

# Capacity Assessment

## Guidelines for Global Fund Local Fund Agents

April 2023

### 1. INTRODUCTION

Before signing a grant agreement with a Principal Recipient (PR), the Global Fund ensures that the proposed implementation arrangements are sound. To do so, Global Fund assesses whether systems and capacities of grant implementers are adequate for effective management of the grant funds. This is required to ensure the Global Fund partnership can deliver maximum impact against the three diseases.

Continuing PRs are also subject to ongoing capacity assessments following a risk-based approach to better understand where continued efforts at improving capacity in known areas of weakness can be targeted.

Whether it is a full assessment of a new PR or a thematic assessment of a continuing PR, the assessment is done using a tool called the Capacity Assessment managed through the Integrated Risk Management (IRM) module on the Grant Operating System (GOS).

### 2. OBJECTIVES

The assessment aims to:

- Support the process of establishing whether an implementer proposed by the CCM has the appropriate capacity to implement the program or identifying areas and means to capacitate for continuing PRs.
- Describe and assess the proposed implementation arrangements and systems to be used for grant implementation in 13 risk areas with 35 sub-risks (or a subset thereof, particularly if it is a targeted thematic assessment of a continuing PR):

HIV Program Quality	Program Design & Relevance
	Program Implementation and Efficiency
TB Program Quality	Program Design & Relevance

	Program Implementation and Efficiency
Malaria Program Quality	Program Design & Relevance
	Program Implementation and Efficiency
RSSH and Pandemic Preparedness	Laboratory Systems
	Human Resources for Health
	Community Systems and Responses
M&E	Data Governance & Management
	Data Generation, Availability & Quality
	Data Analysis and Use
Human Rights and Gender Equity	Human Rights
	Gender Equity
Procurement	Quantification: Forecasting & Supply Planning
	HP Procurement Processes and Outcomes
	Non-HP Procurement Processes and Outcomes
In-Country Supply Chain	HP Warehousing Systems
	HP Distribution Systems
	HP Information Systems
Quality of Health Products	Pre-Market Approval and Registration
	Post-Market Approval and Use
Grant-Related Fraud and Fiduciary	Flow of Funds Arrangement
	Internal Controls
	Financial Fraud, Corruption & Theft
	Value for Money – Financial Management
Accounting & Financial Reporting by Countries	Accounting & Financial Reporting
	Auditing Arrangements
In-Country Governance	Health Sector Governance
	National Program Governance

	PR Governance
	Implementation Effectiveness
	CCM Governance
Health Financing	Domestic Health Financing and Co-Financing
	Sustainability & Efficiency

- Determine if the nominated implementers have adequate capacity and systems in place to fulfill the role assigned to them in the program; and
- Identify capacity gaps and determine capacity building measures to address these in the short and/or medium term to enhance the efficiency and effectiveness of the implementation of the program.

### 3. REQUIREMENTS

An assessment is required during Funding Request period for all new PRs as well as continuing PRs if they will be implementing new activities that have not been previously assessed. There are triggers to guide whether to assess a continuing PR. These include (but are not limited to):

- Material changes in scale of the program (e.g., expanding from covering 2 states to 10 states)
- Changes in scope of the program for activities they have not previously been assessed for (i.e., community outreach, BCC activities, etc.)
- PRs with specific experience in one disease being selected to manage a disease where they do not have explicit expertise.
- PRs with no or limited past experience in specific activities (i.e. procurement of non-health products, procurement, etc.) being tasked to take over such activities.
- PRs with recurrent performance issues.

The Country Team can also choose to carry out a capacity assessment at any time they deem it necessary (such as evidence that the capacity of the PR has changed since the last assessment). Continuing PRs shall be assessed using a targeted thematic assessment if known capacity issues have been identified.

The scope of such an assessment will be based on performance during the previous grant implementation period, previously conducted assessments or information related to the implementers' known capacities and systems, as determined by the Country Team in consultation with the relevant 2<sup>nd</sup> Line oversight function and/or Risk Specialist for High Impact and Core portfolios.

## **4. TIMING**

For new PRs, as well as continuing PRs if they will be implementing new activities that have not been previously assessed, the capacity assessment should be initiated as soon as the PR has been identified and completed by the time the TRP recommends the grant for grant-making.

For continuing PRs with identified capacity weaknesses, a targeted thematic assessment can be done either during the Funding Request review period, or during grant implementation at the Country Team's discretion.

## **5. TAILORING**

The following factors drive the tailoring of the capacity assessment:

### **Type of implementer**

New implementers require an in-depth assessment of the relevant functional areas to ensure a robust understanding of any capacity weaknesses, and therefore require substantial input from the LFA into the assessment exercise.

Similarly, if there are material changes to the scope and scale of the new program the Country Team may require more input from the LFA before it can finalize the assessment and provide a final capacity rating.

On the other hand, Country Teams will likely require less input from the LFA to finalize the assessment for implementers that continue to manage a program without material changes to the implementation arrangements and scope and scale of the activities. In such cases, the Country Team can focus only on areas where issues may have occurred in the past (i.e. via a targeted thematic assessment).

### **The role of implementer**

The role of the implementer in the program as identified in the implementation arrangements map or based on the knowledge of the Country Team is also considered in determining which questions to tailor. For example, if the assessed implementer will not conduct any procurement, the Country Team would not include questions related to this in the template shared with the LFA.

### **Existing assessments**

Existing risk and assurance reporting, capacity and/or related assessments may limit the need and scope of the detailed assessment including information requirements from the LFA if the Country Team has decided to re-assess an existing PR.

