Dear Readers,

At the beginning of December the UN Conference on Financing for Development was held in Doha. German minister Wieczorek-Zeul held the task of a special envoy of the UN secretary-general. Against a backdrop of financial crisis and the G20 summit most contributions were devoted to the return of the state as an active player - motto “the state is back”.

Even if this reflex attempt of politicians to steer a course through stormy weather calls for scepticism, the questions raised with regard to the quality and scope of state activity are bound to hold our attention for some time to come.

In this, the quality of public administration, meaning its capacity to perform its functions with credibility and citizen-orientation, will be pivotal. A closer look at this balancing act of public administration between political objectives and fulfillment of tasks is the focus of this issue.

For this year, however, it only remains for me to wish you and your loved ones a very happy Christmas. On behalf of the Public Finance Team I thank you for the lively interest you have shown and for your participation in our work. I look forward to continuing our cooperation in 2009.

I hope you enjoy your reading!

Yours sincerely,

Matthias Witt
Feature: Results Based Public Management – MfDR through technical cooperation

The implementation of political strategies and the realisation of such major development cooperation goals as good governance, poverty reduction and the Millennium Development Goals is largely dependent on the performance of public administration. The administration acts both as an executive organ and as the interface between government and society. Any reforms designed to establish an efficient, transparent, predictable and citizen-oriented state must therefore begin with the public administration.

In the Paris Declaration, as in the Accra Agenda for Action, the community of donors undertakes to pursue a more pronounced orientation towards common goals under the slogan Managing for Development Results (MfDR). Capacity development is a direct and vital contribution by technical cooperation to the implementation of MfDR. It provides public managers with the scope required to realize objectives. Political goals must be translated into structures and processes, administrative action oriented towards results and in its implementation scope for independent public management and decision-making must be created without depending on politicians, donors or scientists. This is the way to shift technical cooperation towards enhanced development-effectiveness, ownership and sustainability.

Results-orientation as we understand it may imply the reform of budget processes as well as of administrative procedures. In most cases we find a combination of the two approaches. The contributions in this feature throw light on the strengths and challenges of such reform processes in both Germany and GTZ partner countries.

Discussion of reforms in Peru (see p.5) shows that, besides technical change, above all else a change in the culture and self-perception of administration and politics is required for results-orientation to be feasible. Political factors play a decisive role in determining whether full advantage can be taken of the possibilities for results-orientation. The steering and coordination of administrative reforms, through central government departments for example, is therefore a pivotal factor in the success of technical cooperation.

Monitoring and evaluation mechanisms are another factor which above all calls for pragmatism and adapted solutions in order to establish a sound foundation for decision-making. GTZ expert Chris Pain uses the example of reforms in Zambia (see p.3) to show that adaptation to results-orientation in the operational logic and processes of authorities as well as in the administration’s self perception must be founded on reliable information with regard to cause and effect.

At this interface between political counselling and advising on specific process and technical issues the GTZ and in particular the public policy team operate efficiently in the implementation of MfDR.

Michael Rösch, GTZ

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Zambia: Developing Capacities to Manage for Development Results

Prior to the adoption of the Poverty Reduction Strategy Paper (PRSP) in 2002, reporting on performance in Zambia was predominantly qualitative and descriptive. At the same time, occasional surveys were carried out that gave data on indicators at the impact level, such as the proportion of the population below the poverty line. However, in the PRSP period there was an increased understanding that this was inadequate. Buoyed by the experiences in the Health and Education Sectors and supported through PBAs, a commitment to focusing on results in the implementation of policies was generated.

During the formulation of the second PRS, called the Fifth National Development Plan (FNDP), this was reiterated by the coordinating Ministry of Finance and National Planning. It became apparent however that many of the pre-requisites to such a system did not exist at other levels of Government. Among the problems were:

- weak and fragmented information systems,
- no link between planning and budgeting, which was still driven by an incremental approach (even in activity based budgeting),
- a reluctance to set performance targets and a hesitancy to report on performance to a wider audience, compounded by a poor demand for this, and
- a perception that plans were to guide donors in providing resources, rather than improve the delivery of services using government’s own resources.

Recognising this problem, the Planning and Economic Management Department (PEMD) in the Ministry of Finance and National Planning (MoFNP) requested the assistance of GTZ to help them address these issues, and to support them in linking the FNDP and Budget Process.

