The DAC’s main findings and recommendations

Extract from: OECD Development Co-operation Peer Reviews

Germany 2021
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Sustainability drives Germany’s approach to development co-operation

**Germany believes that fair and sustainable globalisation delivered through a rules-based multilateral order is critical for peace, freedom and security in the world**

Germany is trusted as a global power and admired for its strong economy and stable leadership. It recognises the universal applicability of the 2030 Agenda for Sustainable Development and the Paris Agreement on climate change, considering these to be critical for domestic and global well-being. Germany strives for peace, freedom and security in the world and is prepared to take responsibility and lead by example, as it did in hosting large numbers of refugees from 2015. In support of fair and sustainable globalisation, the Green Button initiative raises awareness of the need for sustainable global value chains, is changing consumer behaviour and may be expanded across Europe.

Germany has anchored its political priorities in four well-resourced special initiatives on “One World – No Hunger”, “Tackling the Root Causes of Displacement – Reintegrating Refugees”, the “Middle East and North African region”, and “Training and Job Creation. Germany initiated the Compact with Africa initiative during its G20 presidency in 2017 to promote private investment in Africa, and 12 countries have since joined the initiative. In 2018, the Federal Ministry for Economic Cooperation and Development (BMZ) launched its Marshall Plan with Africa, an initiative marked by a policy priority on job creation and by the means of reform partnerships. Today, reform partnerships with six African countries aim to focus on joint sustainable economic co-operation, with the aspiration of moving away from the concept of donor and recipient countries.

Germany remains a true proponent of peace and has a clear vision, a set of articulated policies and a comprehensive approach to support countries in crisis on their path to recovery and resilience. This builds on the global reach and proactivity of its instruments in crisis contexts. Germany cultivates its international influence and champions policy discussions around the humanitarian-development-peace nexus as a means for better complementarity and coherence in crisis contexts.

Development co-operation sits firmly within Germany’s political and strategic priorities backed by resources, strong leadership, a dedicated ministry (BMZ), the involvement of all other federal ministries, and the 16 federal states and municipalities. In KfW Development Bank (KfW) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, BMZ has strong and diverse implementing organisations with rich technical and geographical expertise. Germany works to uphold the rules-based multilateral order, and it is investing in improving the performance and effectiveness of multilateral organisations through existing governance mechanisms.
The BMZ 2030 reform process is in the early stages of concentrating German development co-operation from 11 thematic priority areas to five core areas and integrating six cross-cutting quality criteria. BMZ is currently working to update strategy and guidance documents. At country level, activities are already folding into fewer sectoral “blocks” in view of BMZ 2030. The new integrated planning and allocation system will prioritise a thematic approach to which regional and country strategies will be closely linked. The important reform process is commendable and is an opportunity for Germany to outline the objectives to which it aims to contribute, while remaining flexible and responsive to the needs of its partners.

Starting in 2010, Germany progressively increased its official development assistance (ODA), and it became the second largest DAC provider country in 2016. In 2020, Germany’s ODA increased by 13.7% over the previous year to reach USD 28.4 billion on a grant equivalent basis, or 0.73% of gross national income (GNI). Germany was one of only six DAC countries that exceeded the international ODA to GNI target. From the first weeks of the pandemic, BMZ recognised that COVID-19 would require a reallocation of funding. It restructured programmes to provide additional emergency relief and services for displaced people and to strengthen crisis management to address the health and economic impacts of the crisis in developing countries. In June 2020, BMZ announced an additional EUR 3.1 billion in ODA as part of the country’s fiscal stimulus package, bringing Germany’s total COVID-19 support to EUR 4.7 billion. In February 2021, Germany announced an additional EUR 1.5 billion for global medical support.

