How does Germany spend its ODA?

Germany channels the majority of its ODA bilaterally

The German government has a strong preference for bilateral funding. In 2017, bilateral funding stood at 81% of total ODA (OECD Development Assistance Committee (DAC) average: 60%). This includes earmarked funding to multilateral organizations, which is reported as bilateral ODA. This preference for bilateral funding is driven by Germany’s two large government-owned implementing agencies, the German Corporation for International Cooperation GmbH (GIZ) and the KfW Development Bank (KfW). As a result, Germany channels only small shares of its bilateral ODA through non-governmental organizations (NGOs) (7%, DAC average: 17%) or through multilateral organizations (16%, DAC average: 22%).

Most bilateral funding is directed to hosting refugees in Germany and humanitarian assistance

Germany’s overarching strategic priorities are reflected in the top sectors of bilateral ODA: Most funding is directed to hosting refugees in Germany (27% in 2017, 11% decrease from 2016 level), ‘humanitarian aid’ (12%, +26%), education (9%, +0.5%), and energy (7%, -14%). In response to the influx of refugees to Germany, spending on ‘humanitarian aid’ and migration has increased significantly since 2015. Education is the third-largest sector to receive bilateral ODA, however, more than half of this funding (US$1.2 billion, 58%) represents costs for students from partner countries studying in Germany.

Health (3%) and agriculture and rural development (4%) receive relatively small shares of bilateral ODA. However, funding for both sectors has increased significantly since 2015 (increases of 32% and 18%, respectively). Additionally, they are supported through Germany’s contributions to multilateral organizations (see ‘Sector: Global Health’ and ‘Sector: Agriculture’ for Germany).

Germany channels the largest share of its bilateral ODA as grants (79% in 2017, DAC average: 91%). This share is significantly higher than in 2015 (66%) due to the high costs of hosting refugees in Germany (US$3.2 billion in 2015 and US$6.1 billion in 2017), which are reported as grants. The share of loans and equity investments were 21% in 2017 (down from a peak of 35% in 2014).

Who are Germany’s ODA recipients?

Bilateral ODA is expected to shift towards fragile and conflict-affected areas

A large share of Germany’s bilateral ODA is not allocated by region (38% average between 2015 and 2017) or income group (47% across the same period). This is partly due to the high share of costs of hosting refugees in Germany. For this reason, the following analyses exclude such funding to avoid misrepresentation of trends in key recipients of Germany’s ODA.

Germany allocates the largest share of its bilateral ODA to Asia (30% average between 2015 and 2017) and the Middle East and North Africa (MENA) region (24%). The share of funding to MENA has increased from 17% in 2015 to 27% in 2017. Funding to sub-Saharan Africa accounts for around one fifth (20% in 2017), a low share compared to most other donor countries (DAC average: 33%).

The portion of bilateral ODA going to low-income countries (LICs) is also relatively low (22% in 2017, DAC average: 43%). It is also below Germany’s ambition to spend between 0.15% and 0.20% of GNI as ODA on LICs, which was affirmed by the 2017 to 2021 coalition treaty. Further, Germany channels 780% of its bilateral ODA to middle-income countries (MICs). India, China, and Syria are the largest individual country recipients. Most funding to India (80%) and more than half of the funding to China (57%) is provided in the form of loans or equity investments. When only looking at grants, the largest individual country recipients are Syria, Iraq, and Afghanistan. All funding to these countries comes in the form of grants. In addition, the majority of grants to China and India are made up of costs for students from those countries enrolled in German universities (see ‘Sector: Education’ for Germany). The Federal Ministry for Economic Development and Cooperation (BMZ) has not made any new bilateral commitments to China since 2010, and bilateral funding is planned to be phased out.

