

Editorial

When GFA decided to establish a Public Finance Management (PFM) Department in July 2015, Millennium Development Goals (MDGs), the High Level Fora on Aid Effectiveness in Rome, Paris, Accra and Busan and, most recently, Sustainable Development Goals (SDGs) had created a shift towards aid effectiveness.

Donors and developing countries alike demanded and supported not just transparency and accountability, but also value for money in regards to public funds.

By concentrating professional skills and creating synergies worldwide, GFA's new PFM department took up these trends in three main fields: fund and grant management, public financial management and M&E (Monitoring & Evaluation). The department has now been operational for a little more than a year, and we are proud to say that it has already been a success story. We have won new projects worldwide, diversified our portfolio of donors, and initiated two self-funded high-level conferences in Hamburg.

In order to meet further demand for consultancy in fund management, PFM and M&E, GFA increased the PFM department's in-house human resources from 11 staff members in July 2015 to 20 in September 2016. At the same time, PFM as a specialized department led to increased visibility for GFA's excellent expertise in this field among donors and the consulting community. Therefore, GFA is ready to invest in PFM to better cope with the demands of this expanding market.



Klaus Altemeier
Managing Director
GFA Consulting Group

Public Finance Management Department at GFA – A year of success

GFA founded its Public Finance Management (PFM) department in July 2015 as a result of the ongoing international debate on aid effectiveness. This move aims at concentrating professional skills, creating synergies and making use of these capacities worldwide. Clients benefit from this focus of the company's technical expertise, while GFA intends to increase its market presence in PFM as one of its strategic business areas.

The debate on aid effectiveness reached its peak with the Paris Declaration in 2005 and resulted in the Sustainable Development Goals (SDGs) in 2015. Even though PFM is not specifically mentioned in the SDGs, it can be framed as an important crosscutting issue. PFM projects play a crucial role in development cooperation as they facilitate more value for money in public spending through increased transparency, accountability and efficiency.

Hence, PFM is vital for many GFA clients: PFM systems are one of the main enabling

factors and a pre-requisite for the effective implementation of policies and strategies. PFM helps reduce the risk of fraud and corruption so that the transparency, accountability and credibility of development cooperation is increased.

Supporting the use of country systems in relation with PFM is linked to ownership and enables countries to effectively and efficiently implement reforms across all sectors. This increases donors trust in the public sector.

Transparency – a key principle of PFM

Transparency, accountability and efficiency in the use of external funds is a priority for donors and beneficiaries because the funds or grants are usually taxpayer or third-party money. Grants are disbursed to national entities responsible for using and reporting on them. At times, partners lack capacities to guarantee the accountable and transparent use of funds. In these cases, development agencies can



PFM department of GFA (from the top, left to right): Heidrun Rüffer, Carolin Wohlgemuth, Kathrin Matzen, Lena Jedamzik, Anke Afflerbach, Michael Reischmann, Miriam Nikitka, Birgit Prosch, Clarissa Harre, Brigitte Abel, Arne Främik, Cristian Ferreri, Sebastian Aichele, Victoria Gonsior, Edin Mehmeti, David Guthoff (missing on the photo: Ruben Baudisch, Dorothea Blumenberg, Martina Scherer, Tilman Welte)



Conference on the topic of "Monitoring and Evaluation in Settings of Fragility" hosted by GFA in April 2016

call upon fiscal agents (FA) or procurement agents (PA). The latter act on behalf of the national entity, or support building capacity towards the improved management of external funds. This combination of external oversight and capacity building aims at enhancing local capacities to create a sustainable and reliable structure for fund management.

GFA has gained extensive FA and PA experience with the Global Fund to Fight Aids, Tuberculosis and Malaria (TGF), the Millennium Challenge Corporation (MCC), and other multi-donor trust funds. In order to be able to fulfill their roles and responsibilities, GFA Consulting Group and GFA B.I.S. experts have developed and implemented a comprehensive financial management system based on Infor FMS SunSystems for the needs of specific donors. Moreover, GFA has profound expertise related to the European Union's (EU) cohesion policy and grant-management mechanisms. The European Commission (EC) implements Technical Assistance (TA) projects that support the establishment of structures and mechanisms for efficient use of future EU structural funding in accession and neighborhood countries. This includes support to planning regional strategies in line with cohesion policy models, setting up management units for related grants, enhancing regional statistics, and establishing monitoring and evaluation (M&E) systems for EU-funded regional development grants.

Use of country systems and accountability

Public revenue and expenditure management as an integral part of PFM has rapidly gained importance in development assistance. The focus on the quality of PFM systems is not only related to preventing fraud and corruption, but also includes strengthening country systems and accountability.

