

# Financing Development

D+C supplement/January 2014

In cooperation with

## KfW

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## Transparency and participation

**KfW transparency portal:**  
Reports on projects  
and their impacts

**Uganda: Office of  
the Auditor General  
exposes corruption**

**Brazil: Local people  
help to protect  
the environment**

# Insights into policymaking

Since the turn of the millennium, transparency has become a key issue in development policy and beyond. There are many reasons.

Every major news outlet in Germany takes note when Transparency International updates its Corruption Perceptions Index (CPI) each year. The CPI reveals how graft appears to affect the public sectors of about 180 countries. It also indicates how transparent governance is in the countries concerned. Germany usually ranks somewhere in the middle among comparable nations, whereas poor states like Afghanistan, North Korea and Somalia are at the bottom of the list.

Nowadays it seems normal that the media report on the CPI. Two decades ago, it would have been unusual. Before the fall of the Berlin Wall, the quality of a country's governance was considered a domestic matter that didn't concern anyone else. But failing international-development efforts ultimately demonstrated that free markets cannot work without an appropriate institutional setting. In 1997, the World Bank made "good

governance" the topic of its World Development Report. According to the report, this term means that a state uses its resources to promote development that benefits as many people as possible.

KfW Development Bank supports good governance on behalf of Germany's Federal Ministry for Economic Cooperation and Development (BMZ). The goal is to help state institutions at the local and national level perform their duties efficiently, transparently and with the participation of the population.

Thanks to the Internet, Facebook, Twitter, mobile phones and digital technology in general, people all over the world are demanding more and more transparency and public participation. Even people living in rural regions of disadvantaged nations are in touch with public discourse in their capital city today thanks to mobile phones. At the same time, advances in education



KfW/Michael Ruffert

Mobile phone user in Ghana.

such as more widespread literacy allow citizens to communicate their interests to public officials with more assertiveness. *Hans Dembowski //*



## Policy goal: Access to information

According to Germany's Federal Ministry for Economic Cooperation and Development (BMZ), democracy and a market economy are necessary foundations for development cooperation. Accordingly, the BMZ helps partner countries to implement reforms that promote human rights, political participation and independent media. It takes a long time to establish a full-blown democracy, and doing so requires a reliable flow of information.

The BMZ strives to be as transparent as possible itself. Its website states that transparency in development cooperation:

- allows recipient countries to plan,
- limits the risk of corruption,
- enhances partners' sense of ownership and
- furthers mutual accountability among donor agencies and their partner countries.

The BMZ not only accepts international transparency standards, but is involved in defining them too. Relevant forums for this purpose include the International Aid Transparency Initiative (IATI) and the Extractive Industries Transparency Initiative (EITI) for instance.

Federal Ministry for Economic Development and Cooperation [www.bmz.de/en](http://www.bmz.de/en)

# “Improving people’s lives”

Doris Köhn, Member of the Management Committee at KfW Development Bank, explains why KfW strives for transparency and participation.

## Why does the transparency of state action matter?

It is a key constituent of good governance. A country’s citizens need to know how public funds are used to implement the political priorities defined by elected parliaments. That applies in Germany as much as in any developing country.

## Is it harder to achieve transparency when state agencies from more than one country are involved, as is the case in development cooperation?

No, I would not say so. To start with, more participants mean more dialogue, so principles such as transparency can be agreed and monitored. International development programmes have been around for 60 years, but transparency has only become prominent on the agenda in this millennium. However, it has always been an important element of good governance of course. Today, digital technology offers new opportunities for networking and sharing information. Accordingly, people expect to be better informed about govern-

ment action, including the action of government agencies. In our view, transparency is a building block for successful development.

## Did it matter that democratisation only started in many developing countries after the fall of the Berlin Wall?

There is a natural link between democracy and transparency. A dictatorship does not want its dealings to be discussed and examined in public. So yes, democratisation does

create opportunities for civic participation – and it does so in two ways. Formally, it promotes participation through elections at local, regional and national levels, so the citizens decide who shapes policy at each level. Moreover, democracies offer space for civil-society engagement, with citizens forming groups and initiatives, and seeking dialogue with state institutions. Both aspects are important.

## Do you sense that the press in Africa has grown stronger? It is now free in most countries, circulation figures have risen and more people are able to read.