What have we done to address the weak capacities issue

The first step to addressing this was to build the capacities within the planning department to interact with other arms of government. This included training sessions on how to select indicators and set targets. This training was used subsequently in the identification of Key Performance Indicators for each sector and setting targets for these for each year of FNDP implementation.

During these consultations, it became apparent that more work would be required in strengthening the capacity of different sectors to develop their information systems if these were to provide the necessary inputs for decision-making. To assist, a series of workshops were held and a self-learning course on M and E was developed. Sector specific trainings in social protection, water, agriculture and governance were organized (in collaboration with InWEnt and other GTZ projects in Zambia). This training will be extended to other sectors such as Gender and Environment in the coming year.

At the same time, support has been given to the Central Statistical Office to develop a National Statistical Strategy to coordinate and link the various sources of data and to ensure that one institution is capacitated to maintain the quality of statistics.

Zambia’s FNDP and the Results Based Focus

After a long period without a national development plan, the Government of the Republic of Zambia made the first step towards reintroducing this with the Poverty Reduction Strategy (for the years 2002 – 05). Rather than adopting a second PRS, the government developed a more comprehensive National Development Plan (FNDP), for the years 2006 – 10.

After consultation process, which saw teams from the MoFNP visiting all 72 districts, as well as sector level discussions between Government, Cooperating Partners and Civil Society Organisations, the FNDP was launched in 2007.

Each of the 33 chapters of the FNDP included Key Performance Indicators. These indicators have annual targets for each year of implementation. The means of achieving these targets is left up to the lead agencies in the sector, under advice from the Sector Advisory Groups (SAGs).
This support also focuses on building the capacities of the users to understand statistics and their application. Recognising that there is more required than collecting data, the project also focuses on building analytical capacities, through training courses on Poverty and Social Impact Analysis, and supporting the re-establishment of the study fund in the MoFNP, which will provide resources for analytical work on a demand basis.

The focus of these trainings has not solely been on the ministries in question, but a wider body, known as the Sector Advisory Group (SAG) that include membership from civil society organizations and the donor community. These bodies are responsible for the oversight of the implementation of the FNDP, ensuring the budget is in line with plan, and that performance is assessed on a regular basis.

Improving Domestic Accountability and Reporting

In addition to focusing on the capacities to collect and use data, the GTZ support project to the MoFNP has also focused on improving domestic reporting and accountability. This includes supporting the MoFNP in the production of local language versions of the development plan and long-term vision, the production of Annual Progress Reports and the holding of national conferences where members of the SAGs are invited to participate and discuss issues connected to the implementation of the FNDP. The project also supports the MoFNP in improving the quality of their interaction with the sector level, as well as the quality of discussions in the SAGs.

The Way Forward

Before the Government started with a results focus in the FNDP, the extent of the difficulties in this approach was not apparent. However, there are positives that can be built on, not least a growing performance culture seeping into government, brought about by demands for information on performance against set targets.

The weak information systems that exist in many sectors will need to be strengthened if there is to be any improvement in managing for development results. Once the flow of data improves, attention can be given to improving basic analytical skills, and institutionalizing tools like PSIA.

The next major challenge is to strengthen the links between planning and budgeting. There is some evidence to suggest that in sectors like health and education, data is influencing the targeting of resources to specific geographic areas were performance has been poor. The production of some basic budget analysis by the M & E department, and the subsequent follow-up on issues raised through budget hearings, will also contribute to ensuring resources are allocated to activities that will contribute to the achievement of the desired results as outlined in the FNDP.

To facilitate all of this, and to ensure the participation of different stakeholders, the SAGs as a consultative forum to discuss budgets, plans and performance in implementation need to be strengthened. By this the government of Zambia will be able to reduce the transaction costs associated with multiple bilateral consultations between donors and the Central Statistics Office.

Chris Pain, GTZ
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Performance based budgets

A stronger performance orientation is currently to be observed not only in the area of public administration but also in the preparation, implementation and control of public budgets. The objective of this adjustment is to allocate public funds not merely according to availability and reported needs (input orientation) but rather in accordance with the established political goals to be achieved with these funds (output orientation). In order to verify that this is in fact happening, indicators are defined that must be observed. Thanks to these modifications to the system, the budget's steering function is enhanced. This is often associated with a switch from a cash based cameralistic accounting, to an accrual based double-entry bookkeeping. The main aim is to enable a comprehensive assessment of a country's budget situation.

