) during the country dialogue and FR development stages. Majority (52.2%) of the respondents, stated that CSOs and community group receive limited TS and 47.8% stated that CSOs and community groups do not receive TS at all during country dialogue and FR development stage.

Figure 3 shows majority of respondents don’t agree that CSOs and CGs access TS during FR development stage.

Through KI discussions, it is evident that there are a number of factors limiting CSOs and community group to access TS. These include limited lack of financial resource to pay for TS as most CSOs and community groups don’t have budgets for TS. Although the GF has set aside funding for community groups to access TS through the GF CRG mechanisms, most community groups are still not aware of this arrangement. Evidence also show countries that submit their applications in the first and second application windows do not utilize the CRG TS funding mechanisms.

Knowledge of the usefulness of TS is also a factor contributing to limited access to TS. Through KI, it was identified that CSOs and community groups do not prioritize TS due to lack of knowledge of the usefulness of TS in improving quality of program design and implementation, especially in country dialogue process.

3. Designing of Implementation Arrangement Mechanisms

Previous studies have shown that the implementation arrangements directly impact on overall effectiveness of grants. Cortical elements of implementation arrangement will include identification and selection of program implementing partners, mechanisms for managing implementers and plans for monitoring implementation progress. KI discussions established that the PR selection process need to put into consideration, not only technical capacity but also the full understanding of the country context, as well as established contact with networks at grassroot level.

Selection of weak PRs results in limited community reach, poor management of grants implementing partners and,
most important, poor grants activities monitoring and reporting.

Figure 4 below show that respondents don’t agree that the process of PR selection is structured and open and transparent.

![Figure 4: Is the process of selecting PRs structured, open and transparent?](image)

Majority of the respondents, at 79.16%, stated that the process of selecting PRs is not well structured as well as not open and transparent, resulting to selection of PRs that are not fit for the purpose. KI discussions noted that, although the selected PRs have inhouse technical capacity in fund management, they lack other critical requirements that affect funds absorption, such as capacity to manage their SRs, reach communities at grassroot level, as well as lack of appreciation of the country complexities at community level. Information from KI also indicated that a number of PRs struggle to identify implementing partners and experience challenges in making inroads in project areas due to lack of in-depth understanding of local contexts.

The KI discussions also established that the PR selection process is mostly skewed toward selection of International NGOs (INGOs) through setting a very high criteria that is not necessary for the grants, and at the same time locking out national NGOs. Majority of the respondents, at 60%, stated that the skewed process has resulted to INGOs taking up the PR roles in many countries.

### 4. Costing Models

Previous studies have shown that costing of goods and services determine the program budget structures and overall budget levels. Although it is critical to use a use a costing model that reflects reality at the pint of expenditure, this has proven difficult, especially for long term programs that’s are based on USD budgets.

The study sought to establish the impact of costing models used by CCMs on funds absorption capacity.

Study respondents, at 30%, established that CCMs use “global price estimates of good and services” to develop their grant budgets, while 25% of the respondents agreed that CCMs use “average costs of goods and services” as a costing model for their grants budgets. Follow-up discussions with KI, established that the above two models lead to high discrepancies between budgets and costs of goods and services at the point of procurement, and in most cases the models tend to over budgets.

### Implementation or Functioning stage

The functioning or implementation stage is the stage is the practical stage with two sets of distinct mechanisms working simultaneously;

1. Funds administration and
2. Program activity implementation.

From this point of view, many experts consider that it is the most difficult part of the whole mechanism, any malfunction in the design (programing) stage having a direct impact on the implementation.

The study used four elements in analyzing absorption capacity of the PRs during the functioning stage; 1) Technical and management capacity, 2) Systems capacity, 3) Co-financing, 4) Grants efficiency gains and revenue generated.

### Factors Contributing to Low Funds Absorption During Grant Implementation

![Figure 5: Factors influencing funds absorption](image)

**Low Technical and Management Capacity**

Technical capacity in terms of human resources skills mix and numbers, is critical for effective and efficient grants management. PR’s personnel are sometimes involved in other activities specific for the respective organizations. From the KI responses, it is not clear if a clear delimitation of the tasks made between GF grants and other organizational activities. The GF grants are an additional task for most, if not all, PRs who are already functioning.