Yes, that is correct. But I see a broader development. The media as a whole have grown stronger. Mobile phones are far more widespread than newspapers. The relevance of the Internet and social media has increased dramatically. The full scale of that



The KfW Development Bank transparency portal.



## The KfW Development Bank transparency portal

In December 2012, KfW Development Bank launched a transparency portal on the Internet. It discloses facts and figures about its activities broken down by country and sector. In November 2013, more information went online about more than 130 projects on the website's German pages. The portal is designed to cater to users' needs. Visitors can access information about how public and KfW funds are used and what their deployment achieves.

KfW developed the portal concept together with the Open Knowledge Foundation. This non-governmental organisation has been campaigning for more transparency in German development cooperation in recent years.

<http://transparenz.kfw-entwicklungsbank.de/en>

potential became evident during the Arab spring. At the same time, however, the new technologies can also make a difference at the local level. In Togo, for example, we are supporting local governments that invite civic monitoring by text messages (see article on p. 5 in this edition). You are right, of course, to point out that literacy is also important. Education empowers people to demand more from their government in general.

### How does KfW Development Bank promote transparency?

We are active at two levels. We have set up a website that reports on our own activities. At the same time, we work with partners to support the democratic process in the countries concerned. There is a broad range of such cooperation. At the highest state level, to create and support the office of the auditor general is key since these institutions check and document the flow of public funds in order to inform policymakers and the public. And at local level support for civic monitoring and dialogue forums is useful. When we design our projects, we ensure that such opportunities are grasped.

### In what way would you say KfW is a model for others?

I think it is particularly important

that we link input with output. We report not only on projects we implement but also on the impacts they have. We evaluate our work because we want to know why something succeeds or why it fails. And we publish our findings.

### Budget support – with donor institutions directly financing national budgets in developing countries – is a controversial issue in Germany. On the one hand, it is hailed as a state-building tool; on the other, it is said to invite corruption. Is transparency probably a key issue in this context?

Yes, absolutely, but let me say that I do not think that this policy tool should not be a topic of ideological controversy at all. A tool as such is never good or bad, it is either appropriate or inappropriate in a given situation. There are certainly contexts in which budget support is not an option because the conditions are not right.

### Please explain that in more detail. What conditions do you have in mind?

Well, there has to be a commitment to the democratic process in the recipient country. There also needs to be a proper budget preparation – a task generally performed for the

government by the administration – and a due parliamentary process. An audit general's office is required to monitor government spending and to keep the parliamentarians and the public informed. Actually, budget support can contribute to creating and strengthening such processes and institutions. That is possible when donor institutions reach an agreement on these matters with the partner country's government. Budget-support agreements can equally help to upgrade tax legislation and national revenue services, thus allowing government to collect more funds domestically. In this way, budget support can help to reduce poverty and promote long-term democratic development.

### Some governments achieve impressive results in fighting poverty but leave little space for civil society.

Yes, and in those cases we need to consider what kind of development cooperation makes sense and is feasible. In Germany, the Federal Ministry for Economic Cooperation and Development takes those decisions. It is a fact, however, that one cannot possibly achieve everything everywhere at the same time. Even if a government is harsh in its handling of civil-society protests, it may still be right to help that same government to establish an audit office, because that institution will improve transparency in the long run, which serves citizens' interests. Transparency is not an end in itself; it is one of a whole set of objectives with the ultimate goal of improving people's lives. //

*Questions by Hans Dembowski.*

KfW/Fotograf: Thomas Klewar



**Doris Köhn**  
is Member of the  
Management Committee at  
KfW Development Bank.

# Citizen participate via SMS

Togolese municipalities are doing more to involve citizens in decision making. Doing so they are boosting transparency and increasing satisfaction.

Tchadjei Ouro-Longa works for the administration of the city of Sokodé in Togo. The 35-year-old man spends a lot of time at radio stations. He regularly takes part in interactive broadcasts, explaining the city's budget and listening to callers' complaints. "They want to know what the city does with the money it makes from marketplace fees, for example," Ouro-Longa says. He is the city's communication manager, a rare position in Africa. His duties include providing information about the administration's activities, reaching out to citizens and listening to criticism.

"We are very impressed with how explicitly the people express their views," says Maja Bott, the KfW project manager. According to her, even corruption and mismanagement are addressed directly.