The use of country systems in aid implementation and budget support as a modality highlights the importance of functioning PFM systems. Improving country systems not only allows for enhancements in transparency and an increase in the financial scope of public institutions, but can also facilitate the participation of civil society in public fund appropriation.

Strengthened national PFM systems help hold institutions and persons accountable for their actions. Improving public scrutiny by supporting the audit and control capacities of PFM-related stakeholders such as state audit offices and fiscal councils are important steps. In this context, GFA supported the harmonization of legislation and regulation related to public internal financial control (PIFC), and delivered trainings on financial management and control (FMC) systems for senior civil servants.

Focus on results

Tightened budgets and critical public opinion in donor and recipient countries regarding development cooperation have put policy-makers and donors under pressure for results and introduced a paradigm shift. But participatory and comprehensive M&E founded on solid baseline data cannot yet be taken for granted. Results-based M&E systems and independent evaluations offer a chance to learn from experience, steer processes and introduce corrective measures in time. This helps achieve satisfactory and sustainable impact, and offers accountability and value for money for beneficiaries, partners and tax payers.

For the last 15 years, GFA has been appointed by different donors to provide specific M&E services to clients worldwide. GFA's focus on results is founded on a wide range of projects as far as donors, regions and sectors are concerned (i.e. design and implementation of M&E sys-

tems, M&E methodologies and complex, strategic evaluations).

PFM department at GFA today

After one year in operation, the specialized PFM department at GFA already shows many features of a success story. PFM-related human in-house resources, professional know-how and services have been concentrated in a single technical department. New projects were won worldwide and the portfolio of donors was extended. The department has been sharing its expertise with the professional community by organizing two conferences. In April 2016, GFA's M&E Unit hosted the annual conference of the German Evaluation Society (DeGEval) working group on development policy. Almost 100 experts participated in the event on *Monitoring and Evaluation in Settings of Fragility*. The conference was a platform for dialogue and exchange among implementing agencies, non-governmental organizations (NGOs), political foundations, consulting companies and individual experts.

In May 2016, GFA initiated the second conference for key experts in GFA's fiduciary agent projects, and for the staff of TGF headquarters in Geneva. The self-financed conference focused on the exchange of experiences related to risk assessment and capacity-building approaches, reporting and quality assurance, and implications for financial and procurement management in the context of TGF's new funding model.

By establishing its PFM department, GFA achieved an increased market presence and visibility within the consulting community. The company's move resulted in a bigger professional network and better links to clients and external experts.

Some of the ongoing projects supported by the PFM department are highlighted on the adjacent page of this newsletter. Given the success achieved so far, GFA's new department looks forward to a promising future based on professionalism, know-how and innovative solutions.

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Public Finance Management Projects

EU – Monitoring and Evaluation mechanism

The purpose of this intervention is the development and application of an M&E mechanism for Framework Partnership Agreements (FPAs) adopted under the Civil Society Organisations and Local Authorities Thematic Programme 2014-2020. The project's mission is to design, test and adapt a mechanism for monitoring five FPAs with international associations of local authorities (ALAs). Moreover, the project aims at supporting the EC in following up on the implementation of FPAs in coordination with the EC official responsible for the supervision of FPAs. Finally, the GFA team designs, tests and adapts a mechanism to evaluate FPAs, including a midterm and final evaluation.

GIZ – Intergovernmental Fiscal Architecture in Zambia

The Intergovernmental Fiscal Architecture (IFA) framework in Zambia constitutes the fiscal decentralization policy vision needed to support the government's national decentralization policy. The latter aims at achieving more equitable, efficient and accountable governance and service delivery. The overall objective of the project, started in 2016, is to provide technical advice to the IFA reform process. To effect this, the GFA team conducts a review of the IFA documenta-

tion, current state of implementation and policy directions. Also, GFA facilitates meetings and adequate workshop formats with stakeholders to gather information. The experts make recommendations as to what extent and how further changes to the IFA may be required. This is to ensure that these functions are adequately financed, in line with the cardinal principle of finance follows function, and that adequate accountability arrangements are in place for the new functions. Finally, GFA will provide inputs on project evaluation and formulate recommendations on future measures.

TGF – Fiscal and Procurement Agent Services in Cambodia

The Global Fund contracted GFA as FA and PA to provide a broad range of financial as well as procurement and supply chain management services in Cambodia. Since 2013, GFA experts have assisted two principal recipients and one project implementing partner, a selection of national and international NGOs as sub-recipients, and provinces. The FA and PA assignment aims at the mitigation of risks of fraud or misuse of grant funds. By safeguarding TGF investments, the continuity of program implementation in high-risk environments is ensured. Grant activities seek to provide, inter alia, support for people living with HIV and tackling malaria through mosquito



Fiscal Agent Services for The Global Fund to Fight AIDS, Tuberculosis and Malaria in Timor-Leste: medicine against tuberculosis

net distribution campaigns. The GFA project team supports the capacity building of local staff in financial and procurement management and internal control systems, and cooperates closely with relevant stakeholders.

