

# Operational approaches to Catalytic Fund implementation: moving toward greater aid effectiveness

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# Presentation goals

- To assess how CF grant implementation modalities have contributed to strengthen aid effectiveness through stronger alignment, harmonization and results
- To identify good practices and lessons learned that could be useful to inform the Expanded Catalytic Fund

# Presentation outline

1. CF implementation modalities
2. Assessment
3. Emerging good practices
4. Lessons learned

# 1. CF implementation modalities

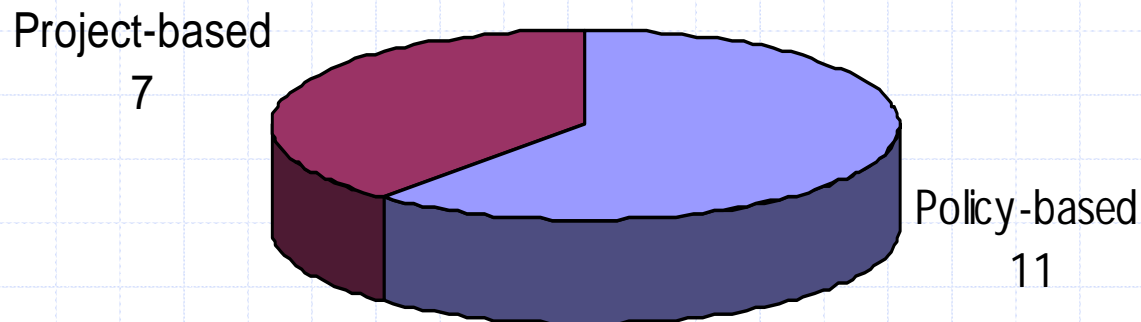
## *Flexible disbursement options*

- CF Operational Guidelines provide for flexible implementation modalities, based to the extent possible on country systems
  - policy-based agreements are the preferred disbursement option
  - project-based options may be relied upon when fiduciary risk is very high

# 1. CF implementation modalities

## *Disbursement options used in practice*

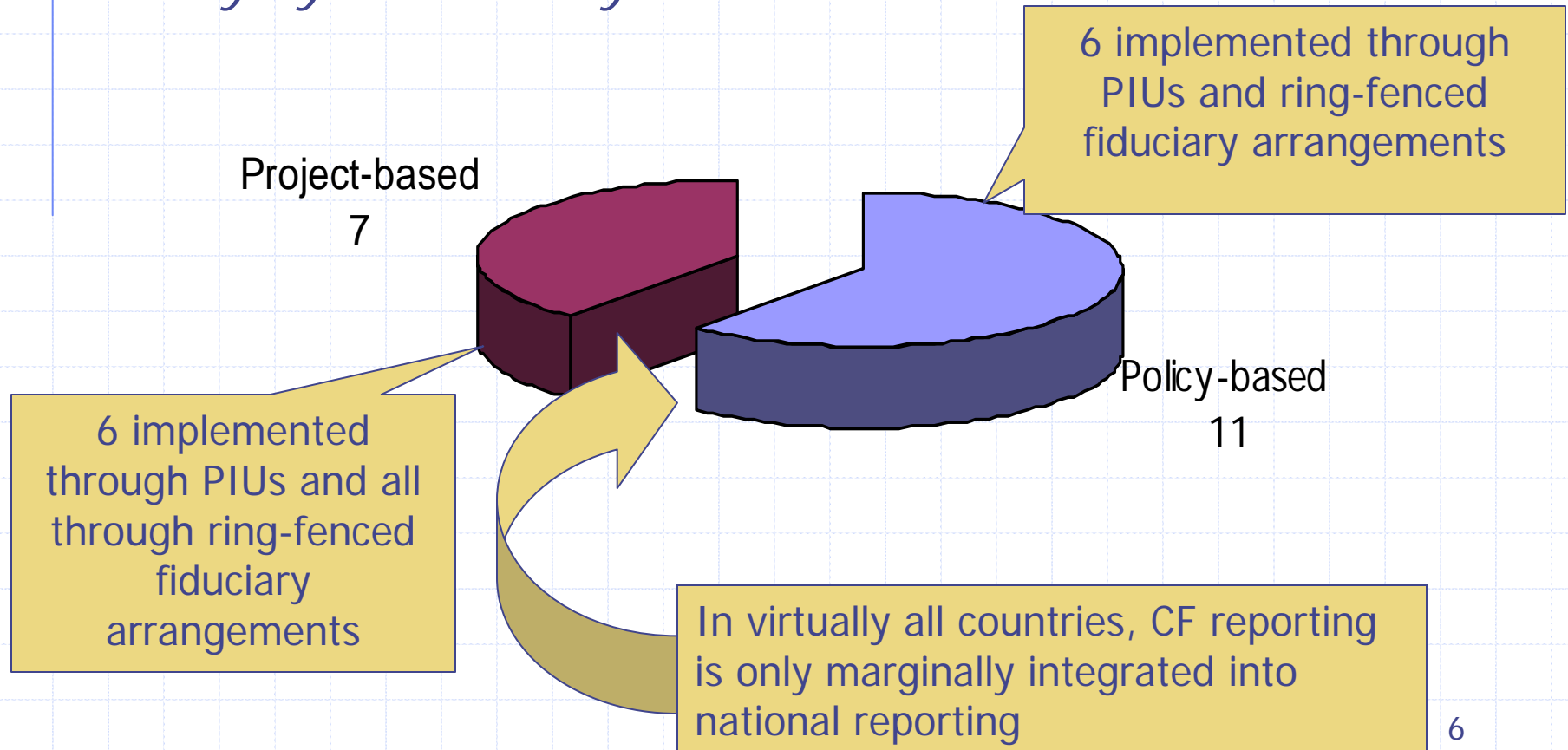
*In most of the 18 countries implementing a CF grant, Grant Agreements provide for a policy-based approach and are fast disbursing...*