**German development co-operation draws on a broad range of instruments and involves a diverse group of partners**

Germany has the technical capacity and political ambition to play a leading role in the financing for sustainable development agenda. BMZ, mainly through KfW Development Bank and Deutsche Investitions- und Entwicklungsgesellschaft (DEG), and the German Chambers of Commerce Abroad invest significantly in private sector engagement in partner countries using a diverse set of mechanisms and instruments. For example, Germany supports the multi-stakeholder Currency Exchange Fund which hedges local currencies. Germany is an international leader in the provision of insurance products, including on climate and credit risk. KfW Development Bank has long-established experience with the issuance of green bonds — the value of its current portfolio is EUR 2 billion — in co-operation with developing countries. Germany’s new development investment fund in Africa is getting off the ground with the aim to enhance private sector investment and foreign trade promotion.

Germany uses a broad range of financial and technical co-operation instruments, champions innovative modalities such as triangular co-operation, engages in European Union (EU) joint programming, has twinning initiatives among municipalities, and participates in co-financing with other development partners and with multilateral organisations to better tailor its approaches to partner countries’ demand and needs. Germany has developed a comprehensive and ambitious approach to innovation and digitalisation throughout its main institutions (BMZ, GIZ and KfW). BMZ created a dedicated new unit and issued a strategy for digitalisation, which is one of six cross-cutting quality criteria. GIZ and KfW established their own structures and projects to foster innovation and digitalisation around the globe through blockchain technologies, using artificial intelligence and machine learning, including in response to the COVID-19 pandemic.

German development co-operation is supported by a wide range of autonomous non-state actors comprising diverse civil society organisations (CSOs), among them political foundations and faith-based organisations, research and evaluation institutes, and philanthropic and private sector partners. CSOs foster grassroots exchanges, maintain networks in partner countries and contribute to leaving no one behind by working with marginalised groups. German companies’ investments in partner countries contribute to job creation, employment, skills development and growth. The globally renowned German Development Institute informs and influences government decision making. The German Institute for Development Evaluation (DEval) provides independent, strategic evaluations and lessons for development co-operation.
Germany can build on its achievements

Systematic analysis of potential incoherence with sustainable development objectives would help Germany to address spillover effects of domestic policies on developing countries

Germany’s Sustainable Development Strategy has a strong vision for domestic and global sustainability and strives for a holistic approach across all policy areas. Noting areas that remain off track, the latest version emphasises the need to intensify implementation in human well-being and skills and social justice; energy transition and climate protection; the circular economy; sustainable building and transition in the transport sector; sustainable agricultural and food systems; and a pollution-free environment. More could be done regarding biodiversity loss, phasing out of fossil fuels, and moving to sustainable energy, circular consumption and production. As suggested in the 2015 peer review, Germany could undertake regular analysis of potential incoherence in policy areas that have spillover effects on developing countries, including mitigation actions in the strategy.

The institutional architecture supporting the strategy’s implementation is sound. The Federal Chancellery leads on sustainability. Oversight, advisory, consultative and cross-government co-ordination mechanisms are in place. In June 2019, the federal states committed to including the principles of the strategy in their own policies. Nevertheless, challenges remain in Germany’s decentralised system. Ministerial autonomy and the non-hierarchical relationship between federal ministries lead to a practice of non-interference, requiring co-operation and co-ordination. While ministries are open to collaboration, they have limited incentive to identify and address conflicts with sustainable development objectives, especially in areas that span different policy areas. Arriving at consensus takes time. Although the architecture serves implementation of the strategy, it does not cover additional areas that have spillover effects on developing countries.

Recommendation

1. Germany should take action so that its Sustainable Development Strategy better addresses incoherence between domestic and European policies and global sustainable development objectives, in particular spillover effects on developing countries, by:
   - undertaking systematic analysis to identify areas of potential incoherence in existing and proposed policies and regulations
   - including in the strategy remedies to mitigate negative impacts affecting developing countries and assigning actions for federal ministries and agencies to implement
   - following up on implementing, reviewing and reporting the results of these actions.

