

# What About Germany?



This document is based on the OECD/DAC Peer Review of 2005 and reflects the situation in Germany until July 2010

## Responsibilities for development cooperation

- Germany's Federal Ministry for Economic Cooperation and Development (BMZ) formulates German development policy, setting out strategies for cooperation with partner countries and international development organizations. German implementing organizations carry out the policies and are monitored by the BMZ. Principal implementing organizations include the Agency for Technical Cooperation (GTZ) and the German Bank for Reconstruction (KfW). In March 2010 the BMZ announced it will restructure the technical arm of its development cooperation: three organisations, namely GTZ, DED (German Development Service) and InWent (International Capacity Building) will be merged, while the financial arm of development (KfW) will still remain a separate organisation. In addition, more than thirty state and non-state actors carry out development projects. Germany's approach to development co-operation remains compartmentalised and multi-organisational.
- The compartmentalisation of Germany's development cooperation system increases transaction costs, both for Germany and for partner countries. The split between technical and financial assistance remains problematic. While progress has been made in streamlining and integrating agencies, the OECD/DAC suggested in its 2005 Peer Review of Germany that opportunities for further efficiency gains within the existing structure are limited. It thus recommended that the German government consider a more fundamental restructuring.

## Germany's Contribution to the Millennium Development Goals (MDG's)

- The Program of Action 2015 details Germany's strategy for fulfilling its pledge to the Millennium Development Goals. Adopted by the German Cabinet in April 2001, the program establishes poverty reduction as the overarching objective of German development policy. The document further specifies four guiding principles: (i) reducing poverty worldwide; (ii) protecting the natural environment; (iii) building peace and increasing security; and (iv) realising democracy, human rights and good governance. The BMZ is the lead ministry for the cross-departmental Program of Action 2015.
- In 2008 the German Development Ministry published a White Book on development policy that strongly confirms the commitment to the Millennium Development Goals. Furthermore the new Development Minister, Dirk Niebel, who is in office since the general elections in September 2009, said in his inaugural speech that Germany will stand by the goals of the Millennium Declaration. However, this has not translated into action yet. The interim goal to increase development spending up to 0.51% of GDP in 2010 is not reached and the development budget stagnates at the level of 2010 with a budget of € 6.07 billion for 2011.

## Germany's record on aid

### Aid quantity

- German ODA represented 0.38% of GNI in 2008, up slightly from 0.37% of GNI in 2007 and 0.36% in 2006. Germany's ratio of ODA to GNI lags behind the average country effort of DAC-EU countries (0.43%). The DAC preliminary data for 2009 shows that German ODA fell to 0.35% of GNI in 2009, the lowest in three years. This indicates a fall of 12% from the previous year. This ODA to GNI ratio also lags behind the EU-DAC 2009 average of 0.44%.
- As an EU-15 member, Germany committed to reach 0.7% of GNI by 2015, setting interim targets at 0.33% by 2006 and 0.51% by 2010. Germany met its 2006 target. However, the OECD forecasts that Germany will not meet the agreed target of 0.51% in 2010; in order to do so, it would need to increase its net ODA by 3.78 billion USD above 2008 levels, representing a 27% increase. The Minister of Development announced in March 2010 that Germany will fail to meet its 0.51% ODA/GNI target for 2010. However, Germany remains committed to spending 0.7% ODA/GNI to comply with 2015 target. This announcement is in line with the constant reaffirmations of Chancellor Angela Merkel in past years that Germany will stand by the EU ODA Step-by-Step-Plan.
- Germany provided \$13.91 billion USD in net ODA in 2008; its contribution was reduced to \$11.98 billion in 2009 as per the DAC preliminary data for 2009.
- Debt relief grants (i.e. grants which forgive the debt of developing countries), comprised 23.3% of German ODA in 2007 and 18.7% in 2008. The share of ODA allocated to debt relief in 2008 was slightly higher in Italy (20%) but much lower in France (8.2%), Spain (5.1%), and Portugal (0%).
- With regards to aid quantity, the DAC Peer Review's main recommendation is to adopt an ODA growth implementation plan addressing both resourcing and spending.**