A whole range of countries comprising both industrial and developing countries are currently engaged in the implementation of reforms that in one way or another will result in a stronger performance orientation. These reforms are being pursued at both national and sub-national levels.

At the German Federal Budget Modernisation Congress held in Berlin on October 14 2008 current developments in Germany at both national and sub-national levels were presented and discussed. It was evident that changes at municipal level leading to stronger performance orientation are now also becoming increasingly evident at the Länder level. Parts these developments can be attributed to changes in the system of accounting. At national level the pace of reform is slower, because the advantages of switching to double-entry bookkeeping are still under examination.

Kristin Sänger, GTZ
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German experience

At municipal level Nordrhein-Westfalen, for example, has made progress with the introduction of performance orientation www.neues-kommunales-finanzmanagement.de as has Hesse at Länder level (in German) www.hmdf.hessen.de

Further information on this issue at the national level is available in the monthly report of the Federal Ministry of Finance for October 2008 (in German): 'Auf dem Weg zu einem neuen Haushalts- und Rechnungswesen im Bund' Links

Expert talk on the theme "Backbone of state modernisation and public policy – performance based budgets in Peru"

On November 24th 2008, in cooperation with the regional group for the Andes countries and Paraguay, the GTZ Public Policy Section arranged an expert talk at which Roger Salhuana, an expert from the Peruvian Ministry of Finance, outlined reforms of the budget system. These are characterised in particular by the introduction of performance based budgets, designed to facilitate the implementation of political and strategic programs.

Making a clear distinction between performance based budgets and program budgets Roger Salhuana supposed that the application of a single instrument, namely program budgets, would not in itself inevitably lead directly to changes in behaviour. As GTZ representatives did, he in particular regarded changes in mindset as a key factor contributing to the success of reforms. The importance of this issue for the field of development cooperation was underlined by the lively discussion between experts from the Ministry of Economic Cooperation and Development (BMZ), the Reconstruction Loan Corporation (KfW), GTZ and Capacity Building International Germany (InWEnt).

Kristin Sänger, GTZ
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Expert talk at GTZ

Roger Salhuana, expert from the Peruvian Ministry of Finance, Josef Ising, GTZ manager for the Andes countries and Dr. Matthias Witt, head of the GTZ Public Policy Section (from left to right) at the Expert talk on performance based budgets.
Public Finance Reform

News from partner countries

Interview with Gabriel Negatu, Director of the Governance, Economic and Financial Management Department of the African Development Bank (AfDB)

Mr Negatu, in 2006 the African Development Bank decided to create the Department for Governance, Economic and Financial Management. Recently the Bank approved new Strategic Directions for Governance, including an Action Plan for 2008 – 2012. These directions set a strong focus on Financial Governance. What were the reasons for this specific orientation?

The Governance Strategic Directions and Action Plan for 2008-12 takes account of recent developments in aid policies like the Paris Agenda. It reflects the recommendations of the independent High Level Panel of January 2008 and represents the guidance provided by Banks’ Regional Member Countries, most notably through the Eleventh Replenishment of the African Development Fund (ADF-11) in 2008.

As governance in itself is a very broad topic, it was necessary that the Bank sharpened its strategic focus and carved out a distinctive role for itself in the global aid architecture in the area of governance and anti-corruption.

Those who work in, or with governments, know that economic and financial management is at the core of what a capable state does. It provides the foundations upon which to build capable states, able to fulfill their responsibilities and deliver basic services to the poor. The Bank’s central objective in governance is to assist African countries to build those capable and responsive states by strengthening transparency and accountability in the management of public resources.

What are the main instruments for the African Development Bank to improve Financial Governance in Africa?

The Bank deploys a range of instruments for its economic and financial governance operations in the Regional Member Countries. We use a combination of policy-based lending and institutional support projects, improving the capacity in Public Financial Management. The choice of aid instruments is tailored to the countries’ governance challenges and environment. For example institutional support projects may be combined with budget support operations.