KI discussion also showed that PRs are in need of additional staff in key administrative roles such as finance and procurement, but have not been able to convince the GF to support such core administrative roles.

**Limited Financial Management Capacity:** KI discussions stated that despite PRs having qualified financial management...
staff, they are still struggling to follow GF specific financial management requirements and procedures. KI noted that GF FM procedures and compliance requirements are specific to GF and overly detailed. This situation has resulted to delays in financial reporting and most financial reports have generated numerous queries and back and forth discussions between GF and PRs. The overall results of this situation is delayed funds disbursements to PRs and subsequent disbursements to SRs.

KI proposed that, adequate training and preparation of PR staff on GF specific financial management compliance requirements.

Poor Procurement and Supply Chain Management Capacity: Study respondents reported procurement and supply chain management as one critical factor responsible for low absorption capacity among PRs. This is for the following two reasons; 1) most CSOs PRs have not invested in procurement functions as this has not been their core business prior to GF grants administration, and 2) there are few PSM experts and PSM has not been an area of specialization among NGOs, and is mostly outsourced.

KI discussions reveal that most CSO PRs build their procurement units/section after securing GF grants. Limited technical experience in PSM, coupled with lack of skilled personnel and new PSM units/section with no systems, has caused delays in procurement of good and services under GF grants.

The study respondents also identified in-country national procurement policies as a contributing factor to low funds absorption capacities, as some CSOs PRs are required to secure clean bills of health from national government ministries of finance before high volume external procurements.

Late grant start up

Late and slow GF grant startup was identified as the number one cause of low funds absorption. KI stated that GF grants are always on “catch up mode”, struggling to meet way overdue deadlines and trying to make up for lost time. This is reflected on the financial burn rate reports that show less than 45% burn rate in most GF grants.

KI discussions established that some grants line items are cannot be recovered once not spent at the planned period. These include salaries for staff not recruited due to delayed start up, and administrative costs for SRs not identified.

Poor systems for reporting revenue generation and efficiency gains

Revenue and income generated through efficiency gains and exchange rate gains are reflected on the grant as unspent funds under a specific accounting period. PR accounting systems and accounting timelines make it impossible to reveal such income and efficiency gains on time to allow for reprogramming of the funds.

KI discussions established that PR need to adopt real time financial accounting and monitoring to ensure such gains are captured and reported on time, triggering reprogramming process.

Stringent GF Compliance Requirements and Cumbersome/burdensome Approval Processes

Stringent donor requirements are motivated by the need to minimize the risk of funds misuse and promote transparency. But application of the stringent procedures tend to put additional layers of checks and approval levels which directly contributes to low funds absorption. Study respondents identified strict and detailed GF management requires as one of the factors contributing to low burn rates and underspending of GF funds by PRs.

KI discussions reveal that PRs’ fear of GF disallowable cost and the obsession on compliance with GF requirements tend to over scrutinize SRs’ financial processes slowing down disbursements to SRs.

Interviews with KI also showed that there are delayed activity approvals from GF, a factor that slows down activity implementation.

Disruption in grant activities

Changes in national policies and priorities have a direct impact on national programs including those funded through the GF. Such shifts result to challenging political programming environment, making it difficult to continue implementing activities that conflict with emerging political orientation. Study respondents sighted the abrupt and unexpected implementation of criminalizing policies on sexual minorities in some countries brought to the halt the implementation of GF activities targeting the LGBTI communities.

Limited Utilization of Technical Support and Best Practices

A review of PRs’ appetite to accessing and utilization of Technical Support (TS) showed that CSOs PR utilize TS more on programmatic issues, and limited TS is utilized for administration. KI discussions highlighted that PRs should access TS targeting to ensure real-time solution to financial management challenges. The TS should also support CSOs PRs negotiations with GF on financial targets and reporting.

Civil Society PRs should also utilize TS to supporting their SRs in compliance and reporting, as opposed to the current approach on penalizing SRs on financial management mistakes.
Conclusion

The CSOS PR administrative absorption capacity of GF funds is still insufficient, due to significant and numerous weaknesses which need to be addressed to in order to enhance effectiveness of GF supported programs.