### Aid quality

- Germany's share of bilateral aid was 65% in 2007 and 2008, as compared to 67% in 2006. This fell further to 58% in 2009. The focus of this bilateral assistance is on middle-income countries. In 2007-08, 15.6% of German bilateral ODA went to least-developed countries (LDCs), 4.7% to other low-income countries, 52.1% to lower middle-income countries, and 9.6% to upper middle-income countries. **Germany should alter this distribution to allocate the majority of its ODA to lower-income countries, where it is most needed.**
- As planned, the BMZ has been allocating increasing shares of its bilateral ODA to Africa. By region, Middle East and North Africa received the greatest percentage of German bilateral aid (28.4%), followed by Sub-Saharan Africa (24%) in 2007-08. By country, top recipients of gross bilateral ODA were Iraq and Cameroon.
- Country Programmable Aid (CPA) is the proportion of aid

that developing countries can allocate according to their needs. CPA represented only 30% of German gross ODA in 2005; the remaining 70% of German gross ODA was allocated towards humanitarian aid, debt relief, imputed student costs, administrative costs, food aid, in-donor country refugee costs and funding to NGOs. Germany's share of CPA was higher in 2005 than that of Italy (21%) but below that of France (32%), Spain (35%) and Portugal (65%) and below the combined figure across all OECD countries (47%).

- Education remains the most important sector, receiving 20% of ODA. The majority (about 70%) of the aid given to this sector is in the form of imputed student costs. This type of aid does not contribute to developing a country nor to strengthening its education system; for this reason, it is excluded from the calculations of country programmable aid.
- In 2007, 93.4% of German aid was untied (tied aid is assistance given to developing countries which must be used to purchase goods and services from the donor country). On this measure, Germany performs better than Portugal (58%), Italy (59.8%), Spain (89.1%), and France (92.6%). However, all of these countries should strive to fully untie their aid, as Luxembourg, the Netherlands, and the UK have already done.
- In 2006 and 2008, the OECD/DAC conducted a *Survey on Monitoring the Paris Declaration* to gauge the progress of donor nations towards improving aid effectiveness. The 2006 survey included a total of 34 respondent partner countries covering 37% of scheduled global aid in 2005; for consistency, the results presented here for 2007 represent data for the same group of respondent countries. The number of respondent partner countries varies by donor; German cooperation was reported for 31 countries. Germany is compared, below, with France, Spain, Italy, the UK and the Netherlands; the results for Portugal are not presented, as only 2 of Portugal's partner countries participated in the survey. **The report finds that between 2005 and 2007, Germany made positive gains on most indicators of aid effectiveness and in 2007 performed better than France, Italy and Spain on most indicators, yet not as good as the UK and the Netherlands. However, Germany's performance on several measures of aid effectiveness remains far below the 2010 targets.**
  - **The percentage of German aid flows accurately recorded in partner country budgets, a measure of transparency and accountability**, increased from 49% in 2005 to 57% in 2007. Germany's 2007 performance was comparable to France (58%) and higher than Italy (35%), Spain (25%) but lower than that of the UK (65%) and the Netherlands (63%). Germany's performance remains well below the target of 85% by 2010.
  - **The percentage of German technical assistance coordinated with country programmes** increased from 33% in 2005 to 72% in 2007. Germany's 2007 results equalled those of Italy and were above those of France (48%), Spain (45%), the Netherlands (60%) and the UK (66%). Germany far exceeded the 2010 target of 50%.
  - **The percentage of German aid disbursed and recorded on schedule, a measure of the**

**predictability of aid**, rose from 47% in 2005 to 54% in 2007. On this measure, Germany performed better in 2007 than France (43%), Italy (27%) and Spain (33%) but slightly below the Netherlands (57%) and the UK (60%). Also, Germany remains well below its target of 74% by 2010.

- **The percentage of Germany's total aid that was programme-based, a measure of the harmonisation of donor procedures**, increased from 19% in 2005 to 34% in 2007. Both Germany's 2007 performance and the rate of German progress were better than France (increased from 30% to 32%), Italy (decreased from 39% to 26%) and Spain (decreased from 14% to 13%). Though Germany's rate of increase was higher, its performance was well below that of the UK and the Netherlands (both 71%). However, Germany remains far below its target of 66% by 2010.
  - **The percentage of German missions to partner countries conducted jointly with other donors** increased from 29% in 2005 to 35% in 2007. In 2007, Germany performed better than France (31%), Italy (16%) and Spain (23%), however, it remained far below the UK (61%) and the Netherlands (55%). It also remained well below the target of 40% by 2010.
  - **The percentage of country analyses that Germany conducted jointly with other donors** increased from 50% in 2005 to 78% in 2007. In 2007, Germany performed better than France (55%), Italy (42%), Spain (42%), the Netherlands (50%) and the UK (69%). It also exceeded the target of 66% by 2010.
  - During the German EU-G8 Presidency, Germany pushed for progress on the division of labour in development cooperation. Under its leadership, the Council of the European Union adopted conclusions on the division of labour, which culminated in the May 2007 EU Code of Conduct on Complementarity and Division of Labour in Development Policy.
  - Even prior to the adoption of the Code of Conduct, the BMZ made significant progress in reducing the number of partner countries in which it engages – one of the indicators for a better division of labour. In 2001, Germany reduced its total number of partner countries from 118 to 70; in 2007, it further reduced the total to 57 countries.
  - One of the DAC's main recommendations is to develop a systematic approach to assess the impact of development programmes on poverty; integrate assessment approach into bilateral country programmes.
- Policy Coherence**
- The OECD defines policy coherence for development as “working to ensure that the objectives and results of a government's development policies are not undermined by other policies of that same government which impact on developing countries, and that these other policies support development objectives where feasible”.
  - Improved policy coherence for development has become an increasing priority for the BMZ and the administration as a whole since 2004 and is a central element of German national policies. Inter-ministerial dialogue on coherence