Building on strong public support, BMZ could extend its existing cross-ministerial efforts to develop a vision for more effective German development co-operation

Development co-operation and the global solidarity of supporting people in developing countries are important to the German public. While Germany has a dedicated development ministry, resources and strong political commitment, there is no coherent overarching vision for Germany’s development co-operation supported by cascading policies, strategies and guidance. Each federal ministry enjoys relative
autonomy. Beyond federal ministries, each German development co-operation actor has its own budget, mandate, and engagement — including policy dialogues and networks in partner countries in coordination with the German embassies —which adds to the complexity. Developing a coherent and co-ordinated German approach is challenging but not impossible as the federal government’s Africa policy guidelines demonstrate. Germany’s efforts to boost economic development and job creation in Africa are an example of how Germany has achieved good coherence. High-level political commitment to Africa led to a comprehensive approach steered at state secretary level that incorporates a broad range of German actors and instruments including the BMZ Marshall Plan with Africa, Germany’s reform partnerships with six African countries and a new investment fund.

Germany has an important share of technical co-operation (16% of bilateral ODA grants), almost exclusively implemented by GIZ and over 22,000 staff in 120 country offices around the world. As such, Germany has a strong network of local and international expertise in-house. In a rapidly changing development co-operation landscape and in the context of BMZ 2030, now would be a good time for Germany to reflect on its longer-term vision and strategy for technical co-operation in the countries where it works and where it seeks to transition relationships.

BMZ is working towards reducing bureaucracy and increasing efficiency and effectiveness in the complex German development co-operation system through the joint procedural reform of 2018-19 and, since 2020, the BMZ 2030 reform process that is aligned to the 2030 Agenda for Sustainable Development. The new integrated planning and allocation, featuring annual allocation summits at the level of state secretaries and directors-general, aims to synchronise allocations from different budget lines by drawing together strategic, thematic and regional considerations; special initiatives; climate change investments; and all instruments of ODA. BMZ 2030 is still a work in progress, so it will be important to monitor the full implementation of the reform in headquarters and country offices to determine how well they address inefficiencies in the German system for development co-operation, including complex and lengthy reporting and decision making.

As a former co-chair of the Global Partnership for Effective Development Co-operation, Germany champions development effectiveness, but it will need to ensure that BMZ 2030 starts with partner country ownership and demand-driven, inclusive development partnerships and also extends dialogue beyond the government-to-government negotiations to other stakeholders in partner countries. Overall, Germany’s development co-operation is predictable and transparent. With its global partners and bilateral partners in Asia and Latin America, Germany follows a progressive, partnership-oriented approach, testing new ideas and jointly defining co-operation activities where all partners learn. Throughout the COVID-19 crisis, Germany has shown that it can respond flexibly by using its broad range of co-operation instruments. Streamlining lessons and incorporating them into the usual modus operandi could further increase the overall flexibility, agility and responsiveness of German development co-operation.

**Recommendation**

2. As the lead for development co-operation in the federal government and in order to fully implement its policy and 2030 reform process, BMZ should:
   - develop a clear strategic vision for German development co-operation, including technical co-operation, across the federal government and implementing organisations
   - use the joint procedural reform and BMZ 2030 to drive effectiveness, flexibility and responsiveness to partner countries’ needs through reduced internal bureaucracy.
**Investing at all levels in gender equality and focusing on leaving no one behind would enhance German development co-operation**

Integration of gender equality across development co-operation would benefit from a level of political leadership, financial resources and technical expertise similar to that provided by Germany to environment and climate change. BMZ has an ambitious gender action plan that outlines objectives and measures to be taken in specific sectors and across sectors. Germany places strong emphasis on its support to gender equality and women’s economic empowerment, and KfW and DEG are working to apply a gender lens to their investments. Yet, the financial commitment that Germany puts towards gender equality remains below the DAC average. Support to gender equality in line with the BMZ action plan requires systematic attention — from programme design and implementation to monitoring and evaluation — and ensuring that results information and evidence are effectively used to inform and guide future investments.

