
SIMPLIFIED CAPACITY ASSESSMENT TOOL USER GUIDE**INTRODUCTION**

Before signing a grant agreement with a new Principal Recipient (or an existing PR that is implementing new activities), the Global Fund needs to ensure that the proposed implementation arrangements, systems and capacities of key grant implementers are adequate for effective management of the grant funds with the aim of achieving maximum impact against the three diseases. The assessment of these systems and capacities is done in the following functional areas using the Simplified Capacity Assessment Tool (CAT):

- Monitoring and Evaluation
- Procurement and Supply Management
- Financial Management and Systems
- Governance and Program Management (including Sub-Recipient Management)

The capacity assessment supports the process of establishing whether an implementer proposed by the CCM has the appropriate capacity to implement the program.

What has changed? Everything.

- The total number of assessment questions has been reduced from over 420 to 160. In addition, there are three sections¹ that are assessed at the disease level, so if the Country Team is assessing more than one implementer in the same disease, they only need to complete those sections once.
- The assessment is now in Excel, avoiding some of the technical challenges experienced using the previous CAT in InfoPath (e.g., login credentials, saving data, etc.)
- The Country Team can tailor each individual question of the assessment for the LFA to complete, as opposed to tailoring by section in the previous CAT. The Country Team can also provide specific guidance to the LFA for each question (as necessary) in a comment box. Questions not completed by the LFA shall be assessed by the Country Team.
- The PR is no longer required to complete a self-assessment. The LFA completes the questions assigned to them by the Country Team by working with the PR and submits the completed assessment directly to the Country Team.
- The Country Team has its own column to either answer questions not assigned to the LFA, or to provide clarifications to what the LFA has submitted, as well as a column to add its own actions.
- The LFA shall provide a capacity rating for each question that it has been asked to answer. For questions with a rating of “Moderate” or “Major”, the LFA is required to clearly articulate the root cause(s) (i.e., the specific capacity issue or issues) and suggest an action or actions to address the identified weakness(es). The LFA shall also provide an overall summary of the key capacity issues at the end of each functional area.
- The Country Team is required to provide a capacity rating for each individual section within each functional area. The LFA is required to provide a rating each section it has been assigned to answer questions in. If there is a variance between the two ratings, the Country Team shall explain why there is a difference. The rating for each section auto-calculates the overall rating for the functional area. The overall ratings for all four functional areas are captured on the final summary tab.

¹ The three sections assessed at the disease level are: Inadequate Program Design and Relevance, Inadequate Promotion of Human Rights and Gender Equality, and Inadequate National Program Governance.

- On the summary tab, the Country Team is required to provide a final “Yes/No” decision on whether the Global Fund will continue to work with the implementer based on the results of the capacity assessment.

Objectives of Simplified Capacity Assessment

The capacity assessment aims to:

- Describe and assess the proposed implementation arrangements and systems to be used for grant implementation (e.g. procurement and supply management, monitoring and evaluation, finance and governance);
- Determine if the nominated key implementers have adequate capacity and systems in place to fulfill the role assigned to them in the program; and
- Identify 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.

When a Capacity Assessment is Required

A capacity 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.

The following are examples of potential triggers for conducting an assessment of an existing PR:

- 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 tasks.
- PRs with recurrent performance issues.

The Country Team can also choose to conduct a capacity assessment at any time they deem it necessary (such as evidence that the capacity of the PR has changed since the last capacity 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.

Timing of the Capacity Assessment

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.

Tailoring of the scope of the assessment

The following factors drive the tailoring of the capacity assessment:

- **Type of implementer**
 - i) New implementers require a more complete assessment of the relevant functional areas to ensure a robust understanding of any capacity weaknesses.

- ii) For **repeat implementers** that will continue to implement a program without major changes to the implementation arrangements and scope it is likely that the Country Team can largely finalize the assessment with limited input (focusing only on areas where issues may have occurred in the past) from the LFA. If, however, 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 the final rating.
- **The role of the implementer in the program** as identified through in the implementation arrangements map or based on the knowledge of the Country Team. For example, if the assessed implementer will not conduct any procurement, the Country Team would select the rating ‘not applicable’ for the relevant sections of the PSM assessment that do not require an assessment.
- **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:
 - i) **Recent QUART:** If the implementer(s) is the same, a recently completed QUART and an on-going action plan addressing identified risks associated with the implementation of a grant by the assessed implementer can be used for tailoring the Simplified Capacity Assessment Tool. The Country Team may decide not to conduct a detailed capacity assessment if the QUART sufficiently identifies all issues and the action plan addresses them.
 - ii) **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 and Action Tracker² and propose related mitigating measures; or it may decide to use the 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).
 - iii) **Partner assessments:** As much as possible and feasible, the Country Team should draw on relevant donor or partner reports and recent capacity assessments to complete the assessment.
- **Value of funding request** - if it is low (e.g. less than USD 5 million annual budget or there is a low PSM value up to USD 500,000) then the Country Team may not require a detailed capacity assessment in certain functional areas (i.e. PSM) and may complete the assessment without the input from the LFA.