is sensitizing all ministries to development issues. However, only relatively modest BMZ resources have been allocated to policy coherence.

- German Government recognizes food security as a basic human right, and it has now become a key issue of the new government in place. The government also acknowledges responsibilities for activities related to right to food having detrimental effects outside of its own territory (e.g. dumping). The poor attention given in the past to the issue of rural development and food security however is still reflected in the ongoing limited human resources in the development ministry.
- The OECD-DAC recommends that the BMZ work towards a clearer and more operational policy statement on coherence for development.

### **Germany's record on trade**

- Coherence of trade policies with development is key to help create livelihoods in poor countries.
- As an EU Member State, Germany implements the Common Agricultural Policy (CAP), providing subsidies and pushing for a world market oriented agricultural and food production. Germany has decoupled almost all of its payments with the exception of protein crops, tobacco etc. Despite the decoupling of subsidies overproduction is still a problem in the EU. For example in dairy, pork and poultry. The EU is still dumping products via subsidies and cross-subsidization on world markets with detrimental effects in developing countries. Poor farmers in developing countries are unable to compete and still find restrictions on their access to the European market. The CAP doesn't deliver on development and on the provision of public goods valued by EU citizens.
- Germany pays the highest contribution into CAP. While negotiations for the future of the CAP post 2013 are undergoing, the agreed and adopted position of the German government is to defend the status quo. In its position, the government states that the lump sum direct payments are necessary to deliver the public goods (e.g. environment). Furthermore, the government sees environmental and animal welfare standards as competitive disadvantages. The government is against "modulation" (i.e. directing aid from farmers and market measures - Pillar 1 of CAP - to rural development measures - Pillar 2 of CAP). This leads the government to misuse the issue of food security to defend the CAP. The only positive aspect from a development point of view in the German position is the mention of policy coherence and the need to review European policies in line with policy coherence needs.
- Although Germany is not aiming at the reduction of dairy surpluses, it responded in March 2009 to a fall in milk prices by calling on the EU to postpone the increases in milk quotas. These quotas had been agreed to under a 2008 resolution on the CAP Health Check. Unfortunately this position was not supported by the Bundesländer (ie the ensemble of states of Germany).
- Development aid for rural development and food security has considerably been increased after the food crisis. However, only 6.65% of total ODA is invested in rural development as against a benchmark of 17% ODA. Germany committed to spend USD 3 billion in the period

2010-2012 as part of the G-8 commitments at L'Aquila in 2009. In the same year, the development ministry for the first time put together the data on total financial and technical aid invested in rural development. However, there is no information available on how this money is spent. Specifically, questions on who are the target groups, which projects are supported and what kind of agricultural production model is supported are not addressed.

- Despite making some progress in complying with the 2003 CAP reform, Germany has recently taken steps backward in other areas of its agricultural policies.
  - In April 2009, German Agriculture Minister Ilse Aigner called for a "temporary suspension" of the obligation to report on the recipients of CAP funds and the amounts received, as required by the Commission. This marks a serious challenge to transparency. The Commission recently began infringement proceedings against Germany for failing to publish all CAP beneficiaries.
  - In May 2009, Germany joined with France and Austria to successfully push the EU to increase export refunds for butter and skim and whole milk powder. The agriculture ministry voted in favour of the reintroduction of subsidies in the milk management committee. Their argument was to defend market shares in the world markets as a temporary solution. As stated in the joint press conference by Niebel and Aigner, the abolition of export subsidies in 2013 is dependent on a successful conclusion of the Doha Development Agenda.
  - Germany is very much pushing for bilateral free trade agreements.
- According to the Commitment to Development Index 2009, Germany's trade weaknesses are:
  - High tariffs on agricultural products (38.7% of the value of imports; rank: 17)
  - High agricultural subsidies (equivalent to 14.6% tariff; rank: 18)

