

## KEY QUESTIONS

### the big six

# 6



## How is Germany's ODA spent?

### Germany strongly prioritizes bilateral funding channeled through its public implementing agencies

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 persists, standing at 81% (DAC average: 62%) in 2016 (including earmarked funding to multilateral organizations, which is reported as bilateral ODA). This preference is driven by Germany's two large government-owned implementing agencies, GIZ and KfW, which channel most of the country's bilateral ODA. As a result, Germany channels smaller shares of bilateral ODA through non-governmental organizations (6%, DAC average 16%) or as earmarked funding to multilateral organizations (14%, DAC average 18%). However, earmarked funding to multilaterals has increased strongly, from US\$1.1 billion in 2015 to US\$3.1 billion in 2016, largely driven by increased funding to humanitarian assistance and crisis response.

Germany channels the largest share of its bilateral ODA as grants (77% in 2016). This share is significantly higher than in 2015 (66%) due to the high costs of hosting refugees in Germany, which are counted as grants. Between 2012 and 2015, the share of loans and equity investments rose from 19% to 34%, driven by increased funding in the banking and financial services sector.

## Who are Germany's ODA recipients?

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

A high share of Germany's bilateral ODA is not allocated by region or income group, partly due to the high share of costs from hosting refugees in Germany. For this reason, the following analyses exclude this funding which is not specified by region or income group to avoid misrepresentation of trends. Germany allocates the largest share of its bilateral ODA to Asia (32% between 2014 and 2016) and the Middle East and North Africa (MENA) region (20%). The share of funding to MENA increased from 17% in 2015 to 25% in 2016. Funding to sub-Saharan Africa accounts for less than one fifth, a low share compared to most other donor countries. The portion going to low-income countries (excluding unallocated funding) is also relatively low (24%), and thus below Germany's ambition to spend 0.15% - 0.20% of GNI as ODA in low-in-

come countries. This ambition is affirmed by the 2017-2021 coalition treaty. India and China are the largest individual country recipients, but most funding is provided in the form of loans or equity investments, e.g. to fund infrastructure projects. In addition, almost three quarters of all grants to China and nearly half of those to India are made up of 'imputed costs' for students from those countries enrolled in German universities (see Germany's education 'Deep Dive'). The Federal Ministry for Economic Development and Cooperation (BMZ) has not made any new commitments to China since 2010, and bilateral funding is planned to be phased out.

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 Germany's ODA will likely 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. The reform partnerships with countries through the Marshall Plan 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.

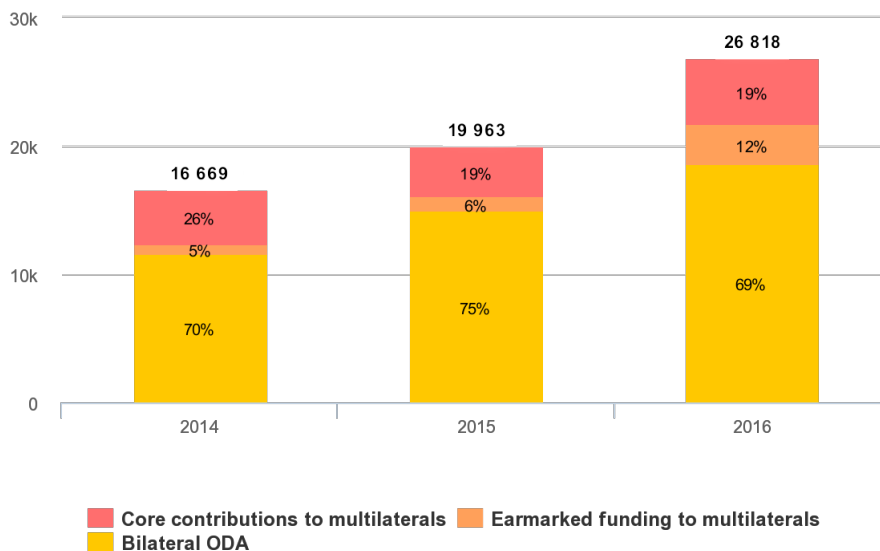
## How is bilateral funding programmed?

