

Global Fund Conclusions on Capacities
Following review of the Capacity Assessment Tool 2017;
Determinations for the New Implementation Structure
and
Necessary Capacity Strengthening Actions

1. Capacity Assessment

Monitoring and Evaluation (M&E) Capacities

The Global Fund considers that overall major capacity issues remain:

- 1) HMIS policy is still in draft and is awaiting Ministerial approval and Decree. This may additionally need revision in order to reflect the upcoming HIS strategy.
- 2) Full DHIS2 integration will not be completed by the end of 2017, parallel systems (paper based) are still in use and overall there is an impression of slow integration of the disease programs into HMIS/DHIS2 (with the exception of malaria). This is particularly the case for HIV treatment data.
- 3) Reporting of NGO and INGOs remains to be incorporated into DHIS2.
- 4) There are capacity gaps at the HMIS unit within DPIC - both with current government staff (requiring additional capacity strengthening) and gaps in staffing levels, currently filled by national project funded contracted staff (eg through ADB funds). The HISU has yet to define an integrated operation and staff management. The role of the Head of the HISU (and TORs) remain to be redefined as part of the context of the Health Sector Reform Strategy (HSR) and the transition of PR implementation arrangements
- 5) Disease program M&E staff overall level of capacity and understanding needs significant development in order to ensure that the M&E system (despite DHIS2 rollout) functions and sufficient quality assurance (QA) of data takes place. Further, that analysis of results are used to inform program implementation. Programs are yet to appreciate that the M&E system should be the key function for decision making, planning and DQA.

Needed strengthening measures are outlined in the actions below.

Procurement Supply Management (PSM) Capacities

Overall PSM capacities are addressed through the use of long term PSM technical assistance (TA) at the PR office (and continuing into the new PR Program Management Unit (PMU) and the use of PPM/Wambo. The PSM functions of selection, forecasting, quantification, receipt, storage, distribution and reporting are handled by the Programs with support of TA and PR PSM TA in conjunction with MPSC (TA CHAI). The PSM unit needs to continue with the new PR PMU.

A significant issue will be ensuring coordination between the Programs, the Procurement Unit and MPSC to share information and to monitor stock levels to continually amend the supply plan based on up to date consumption data and pending deliveries from suppliers. Additionally to work with DHIS2 rollout.

More importantly, the LMIS system is fragmented and government and partner agencies need to work towards national integration, even if in phased manner, with a robust plan. The country should also work towards a "pull" system of distribution (rather than "push" system) based on a robust LMIS system.

The key challenge will be distribution to ensure timely reliable deliveries and ensure continued prevention of stock-outs while encouraging integration with the national systems. This is particularly with the National TB Centre (NTC) as it moves to scale-up increased case notification and treatment. The country should also accord adequate attention to procurement supply chain management (PSCM) of laboratory health products.

Finally, in-country quality assurance of all Global Fund grant supported health products is the PR's responsibility and required in-country QA activities should be budgeted and implemented (e.g. post-market surveillance and testing at accredited national or laboratories meeting Global Fund requirements) either from grant or government sources.

Needed strengthening measures are outlined in the actions below.

Financial Management Systems Capacities

The Global Fund considers that there are major issues given that the effectiveness of the finance team (yet to be established in the PR PMU revised implementation arrangements) will to a significant extent depend on the quality of contracted staff selected. The recruitment process is about to start but in order to function effectively will require qualified personnel. A defined training plan for all finance staff (including SRs) together with intermittent TA will be needed. Programs' financial management teams should recognise the authority of the PR PMU Finance Manager and ensure timely fulfilment of grant financial requirements (eg expenditure reporting) by all SRs both government and non-government.

Financial governance is additionally provided by the Ministry of Finance (MoF) as co-signatory to the primary Bank of Lao accounts and its requirement for the PR PMU to furnish quarterly financial reports and its oversight role of asset management. However, a key issue remaining to be clarified is the fund flow mechanism and the MoF involvement in release of funds. This remains currently in process. **Failing clear formal documentation on the process (sign offs /amount of funds released/reconciliation) the Global Fund will not be able to comply with use of the MoF accounts. In order to mitigate risks and enable program implementation to continue, the Global Fund proposes to use the existing bank accounts (with revised signatories) until such date that the MoF and DoF provide sufficient authorised documentation of the process.**

Roles and responsibilities and 'new' lines of communication need to be clearly established and maintained between the government departments of DPIC, DOF, DCDC and the PMU and programs in order to ensure timely coordination and information sharing. Transition TA is currently working to support the MOH Transition Task Team in developing systems to ensure this is put in place.