# 1. CF implementation modalities

## *Institutional and fiduciary arrangements used in practice*

*...in practice, policy and project-based CF grants use similar implementation arrangements akin to those of an investment operation and different from those used more broadly by the Ministry of Education.*



## 2. Assessment

### *Three assessment areas*

- Alignment

Donors base their overall support on partner countries' development strategies, institutions and procedures

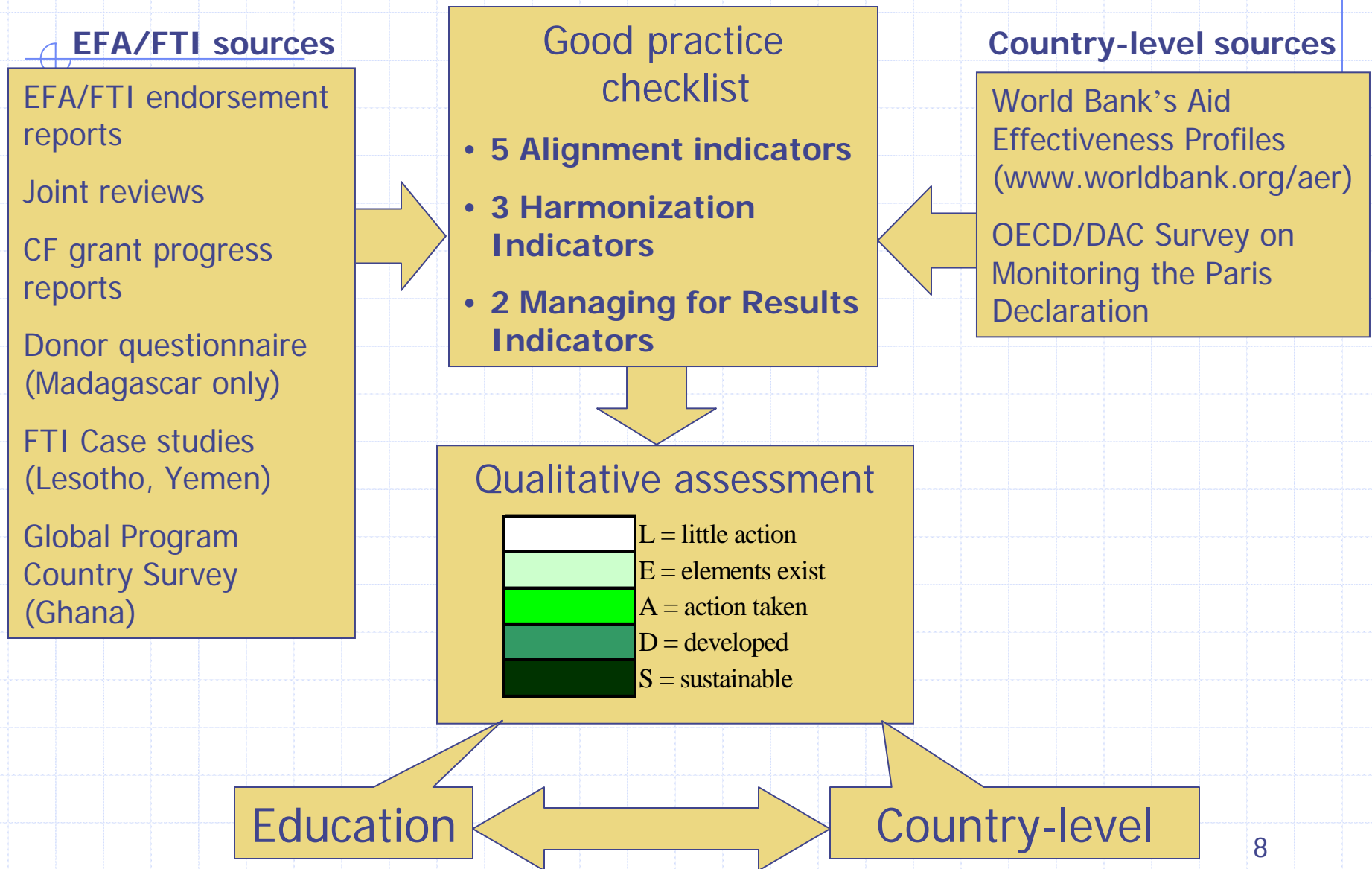
- Harmonization

Donors' actions are integrated among each other, transparent and more collectively effective

- Managing for results

Management of resources, both internal and external, focuses on the desired objectives and uses information to improve decision-making

# 2. Assessment Methodology



## 2. Assessment *Alignment*

*The assessment shows that in the education sector alignment is stronger than at the country level...*

| <i>Good practice checklist</i>              | <i>Education</i> | <i>Country-level</i> |
|---|------------------|----------------------|
| <b>1. Alignment with country priorities</b> | <b>A</b>         | <b>A</b>             |
| <b>2. Government-led coordination</b>       | <b>A</b>         | <b>E</b>             |
| <b>3. Use of country fiduciary systems</b>  | <b>E</b>         | <b>E</b>             |
| <b>4. Integrated implementation unit</b>    | <b>A</b>         | <b>E</b>             |
| <b>5. Financing reflected in the budget</b> | <b>A</b>         | <b>E</b>             |

### Assessment scores

|  |                    |
|--|--------------------|
