

Editorial

Fund management is an essential instrument for development finance. Properly implemented, it ensures not only that development interventions can achieve their objectives, particularly the alleviation of poverty. Fund management also facilitates best practices in fiscal integrity by government agencies involved in financing development.

GFA Consulting Group has been engaged in development finance from its very beginning, and has further developed its related capabilities and capacities in recent years. This growth, above all, was promoted by the implementation and validation of a new model of aid delivery set up by Millennium Challenge Corporation (MCC). This corporation channels United States government funds to low income countries worldwide.

The two articles in this newsletter demonstrate GFA Consulting Group's two-fold commitment to MCC: The timely allocation of financial resources for the financing of MCC activities, and the implementation of MCC financed interventions lead by respective government agencies. The first article exemplifies how MCC works in partnership with eligible countries in general, and refers to achievements observed during the implementation of MCC activities in Ghana. The second article showcases GFA's role in actual MCC activities in Nicaragua related to forestry value chain and cluster development.

In this context, MCC has become an important instrument of the US government to increase the share of untied aid, accomplishing the intentions of the donor community expressed in the Paris Declaration.



Klaus Altemeier
Managing Director
GFA Consulting Group

Good Governance Matters

For over 25 years, GFA Consulting Group has been at the forefront of international aid design and delivery. GFA has partnered with governments and multi lateral donor agencies to offer cutting edge solutions to development issues. Since 2006, GFA joined with Millennium Challenge Account (MCA) countries to develop and validate a new model in aid delivery.

The Millennium Challenge Corporation (MCC), who oversees the MCA projects, is a United States Government corporation designed to work with some of the poorest countries in the world. Established in January 2004, MCC is based on the principle that aid is most effective when it reinforces good governance, economic freedom and investments in people. MCC's mission is to reduce global poverty through the promotion of sustainable economic growth.

To be eligible for a five-year compact – the primary mechanism through which assistance is provided – countries must meet 17 independently judged criteria. A country is selected based on its performance in governing justly, investing in their citizens and encouraging economic freedom. At the end of 2008, 18 countries had signed compacts with the MCC, totalling over 6.3 billion US Dollars in budget commitments.

Good Policies and Ownership Matter

MCC works in partnership with eligible countries, which are responsible for identifying the greatest barriers to their own development. The partner country also develops priorities for a compact, with input from the public, civil, political and private sector actors. The MCC requires the eligible country to first conduct an economic constraints analysis to determine which sectors of the country's economy would have the greatest effect on alleviating poverty and promote growth. Only after the in-country consultative process has been completed, the country presents proposed projects, their economic assumptions for projecting the alleviation of poverty through economic growth and their general implementation plan and sustainability to the MCC. The MCC then conducts a process of due diligence on each project to determine if the assumptions used to project the economic impact on the poor and the long-term returns towards poverty reduction are reasonable and sound. The MCC also examines the probability that all aspects of a project can truly be implemented within the 5-year time limit, have benchmarks to measure progress and a plan for effective monitoring and evaluation of results.



MCC-funded highway construction in Ghana

Good Governance Matters (continued from page 1)

Focus on Results

Once the compact is approved the focus shifts to detailed implementation planning and execution. MCC requires that a national body, the Accountable Entity, acts as the single point of contact and management team for implementation. This organization is usually formed some 3-6 months prior to the compact being signed and acts under the sponsorship of the President's or Prime Minister's office or an established ministry.

Due to the large size of compact projects and the definite implementation time limit imposed by the US Government, implementation must be conducted by experienced professionals. In over 70% of compact countries, the role of fiscal accountability, financial management and funds control has been turned over to external consultants (Fiscal Agent) to implement.

To date, GFA has won nine Fiscal Agent contracts in MCA countries, handling 71% of the outsourced compacts. The Fiscal Agent (FA) plays an integral part in the development and ongoing operations of the MCA Accountable Entity. The FA typically assists in setting up the business organization, and the control and process structures which are modeled after best practices for public budgeting and financial management. GFA is not only the largest single provider of FA ser-

vices within the MCA system, but also (through a consortium agreement with Charles Kendall & Partners) serves as the Procurement Agent in a number of coun-

MiDA (MCA) Ghana is implementing an agriculture training program for farm-based organizations, which will train over 25,000 individual farmers, their proces-



Replacing diseased coconut trees in Mozambique

tries. Hence, GFA has the opportunity to provide input to MCC for the adoption of best practices in control structures and processing of vendor payments through MCC's centralized payment system.