The changed implementation arrangements represents an opportunity to strengthen the overall capacity of MoH functional departments/agencies such as the Department of Finance

(DoF) and the Health Information Unit in the longer term. The risks are further mitigated by the continued involvement of an ADB funded international finance TA working with DoF throughout 2018.

The Finance manual and SR Oversight Manual containing revised Global Fund requirements will need to be updated for the revised implementation arrangements. Transition TA is to assist with this. The revised Manual should be applied in the new finance team and by all the SRs.

The current PR Office can do much to prepare in advance for the transition by :

- Completing the cash expenditure report at 30 June 2017 (for submission to the Global Fund 28 August 2017);
- ensuring SRs report expenditures on a monthly basis from now on;
- updating Asset Register for all assets held under the current grants and depreciating and advising the GF of any to be disposed of due to end of life;
- undertaking appropriate filing of all key documents.

Needed strengthening measures are outlined in the actions below.

Governance

As part of the longer term process to gradually transition away from Global Fund funding over time, a streamlined Program Management Unit (PMU) is proposed. This will be established with a phased approach to strengthening MoH department management functions, commencing with coordination responsibilities with MOH department management functions.

Therefore for the first year at least, the PMU team will directly report to the PMU manager. Nevertheless the intention is for relevant specialist PMU teams to sit with the relevant line departments (DoF and HISU) to encourage coordination from the beginning. There is therefore no need for the MoH to provide additional MoH staff to the PMU.

Once the PMU has become operational and fully effective for GF grant management, capacity development of the functional teams (DPIC - DoF and HISU) should take place, with the longer term aim that the functional teams, for example, DoF should undertake financial management of the grant, HISU could provide all relevant programmatic reporting, while coordinating with a further streamlined PMU to report to the Global Fund.

However this transition to functional management should not be rushed, as it will risk the effective operation of the PMU and consequently performance based disbursement of grant funds to the program. The aim is to increasingly align with the MoH structure - with a defined mechanism to transfer capacity to line management functions with existing MoH staff.

We understand that senior MoH personnel movements are still in process under the leadership of the Party. The Global Fund will need to work with any new leadership to ensure that any new management understands the Global Fund model and can become a firm advocate for increasing needed Government funds to the disease programs and health sector through the annual Government of Lao budgeting process.

Contract staff are yet to be recruited to the new PMU and much will depend on their qualifications, skills and dedication, for this reason a competitive selection process based on merit is strongly advocated. We understand that the MoH Transition Task Team (TTT) supported by the Transition TA is currently developing a system to ensure high performing

candidates are recruited, including encouraging applications from current PR office contract and MoH team members.

The Global Fund recognises that this represents a significant departure from the former model of operation within the MoH. It is important that the DCDC remains engaged and its knowledge and expertise is harnessed in guiding all communicable disease programs in best practice and quality assurance. New communication mechanisms will be needed in order to ensure close coordination with all relevant parts of the organization. For instance the new HISU will need to ensure DCDC and disease programs receive timely feedback on programmatic data while coordinating with finance and procurement teams.

Needed strengthening measures are outlined in the actions below.

2. Global Fund Conclusions regarding the Structure for the PR PMU

In relation to the structure the Global Fund considers the PMU will operate as follows:

- The PMU would report directly to the Director DPIC
- The PMU Manager would coordinate closely with Department of Finance (DoF) and Health Information System Unit (HISU) and the Department of Communicable Disease Control (DCDC) and national Programs
- Finance Team staff would report to the Finance Manager who would report to the PMU Program Manager
- All other PMU staff would report directly to the PMU Manager,
- PMU Finance Team should sit with the DoF
- PMU M&E staff and International M&E TA should sit with HISU DPIC
- International DHIS2 TA supported under the RSSH Component of the TB grant will sit several days a week with the HISU to facilitate coordination and knowledge sharing with HISU and M&E PMU team
- PMU PSM Staff and PSM TA should sit with DoF (and PMU Finance Team)
- A transition plan would be developed during Y1 to ensure a phased approach to knowledge transfer to line management/functional departments
- The PMU would be supported by half time PSM TA, full time M&E TA; with budget provision for intermittent finance and management TA (particularly during initial start up period).