|  | L = little action  |
|  | E = elements exist |
|  | A = action taken   |
|  | D = developed      |
|  | S = sustainable    |

## 2. Assessment

### *Alignment*

*...in countries that have been implementing a CF grant for two years or more, progress is even more prominent than the average on two measures of alignment...*

|  | <i>CF grant<br/>2 years or<br/>more</i> | <i>Education<br/>overall</i> |
|--|---|------------------------------|
| <b>★ Alignment with country priorities</b> | D                                       | A                            |
| <b>★ Government-led coordination</b>       | D                                       | A                            |

*...but progress has been less strong than the average in integrating implementation units into country structures...*

|   | <i>CF grant<br/>2 years or<br/>more</i> | <i>Education<br/>overall</i> |
|---|---|------------------------------|
| <b>★ Integrated implementation unit</b> | E                                       | A                            |






## 2. Assessment

### *Harmonization*

*...progress toward harmonization is somewhat stronger than at the country level...*

| <i>Good practice checklist</i>                           | <i>Education</i> | <i>Country-level</i> |
|--|------------------|----------------------|
| <b>1. Coordinated financing mechanisms</b>               | <b>E</b>         | <b>E</b>             |
| <b>2. Joint reviews in synch with budget preparation</b> | <b>A</b>         | <b>E</b>             |
| <b>3. Joint analytic work</b>                            | <b>L</b>         | <b>E</b>             |