Tailoring the Assessment for the LFA

The Country Team selects which questions they would like the LFA to answer by selecting “Yes” from the drop down menu beside each question. Selecting “Yes” turns the box yellow for easy identification of which questions have been selected. In addition, the Country Team can provide additional guidance (only if needed) in a comment box next to the “Yes” if they would like the LFA to focus on a particular issue or aspect of the question.

If multiple implementers are being assessed for the same disease component, section 1.1, 1.6, and 4.1 only need to be completed once as these questions are assessed at the disease level.

In addition to the specific questions to tailor, at the end of each functional tab in the Excel worksheet is a list of documents which can be requested. The Country Team shall choose “Yes” from the drop down menu for the documents they would like submitted along with the LFA’s assessment. The

² The Risk and Action Tracker will be automated as part of the online Integrated Risk Tool to be released later in 2017. In the interim, there is an Excel version of the Tracker that will be an Annex to the Grant-Making Sign-Off Form.

implementer is responsible for submitting the required documents to the LFA for them to submit with their assessment to the Country Team. If the LFA has difficulty in obtaining any of the Country Team’s requested supporting documentation, they shall inform the Country Team immediately so the Country Team can follow-up with the implementer directly.

Outputs of the Capacity Assessment

i) Rating

The LFA is responsible for providing a capacity rating for each question (based on the methodology described below) that it has been assigned to answer by the Country Team. In addition, the LFA will provide a rating for each section that it has been assigned to answer questions in. 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.
- The overall capacity rating for each functional area is auto-calculated from the Country Team’s rating of each individual section. However, the Country Team is required to provide a brief, high-level summary of the key capacity issues related to that functional area.

Rating Methodology

No Issues: Adequate capacities and systems are in place to implement the grant.

Minor Issues: Required capacity and systems are generally in place. Capacity gaps pose minor risks that can be managed and/or strengthening measures can be implemented prior to grant signing or in less than 6 months.

Moderate Issues: There are gaps in capacities and systems that pose moderate risks to successful program implementation. Addressing these gaps requires medium-term actions (six to 12 months) to be taken by the implementer, possibly including technical assistance and/or capacity building.

Major Issues: There are significant gaps in capacities and systems that pose major risks to a successful grant implementation. Addressing these gaps requires longer-term (more than six months) technical assistance and/or capacity building and/or a temporary outsourcing of the function (e.g. fiduciary agent, procurement agent, etc.)

Not applicable: The requirement is not relevant to the scope of responsibilities of an implementer in the program.

ii) Action plan

If there are identified key capacity gaps or system issues, the Country Team determines measures to address and details them in the action column next to the answer to the capacity question. If through the tailoring process the capacity question has been selected for the LFA to answer, the LFA can also suggest an action to address the capacity issue for the Country Team’s consideration. 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).

Responsibilities

Country Team:

- The FPM informs the implementer that the LFA will be conducting a capacity assessment of their entity.
- The FPM is responsible to coordinate the tailoring of the assessment, with each functional

specialist taking the lead in their respective areas of expertise (PHME for Programmatic and M&E Risks, FO for Financial and Fiduciary Risks, HPM 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 LoE 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 (which 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 on specific questions of the assessment that the Country Team has requested. The LFA has to ensure that it provides complete, accurate and **CONCISE** information to inform the assessment process. It is expected that the LFA will concisely document the key issues that are critical to understanding the capacity issues as space to answer each question in the tool is limited.

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.

Components of the Simplified Capacity Assessment Tool

The Simplified CAT is developed in Excel. The tool can be found [here](#) and has the following components:

- Cover Page: Contains information about the implementer being assessed and the Country Team doing the assessment.
- 4 Functional Assessments - M&E, HPM, Finance and Governance: Each functional area has its own Excel tab (or sheet) where the LFA provides the requested information for the assessment and the Country Team completes and finalizes the detailed assessment. There is a column after the answer to the capacity question where root causes and measures to address identified capacity gaps can be captured if required.
- Summary Page: This page automatically summarizes the Country Team's overall rating for each functional area, and individual ratings for all sections under each functional area. It is also where the Country Team makes its final decision on whether the implementer assessed has the necessary capacity to implement the program.