To be sure, there still is repression in Togo, a small West African country with around 7 million people. But Bott maintains that Togo's press is relatively free. KfW Development Bank is helping the country to improve its governance and increase citizens' involvement in decision making. The hope is that projects will have greater legitimacy and citizen satisfaction will be higher, which in turn should foster economic and social development. Germany is providing €5 million in support through KfW. Togo is contributing another €815,000 to the project.

The money serves to improve the economies of the medium-sized cities of Sokodé, Kpalimé and Tsévié. Marketplaces and bus stations will be expanded and modernised. The planners are taking into account the wishes, suggestions and ideas of market traders and customers.

Their views can be gathered more effectively by using modern technology. "Nowadays, 70% of the people in Togo's towns have mobile phones," Maja Bott says. Those who do not have a mobile phone can usually borrow one. Accord-

much say traditionally, are considered particularly important target groups. "We have asked young people to validate the text messages," Maja Bott explains. They receive the texts on their mobile phones and publish those mes-



KfW/Maja Bott

Sokodé: Marketplaces will be expanded and modernised with concern for people's wishes.

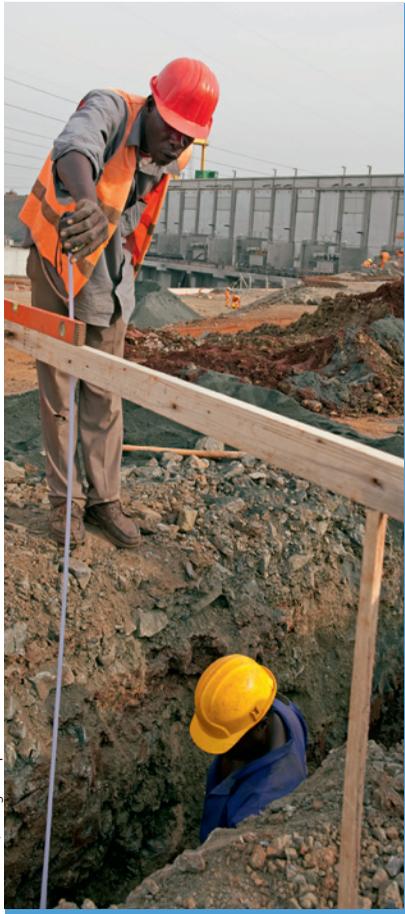
ing to Bott, a citizen feedback loop mechanism based on mobile technology can facilitate broad and systematic participation in municipal decision making. Radio shows invite citizens to text ideas, criticism or praise to a central number. The results are analysed, published online, aired by local radio stations and presented to the city council.

Politicians thus get direct feedback. The new approach holds them more accountable and forces them to work more transparently than in the past. Women and youth, who do not have

sages that are understandable and do not contain any offensive content. Tchadjei Ouro-Longa says that interaction between municipal leaders and the citizens has already clearly improved. According to him, Sokodé's new budget was drawn up with input from people from all walks of life, including market traders, young people and farmers. He's happy that the new programme will allow even more people to share their opinions. That's because it's easier to send an SMS or leave a voicemail than travel to city hall or wait on hold at a radio station. (miru) //

# Government watchdogs

In Uganda, the Office of the Auditor General has earned a good reputation for exposing corruption.



KfW-Bildarchiv/Fotoagentur: photothek.net

*The Office of the Auditor General monitors public spending on infrastructure in Uganda.*

Workers are still puttering around the unfinished building. The exterior walls are surrounded by scaffolding and plastic sheeting. A large sign reveals that this is the future site of a modern, 10-storey office building for a renowned institution: Uganda's Office of the Auditor General (OAG).

The new building in the government district of Kampala, Uganda's bustling

capital, will soon be where Keto Kayemba works. She is assistant auditor general of the OAG and shows strong commitment to her job. "We provide assurance over how tax payer funds have been used. The independent third eye view of the OAG tends to safeguard tax payer money by ensuring that the executive use the funds economically, efficiently and effectively," she says proudly. Kayemba is convinced that the OAG is contributing to the development of the East African country.