As most compacts range between 400 and 800 million US Dollars, these are complex organizations to manage efficiently, without leakages and corruption. For example,

sors and marketers. This investment will also create the demand for many other value-added down stream activities also covered under the compact, such as crop and farm equipment financing facilities, upgraded feeder roads, new investments in cool storage and export shipping capacities. All tolled, over 240 million US Dollars is slated for the project out of the total compact of 547 million US Dollars in Ghana. The potential impact of poverty alleviation is enormous.

Each of MCC's 18 compacts is packed with similar projects. While it is too early to determine all of the long-term impacts of these programs, no incidences of waste, fraud or abuse of compact funds have been reported. GFA's Fiscal Agent teams play a large role in assuring the fiscal integrity of the MCA projects while exhibiting a management and control structure that is transferable to efficient and effective foreign aid implementation in other sectors and by other donors. Yet again, GFA is proving its ability to adapt and contribute to state of the art assistance in delivering foreign aid around the world.



Irrigation management in Burkina Faso

Contact William Clancy
william.clancy@gfa-group.de

Fostering Forestry Development in Nicaragua

In 2007 and 2008 the Millennium Challenge Account in Nicaragua (MCA-N) contracted GFA to conduct a watershed study and feasibility studies for irrigation projects. A new, three-year contract for consultancy services related to forestry value chain and cluster development made GFA the so-called Forestry Operator. GFA's work for MCA-N is coordinated administratively and receives technical backstopping from GFA Consulting Group S.A. a company established in neighbouring Costa Rica in 2006.

In Nicaragua, the five-year MCA compact with a total value of 175 million US Dollars seeks to support those living in Occidente, the Western departments of Leon and Chinandega. The objective is to



Training on improved carbon production

nation, communication and strengthening of the forestry sector. In all of those activities, the GFA team has to comply



Sacks of carbon ready for sale on the national market

increase significantly the incomes of rural farmers and entrepreneurs through a reduction of transportation costs, improved access to markets, strengthened property rights, and increased investments. The Nicaragua compact comprises three projects: transportation, rural business development and property regularization.

The rural business development project has a budget of 33.7 million US Dollars and is supposed to increase the income from farming and related enterprises. Also, supporting activities to improve water supply to facilitate higher-value, sustainable agriculture, livestock and forestry are envisioned. The largest component of the forestry operation is the planning and promotion of 7,000 hectares of forestry plantations and fruit trees to be established by means of technical assistance and incentives. The other two components are the development of forestry value chains and the institutional coordi-

with the safeguards and norms of MCC, particularly as related to environment, gender, reporting and monitoring. Based on a waiver from MCC, MCA-N started reforestation activities in 2007 by hiring local forestry technicians and nurseries. The results were not of very high quality and GFA's challenge is to do a better job by working more efficiently and effectively. In this context, analysis and planning activities were carried out. For example, at the beginning of the project in August 2008, an inception workshop was carried out including a SWOT analysis and a logical framework matrix to synthesize the basic elements of the planning. Entrepreneurship organizations linked to the forestry sector have been strengthened, by giving advice on business planning and good practices as well as through legal support for organizations such as the Agroforestry Cooperative of Posoltega, COPAPO, the Association Eco-Carbon

and the Cooperative of Carpenters of Chinandega and others.

With regard to forest fires, GFA consolidated an agreement with the US Agency for International Development – Office of US Foreign Disaster Assistance (USAID/OFDA) for technical assistance and training of brigades of fire-fighters from the municipalities in the project area. Moreover, workshops have been carried out to develop a SWOT analysis of the Forest Fire Departmental Commissions, and 20 fire brigades have been trained and equipped.

As MCA-N Forestry Operator, the GFA team based in León prepared the Reforestation Campaign 2009 which aims at establishing forestry plantations. GFA is expected to support the plantation of 2,150 hectares, providing technical assistance to 883 producers with an increasing number of women beneficiaries. Also, forestry value chains have been selected for utmost potential by means of a participatory process: biomass for energy generation, charcoal production, wood for construction of typical ranches, and wood-furniture. Workshops were carried out to plan the activities for the value chains, and marketing contacts were established for commercializing charcoal and wood furniture.