As the German government places an increasing focus on fighting the root causes of migration in the Middle East, North Africa, and sub-Saharan Africa, larger portions of ODA will likely go to these regions in the coming years. In addition, the development minister presented a ‘Marshall Plan with Africa’ in 2017 laying out initiatives to improve economic and social development in Africa. Agriculture investments and food security programs are prioritized throughout the plan. The plan suggests that countries willing to implement reforms would benefit from increased ODA and German support for private investment. To date, Germany has ‘reform partnerships’ based on this principle with three countries: Tunisia, Ghana, and Ivory Coast. Additional partnerships with
Ethiopia, Morocco, and Senegal are currently under discussion. These reform partnerships serve as Germany’s bilateral contribution to ‘Compacts with Africa’, a G20 initiative which was developed by the German Ministry of Finance and launched during Germany’s G20 presidency in 2017. ‘Compacts with Africa’ brings together African countries, bilateral partners from G20, and international organizations to work on country-specific reform agendas to increase investment opportunities to private investors.

For a deeper understanding of funding at the recipient level, please consult data from the International Aid Transparency Initiative (IATI). IATI is a reporting standard and platform on which organizations and governments voluntarily publish data on their development cooperation, including more recent activity than is available through OECD data. Data can be searched by recipient country, the ‘publisher’ (including funders that do not report to the OECD), and other filters. Click here for more information on IATI’s data. Click here to go directly to IATI’s ‘d-portal’, a user-friendly interface for data searches.

Less than 20% of Germany’s ODA is channeled multilaterally; however, earmarked funding to multilaterals has increased

Until 2013, the German Parliament had capped multilateral spending at one-third of total German ODA. Even though this cap no longer exists, core funding to multilaterals remains low at only 19% of total ODA. This is significantly lower than the DAC average of 40%. However, earmarked funding to multilaterals (funding that is implemented by a multilateral development organization in the sector, country, or region stipulated by the donor, reported as bilateral funding) has increased significantly, from US$1.1 billion in 2015 to US$3.6 billion in 2017, largely driven by increased funding to humanitarian assistance and crisis response. In 2017, the largest recipients of Germany’s core funding to multilaterals were the institutions of the European Union (57%), the World Bank (12%), UN agencies (8%), and regional development banks (8%).
GERMANY’S BILATERAL ODA BY SECTOR, 2017

Total: US$22,650 million

- Refugees in Donor Countries: 26.7% (US$5995m.)
- Humanitarian aid: 11.6% (US$2033m.)
- Education: 9.1% (US$2060m.)
- Financial Services & Business Support: 6.4% (US$1406m.)
- Government & Civil Society: 5.6% (US$1279m.)
- Environmental Protection: 4.9% (US$1121m.)
- Agriculture*: 4.0% (US$886m.)
- Water & Sanitation: 4.0% (US$884m.)
- Other: 10.4% (US$2265m.)
- Energy: 7.4% (US$1683m.)

OECD CRS. Gross disbursements. *Includes agriculture, forestry, fishing, and rural development. In 2017 prices.

THE TOP 10 RECIPIENTS OF GERMANY’S ODA

average 2015-2017, excluding debt relief; US$ millions.

- India: 728 (Grants) 225 (Loans and equity investments)
- China (People’s Republic of): 492 (Grants) 266 (Loans and equity investments)
- Syrian Arab Republic: 674 (Grants) 266 (Loans and equity investments)
- Turkey: 221 (Grants) 269 (Loans and equity investments)
- Morocco: 422 (Grants) 63 (Loans and equity investments)
- Afghanistan: 495 (Grants) 63 (Loans and equity investments)
- Indonesia: 343 (Grants) 52 (Loans and equity investments)
- Iraq: 352 (Grants) 0 (Loans and equity investments)
- South Africa: 247 (Grants) 82 (Loans and equity investments)
- Brazil: 120 (Grants) 148 (Loans and equity investments)

OECD CRS. Gross disbursements, in 2017 prices.
GERMANY’S BILATERAL ODA BY INCOME-GROUP, 2015-2017

Average 2015-2017: US$20.6 billion

OECD CRS. Gross disbursements, in 2017 prices.