We are also very active in non-lending activities and analytical work, including an active policy dialogue. Our continuous support to the elaboration and improvement of the African Peer Review Mechanism (APRM) is another example for our activities in this field. Last but not least the Bank acts as catalyst to anchor regional standards and codes of good financial governance.

Presently the Bank is working with UNECA and the AU on taking forward the Abuja Commitment to Action which African Ministers of Finance endorsed in 2006 to develop transparent, accountable and reliable budgetary systems, and transforming it into an African Agenda on Good Financial Governance. In all these operations the Bank has a key role to play in crystallizing and advocating for an African perspective on governance.

Gabriel Negatu is the Director of Governance, Economic & Financial Management Department at the African Development Bank (AfDB). In this capacity he oversees the ADB’s work on promoting good economic and financial governance and the Bank’s lending operations including Budget Support Operations, Balance of Payment Operations and Institutional Support Programs.

Among his portfolio is the Bank’s work on Extractive Sector Transparency in resource rich African countries. Mr. Negatu also leads the ADB’s work in the context of the Africa Peer Review Mechanism (APRM) where the Bank is playing a lead role in the areas of Economic and Corporate Governance. Prior to his current assignment, Mr. Negatu worked in the Bank’s Policy & Review Department, where he managed the Bank’s work on harmonization & Alignment around the Paris Declaration.
Public Finance Reform

Does the AfDB link its operations on Financial Governance to its Budget support operations?

The Bank views budget support as an instrument, not as an end in itself. It uses budget support as an instrument to encourage institutional reform and deepen policy dialogue on governance, only when conditions are appropriate and fiduciary conditions have been met. This includes budget support operations whose main purpose is to improve financial governance and the governance components of multi-sector budget support operations.

We should not forget that the use of budget support to promote governance is consistent with the Paris Declaration targets on program-based approaches and use of country systems.

What are the main problems the Bank encounters with this new focus on financial governance? What are the advantages has the Bank?

The problems we encounter have less to do with the focus on Financial Governance but more with mainstreaming Financial Governance in sector operations and in country programs - at the same time delineating the roles and responsibilities of the Bank’s departments for the activities in Regional Member Countries. However, in the medium-term we are moving towards placing governance experts at the regional level in country offices and also in sector departments.

Concerning the advantages I see those in the Bank’s African Identity. As a recognized African Institution, the Bank is well placed to enter into a policy dialogue with one of its Member Countries about sensitive issues.

Let me be frank: the issues of transparency or corruption, for example, are more openly and effectively addressed by the AfDB than by other development partners.

How will the Accra Agenda for Action influence the Bank’s activities on Financial Governance?

The Accra Agenda for Action mentions many key issues that the Bank is already implementing in its governance operations. Nevertheless, we will broaden and deepen our focus on strengthening country systems in our operations. In this regard, we are, for example, providing assistance to improve procurement systems at the country and regional levels. We are also enhancing our support to fragile states by building institutions and strengthening capacity in financial governance and, where relevant, in natural resources management.

The AfDB has long cooperated with institutions. Where do you see possibilities for cooperation in the field of Financial Governance?

The Bank is already cooperating with other development partners on supporting governance reforms in Africa. It is part of various donor coordination and harmonization efforts on governance and Public Financial Management including the OECD-DAC or the Strategic Partnership for Africa (SPA).

Our work on governance is promoted through Coordination Platforms such as the APF and the joint African-EU Strategy. Furthermore we are concentrating on strategic partnerships to complement our focus areas - while bearing an African perspective. Key strategic partners for the Bank include the World Bank, the IMF, the EC, and key bilateral partners like GTZ.

Gabriel Negatu from the AfDB was interviewed by Jochen Hoettcke
Contact: Jochen.Hoettcke@gtz.de

Dr. Jochen Hoettcke, Political Scientist, has been seconded by GTZ as Governance Expert to the African Development Bank (AfDB) in Tunis since May 2008.

His work is focused on the Banks support to Economic and Financial Governance in Africa, which includes the Bank’s cooperation with Pan-African Public Finance Institutions as well as the direct management of Institutional Support Projects in various African countries.
Afghanistan - financing for security
GTZ analysis underlines the relevance of governance aspects

In situations of fragile statehood the paradigm ‘financing for security’ appears to prevail side by side with or even in place of ‘financing for development’. However, approaches whose objective is to finance the creation of a secure environment must at the same time also take into consideration the principles of good (financial) governance. With regard to development policy, this is the central conclusion drawn by a recent study of police financing commissioned by the German Federal Foreign Office.