### **Public Opinion**

- In recognition of the importance of public awareness, in 2005 the BMZ significantly strengthened the budget for development education and information; about 60% of this budget is used to support development education projects by NGOs.
- Development education in Germany today is quite decentralised, as the Lander and the municipalities play an important role.
- A 2009 Eurobarometer survey asked EU citizens if they had ever heard or read about the Millennium Development Goals. Only 4% of German respondents reported that they had heard of the goals and knew about their content; another 15% had heard of the goals but did not know their content. **The vast majority of German respondents (74%) were uninformed about the Millennium Development Goals, this is a slight improvement compared to 2007 (78%).** The results for Germany aligned closely with those of the combined EU27.

- Respondents to the Eurobarometer poll were then presented with the eight Millennium Development Goals and asked to select the three that they believed should be “top priorities.” Of German respondents, 67% prioritized reducing extreme poverty and hunger, 45% prioritized combating HIV/AIDS, malaria, and other diseases, 41% prioritized achieving universal primary education, and 40% prioritized ensuring a sustainable environment.
- Despite a lack of information about the MDGs, a July-August 2008 poll by WorldPublicOpinion.org reveals strong support among Germans for fighting poverty abroad. When asked: “Do you think the developed countries do or do not have a moral responsibility to work to reduce hunger and severe poverty in poor countries?” 87% of Germans surveyed responded in the affirmative. The commitment of German citizens to fight poverty in poor countries was stronger than that of the French (79%) and British (81%). In the same poll, Germans were informed about MDG1 on poverty reduction and asked if they would be willing to pay their share (estimated at 27 Euros per year): 76% of Germans responded favourably.
- **The OECD-DAC recommends that Germany build broad-based support for development within government and civil society to meet international commitments; improve communications to inform the German public on development, approaches to implementation, and outcomes.**

### Commitment to Development Index

- The Centre for Global Development (CGD) ranks 22 of the world’s richest countries based on their dedication to policies that benefit poor nations. CGD’s Commitment to Development Index looks at seven policy areas important to developing countries: aid, trade, investment, migration, environment, security and technology.
  - CGD’s 2009 Commitment to Development Index ranks Germany 13th among 22 OECD countries. This score represents a fall in the rankings since 2006, when Germany was ranked sixth among 21 countries.
  - Germany’s overall score is brought down by its low level of aid as a share of national income and by poor participation in international peacekeeping efforts.
  - On the positive side, Germany carries out environmental policies favourable to developing countries, accepts a large inflow of immigrants from poor countries, and promotes healthy investment in developing countries.

### UN Millennium Campaign Germany Policy demands

- **To establish national action plans and binding timetables with incremental annual growth rates clearly showing how to reach the agreed 0.7% of GNI as ODA;**
- **To agree on a new collective interim target of at least 0.63% of GNI as ODA by 2012;**
- **To agree on EU accountability mechanisms on ODA commitments by establishing a system of peer reviews;**
- **To ensure that innovative financing mechanisms and resources to fight climate change are additional to existing ODA commitments;**
- **To fight aid fragmentation through a better division of labour, thus focusing bilateral assistance on few sectors and fewer partner countries;**
- **To establish binding timetables and measurable indicators to monitor progress on aid effectiveness;**
- **Reform the EU Common Agricultural Policy so it no longer prevents poor producers from lifting themselves out of poverty;**
- **Increase export opportunities of developing countries through a simplified and expanded “Everything But Arms” initiative;**
- **Lead the process for a successful and pro-poor conclusion of the Doha trade negotiations.**

**Principal sources:** OECD (2006): Germany (2005) DAC Peer Review; OECD (2008): 2008 Survey on Monitoring the Paris Declaration; 2008 Survey of Aid Allocation Policies and Indicative Forward Spending Plans; Development aid at its highest level in 2008; Centre for Global Development (2008): Commitment to Development Index Country Report: Germany; OECD (2009): Development Cooperation Report 2009; Commission of the European Communities (8 April 2008): Aid Effectiveness after Accra: Where does the EU stand and What more do we need to do?; Federal Ministry of Food, Agriculture and Consumer Protection (2005): Key Elements of the Agreement on the Reform of the Common Agricultural Policy (CAP) and its Implementation in Germany; Specific Targeted Research or Innovation Project (2006): Facilitating the CAP reform: Compliance and Competitiveness of European Agriculture, Germany Country Report; AidWatch 2009; Eurobarometer (2007): Europeans and Development Aid Report; WorldPublicOpinion.org (2008): World Opinion on Addressing Hunger and Poverty

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