Program Management Unit Team (not including Technical Assistance)

Manager	1	1 PMU Manager (contract staff)
Financial Team	4	1 Manager (Contract staff) 2 Finance Officer/Accountant; and 1 Accountant (all 3 are contracted staff) reporting to the Finance Manager
Procurement & Supply Management (PSM) Team	2	2 contracted officers with different responsibilities, reporting directly to the PMU manager
Monitoring & Evaluation (M&E) Team	2	2 contracted officers with different responsibilities reporting directly to the PMU manager
Ancillary staff	2	1 driver

		1 admin support staff Reporting directly to the PMU Manager
TOTAL	11 contracted staff	

Note that the RAI program will contribute funding and anticipate inputs from the following positions:

- 35% - Program Manager
- 20% - Finance Manager
- 20% - national PSM officer
- 22% - driver

Separately, the following RAI funded team members will work full time on malaria. Some positions will sit with the relevant PMU Team members. The Global Fund RAI team will be in Lao PDR in September to discuss and confirm the arrangements:

- Project Coordinator with Financial background International
- Programme and M&E specialist International
- M&E officer - local
- Finance Officer Local
- Programme Assistant Local

3. Required Capacity Strengthening Actions

Actions	Entity responsible	Timelines	Budget
M&E			
1 For each grant, identify which implementing partners (SRs) contribute and report indicators directly (and should be captured in DHIS2) and indirectly (for which a separate reporting line on outputs / activities should be established for management purposes and coordination between national programs and partners / other SRs). These should then be tailored and added to DHIS2 according to a defined road map.	PR-MOH + national programs working with DHIS2 TA and M&E TA with implementing partners/SRs	31 October 2017	Within existing grant
2 (i) The Health Systems Information Unit (HISU) within DPIC should be made responsible for the M&E reporting of the 3 disease programs in order to support continuous integration of the 3 disease programs into DHIS2.	PR/DPIC + HISU + DCDC national programs to agree processes and timelines	31 July – 31 November 2017	Within existing grant and in the new grants budgets

<p>(ii) The current M&E international TA position should sit with PMU M&E staff with the HISU to support further integration of the 3 disease programs into DHIS2, develop governance structures (refer to recommendation 3), work on data quality assurance together with the programs and translate data to the PUDR templates including analysis of data together with the programs.</p> <p>(iii) Given capacity limitations within HISU, two PMU M&E contracted staff (and four RSSH contracted staff: 2 IT DHIS2 ; 1 Public Health; 1 coordinator) are included in the next grants' budgets.</p> <p>(iv) RSSH components of the new grants should include dedicated activities on further integration of the 3 disease programs into DHIS2 including institutionalisation in the MOH structures. This will be addressed in grant making.</p>		<p>(ii) Q3 2017</p> <p>(iii) Ongoing</p> <p>(iv) Q4 2018</p>	
<p>3 (i) Roles and responsibilities within the MOH (HISU and disease programs): in terms of data ownership, data quality, analysis of data and use of DHIS2 as the national system for M&E for the 3 disease programs should be defined and included in (slightly) revised versions of the M&E plans already developed for the 3 disease programs.</p> <p>(ii) This should include standard operating procedures (SOPs) from the peripheral level to the central levels, defining clearly responsibilities, checks and balances, quality assurance mechanisms. Detailed instructions for each level should be added to these SOP as an annex.</p> <p>(iii) The MoH should revise the HMIS policy into an overarching Health Information Strategy setting out the changed governance structure for M&E / DHIS2, including redefined roles and responsibilities (and ToRs) of the Head of the HISU as part of HSR (and the transition of PR implementation arrangements) and approved by the Minister of Health in writing.</p>	<p>PR/DPIC + HISU + DCDC + national programs with assistance from International DHIS2 TA and M&E TA</p>	<p>(i) 31 July – 30 September 2017</p> <p>(ii) Q1 2018</p> <p>(iii) Q1 2018</p>	<p>Within existing grant and in the new grants budgets</p>

<u>This will be addressed during grant making.</u>			
4 CHAS should make the HIVCAM and MERS systems transparent with the assistance of the current PR TA and HSS DHIS2 TA to make these systems transparent and identify how they will be linked / integrated with DHIS2. If this will not be possible, these systems should be replaced with DHIS2. <u>An LFA assessment will be undertaken once completed (2018).</u>	CHAS supported by PR M&E TA and DHIS2 TA	Q3 2017	Within existing grant budget
5. An M&E capacity building plan needs to be developed and implemented for the HISU and different programs. <u>This will be followed up during grant making</u>	PR DPIC + HISU +national programs and TA M&E and TA DHIS2	31 August 2017 – 31 January 2018	Within existing grant and in the new grants budgets
PSM			
1. The MOH should clarify communication and reporting lines between PR-DPIC and the Food and Drug Department (FDD) who oversee MPSC, as they will need to play a significant role in supply chain management of grant-funded commodities.	DPIC and FDD (supported by Transition TA)	31 July – 30 September 2017	MoH
2. The PR DPIC should ensure good communication and sharing of data between Programs, Procurement Unit, and MPSC to monitor and adjust supply plans as necessary based on up to date stock status reports from the field. This should include communication protocols or SoPs that are regularly monitored by management.	TA (Transition) and TTT and PSM Coordinator ongoing implementation	31 July – 30 October 2017	Within existing grant and in the new grants budgets
4. The MOH should confirm whether it will centralise procurement as a priority. If this is confirmed, the MPSC should: either: (i) invest in an adequate fleet of trucks; OR (ii) contract with a logistics firm (third party) in order to ensure delivery capacity	DPIC, DoF and MPSC	31 July – 30 September 2017	MOH decision
5. MPSC should develop an integrated distribution strategy (following national and/or WHO good distribution practices) for time and	MPSC and Programs with TA assistance from	31 July – 30 September 2017	Within existing grant and in the new

