

KEY QUESTION

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How is Germany's ODA spent?

Germany continues to prioritize bilateral aid

Until 2013, the German parliament had capped multilateral spending at one third of total German ODA. Even though this cap no longer exists, the preference for bilateral spending continues and its share relative to multilateral spending has increased steadily since the coalition government came into place in 2013. This preference is driven by Germany's two large government-owned implementing agencies, GIZ and the KfW Development Bank (KfW), which channel most of the country's bilateral ODA. As a result, Germany spends small shares of bilateral ODA through non-governmental organizations or as earmarked funding for multilateral organizations, which is reported as bilateral ODA.

Germany channels the largest share of its bilateral ODA – two thirds – as grants (66% in 2015). Though large, this share is less than it used to be, reflecting the rise in loans and equity investments from 10% of bilateral ODA in 2005 to 34% in 2015. This is largely due to increased loans by KfW to small- and medium sized enterprises (SMEs) in middle-income countries (MICs), reflecting Germany's prioritization of financial services and business support in its development agenda, and KfW's strategic focus on finance and SME support.

Who are Germany's ODA recipients?

Bilateral ODA focuses on MICs; shifts expected towards fragile and conflict-affected areas

Germany allocates the largest share of its bilateral ODA to Asia (28% between 2013 and 2015). Funding to sub-Saharan Africa accounts for less than one fifth, which is low compared to other donors' investments in that region. The portion going to low-income and least-developed countries is also relatively modest (16%). India and China are the largest individual country recipients, but most funding is provided in the form of loans or equity investments. In addition, almost three quarters of all grants to China and more than nearly half of those to India are made up of 'imputed costs' for students from those countries enrolled in German universities. The Federal Ministry for Economic Development and Cooperation (BMZ) has not made any new commitments to China since 2010, and bilateral aid was largely phased out in 2014.

To 'tackle the root causes of migration', BMZ leadership places an increasing focus on the Middle East, North Africa, and the Horn of Africa. Larger portions of Germany's ODA will go to these regions in the coming years. In addition, Development Minister Gerd Müller presented a 'Marshall Plan with Africa' in January 2017 laying out critical initiatives for better economic and social development in Africa. The plan suggests that countries willing to implement reforms would benefit from increased ODA and German support for private investment in the continent. Agriculture investments and food security programs are prioritized throughout the plan.

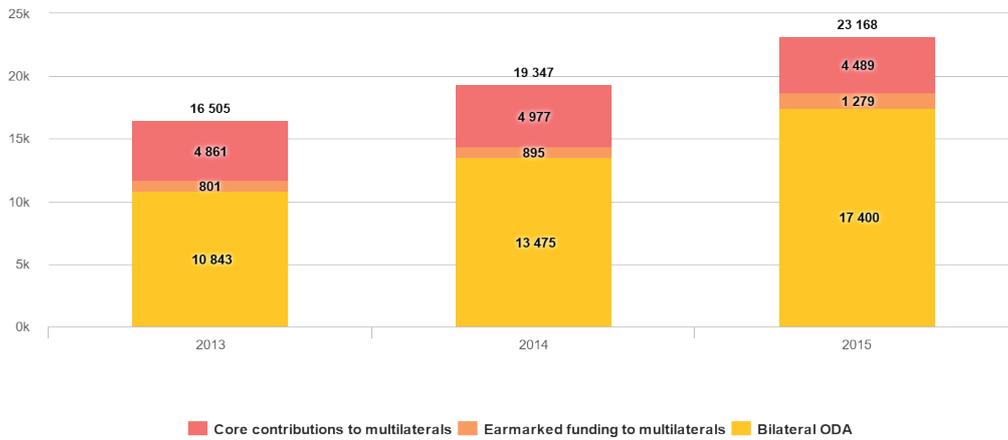
How is bilateral funding programmed?