The financing and payment of police salaries plays a vital role in the enhancement of security. In Afghanistan this has been achieved since 2002 through the Law and Order Trust Fund for Afghanistan (LOTFA).

LOTFA is a trust fund set up on the basis of an overall agreement between the UNDP and the Afghan government and governed by UNDP rules. Alone in 2008 contributions by the German Federal Foreign Office totalled $US10 million.

Evaluation of procedures that have been followed to date and the new overall agreement (LOTFA V) have made it quite clear that the trust fund cannot be regarded in isolation from the governance situation in Afghanistan, the provision of necessary support for capacity development and practical difficulties encountered in the financing of police activities.

If the efficiency of LOFTA is measured by the achievement of such benchmarks as the introduction of identity cards for police officers and the expansion of electronic salary transfers, this does not alter the fact that there can be no guarantee that everyone who receives a salary payment is also a police officer or alternatively that every police officer does actually receive his salary.

Electronic payment systems alone cannot resolve this problem and must be supplemented by institutional reforms and capacity development in the Ministry of the Interior and the Ministry of Finance. Only a holistic development policy approach can ensure orderly payment of police salaries. It is questionable whether this can be achieved by a trust fund that in situations of poor governance attempts to put a stop to the instrumentalisation of financial resources, but which also limits the partner’s ownership and joint responsibility.

At least from the standpoint of sustainability the Afghan Ministry of Finance should play a greater role in decision-making on such matters as the level of police salaries or the number of police officers.

By stressing the good financial governance aspects in the financing of security the study’s contribution has been to focus attention on an issue that must be dealt with in greater depth. In more general terms, the key question is how the promotion of security can be supplemented with development perspectives.

Barbara Dutzler, GTZ
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GTZ cooperation with the German Federal Foreign Office

GTZ cooperation with the German Federal Foreign Office arose in 2007 as result of the granting of additional ODA budget funds for the 2008-2011.

The relationship with the German Federal Foreign Office has developed very positively. This is reflected not only in the good relationship with departments awarding contracts, but also in the fact that the original goal of an inflow of contracts worth EUR 70 million was exceeded by EUR 15 million.

Department 42 has provided substantial support for many offers. GTZ must continue to apply its know-how and flexibility to position itself against its competitors and provide proof of its strength in the shape of transparent and reliable implementation.

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Public Finance

issues

Latin American social policy needs a tax reform

Latin America is currently in the throes of changing its political paradigm. The neo-liberal reforms of the 80s and 90s are generally considered to have failed and most countries are now ruled by presidents who are left-wing to various degrees. Despite their differences their approaches share some common features: (1) a leading economic role for the government, (2) priority for social policy and poverty reduction and (3) politically and economically differentiated foreign relations.

The swing to the left in Latin America has been welcomed beyond the shores of the sub-continent as a step into a future with more democracy and enhanced social justice. Evo Morales, Luís Inácio Lula da Silva are stars that are not only popular but almost loved by the European left. However, as we know, love blinds. The figures appear impressive and in part they are. The average proportion of the poor in Latin America has fallen from 48.5% in 1990 to 38.5% in 2006. The absolute number, however, has risen from 200 to 205 million. Equality in the sense of the ratio between the incomes of the poorest elements in society and those of the richest has also improved slightly. Nevertheless, Latin America is the continent with the poorest income distribution worldwide.

In almost all Latin American countries the social situation of the poorest elements in the population has been improved by an increase in government social security payments. In Brazil, for example, more than 11 million families are covered by the Bolsa Familia program, whereas only 3.6 million were covered by the previous version Bolsa Escola. Suspicion should have been aroused by the fact that this rise in expenditure was not accompanied by an increased share of total government expenditure – i.e. there was no or only little redistribution in expenditures.

Where does the money come from?