### 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 can be found in partnership agreements and non-public appendices of the budget.

### GERMANY'S BILATERAL AND MULTILATERAL ODA

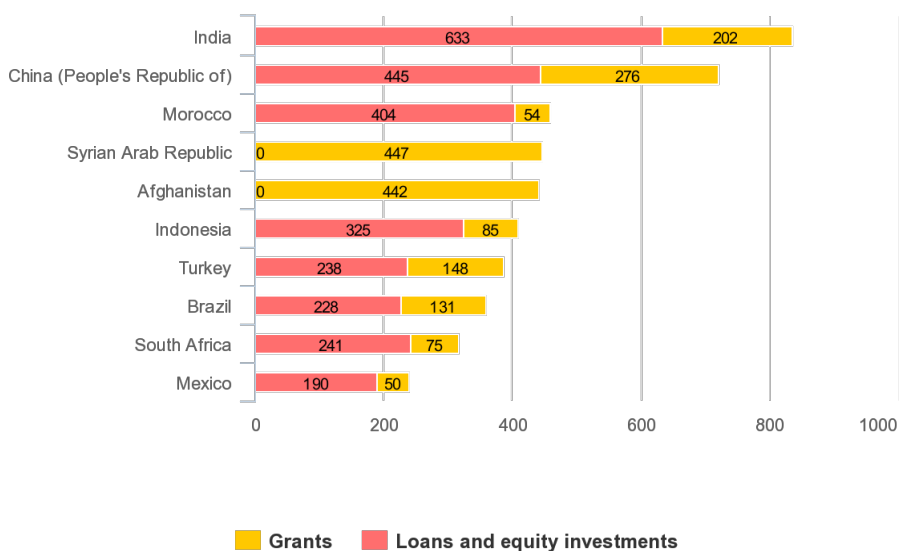
US\$ millions



OECD DAC 1 table. Gross disbursements; in 2016 prices.

### THE TOP 10 RECIPIENTS OF GERMANY'S ODA

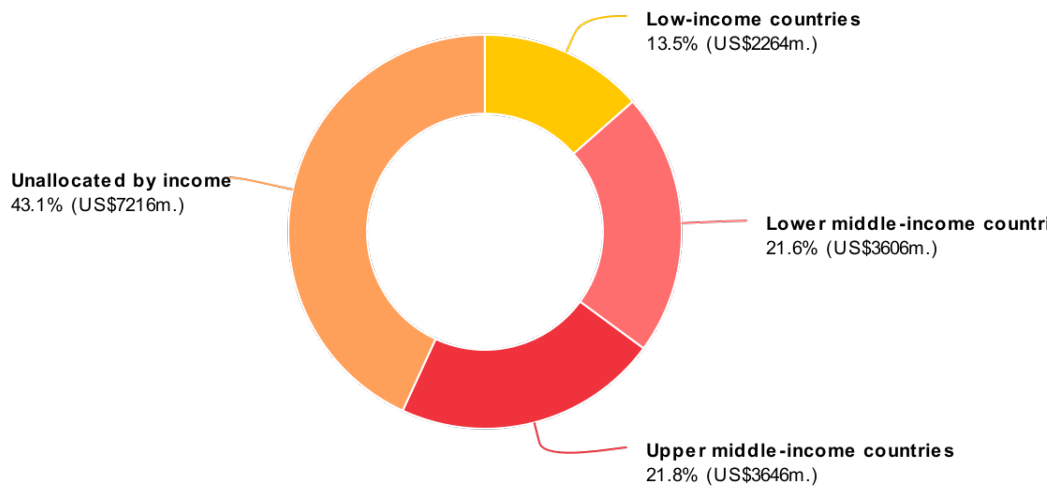
Average 2014-2016, excluding debt relief; US\$ millions.



OECD CRS. Gross disbursements; in 2016 prices.

## GERMANY'S BILATERAL ODA BY INCOME-GROUP, 2014-2016

Average 2014-2016: US\$16.7 billion



OECD CRS. Gross disbursements, in 2016 prices.