## **Other Global Fund-related documents**

Relevant reports (e.g. recent audit reports, PUDRs, PUs, spot checks, HFAs, etc.) inform the Country Team of the existing capacity and system issues and risks. Where significant issues were brought to light, the Country Team may decide to document them in the Risk Tracker and propose related mitigating actions; or it may decide to use the capacity assessment to further explore the issue and request the LFA to complete certain sections of the assessment tool relevant to the issue (e.g. an implementer with significant issues identified by recent audit reports may need to undergo a thorough capacity assessment in the area of financial management and systems).

## **Partner assessments**

As much as possible and feasible, the Country Team will draw on relevant donor or partner reports and recent capacity assessments to complete the assessment.

## **6. LFA INPUT REQUIREMENTS**

The Country Team generates (through IRM in GOS) and then tailors the Capacity Assessment for LFA input.

The Country Team shares the Capacity Assessment in Word format for LFA input. It includes only the questions the Country Team would like the LFA input on.

The implementer is responsible for submitting the documents required to the LFA. If the LFA has difficulty in obtaining documentation required in the Capacity Assessment, they shall inform the Country Team immediately. The Country Team shall follow-up with the implementer directly.

## **7. OUTPUT**

### **Capacity rating**

The LFA is responsible for providing a capacity rating for each risk and sub-risk included in the Capacity Assessment shared by the Country Team. If the LFA has not been assigned to answer all questions in a specific section, the rating for that section is based only on the questions the LFA was assigned to answer.

Based on its existing knowledge and analysis of implementers' and systems' capacities in country and supported by information available within the Secretariat, information provided by partners, and the LFA's assessment findings, the Country Team determines a rating for each Sub-Risk section included in the Capacity Assessment. If this rating differs from the LFA rating, the Country Team shall provide a rationale for the variance.

## Action plan

If there are identified key capacity gaps or system issues, the proposed actions are documented by the LFA after each capacity question (as relevant) and then summarized by the LFA in the summary table of actions at the top of the Capacity Assessment template. This summary of actions can then be shared with the PR as Global Fund's own observations to maintain the confidentiality of the LFA reporting. If the issues are considered critical and addressed by a Key Mitigating Action or a prioritized mitigating action, the Country Team can add the root cause and mitigating action in IRM to be tracked.

## 8. RESPONSIBILITIES

### Country Team:

- The Fund Portfolio Manager (FPM) informs the implementer that the LFA will be conducting a capacity assessment of their entity.
- The FPM is responsible for coordinating the tailoring of the assessment, with each functional specialist taking the lead in their respective areas of expertise (PHME Specialist for Programmatic and M&E, RSSH and CRG risks, Finance Specialist for Financial and Fiduciary Risks, HPM Specialist for Health Product Management and Supply Chain Risks, and FPM for Governance and Health Financing Risks).
- Based on the tailored scope of work, the FPM, with the support of functional specialists as required, works with the LFA to determine the level of effort and agreed timelines for completing the capacity assessment.
- Once the LFA submits its analysis, the Country Team is responsible for:
  - a. Reviewing the work done by the LFA, adding/clarifying any CT comments below the LFA answer and suggested LFA Mitigating Actions (including reviewing/revising the Summary of Actions table at the top of the template)
  - b. Selecting a capacity rating for each Sub-Risk section included in the assessment (with each functional specialist taking the lead in their respective areas of expertise)
    - Summarizing the PR's overall capacity in each of the Risk areas included in the assessment in the Assessment Summary table at the beginning of the Capacity Assessment.
  - c. Making a final decision on whether the implementer has sufficient capacity to implement the grant and clearly document the reasons if the answer is no.
- Once the Word template is fully completed, the FPM is responsible to submit the final assessment to their respective Risk Specialist by uploading the completed assessment in IRM.

- Once the Risk Specialist has confirmed they are aligned with the completed assessment, the FPM shares the finalized capacity assessment by email with their Regional Manager/Department Head for approval.

#### **Risk Specialist:**

- Advises the CT on the tailoring of the Risks/Sub-risks and capacity questions to be included for a continuing PR assessment.
- Reviews the completed assessment and provides an “Aligned” or “Not Aligned” review with comments to confirm the assessment has been appropriately completed, the recommended actions are SMART, and that any critical actions or KMAs are flagged for inclusion in IRM.

#### **Local Fund Agent (LFA):**

- The LFA provides inputs (corresponding to the sections that have been tailored for the LFA to answer) as follows:
  - Assess the capacity of the PR by answering specific questions in the assessment that the Country Team has assigned in the “LFA Answers” box.
  - Provide an overall capacity rating for each Sub-Risk area assigned (if the LFA has not been assigned to answer all questions in a specific Sub-Risk section, the rating for that section is based only on the questions the LFA was assigned to answer).
  - For Sub-Risks where the LFA has rated the capacity issues as “Moderate” or “Major”, the LFA is required to clearly articulate the root cause or causes (i.e. the specific capacity issue or issues that are of concern) and suggest a SMART mitigating action or capacity building measure to address the identified weakness(es). The LFA shall also add any actions listed within each Sub-Risk to the Summary Action table at the beginning of the Capacity Assessment.
  - Summarize the LFA’s assessment of the PR’s overall capacity in each of the Risk areas included in the assessment in the Assessment Summary table at the beginning of the Capacity Assessment.
  - Collect and submit any supporting documents requested by the Country Team as part of the instructions to complete the Capacity Assessment.

#### **Implementer:**

- The implementer that is being assessed works with the Country Team and the LFA to ensure they have access to the information and supporting documentation they need to complete the assessment.