CONDUCTING THE CAPACITY ASSESSMENT

Step 1. Country Team identifies key implementer(s) to be assessed

All new PRs need to be assessed (and repeat PRs implementing new activities not previously assessed, or repeat PRs where the Country Team believes that material changes in the PRs capacity have taken place since the previous capacity assessment). The Country Team may decide that certain implementers, besides the PR, require a capacity review. This may be required because:

- they manage significant portions of the grant funds posing substantial fiduciary risks (e.g. SRs handling more than 50% of grant funds); and/or

- they are critical from a programmatic standpoint posing substantial programmatic risks (e.g. SRs implementing risky activities such as trainings; covering a large geographical area, etc.); and/or
- they have a track record of weak/unreliable implementation; and/or
- the Country Team has insufficient information on the capacity and track record of an implementer that is judged critical for program success and achieving impact.

The aim is for Country Teams to understand as early as possible in the process (ideally during Funding Request development) which entities will be responsible for a significant part of implementation, both from a programmatic and fiduciary standpoints, and which systems and implementation arrangements the program will be using. Key implementers (other than the PR) should be identified based on the implementation arrangements map to be prepared by the CCM under the guidance of the Country Team. This map is mandatory for all new grants before grant signing (see [Implementation Mapping Guidelines](#)).

The identification of key implementers to be assessed (besides the PR) is based on the judgment of the Country Team and the availability of reliable and sufficiently detailed information relating to the proposed implementation arrangements during the time of Funding Request development and/or early Grant Making.

The PR, by default, is responsible for evaluating SRs. In cases when the PR is a pass-through PR, is managing a Regional grant, or has known capacity issues or is not deemed sufficiently independent to conduct a thorough assessment of key implementers, the Country Team may:

- Use certain sections of the Capacity Assessment Tool to assess key implementers or
- Incorporate this into future LFA oversight assurance.

Given the PR's program management role and its overall responsibility for grant implementers' capacities and performance, it is critical that before finalizing the assessment of any implementer that is not a PR (such as an SR) the Country Team shares and discusses the assessment of the implementer, as well as the Country Team's proposed capacity strengthening measures (as relevant) with the PR. This is to ensure adequate buy-in by the PR and a shared understanding between the PR and the Country Team of the capacity constraints of the implementer and the actions that need to be implemented in order to overcome them. Please refer to FAQs on how the Country Team can share the implementer's inputs with the PR.

Step 2: Country Team tailors the assessment and information requirements in the tool

The Country team tailors the scope of the assessment by selecting which individual questions they would like the LFA to answer in each of the four categories, based on the parameters set in paragraph 5. As part of this step, the Country Team determines for each question whether:

- Sufficient and reliable information is already available and no additional information/assessment is required from the LFA and can proceed directly to rating the capacity area; or
- Information gaps and/or capacity concerns exist that require additional information and analysis from the LFA and selects "Yes" from the drop down menu in the column for LFA Review.

If based on the consideration of the factors above, the Country Team decides that it can complete the assessment without information input from the implementer or LFA or there is no need for detailed assessment because of low risks related to the PR, it can move directly to Step 4.

The Country Team must also select which supporting documents it would like submitted with the completed Capacity Assessment from a list of document at the bottom of each tab/sheet per functional area.

Step 3: LFA assessment of selected questions in the relevant functional areas

The tailored Excel of the Simplified Capacity Assessment Tool is sent to the LFA by the Country Team with a request to complete the relevant questions in the functional areas that have been selected by the Country Team.

The LFA is required to provide ratings and assessment as follows:

For each of the questions the Country Team selected for LFA assessment:

- i) A succinct assessment of the implementer's capacity described in the question, including a concluding statement highlighting key issues and risks. **Given the space limitations, the ability of the LFA to succinctly describe the implementer's capacity is critical.**
- ii) A capacity rating for each question.
- iii) Clear identification of the root cause (or specific capacity issue) as well as recommended actions on how to mitigate the capacity issue for those rated "Moderate" or "Major". The LFA has to ensure that the proposed actions are specific, relevant and realistically achievable in the implementation context. If critical to the program, long-term measures may also be recommended. Each proposed action should indicate (i) actor (responsible entity for implementing the action); (ii) timeline for implementation; and (iii) estimated cost (if applicable). These attributes can be documented within the LFA Mitigating Action column.

The LFA is expected to provide an overall rating for each section of the functional area that they have been asked to answer questions in. If the LFA has not been asked to respond to all questions in the section, their overall rating for that section is only based off of the questions they have answered. The Country Team's rating for that section will take into consideration the answers to all questions.

The LFA is also responsible to complete an overall summary of key capacity issues (based on the questions it has been assigned to answer) in the summary box at the end of each functional area.

