



# Blockchain Partnerships

Ensuring that money gets to where it is needed – blockchain technologies in development cooperation

## BACKGROUND

Blockchain technology is a means of storing digital data and information such that they cannot be manipulated. A blockchain is essentially a decentralised database that stores transactions securely in an encrypted form, using a growing chain of data blocks. Each stage of such a transaction is recorded as an individual 'block' which is added to a chain, the blockchain. This means, for example, that each step of a cash flow is transparent and can be tracked.

The transactions can entail any type of information, such as financial transactions, contracts, stocks and shares, or entries in a land register. With blockchain technology it is possible, for instance, to trace supply chains, render administrative processes more transparent, or make the use of financial resources traceable, thereby reducing corruption.

In practice, however, very few sustainable blockchain solutions have yet been used on a larger scale in the partner countries of German development cooperation. Despite the great potential of blockchain technology, local innovations in the field remain the great exception in developing and emerging countries.

## OBJECTIVES AND IMPLEMENTATION

The aim of BMZ's Blockchain Partnerships initiative is therefore to build up the capacity of selected actors in the digital ecosystem<sup>1</sup> for long-term use of blockchain technology. Policy-makers, tech companies and civil society stakeholders in partner countries should be able to undertake a judicious assessment of the practicability of blockchain technology in the local context, while leveraging the disruptive potential of the technology effectively and efficiently for business and society.

Blockchain technology is already being used in the form of the TruBudget platform, which has been launched in Brazil, Burkina Faso, Ethiopia and Georgia. Designed as an open-source solution, TruBudget allows unprecedented levels of transparent and forgery-proof control over how donor funds are used in development cooperation. The allocation of funds and the related coordination and payment processes are recorded in the blockchain, and each partner can be granted specific rights so as to ensure that coordination is efficient and secure.

## CURRENT STATUS

The focus of the Blockchain Partnerships initiative is on developing multi-stakeholder approaches and documenting examples of blockchain technology usage, for example for transparent, effective and secure fund disbursement in public investments. It raises awareness among policy-makers for designing sustainable blockchain solutions. At the same

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<sup>1</sup> Digital ecosystem: self-reinforcing network of companies and people driving digitalisation in a region or sector

time, the initiative supports tech companies and civil society (e.g. think tanks and non-governmental organisations) in developing and applying sustainable and scalable blockchain solutions, and in opportunities for political participation:

- **Networking with relevant stakeholders at the international level and securing a place in the blockchain ecosystem, together with, for instance, KfW Development Bank, the World Bank, the International Association for Trusted Blockchain Applications (INATBA) and the European Commission.**
- **Establishing and managing a community of practice**
- **Advising current blockchain projects in German DC on the sustainable and scalable use of the technology**
- **Providing technical and process advice to selected actors on the design and operational use of the TruBudget software**

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