

**Director**

DEVELOPMENT CO-OPERATION DIRECTORATE

Director's Office

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To: DAC Delegates and Observers

**Germany Mid-term Review, 7 November 2018, Berlin**

On 7th October, I visited Berlin to conduct a mid-term review of Germany's progress in addressing the recommendations from the 2015 DAC peer review, accompanied by Kaori Miyamoto and Anita King of DCD. I would like to thank Mr. Dominik Ziller, Director General, Global Cooperation, Federal Ministry for Economic Cooperation and Development (BMZ) and his staff for an excellent programme of meetings and discussions. We also met with representatives from German civil society organisations (CSOs) who shared their views on recent developments in Germany and how Germany is progressing. Overall, I found that Germany shows itself to be a leader in many areas that could serve as good examples for the Committee.

**Continuing its global leadership role on climate issues**

I was impressed with Germany's unwavering leadership on climate change and the Paris Agreement. In addition to hosting the COP23 in Bonn in 2017, Germany has used its recent G7 and G20 presidencies to place climate-policy issues on the multilateral agenda. This includes launching an initiative that seeks to insure 400 million particularly vulnerable people in developing countries against climate risks by 2020. In Germany's development co-operation programme, I also applaud implementation of the decision not to fund new coal-based power projects from 2014. Germany is involved in climate-friendly energy projects in more than 50 partner countries and energy programmes at regional and global levels. With its "green people's energy for Africa" initiative, BMZ is also strengthening its support to deliver sustainable, decentralised energy supplies in Africa. I encouraged Germany to promote "sustainable development" rather than just "development" in the executive boards of multilateral development banks (MDBs) to boost financing for clean energy.

**Leading in engaging emerging economies**

I welcomed Germany's engagement efforts with large emerging economies such as China and India on global public goods and development co-operation in both multilateral and bilateral fora. Germany's support and promotion of clean and sustainable energy and leapfrogging technology - such as India's National E-Mobility Programme, which aims to achieve 100% electric mobility by 2030 - is also commendable. I noted Germany's activities in knowledge exchange, mutual learning, and co-operation with China including partnerships with the private sector at the Sino-German Centre of Sustainable Development in Beijing, annual ministerial level meetings, and platforms for triangular co-operation in Africa. These are carried out through a whole-of-government approach, which involves ministries beyond BMZ such as the environment ministry. The German Corporation for International Cooperation (GIZ) is also commended for inviting Chinese representatives to take part in regional working platforms to promote social and labour standards in textile and garment sectors across Asia.

**Support for private sector-led growth in Africa**

Germany initiated the Compact with Africa initiative during its G20 Presidency in 2017 and BMZ launched the Marshall Plan with Africa, in alignment with its commitment under the Addis Ababa Agenda for Action. Both initiatives aim to promote development in Africa by boosting private sector investment. The Marshall Plan sets out a policy priority on job creation and by means of reform partnerships aims to support selected reform-minded African countries in implementing their relevant reform agendas. Additionally, over the next three years Germany will provide an investment pact of up to EUR 1 billion to leverage

private sector resources, both domestic and international. To implement a more coherent whole-of-government Africa policy, BMZ and the Federal Foreign Office co-chair a new inter-ministerial steering group. Germany is encouraged to demonstrate that activities will be aligned with the 2030 Agenda, bring development additionality without crowding out, and remain untied to German businesses, while also enabling Germany to fulfil its strong commitment to leaving no-one behind. CSOs also raised concern that, as many public private partnerships in infrastructure have failed in industrialised OECD countries, caution is required in promoting this modality in developing countries where capacities tend to be weaker. In addition, there is also a need to be coherent by applying the good governance criteria in the country selection for reform partnerships in a manner that does not limit achievement of stated objectives such as allocations to Least Developed Countries (LDCs).

### **Concrete actions taken for policy coherence for development**

In responding to the universal dimension of Agenda 2030, Germany has updated its National Sustainable Development Strategy, which aims at aligning Germany's own development with the SDGs. Germany still, however, lacks a framework for policy coherence for development (PCD) to fulfil its commitment to the 2008 OECD Ministerial Declaration on PCD and 2010 Recommendation of the Council on Good Institutional Practices in Promoting PCD, and would benefit from a more systematic approach to ensuring the interests of developing countries are taken into consideration when conflicts with domestic policies arise. Nevertheless, with a government department exclusively responsible for development co-operation, development issues are given a strong voice within the government as a whole. As part of the Cabinet, BMZ is involved in all cabinet decisions and scrutinises cabinet submissions with regard to their development policy relevance.