Between 2002 and 2008 Latin America experienced an export boom (together with an increase in foreign transfers) that turned a chronic government deficit into a solid budget surplus. Now the question to be asked is: Have the new governments made provisions for the future? Are they investing for the future? The answer is brief: Latin America is still investing too little in its public infrastructure and in its public enterprises. Public goods are still heavily subsidised, even for the middle and upper classes. The overall tax ratio is still too low and the tax system too regressive.

Although the average tax ratio has risen from 16% at the beginning of the 90s to over 20% and thus contributed to the financing of social security payments, the tax structure has resulted in a “perverse effect”. Brazil is a good example: here the tax burden of the poorest 10% of households is estimated at 48.8%, that of the richest 10% at only 26.3%. A sustainable social policy must therefore be linked to the tax system. Reform of the tax system – for example, less indirect and more direct taxation – is a sine qua non, as is reform of subsidisation and the introduction of an economic policy that promotes investment and provides a long-term guarantee of social equality. But more of that on another day.

Joachim Knoop, FES
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Data in the article from:
Ricardo Ffrench Davis: El contexto de las privatizaciones y la situación actual: entre el Consenso de Washington y el crecimiento con equidad; Nueva Sociedad 207 (2007) and
Carlos Mussi, José Roberto R. Afonso ¿Cómo conciliar desarrollo económico con bienestar social? Algunas reflexiones sobre los nuevos desafíos latinoamericanos; Nueva Sociedad 215 (2008)
‘Human Resource Management in Supreme Audit Institutions (SAIs)’ – regional seminar organised by the DRI and GTZ in Montenegro

Personnel qualification is of vital importance in external financial control. The impact of SAIs is linked to the quality of their audits and recommendations, as well as of the structure of their strategy within the architecture of state institutions and organs.

In the knowledge that the quality of personnel is of vital importance in SAIs, experts and senior staff from supreme audit institutions in south-east Europe, the south Caucasus and central Asia came together at a seminar in Pržno in Montenegro between October 22 and October 24. At the invitation of the Državna Revizorska Institucija (DRI) in Montenegro the GTZ conceived and organised this 2-day regional seminar on ‘Personnel management in SAIs’, at which discussion focused on the most important issues and challenges in the field of personnel management and training in SAIs against the backdrop of increasingly complex challenges. Secondly, the impact of personnel management on the role of SAIs within the framework of the state structure. Mr. Lage Olofsson from the Swedish National Audit Office (Riksrevisionen) examined personnel management in the context of the organisational and governance objectives established by the Lima Declaration in 1977. And thirdly, the context-related challenges facing SAIs in their work in the changing environment of reform-oriented states and governments.

Learning and teaching in networks for effective financial control

The personnel management debate and the associated complex challenges for SAIs to improve the performance of their functions within the state structure offered a sound basis for an enhanced exchange of experts and practitioners from the field of external financial control within the region. In his opening speech the DRI president, Miroslav Ivanisevic, stressed the importance of bringing together and concentrating know-how and expertise by structuring effective and independent regional financial control. The reflection of GTZ experience with regional counselling approaches has played a vital role here. In view of the complex challenges facing SAIs, an open exchange of technical information on the basis of stable regional networks offers encouraging possibilities that a vital contribution can be made to developing the capacities of external financial control in the years to come.

Sebastian Gehart, GTZ
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The establishment of the Državna Revizorska Institucija (DRI) as the independent SAI of Montenegro was supported from the beginning by the GTZ.

Further information is available online under: "Creation and Establishment of the Supreme Audit Institution - Montenegro"

In Przno GTZ senior planning expert Roland von Frankenhorst (left) and the president of the Slovenian SAI, Dr. Igor Soltes, debated the role of human resources in Supreme Audit Institutions.

Sebastian Gehart, political scientist, is working in the Public Policy team on external audit and PEFA.
UN passes EITI resolution

Much attention has been focused worldwide on endeavours of the Extractive Industries Transparency Initiative (EITI) to enhance transparency of state revenues from natural resources. This can be explained by the high prices of commodities and the embedding of the issue in the G8 process.

The EITI provides support for countries that are rich in natural resources in order to enable them to use the revenues from their commodities responsibly. The transparency of public revenues is enhanced by disclosure of commodity-induced money flows. To this end payments from the extractive industries are compared with the government’s declared revenues.