EU – Support to Ukraine's regional development policy

The overall objective of the project is to contribute to the social, economic and territorial cohesion of the country by strengthening the capacity of Ukrainian authorities and other stakeholders to develop and implement effective regional development policies. Since 2013, GFA and consortium partners have offered institutional support in three ways. First of all, they achieve consensus on and update national development policies. Secondly, they effectively manage regional development, e.g. effective management of related Ukrainian and EU funds. Finally, GFA supports regional and local authorities with the implementation of national and regional development policies. Additionally, the project team offers capacity building on regional development through a country-wide professional Regional Development Network (REGNET).



Construction of rural infrastructure as part of the M&E Single Donor Trust Fund project in the FYR Macedonia

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Biodiversity-based products for livelihoods improvement

The Biodiversity-based Products (BBP) project is implemented by GFA on behalf of GIZ and in cooperation with the ASEAN Centre for Biodiversity (ACB) in Los Banos, Philippines. Until February 2019, ASEAN Heritage Parks (AHP) and a National Protected Areas (NPA) in Cambodia, Laos and Vietnam are to become an economic source for the improvement of livelihoods and biodiversity protection. The project constitutes one of three modules of the ACB-Germany cooperation program Protection of Biological Diversity in the ASEAN Member States. The GIZ ValueLinks methodology on promoting pro-poor green value chains (VC) is utilized in cooperation with other biodiversity-related projects around the world to develop a ValueLinks module specific to BBP. Within the first ten months, the project has selected four pilot sites in Laos, Vietnam and Cambodia in cooperation with the respective national ministries. Four VC analyses conducted at pilot sites by local value chain experts resulted in the preselection of eleven potential BBP value chains. An inception workshop, hosted by the Lao government, jointly conducted by GIZ, GFA and ACB and concerned ASEAN member states (AMS) Cambodia, Laos and Vietnam, was held in late November 2015. Stakeholders identified a short-list of BBP VCs to be supported by the BBP project. Activities started in May 2016. More information about the ASEAN Centre for Biodiversity and BBP project products can be retrieved at: www.aseanbiodiversity.org
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Carbon Fund accepts REDD+ program in Democratic Republic of the Congo

During its 14th meeting in mid-June 2016, the Forest Climate Partnership Facility (FCPF) accepted the REDD+ programs of the Democratic Republic of the Congo (DRC) and Costa Rica. GFA has supported the Congolese government in the design of its REDD+ program since 2013. Technical assistance was provided for the design of the program's reference emission level, measuring, reporting and verification system as well as mitigation strategies. The FCPF's acceptance of the REDD+ program in DRC is an important landmark for pioneering REDD+ as a means to address the 17% of global greenhouse gas emissions associated with deforestation and forest degradation. DRC's REDD+ program incorporates 9.8 million ha of forested areas in the newly established Mai Ndombe Province, the largest REDD+ program in Africa. The program is inherently based on a set of enabling activities, funded by two Forest Investment Programs and eight mitigation measures, structured as performance-based proxy payments funded by FCPF proceeds. The 25 million tons of CO₂ emission reductions by 2022 the DRC program is expected to generate will be an important test case for REDD+ at the national level.
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Support to the Socio-Economic Integration in the East African Community

On 15 June 2016, GFA started technical assistance for the Support to the Socio-Economic Integration in the East African Community (EAC) project on

behalf of GIZ. Until February 2019, a team of GFA consultants will offer its expertise to foster framework conditions for local production of high-quality and safe medicines in the EAC. Developing a conducive environment for improved portability of social health protection in the region is another concern. The main objective of the project is to deepen socio-economic integration in the EAC. Improved healthcare provision through affordable high quality medicines and job creation in the region are to be stimulated by industrializing the pharmaceutical sector through better market access for pharmaceutical producers and by supporting their interests through strengthening sector associations. Moreover, the project intends to facilitate the free movement of people and labor in the EAC by facilitating the cross-border portability of health insurance. The GFA team, based in Arusha, comprises one international team leader and a senior regional advisor who can build upon in-depth knowledge from the preceding EAC cooperation project. The team will tighten relations between various stakeholders and EAC partner states, and will deliver high-level expertise to achieve the project's objectives.
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GFA vision – to be the partner of choice for clients in our core service areas.

GFA mission – to improve the livelihood of beneficiaries through our professional services.

GFA core values – to offer high performance in service delivery, technical excellence in our main sectors, innovative approaches and products, and credibility with our clients when putting projects into practice.