<p>cost-effectiveness, with clear accountabilities and deliverables for all concerned parties and KPIs to monitor and improve the system.</p> <p>This should include:</p> <p>(i) A defined schedule of routes and frequency of distribution</p> <p>(ii) participating programs should provide their distributions lists in sufficient time for MPSC to prepare, pack and dispatch.</p>	CHAI and PR PSM TA		grants budgets
<p>6. Once the logistic system is operational and effective for deliveries, the TB program should identify one province to pilot MPSC distribution of TB commodities rather than use the public bus system.</p>	NTC	31 July – 31 December 2017	Within existing grant and in the new grants budgets
<p>7. Development of a joint (across relevant government and partner agencies), time-bound and detailed plan of roll-out of the mSupply (and any other tool/initiative) and integration of the different warehousing, distribution and LMIS systems is critical for implementing and monitoring the PSCM improvements across all diseases, even if in a phased manner. The training/orientations and supportive supervision of staff at different levels should be planned based on this holistic integration approach.</p>	MPSC and Programs with TA support from CHAI and PR Office	31 July 2017 – 31 March 2018	Within existing grant and in the new grants budgets
<p>8. (i) Measures to improve the custom clearing processes (for e.g. DAP delivery by PPM, appointment of a dedicated clearing agent by the PR) should be undertaken to avoid health product or grant fund wastages.</p> <p>(ii) Mapping and rationalization of the pharma-grade warehouse availability vs use should be done and any necessary guidance document (e.g, warehousing manual of procedures) should be updated to reflect the change and to implement across different levels in the system.</p>	MPSC and Programs with TA support from CHAI and PR Office	31 July 2017 – 31 December 2017 (ii) Q4 2017	Within existing grant budgets
<p>9. Develop a strategy and implementation plan to transition from "push" to "pull" system of distribution. (Note: if this can be part of another national document, that is agreeable)</p>	MPSC and Programs with TA support from CHAI and PR Office	31 July 2017– 31 March 2018	Within existing grant and in the new grants budgets

<p>10. In-country quality assurance of all Global Fund grant supported health products is the PR's responsibility and required in-country QA activities should be budgeted and implemented (e.g. post-market surveillance and testing at accredited national or laboratories meeting Global Fund requirements) either from grant or government sources</p>	<p>FDD, MPSC and Programs</p>	<p>31 July 2017– 31 March 2018</p>	
Finance			
<p>1: PRIOR TO GRANT IMPLEMENTATION: Recruit a finance team to be responsible for: consolidated grant budget monitoring and analysis, quarterly reporting to the MoF, bi-annual reporting to the GF, financial oversight to SRs, fixed assets management and overall financial management of the grants. This contracted staff team should be comprised of: finance manager + 3 additional staff. Intermittent international TA for grant making, reprogramming and reporting is also recommended.</p>	<p>Transition Task Team supported by Transition TA</p>	<p>1 July – 31 October 2017</p> <p>Aim for Finance Team contracts to be signed and commence work by 1 October 2017</p>	<p>\$80,000 included in existing grant</p> <p>Grant savings if new staff brought on board (as well as existing PR Office Finance team</p>
<p>2: DURING IMPLEMENTATION - Develop a capacity building plan to be agreed by the Global Fund to strengthen the capacity at central DoF/DPIC team and SRs.</p> <p>This should be implemented once the new PMU is fully operational.</p> <p>For the longer term, consideration should be given as to how the Finance team can grow into an external fund management unit for ODA using professional accounting software (local software or ACCPAC)/other software to use to meet all reporting requirements (including the government requirements).</p>	<p>DoF and PMU Finance team with Transition TA</p>	<p>31 December 2017</p>	<p>\$80,000 included in existing grant</p>
<p>3: FOR GRANT SIGNATURE AND OPERATION – Global Fund funds will use the treasury accounts as the primary bank account for each grant to transfer funds to SRs and PR office - ONLY. The PMU should continue to use the EXISTING system with commercial bank accounts at the implementer levels (SR and SSRs).</p>	<p>Transition Team MoF and MoH</p>	<p>1 July 23 August 2017</p>	<p>MoH</p>