Step 4: Country Team completes and finalizes the assessment

The Country Team reviews the information the LFA provided in the relevant sections to determine whether the information is of sufficient completeness and quality to allow the Country Team to finalize the assessment.

Based on this review the Country Team may request additional information/clarifications from the LFA in certain sections.

In order to finalize the assessment, the Country Team:

- Analyses the information provided by the LFA and makes any comments in the Country Team column beside the LFA's response as necessary (i.e. if they disagree or have clarifications to make to what the LFA submitted);
- Completes any questions not assigned to the LFA through the tailoring process;
- Determines the final assessment ratings for each of the 21 assessment sections;
- Provides an overall rating for each of the functional areas together with an executive summary of assessment conclusions and findings; and,
- Completes and finalizes the action plans in each of the four functional assessment areas, adding to or amending any actions submitted by the LFA. The action plan captures the key measures that are needed to address identified issues and risks.
 - i) Only those measures that are **specific, relevant** and **realistically achievable** in the implementation context should be included in the action plan.
 - ii) Each proposed action should be linked to the assessment findings of the relevant section and should include information such as: (i) actor (responsible entity for implementing the action); (ii) timeline for implementation; (iii) estimated cost; and (iv) source of funding. These attributes can be documented within the CT Mitigating Action column.

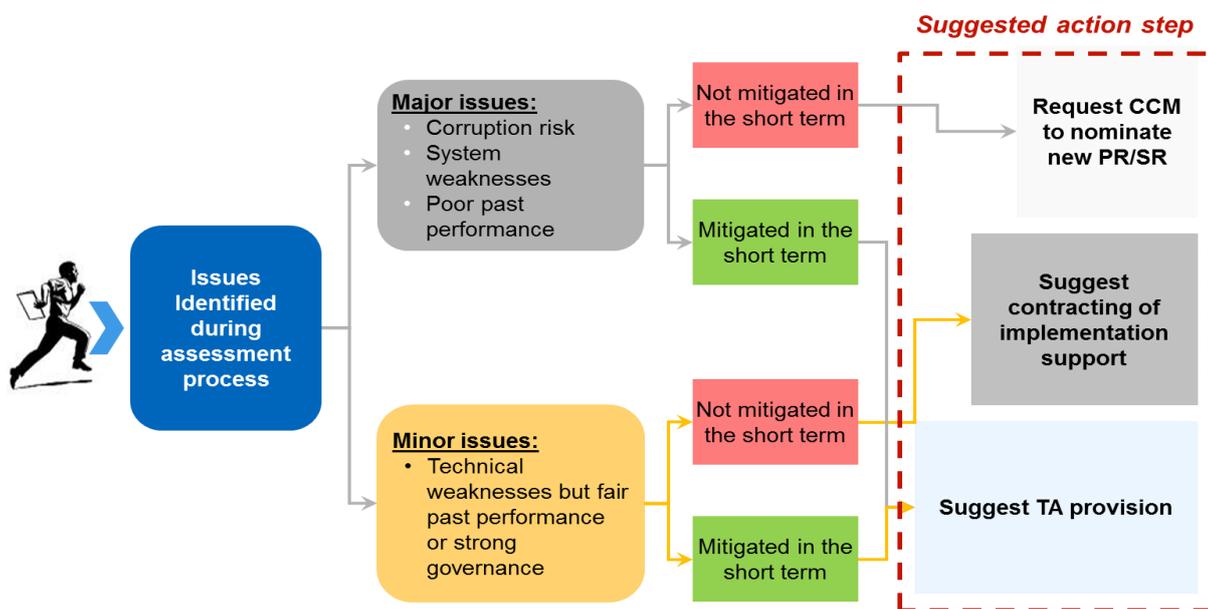
The tool copies all ratings and overall conclusions from the functional pages into the 'Summary' page of the tool which provides a consolidated view of all the ratings/conclusions. No changes to the input copied

from other sections can be made in the ‘Summary’ page.

Based on its assessment and the severity of the identified capacity gaps, the Country Team decides on the final recommendation on the proposed implementer by selecting “Yes” or “No” at the top of the Summary Page.

If “No” is selected, the Country Team must provide a rationale for the decision.

If “Yes” is selected, the Country Team must ensure to address any of the identified capacity weaknesses during grant making. Any weaknesses that remain unaddressed will be documented as residual risks along with the mitigating actions agreed to address them in the Residual Risk Annex to the Grant-making Sign-off Form that goes to GAC as part of the final approval of the program.



For Questions and Support :

- Policy and content: operationalpolicyhub@theglobalfund.org or the relevant Global Risk Owner
- Simplified CAT functionality: riskreview@theglobalfund.org