The institution has operated independently since 2008. It monitors government action from its headoffice in the capital and from 11 regional offices. In fiscal year 2012/13 alone, the OAG conducted over 1,600 separate audits. "The OAG has distinguished itself through a high level of expertise as well as timely and transparent reporting," says Anja Kramer, who heads KfW's office in Kampala. According to Kramer, the OAG's work is widely recognised and appreciated. In 2011, Uganda even won a prize for the best value-for-money audit in the African Organisation of English-speaking Supreme Audit Institutions (AFROSAI-E).

Keto Kayemba emphasises that the Ugandan government appreciates and respects the OAG. She points out that it cooperates closely and well with members of parliament. The auditors take their duties seriously and do not cave in to intimidation. A year ago, for example, the OAG reported that at least €13 million had been embezzled by the office of the Prime Minister. The money was earmarked for developing the northern part of the country, where peace was recently restored after decades of strife. Instead, the funds seem to have ended up in the pockets of individual officials.

The press, which is relatively free in Uganda, reported on this and other corruption scandals. On the one hand, international donors were dismayed by the collusion and opportunities to bypass national stems and withheld development

**"We provide assurance over how tax payer funds have been used."**

assistance in response. On the other hand, they were glad to see an independent Ugandan institution uncovering the misuse of donor and own funds. "This experience proved that the OAG's external control is working," Anja Kramer stresses.

Through KfW Development Bank, the German government is helping to make governance in Uganda more effective and transparent. Germany intends to support reforms in the public finance sector together with other donors with another €11 million in aid, €5 million of which will be given to the OAG so it can expand its efforts.

According to Keto Kayemba, the OAG now employs almost 500 people. In addition to monitoring the central government, the institution is also responsible for overseeing local administrations and even schools. It is an enormous, country-wide task. KfW plans to continue supporting the training and further education of OAG employees. Special equipment is being provided for technical inspections; IT systems are being improved. Furthermore, two new regional offices are being set up in order to facilitate the OAG's work outside of the capital. (miru) //

# Participatory conservation

Local people help manage nature reserves in Brazil.

Patricia Pinha steers a small motor boat on a wide river past thick mangrove forests. The 36-year-old woman is the park director of Lake Piratuba Biological Reserve, located just a few kilometres north of the mouth of the Amazon River. She is travelling to attend the Reserve's Council, which is meeting today. These gatherings allow her to discuss the proper use of land and water with the representatives of local people. The council also debates when the seasons for hunting or fishing should close. The committed conservationist is convinced that the rainforest will only be effectively protected if the local people are involved.

That stance could not be taken for granted in the region. When the Brazilian government declared the Piratuba area a nature reserve more than 30 years ago, no one took into account residents' interests. However, there are 12 small settlements in and around the Reserve. Fish in Lake Piratuba is their livelihood. The lake is home to the pirarucu, the largest freshwater fish in the world.

"The creation of the reserve put the local people in a difficult position," Pinha says. The new regulations curtailed their way of life, Pinha argues, but the military government at that time was not interested in dialogue. "For over 20 years, the villagers' relations with the park authorities were marked by repression," the conservationist adds. Neither side understood the other's point of view. At the same time, more and more people tried to make a living from fishing.

Increased, unregulated fishing led to lower yields and reduced biodiversity. In the early 1990s, fishing families sold around 80,000 crabs a year. By the time Pinha assumed her post eight years

ago, that number had fallen to just 10,000 a year. The environment was at risk, and so was the local people's livelihood. "We had the same concerns," Pinha recalls. "But it took us a long time to approach each other."

With financial support from Germany, Patricia Pinha ultimately established the Reserve Council. The idea was to replace repression with local par-

ticipating the reserve's fishing grounds. It was the first agreement of its kind in Brazil. People used to fish more or less illegally, but now there are clear rules for fishing and a new relationship of trust with the authorities. "Not only do we have fewer conflicts now," Pinha reports proudly, "but the local people are even actively contributing to environmental protection."

Many nature reserves across Amazonia have copied this successful model. Fifteen other reserve councils now meet regularly. ARPA (Áreas Protegidas da Amazônia – Protected Areas of Amazonia) is a programme that provides aid to Amazonian reserves. Its goal is to permanently protect 60 million hectares of tropical forest, also with the aid of local people. The programmes' international donors, on the other hand, include the World Bank, the World Wide Fund for Nature (WWF) and the German government. So far, Germany has invested €61.3 million in ARPA through KfW. *Hannah Milberg //*

**61.3**  
million euro  
in KfW support

ticipation, and it was well received. Over 170 people took part in the first meeting at the Piratuba Reserve. Today, the Council has 32 members and meets regularly.