I also noted that Germany is taking concrete actions to implement PCD in specific areas. For example, in line with the G7 commitment of Elmau, it is ensuring that German businesses comply with corporate due diligence obligations regarding the protection of human rights, including in textiles sectors in countries such as Bangladesh, Pakistan, Cambodia and Ethiopia. It is also supporting multi-stakeholder partnerships to make international supply chains in textiles, cocoa, banana, coffee, and palm oil, among others, more sustainable, with real results. Moreover, under its G20 Presidency in 2017, Germany included responsible business conduct and anti-corruption as explicit priorities for the B20, which represents the business communities of G20 countries.

As in other European countries, farmers in Germany receive trade distorting support from the European Union's (EU) Common Agricultural Policy measures, in particular market price support generated by trade policies. However, while all other Member States have opted to apply voluntary coupled support to sectors undergoing difficulties - resulting in market distortions, including in developing countries - Germany is the only country that has not utilised this type of support. In addition, actions by the Minister for Economic Cooperation and Development to raise the issue of the EU limiting African imports, while increasing exports to Africa from EU Member States, are also welcomed. I encourage Germany to continue these efforts to promote PCD both domestically and multilaterally, as well as to communicate better its obligation towards meeting the OECD Council Recommendations on PCD.

### **A time-bound plan for 0.7% ODA/GNI ratio is yet to be developed**

I commended Germany for reaching the 0.7% ODA/GNI target for the first time in 2016, and its stated effort to continuously aspire to meet the 0.7% target and to at least maintain ODA around 0.51% of GNI, excluding in-donor refugee costs. I noted that since the government's decision to suspend the Dublin rules in August 2015 to offer temporary asylum to Syrian refugees, more than 1.4 million refugees have arrived in Germany. As a result, in 2016, the proportion of in-donor refugee costs increased substantially from 1% of gross bilateral ODA in 2014 to 30% in 2016, falling slightly to 28% in 2017.

As Germany's economy grows, ODA will need to increase by around EUR 1 billion per year to maintain this ODA/GNI ratio. At the same time, shifting political and public sentiments concerning migration may impact narratives around development co-operation and ODA. Ensuring that we as a development community pay attention not only to inputs but also to impact and results is also essential. Nevertheless, I reiterated the DAC recommendation to establish a time-bound plan to help Germany progress towards the renewed goal of 0.7% in its new Coalition Agreement of 2018.

### **Gap remains in allocation to least developed countries**

Germany's net ODA disbursement to LDCs hovers around 0.08-0.10% of GNI, notably below the UN 0.15-0.20% target. While Germany has a high proportion of unallocated bilateral ODA not counted in this ratio, only 19% of gross bilateral allocable ODA

was disbursed to LDCs in 2015-16. This compares with 40% to Upper Middle Income Countries and 40% to Lower Middle Income Countries. More concretely, Germany's top five recipient countries in 2015-2016 were India, China, Syrian Arab Republic, Morocco and Indonesia none of which are LDCs. Germany, like other members, struggles with the dilemma that its allocations for climate, the Addis Agenda, and humanitarian aid for refugees tend to result in allocations to Middle Income Countries. While the grant equivalent calculation of ODA from 2018 may change the composition of Germany's ODA - as loans from the German Development Bank (KfW) do not generally target LDCs - if Germany is to demonstrate its commitment to poverty eradication and to leaving no one behind, a more concerted effort would be necessary to increase ODA to LDCs.

### **Country allocation remains a work in progress**

In its allocation, Germany places particular emphasis on good governance and human rights, and makes use of an internal assessment tool to evaluate the governance situation in partner countries on a regular basis. The results are considered in determining both the mode and volume of allocations. In addition, 10-12% of the funds are reserved or unallocated at the beginning of the fiscal year to ensure flexibility in adapting to evolving situations. The extent to which this approach supports Germany in ensuring that no one is left behind, as recommended in the 2015 Review, remains a work in progress. In particular, the issue of support to fragile states, which often score low on governance indicators, must still be clarified. Finally, if the instrument only applies to BMZ programming, approximately 30% of Germany's bilateral ODA (see below), a more comprehensive whole-of-government approach and criteria for country allocation encompassing the entire German development co-operation programme is encouraged.