<p>However clarity is needed on the exact fund flow prior to grant signature – otherwise the Global Fund will not utilise the MoF systems..</p> <p>DURING IMPLEMENTATION The PMU and MOH DOF should work to Streamline control procedures for government expenditure with the intention that eventually GF funding could be managed effectively in the same way as national government budget. (Specifically this involves reducing the number of approval signatories from 13 (an outlier in the landscape of the Lao government as such).</p>		2018	
<p>DURING GRANT IMPLEMENTATION - Strengthen financial planning and control both at the central level (DPIC and DOF) and the provincial level. Develop capacity building plan to strengthen capacity at central DoF/DPIC team and the provinces. (ii) And Implementation of the plan during the grant life.</p> <p>(iii) Based on evidenced strong performance, propose to the GF one (or a limited number) of provinces for a pilot trial to enable direct fund flow for one/more grant(s) with the aim of direct fund flow post 2020.</p>	DoF, DPIC, PMU finance team /TA/Partners	Q2 2018 (ii) Q3 2018 - 31 December 2020 Q4 2019	Within existing grant and in the new grants budgets
<p>5: GRANT IMPLEMENTATION - Continue to use ACCPAC for the period 2018-2020 expenditure accounting by the national programs and the PR given there is no proper alternative currently available.</p> <p>The MoH /PMU should use the period 2018-2020 to evaluate the potential of the accounting software currently under development for combined accounting of government (after proven performance / use for a certain period within MOH) for use for GF and other external fund accounting. Should the accounting software envisaged not eventuate or be considered not adequate, we recommend that the DoF could consider use of ACCPAC for wider use</p>	MOH, DPIC, DOF PMU	1 January 2017 – 31 December 2020	Within existing grant and in the new grants budgets

<p>6: PRIOR TO GRANT IMPLEMENTATION DoF and PR Office to examine use of available digital financial services and bank wires to reduce cash payments at both the central and peripheral levels. From this an action plan should be developed for the Global Fund by 1 November 2017 on means to implement digital financial services and payments of per diem by bank wire throughout the programs for the start of the new grant.</p>	DoF and PR office	1 November 2017	Within existing grant budgets and with MoH
<p>7: PRIOR TO GRANT IMPLEMENTATION: Prepare for financial transition by updating: (i) all manuals (PR, SR, procurement, HR) against the new structure; (ii) program FAR, (iii) cash balance report as at 30 June 2017; (to be submitted 28 August 2017) (iv) SR financial expenditure reporting on a monthly basis to the PR office and (v) all key documents are appropriately filed and ready to hand over.</p>	MoH, DPIC, DOF, PR Office, TTTT and TA transition	15 December 2017	Within existing grant and in the new grants budgets
Governance			
<p>1. Further define the implementation arrangements for the future role of PR UNOPS in the Lao portfolio (Malaria - RAI2) and positions funded/co-shared with national grants the new PR structure. This has taken place over the course of July August and the results are included in the CAT</p>	GF /UNOPS /TTT/Transition TA	12 June – 14 August 2017	No additional cost
<p>2 Develop TORs of all positions and start transparent and competitive recruitment process. (25 August 2017) (TA is currently developing this.)</p> <p>PMU Finance team to be recruited as a priority and to be contracted by no later than 1 October 2017. <i>(Note: Contract should be until 31 December 2017 only with a clause enabling extension as soon as the new grant is signed)</i></p>	GF/MoH/TTT/Transition TA	31 July - 31 October 2017	\$80,000 included in existing grant Grant savings if new staff brought on board (as well as existing PR Office Finance team)
<p>3. Update PR and SR manuals (finance, HR, SR Oversight) given the the new implementation arrangements. These updated manuals</p>	GF/MoH/TTT/Transition TA	15 December 2017	\$80,000 included in existing grant

<p>should also incorporate proper responses to risk assessments done (refer to next action point) and describe clearly PR oversight responsibilities and approaches. This in turn should be reflected in TORs.</p>			
<p>4. The PR Office should share all risk assessments done (current PR and national programs), and update a management approach to mitigate risk. These should be incorporated in the revised program operational manuals as per the previous action. PR oversight of SRs in particular needs to be strengthened</p>	<p>GF/MoH/TTT/ Transition TA</p>	<p>31 August – 15 December 2017</p>	<p>\$80,000 included in existing grant</p>