Methods and instruments

Fund management

The challenge
Funds are a way to provide financing for international activities in selected sectors quickly and efficiently. Where a number of donors are providing finance, funds can also make an important contribution to donor harmonisation. In line with the recommendations of the OECD, recipient countries should assume maximum autonomy in coordinating the funds, and the creation of parallel structures should be avoided. At the same time, the funds are to be administered with the minimum possible fiduciary risk and in compliance with good commercial standards. The requirements for establishing funds are demanding and often very complex. They are often underestimated, particularly at national level, as diversified expertise is required that covers organisational structures and work processes as well as the choice of a suitable IT system.

Our approach
GIZ can provide professional support to both clients and partners in setting up and managing a fund. We take a holistic approach, using sector-specific expertise and detailed knowledge of fund management to ensure appropriate allocation of finance in accordance with objective criteria. In this process, we consistently seek sustainable solutions, developing the necessary competences in our partner countries. When designing a fund, it is of paramount importance to work together with local experts to identify customised solutions that can be optimally integrated into the specific country context.

Services
GIZ offers a range of services in fund management, from acting as a fiscal agent on behalf of partner governments and/or international donors to supporting local actors in performing these functions through capacity development, not least through staff training. In these cases, funds are recorded in the partner/client accounting systems.

In advising ministries in partner countries, GIZ experts frequently assist with strategic issues relating to the governance structure, objectives and steering group organisation. There is also the possibility of establishing funds on behalf of German clients that are managed entirely through GIZ accounting systems. These services can be provided flexibly in accordance with client requirements and needs. We pay specific attention to improving the skills of local administrative staff.

GIZ services include:

I. Fund design

- Designing the organisational structures and work processes required for fund management in the partner institution
- Personnel planning, including drawing up personnel profiles and job descriptions
- Establishing an accounting system and assisting with integrating all the processes in an adapted IT system (financial management system with various modules)
- Developing criteria and procedures for selecting and approving applications and commissioning projects
- Developing guidelines for procurement and financing and standards for tender documentation and contracts
- Establishing decentralised structures
- Designing and implementing a monitoring and evaluation (M&E) system.
II: Fund management

- Personnel recruitment
- Moderating steering groups
- Managing procurement procedures
- Processing project applications (supplying financing)
- Managing accounting and payment transactions
- Assisting with fund management and settlement
- Drawing up reports and organising audits.

Your benefits

Due to their sometimes complex client structures, fund management projects often call for specific reporting arrangements, and depending on the size of the fund, special demands may be placed on financial management systems and human resources. GIZ has a broad base of experience, enabling us to align the fund optimally with existing partner country structures while complying with the norms of financiers. Even with a fund which is initially donor-oriented, we can align fund structures specifically for handover of fund management to the partner. Checklists are available for helping decide which financial management IT solution is best for a fund (including procurement).

An example from the field

To strengthen its health service at district level, the Democratic Republic of the Congo (DR Congo) obtained financial assistance from a number of sources, including the World Bank, EU and the Global Alliance for Vaccines and Immunisation (GAVI), which itself is made up of various partner governments, donors and NGOs. The GAVI budget of USD 57.8 million was to be used over four years in 65 zones de santé, primarily for rebuilding healthcare centres, stocking them with drugs and providing training and bonuses for local staff. In addition, the Congolese health system is being supported at provincial and central level.

A newly-created project management unit (CAG – Cellule d’Appui et de Gestion) in the Ministry of Health of the DR Congo is to manage GAVI funds under the supervision of the national steering committee. However, accounting is currently the responsibility of a fiscal agent with fiduciary responsibilities, which is also ensuring knowledge transfer to Ministry of Health staff. The GAVI fund can accordingly be the start of basket financing in the DR Congo health sector.

GIZ has been acting as temporary fiscal agent since 2009 on behalf of the Congolese Ministry of Health. As such, GIZ is responsible for three areas:

- Sound financial management (provision of funds, comparison between planned expenditure and available resources, accounting, reporting, internal control system), including monitoring procurement in accordance with national regulations and standards set by donors.
- Training at the Ministry of Health to transfer financial management competences to DEP staff (Direction des Études et Projets).
- Support in procuring and installing an IT financial management system.

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