

Guidelines for Local Fund Agents for Capacity Assessment of Implementers

1. INTRODUCTION

Before signing a grant agreement with a Principal Recipient, 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. The assessment is done using a tool called the Capacity Assessment.

2. OBJECTIVES

The assessment aims at:

- Supporting the process of establishing whether an implementer proposed by the CCM has the appropriate capacity to implement the program.
- Describing and assessing the proposed implementation arrangements and systems to be used for grant implementation in four functional areas:
 - i. **Monitoring and Evaluation**
 - ii. **Procurement and Supply Management**
 - iii. **Financial Management and Systems**
 - iv. **Governance and Program Management (including Sub-Recipient Management)**
- Determining if the nominated implementers have adequate capacity and systems in place to fulfill the role assigned to them in the program; and
- Identifying critical capacity gaps and determine capacity building measures to address these in the short and/or long term to enhance the efficiency and effectiveness of the implementation of the program.

3. REQUIREMENTS

An assessment is required for all new PRs. An assessment must also be conducted to review the capacity of an existing PR if it will be implementing new activities that have not been previously assessed.

There are triggers to guide whether to assess an existing 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). The scope of such an assessment will be based on performance during previous grant implementation, previously conducted assessments and information related to the implementers' known capacities and systems, as determined by the Country Team.

4. TIMING

The capacity assessment should be initiated as soon as a new PR has been identified and completed as early as possible in the grant making stage. For countries deemed very high risk where the proposed PR is known sufficiently in advance (e.g. where the Global Fund applies additional safeguard policy and selects a new PR), the capacity assessment should be substantially completed prior to the submission of the Funding Request to the TRP.

5. TAILORING

The following factors drive the tailoring of the capacity assessment:

Type of implementer

New implementers require a more complete 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 the scope and scale of the new program are significantly different/larger, then 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 major changes to the implementation arrangements and scope and scale of the activities. In such case, the Country Team can focus only on areas where issues may have occurred in the past.

Of note, all questions in the Capacity Assessment must be answered by the Country Team, even those they do not assign for the LFA to provide an answer and capacity rating for.

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 select a rating of 'not applicable' for the relevant sections of the PSM assessment that do not require an assessment.

Existing assessments

Existing risk, capacity and 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 on the existing capacity and systems 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. assessed 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 prepares the Capacity Assessment for LFA input. This is done in the Grant Operating System (GOS) in a module called IRM (which stands for Integrated Risk Management). In IRM, the Country Team selects which questions they would like the LFA to answer.

The Country Team then exports the Capacity Assessment in Excel format for LFA input in. It includes only the questions the Country Team would like the LFA input on. The Country Team may include in the document specific guidance on the scope of the expected responses from the LFA.

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 section of the assessment as assigned 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 section within each of the functional areas. 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 Country Team documents the root cause for these issues in IRM. For questions where the LFA has rated the capacity issues as "Moderate" or "Major", the LFA is required to clearly articulate the root cause(s) (i.e., the specific capacity issue or issues that are of concern) and suggest an action or actions to address the identified weakness(es).

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 Risks, Finance Specialist for Financial and Fiduciary Risks, HPM

Specialist for Health Product Management and Supply Chain Risks, and FPM for Governance, Oversight and Management 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 reviewing the work done by the LFA, completing any questions not assigned to the LFA, selecting a rating for each section of the tool (with each functional specialist taking the lead in their respective areas of expertise), and making a final decision on whether the implementer has sufficient capacity to implement the program.
- The FPM is responsible to submit the final assessment to GAC if it is a new PR (or an existing PR assigned to implement activities it has not previously been assessed for) as per the OPN on A2F, Grant-Making and Approval.

Local Fund Agent (LFA)

- The LFA provides inputs (corresponding to the sections that have been tailored for the LFA to answer) as follows:
 - Answer specific questions of the assessment that the Country Team has assigned. This includes answering the capacity question, providing a capacity rating for the specific question, and providing specific and actionable recommended mitigating actions for all questions rated moderate or major issues.
 - Provide an overall capacity rating for each section where LFA had questions assigned to them by the CT. 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.
 - Provide an overall summary for the Risk Category for each category that has been tailored for the LFA review.
 - Collect and submit the supporting documents requested by the Country Team in the "Documents to Submit" tab of the Excel.

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.