Cooperative of carpenters

Finally, the GFA team also promotes the foundation of the Association of Forestry Entrepreneurs from the Occidente in order to strengthen the forestry sector in a coordinated and sustainable fashion.

Contact Gommert Mes
gommert.mes@gfa-group-sa.com

Agricultural Policy Dialogue

During the international agricultural trade fair “Grüne Woche 2009” in Berlin, the German Federal Ministry for Food, Agriculture and Consumer Protection (BMELV) and the Ministry of Agriculture of the Republic of Kazakhstan signed a joint declaration related to a the “German-Kazakh Agriculture Political Dialogue” project. At the same time, GFA Consulting Group GmbH and KazAgro-Innovation, a Kazakh company specialized in agricultural research and technological development, were entrusted with the preparation and management of the project. The dialog of the ministries will contribute to improved agro-economic analysis, policy recommendations, and the development of strategies to strengthen the agriculture sector in Kazakhstan. Also, common German-Kazakh positions in agricultural policy will be formulated. As Kazakhstan intends to cooperate more closely with EU countries, the project will serve as a focal point for political and economic cooperation between Germany and Kazakhstan.

ralf.rogowski@gfa-group.de

GFA Supporting SADC

In March 2009, GFA and Development Network Africa (DNA) successfully launched a new EU-financed project to support the implementation of the Finance & Investment Protocol (FIP) in the Southern Africa Development Community (SADC) and its member states. Tech-

nical assistance is provided to the SADC Directorate on Trade, Industry, Finance and Investment (TIFI) to ensure the proper and timely implementation of the project until December 2012. The project, worth 5 million Euro, aims at achieving closer regional economic integration and harmonization of the finance and investment sectors in the region. Members of the GFA Africa Department accompanied the experts in Gaborone and Botswana during the project inauguration. In total, GFA will provide five long-term experts, with an additional 75 short-term months incorporated in the project. The GFA-DNA consortium will strengthen FIP capacities both at the regional and national level, and will harmonize national investment policies, legislation and practices. A mechanism for monitoring the implementation of the FIP and all its annexes in the SADC Member States will be established, and a harmonized framework for non-banking financial institutions and securities exchanges will be developed. Progress in macro-economic convergence will be achieved, and tax regimes and market-oriented and harmonized monetary and supervisory policies of SADC member states will be coordinated. In addition, the project intends to progress towards current and capital account liberalization, and to enhance development finance institutions towards mobilizing resources for development. On 16–17 April 2009, the SADC Secretariat organized a Mobilisation Work-

shop for the FIP project in Johannesburg, South Africa to deliberate the proposed strategy and activities among the project team and the SADC Secretariat. Representatives of the technical committees responsible for the implementation of the various annexes of the SADC FIP joined this discussion. As a result, the FIP team and the SADC Secretariat received valuable recommendations for further action, particularly as far as the involvement of the private sector is concerned.

raja.fuegner@gfa-group.de and claudia.behrendt@gfa-group.de

Counterstatement

The February issue of the GFA Newsletter, page 4 contained incorrect information in the news item titled “Financing Social Health Protection”. The workshop in question was prepared and implemented not by GFA alone but in close cooperation with GTZ and KfW, which contributed to preparing and conducting all workshop sessions. Other experts represented the Asian Development Bank, the World Health Organization, the European Commission, the Allianz SE, the Ministry of Finance of the Republic of Vietnam, the Curatio Foundation of Georgia, the European Agency for the Development and Health and IGES, a health research institute from Berlin. Also, the workshop did not take place in Hamburg but at GTZ Headquarters in Eschborn. GFA apologizes for the errors.

klaus.altemeier@gfa-group.de

GFA Consulting Group
Eulenkrustrasse 82
22359 Hamburg, Germany

phone +494060306-0
fax +494060306-199
e-mail info@gfa-group.de
web www.gfa-group.de



Mixed Sources

Product group from well-managed forests, controlled sources and recycled wood or fiber
www.fsc.org Cert no. GFA-COC-001624
© 1996 Forest Stewardship Council

GFA Consulting Group is a growing consulting organization active in economic development. The main sectors of the company comprise agriculture and rural development, natural resources management, environmental investment, water supply and sanitation, private sector development, decentralization and public sector management, financial systems development and health. GFA Consulting Group presently works in more than 70 countries and collaborates with selected, specialized partner companies both, nationally and internationally.

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.