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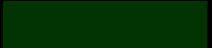
## 2. Assessment

### *Managing for results*

*... while managing for results is the same as at the country level.*

| <i>Good practice checklist</i>                         | <i>Education</i> | <i>Country-level</i> |
|--|------------------|----------------------|
| <b>1. M&amp;E embedded in sectoral/country M&amp;E</b> | <b>E</b>         | <b>E</b>             |
| <b>2. Reporting embedded into national reporting</b>   | <b>E</b>         | <b>E</b>             |

#### Assessment scores

|   |                    |
|---|--------------------|
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## 2. Assessment

### *Factors of success*

*Joint reviews are behind the relatively better progress*

- Joint reviews provide for a number of factors of success:
  - Regular dialogue at the country level
  - Mechanism for government leadership
  - Capacity building for civil servants on project management
  - Mechanism to help inform the budget

### 3. Emerging good practices

#### *Ghana, Madagascar and Rwanda*

*All policy-based CF grants with different institutional and fiduciary arrangements*

| <i>Country</i>    | <i>CF grant since</i> | <i>PIU coordinating grant implementation</i> | <i>Ring-fenced financial management</i> | <i>Ring-fenced procurement</i> | <i>Additional reporting requirements</i> |
|-------------------|-----------------------|--|---|--------------------------------|--|
| <b>Ghana</b>      | Feb-05                | Yes  | Yes                                     | Yes                            | Yes                                      |
| <b>Madagascar</b> | Jul-05                | Yes  | Yes                                     | No                             | Yes                                      |
| <b>Rwanda</b>     | Sep-07                | No   | No                                      | No                             | No                                       |

### 3. Emerging good practices

#### *Ghana—Managing for results*

- M&E embedded in sectoral M&E for education
  - EMIS monitors CF grant implementation
  - Operational manual facilitates a strong M&E team and quality reporting in the education sector
- Reporting embedded into national reporting
  - Preliminary National Education Sector Review Report discussed at annual review including development partners and national stakeholders
  - Single point of reference for government and development partners for all issues concerning education performance and service delivery

### 3. Emerging good practices

#### *Rwanda—Harmonization*

- Coordinated financing mechanisms
  - Memorandum of Understanding
  - Pooled account for CF grant and other funds consolidates fiduciary requirements
- Joint education reviews are in synch with budget preparation
  - Joint reviews of the education sector combined with joint budget support reviews
  - Review of performance of the sector thus informs the annual budget, which in turn helps strengthen the budget's performance orientation

### 3. Emerging good practices

#### *Madagascar—Alignment*

- Alignment with country priorities
  - Government taking lead in developing
    - Integrated strategy for quality improvement (curriculum, teacher training, books)
    - National school construction strategy
    - Better costing
  - Development partners aligning around this
- Government-led coordination
  - Joint bi-annual reviews have strengthened the Ministry's capacity to lead development assistance coordination and helped development partners plan for and conduct joint missions

### 3. Emerging good practices

#### *Madagascar—Alignment (cont.)*

- Integrated implementation unit
  - Multiple PIUs combined into a single PIU (but some not consolidated)
  - The PIU is being progressively integrated into the structures of the Ministry of Education
- Financing reflected in the budget
  - Inclusion of external funds in the budget is helping the Ministry of Education strengthen budget execution reporting

## 4. Lessons learned

- Experience reinforces the need to maintain flexibility in CF grant modalities
  - Alignment with country priorities is a process that helps improve evidence-based decision-making as country leadership strengthens
  - CF grant can help strengthen institutional arrangements and fiduciary mechanisms regardless of the implementation modalities
  - Important not to lose sight of CF grants objective of using country systems when possible

## 4. Lessons learned (cont.)

- Joint reviews are helping strengthen aid effectiveness
  - Experience indicates that they have been better at strengthening alignment, government leadership, integrated implementation units and financing reflected in the budget
  - Progress in use of country systems, coordinated financing mechanisms, joint analytic work and M&E has been lagging behind

## 4. Lessons learned (cont.)

- Recipient countries' governments could consider using joint reviews to focus more on
  - Country fiduciary systems
  - Coordinated financing mechanisms
  - Joint analytic work
  - M&E