### **The establishment of a comprehensive German development co-operation programme**

Due to the many actors in its development co-operation system, Germany has at times struggled to ensure a cohesive approach. The German constitution gives autonomy to cabinet ministers to manage their policy areas, which results in a practice of "non-interference" that makes it difficult for BMZ to influence the actions of other ministries. While the Charter for the Future offers a whole-of-society approach to implementing the 2030 Agenda that includes CSOs in decision-making, it is not a binding document for all German development actors. A clearer implementation plan as recommended in the 2015 Review to ensure adherence would thus be useful.

Data also shows that, in 2015-16, BMZ was responsible for only 30% of Germany's total gross bilateral ODA, part of which was channelled to KfW and GIZ. Beyond this, 26% of ODA was derived from KfW's own capital and 25% from in-donor refugee costs, with humanitarian aid managed by the Federal Foreign Office (FFO), and imputed student costs (roughly USD 1 billion) and programmes by other ministries making up the rest. In this context, recent initiatives involving the FFO and BMZ with regard to the nexus between humanitarian aid and development are encouraging. At the same time, for Germany to have a cohesive whole-of-government development co-operation programme may be challenging. Thus, stronger coordination and more transparent access for stakeholders to information on development programmes and the State Secretary committee meetings - where inter-ministerial discussions take place - may be helpful.

A whole-of-government approach to development co-operation also relates to country strategies. BMZ is currently finalising country strategies for its 50 main partner countries by the first quarter of 2019, with the aim of enhancing focus, aligning more with the effectiveness agenda, and improving the division of labour with other development partners such as the EU, its member states, and MDBs. Germany is encouraged to ensure that its country strategies cover all German development co-operation programmes, including and beyond BMZ funding, and in line with partner country priorities. Sharing the strategies with key partners is also important.

The value of BMZ's co-ordinating role applies to mainstreaming issues such as gender, human rights and rights of persons with disabilities and leaving no one behind throughout German co-operation as well. This also means that BMZ's role in informing the DAC of the performance of all German implementing actors would also be appreciated. In this respect, I discovered that Germany had challenges around reporting to the DAC on ODA for persons with disabilities, despite being a strong advocate on the topic. Germany is encouraged to share its concerns with regard to statistical collection of disaggregated data for inclusive development, as the Committee continues efforts to refine the system for better monitoring and analysis.

### **Performance in development effectiveness**

Germany is taking a leadership role in several areas of the development effectiveness agenda, including as Co-Chair for the Global Partnership for Effective Development Co-operation. All of Germany's ODA to LDCs and Highly Indebted Poor Countries was reported as untied in 2015 and 2016, with only 14% of contracts awarded to companies from Germany in this period. The CSOs that I met with strongly appreciated BMZ's partnership and welcomed the funding reform started in 2016, allowing more flexibility with differentiated instruments for larger German NGOs, smaller NGOs and private foundations, and for multi-stakeholder partnerships. Germany's return to budget support - primarily sectoral budget support - is welcomed. The German Institute for Development Evaluation's (DEval) report on the effectiveness and sustainability of budget support showed the positive role that it can play if certain conditions are met, such as the partner country's capacity for adequate public financial management and political will to use budget support appropriately. I hope that Germany can share with other DAC members effective ways of using budget support in the near future.

### **Improvements in evaluation and results based management**

The recent revitalisation of DEval, the independent institution centralising evaluation of Germany's development co-operation, is highly encouraging. Not only has it breathed new life into the evaluation culture, it is taking up innovative approaches to evaluation. DEval has also produced several evaluations that have influenced strategic steering, for example, the meta evaluation, based on 500 individual evaluations by KfW and GIZ, that examined issues around sustainability and fit for purpose for the 2030 Agenda. DEval's comprehensive country portfolio reviews have also guided country strategy development and programming. With the upcoming guidelines for evaluating development co-operation planned in 2019, I encourage BMZ to share its evaluation lessons and good practice more widely, including through the DAC Evaluation Network.

For results based management (RBM), the joint BMZ-KfW and GIZ system for aggregated indicators, which enables improved and harmonised steering, learning and knowledge management, is encouraging. At the same time, the use of information on results for evaluation, policy making, and communication to the public can be enhanced. Finally, a whole-of-government RBM system that captures the results of all German co-operation would be needed in order to deliver on the 2030 Agenda in a transparent, accountable, and coherent manner.

I wish to thank Mr. Dominik Ziller, Mr. Dominik Schmid, Mr. Thomas Piesch, and the many other staff who facilitated arrangements and participated in a most productive and enjoyable day of discussions in Berlin.

*Sincerely,*



Jorge Moreira da Silva

CC: DAC Vice Chairs; Rahul Malhotra, Head, DCD/RREDI