On September 11 2008 the 62nd General Assembly of the United Nations in New York passed a UN resolution on the Extractive Industries Transparency Initiative (EITI). The resolution was adopted after much heated discussion and aimed both to enhance the EITI’s legitimacy and to win over new supporters and candidates. It is entitled “Strengthening Transparency in Industries” and underlines the importance of both the EITI and the transparency of revenues from natural resources.

With the adoption of this resolution the EITI was referred to in an official UN document for the first time. This step was a sine qua non if the EITI is to gain more support. The GTZ Public Policy Team advised the Federal Ministry for Economic Cooperation (BMZ) throughout the negotiations and made a significant contribution to furthering the German position.

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Cooperation between the Court of Audit of Berlin and COCA in Yemen

Yemen is a priority partner for German development cooperation and a pilot country in the Program of Action 2015. As the body responsible for controlling the public finances, the Yemeni supreme audit institution, the Central Organisation for Control and Auditing (COCA), is pivotal: COCA’s audit reports provide the government, parliament and the public with the data they need to control the use of public funds.

The support provided for financial control is one element in a whole range of comprehensive political programs: among others, the Public Service Reform Project (CSMP), the Public Finance Management Reform Action Plan (PFM-R), which defines the framework for reform measures in the field of public finance in years to come, as well as the Good-Governance Reform Program (GGRP). COCA’s experience has shown that corruption and wasteful use of funds are the major obstacles to implementation of these reform programs.

With the mediation of the German project “Support for the Central Organisation for Control and Auditing” an agreement was signed in Sana’a on November 16, 2008 between the Court of Audit (CoA) of the City-State of Berlin and COCA.

This „twinning arrangement“ aims to promote a practice-oriented exchange of experience between the CoA of Berlin and COCA in the field of performance audits, as well as in anti-corruption activities. The Agreement includes a series of joint workshops and a return visit to Berlin by COCA representatives planned for 2009.

Roland von Frankenhorst, GTZ
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Cooperation agreement signed in Sana’a, Yemen

The COCA president, Dr. Abdullah A. Al-Sanafi (on the right), and the president of the LRH Berlin, Prof. Dr. Jens Harms (3rd from left), signed the cooperation agreement in the presence of the German ambassador. The head of the GTZ office in Yemen, Dr. Thomas Engelhardt (on the left), signed the agreement for the GTZ.

Rechnungshof von Berlin

Dr. Jens Harms
President of the LRH in Berlin, graduated in economics and has taught economic theory and political economy in several universities since 1974.

In collaboration with the GTZ between 1997 and 2007 he advised Mongolia in the establishment of an independent financial control and since 2008 he has been supporting a project designed to enhance financial control in Yemen.
Upcoming events

Annual Congress of the International Institute of Public Finance

The 65th Annual Congress of the International Institute of Public Finance on the theme "Public Policy and Development" will be held in Cape Town, South Africa August 13th to 16th 2009. The congress will be hosted by the University of Pretoria and supported by the GTZ. It will be open to both practitioners and academics. The deadline for contributions is January 31st 2009. Further information can be obtained in the internet under: www.iipf2009.co.za

Vacancy

BTC institutional development expert for Vietnam

The Belgian Technical Cooperation (BTC) wishes to engage the services of an expert with experience in the areas of institutional development, administrative reform, monitoring and evaluation in support of the public administration reform (PAR) within the context of the Vietnamese government’s 10-year plan.

Further information from:
Michael Rösch, GTZ
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Preview of our next issue

Sustainable financing for development– development policy discussion focuses on taxation

The second UN Conference on Financing for Development was held in Doha, Qatar from November 28 until December 2nd 2008. At the conference, which was prepared with the active support of the Project Public Finance and Administrative Reform, attention was focused on national tax potentials and the contradiction between tax law and tax reality.

Top of the agenda at the request of the Federal Ministry for Economic Cooperation and Development (BMZ) was the issue of how to combat tax evasion and tax avoidance. In the podium discussion the German minister Heidemarie Wieczorek-Zeul stressed the importance of domestic tax revenues for financing long-term development. Here the international community must become more active. Putting the policy priorities in a nutshell, the minister noted „The state is back“.

Germany will seize the initiative by staging a workshop in Berlin at the beginning of 2009 to examine the possibilities of cooperation in these areas. The next issue of our newsletter will deal with these developments in detail.

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