Regional divisions set strategy, country offices and embassies shape programs

Programming of bilateral funding to partner countries is guided by regional strategies ('Regionalkonzepte'), which are developed by BMZ's regional divisions. They set the government's broad strategic objectives for the region. Country strategies ('Länderkonzepte'), developed for all priority countries, reflect the regional strategies and are developed by country desk officers in cooperation with the embassies, GIZ, and KfW. Bilateral cooperation with countries that are not classified as priority countries is based on the regional strategies. Funding amounts and focus sectors for partner countries are included in the annual budget.

GERMANY'S BILATERAL AND MULTILATERAL ODA

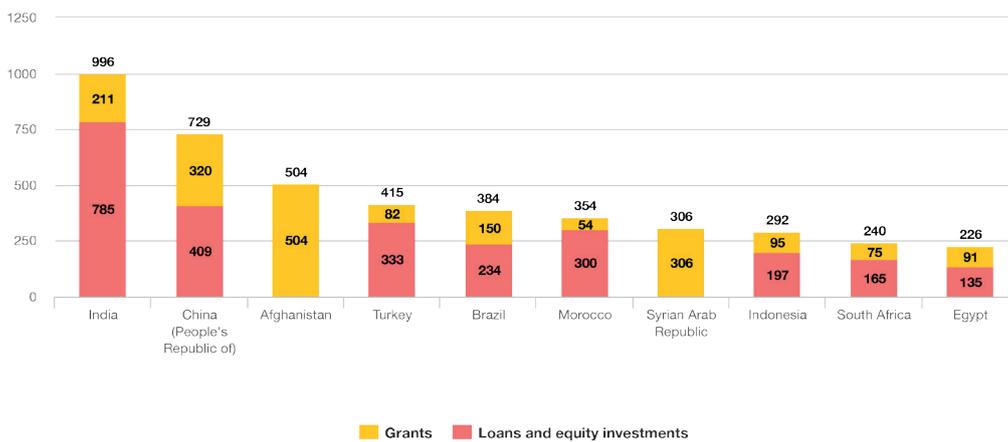
US\$ millions, 2014 prices



Source: OECD DAC. Gross disbursements.

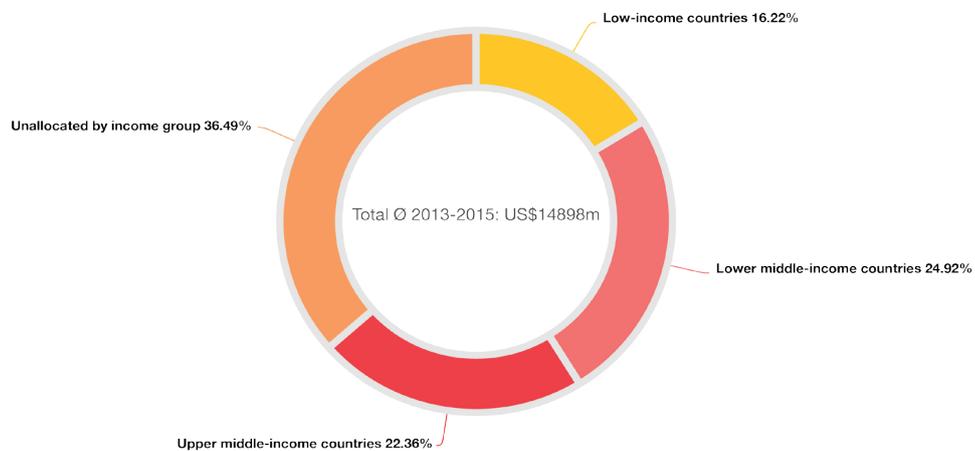
THE TOP 10 RECIPIENTS OF GERMANY'S ODA

average 2013-2015, excluding debt relief; US\$ millions; in 2014 prices



Source: OECD CRS, in 2014 prices.

GERMANY'S BILATERAL ODA BY INCOME-GROUP OF RECIPIENT



Source: OECD CRS.