Pinha managed to negotiate an agreement with one fishing village re-



Patricia Pinha (centre) with fishers on Lake Piratuba.

# Profile of Abdel Mughni Nofal

**Abdel Mughni Nofal directs a fund that promotes the development of municipal infrastructure in the Palestinian Territories. He is proud of playing a pioneering role for North Africa and the Middle East.**

The director general of the Municipal Development and Lending Fund (MDLF) is a busy man. He typically works 16-hour days. "I love my country and would do anything to help it," Abdel Mughni Nofal says. Listening to the 56-year-old man, it's clear that he enjoys his work and takes pride in it.

Nofal, who is a trained architect and urban planner, was appointed as director general of the MDLF five years ago. This semi-public fund is partially financed by Germany through KfW Development Bank and employs 53 staff in the West Bank and Gaza Strip. Previously, Nofal worked as an urban planner and consultant in various municipalities and organisations, including the city of Hebron and the UN Human Settlements Programme.

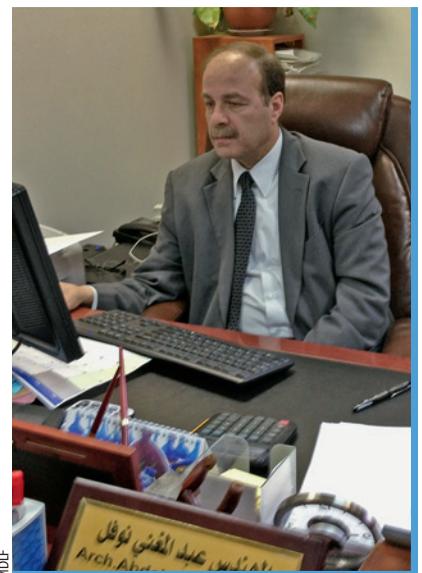
Nofal knows the cities and municipalities of his country well and understands their wishes and needs. Such knowledge is helpful when it comes to allocating money. The MDLF has strict rules how funds are being allocated and for what purpose. For this, transparency is the guiding principle. Following an incentive-based mechanism, municipal governments receive, for example, more funds if they follow a transparent budgetary process and sound financial management. According to Nofal, this incentive-based mechanism has proven to be very successful.

Municipal administrations must be transparent not only to the MDLF, but also to citizens. At town hall meetings and through participatory municipal planning processes citizens are directly involved in deciding what projects are being submitted for funding by the MDLF.

Since the MDLF began work in 2006, approximately 500 kilometres of roads have been built or repaired, 50 kilometres of sewer lines have been constructed or maintained and 1,400 stationary waste bins have been installed. Schools, parks and playgrounds have also been built using MDLF funds.

In addition, the MDLF provides capacity building support individually designed and targeted according to the needs of each municipality. These include for example administrative reforms, establishing IT-based accounting systems and training of municipal staff. Nofal knows it is essential for his fund to tackle the specific challenges the various municipal authorities face.

The principle of transparency applies not only to the administrative bodies concerned, of course. The fund itself must disclose all relevant facts and figures. Such data is made available by its website [www.mdlf.org.ps](http://www.mdlf.org.ps). On behalf of Germany's Federal Ministry for Economic Cooperation and Development, KfW pro-



Abdel Mughni Nofal, the director general of the MDLF.

vides about 30% of the MDLF's capital. So far, its contributions add up to approximately € 45 million.

Director general Nofal has travelled to almost every Middle Eastern and North African country to discuss his work. "Everyone wishes they had a fund like ours," he reports. He is convinced that municipal administration in the Palestinian Territories is among the strongest in the region. (sb) //

## Imprint

**Responsible:** Armin Kloss, KfW Group  
**Editing:** Dr. Hans Dembowski, Michael Ruffert

**Graphic design and typesetting:** Nina Hegemann  
**Publisher and printer:** Frankfurter Societäts-Medien  
P.O. Box, D-60268 Frankfurt, Germany  
This supplement is printed on PEFC-certified paper.