There is a distinct feeling of lack of authority in the process developing GF country programs, with approved grant not reflecting the initial ideas on the communities, weakening community ownership, and raising questions of project feasibility. Reversing this trend requires increased investment to support an all-inclusive engagement process of communities, more so at country dialogue and FR writing stages. Investing in technical support for communities is inevitable for quality community anticipation. Civil society organizations’ national coordination platforms could be the missing link in ensuring the engagement process is well coordinated and monitored.

Principal Recipients’ technical capacity for effective grants management is critical and most CSOs PRs have this capacity inhouse. Nevertheless, additional skills in negotiations and engagement with the GF and Local Funds Agents (LFA) is required to facilitate mutual engagement and partnership between the GF and the CSOs PRs. In most cases CSOs PRs are on the receiving end with little confidence to negotiate financial targets with GF country teams.

The capacity to generate financial actual financial reports on Realtime will support capturing expenditure gaps, and facilitate immediate action, including reprogramming where needed. Though the PR dashboards that support this process are underutilized, they still provide a good opportunity for effective monitoring of grants burn rates.

Implications of late grants startup have not been well addressed. There is a feeling that PRs and GF respond to late start up through budgets adjustments, a process considered simplistic. A more strategic approach is required to ensure the grants are not rushed and allow for smooth startup phase as this is considered a strong foundation for the grants.

There is a general view that PRs are rigid in terms of exploring strategic partnership during grant implementation and this is as a result the notion that the grant implementation arrangement maps are cast on stone, where PRs feel stuck with the SRs initially selected. A more flexible approach of engaging implementing partners as a strategy in response to low funds absorption capacity should be considered, as this will help bring on board additional partners with necessary skill to facilitate fast tracking of implementation process.

The CCMs are a strategic mechanism to address absorption capacity challenges, especially those that relate to national government processes, through establishment of linkages with national government ministries in support of GF programs. This require an effective and good working relationships between the CCMs and PR, which is currently missing, at least in most cases.
The following were proposed as priority actions targeting to minimize and mitigate low funds absorption capacities:

1. **Enhance Community Engagement in program design**; to support feasible programs CCMs should seek ways to increase community engagement and empower communities to articulate impact of the epidemics at community level as well as community centered solutions. CCM should seek ways of ensuring KPs participate and are well represented in the country dialogue and at the FR writing stage.

2. **Rationalize CSO PR selection requirements/criteria**; CCMs should strengthen the selection criteria for CSO PRs and include critical factors that are beyond procurement and financial management, but also reflect community reach and networking capacities.

3. **Increase number of implementers**; Study respondents supported the need to increase the number of PRs and SRs as a mitigating strategy for low absorption capacity. Depending on the nature and magnitude of the absorption capacity, CCMs should consider recruitment of additional PRs with needed strengths to support existing CSOs PR. Likewise, KI proposed that CSOs PRs should consider recruiting more SRs and or implementing partners to respond to existing SRs gaps and challenges.

4. **Simplify GF Implementer requirements**; Considering the perceived risks inherent to GF grants, it was proposed that current financial management requirement should be simplified to ensure clarity and enhance adherence.

5. **Increase resource allocation to capacity development**; Study respondents agreed that increasing resource allocation to PRs and SRs for capacity building focusing on compliance on financial management and PSM is critical to ensuring a steep learning curve on GF grants management requirements as well as financial performance. The capacity building costs should be integrated into the grants.

6. **Establish mechanisms and platform for peer support**; to ensure generation and utilization of strategic information including best practices, study respondents proposed establishment of a regional platform that allow CSOs PRs to seek, access, share and discuss challenges, best practices and emerging issues.

7. **Enhance access to technical support**; It was agreed that PRs and SRs should be supported in accessing TS. It was noted that utilization of TS should start when a CSO plans to apply for PR role, and continue all through grant implementation to grant closure.

8. **Scale up CCM role in budgetary utilization**; The KI discussions established that a considerable number of CCM do not effectively support PR in budgetary utilization as an oversight role. The respondents established that CCMs have political authority and influence to intervene in national procurement processes as well as other national requirements that delay procurement, such as tax exemptions. Respondent recommended that the support to budgetary utilization should be a priority oversight function for the CCMs and CCM should establish effective linkages with other national mechanisms to enhance budgetary utilization.
WORKS CITED