Poverty reduction and inequality together comprise one of six quality criteria identified in BMZ 2030 and considered in programme preparation and appraisal. In practice, the poverty focus has not been consistent. In some countries — for instance Rwanda, where poverty reduction is stagnating despite high growth rates — Germany is investing in human capital through technical and vocational education and training and non-farm employment. In other countries, poverty and inequality are less of an explicit focus due to other priorities like climate change or reform partnerships. Going forward, it could be useful for Germany to explore how all its instruments including technical co-operation, are best placed to address the critical challenge of leaving no one behind and for Germany to demonstrate how all of its investments, from design to results, are contributing. New strategies on quality criteria such as reducing poverty and inequality and upholding human rights will be drawn up as part of the BMZ 2030 reform strategy and are an opportunity for BMZ to articulate how it intends to apply the criteria across its investments and monitor the extent to which it does so.

Further, although, the volume of bilateral ODA to least developed countries (LDCs) has increased since 2015, it has not grown at the same rate as overall bilateral ODA. Germany provided 0.11% of GNI as ODA to LDCs through bilateral and multilateral channels in 2019, falling short of its international commitment (0.15%). There is a risk that contributions may decrease. Only two LDCs feature in the top 20 recipients of German development co-operation, and the implementation of BMZ 2030 will result in eight fewer priority partner countries in the LDC category. Germany will have to increase its efforts to maintain the current LDC spend.

**Recommendations**

3. To enable German development co-operation to realise its ambitious gender action plan, BMZ and its partners should invest more in gender equality and women’s empowerment, increase human resources for gender equality, and further develop staff capacity.

4. Germany should develop further guidance and more closely monitor the extent to which its investments contribute to reducing poverty and inequality.
**Embedding a culture of results and investing more in strategic evaluations would enable Germany to continuously improve its development co-operation**

German development co-operation focuses on achieving the 2030 Agenda and the Sustainable Development Goals and aligns with partner country priorities. The use of a results matrix and intervention logic facilitates better design of projects and programmes, links project outcomes to portfolio impacts, and facilitates adaptation to changes during implementation. Enhancements to Germany’s integrated data management system and a broader set of quantitative and qualitative indicators are improving communication and accountability. However, Germany’s overall development objectives for country, thematic, regional and global programmes are not consistently articulated in ways that can be measured and assessed. BMZ might consider recruiting staff with specialist skills in results-based management to begin to embed a culture of results and support staff in managing for results, ensuring systematic application across German development co-operation.

### Recommendation

5. **BMZ should deepen its culture of results and systematically apply results-based management across German development co-operation – in particular in country, thematic, regional, and global programmes.**

The evaluation capacity of DEval, GIZ and KfW is strong, independent and respected. BMZ and DEval have strengthened their contribution to evaluation within the international community, and BMZ, DEval and GIZ continue to invest in strengthening evaluation capacity in partner countries. However, GIZ and KfW could improve their approach by building institutional evaluation capacity and facilitating local participation, including through the use of participatory evaluation methodologies, in their partner countries. DEval focuses on strategic evaluations of development policies, objectives and instruments while GIZ and KfW commit significant resources to evaluation, primarily of projects and portfolios. BMZ might consider how best to allocate resources for evaluation across the German system: for example, it might consider investing more in systematic evaluation of special initiatives and country, regional and global programmes and of the extent to which thematic and sectoral approaches across all German development actors are achieving more than the sum of their parts.

Improvements in information management, data and IT systems will help to manage knowledge across the German system. Networks exist for managing sectoral and thematic knowledge and learning, but results information, evaluation findings and lessons are not yet disseminated systematically. This limits the ability of individual actors and the overall German development co-operation system to achieve continuous improvement.

### Recommendation

6. **Germany should continue to invest in building evaluation capacities in its partner countries and invest more in learning from evaluations of special initiatives and its overall investments at country, regional and programme levels.**
Current efforts on complementarity would benefit from better delineation of short-term and long-term engagement in crises

Two separate federal ministries, each with different funds and instruments, administer most of Germany’s engagement in crisis contexts, which can create additional burden for Germany’s partners working in protracted crises and across humanitarian, development and peace sectors. The independence of each ministry is not necessarily an obstacle to coherent engagement in crisis contexts, and efforts to develop joint analysis and joint planning between BMZ and the Federal Foreign Office are commendable. Revising the 2012 guidance that describes the tasks of the Federal Foreign Office and BMZ in fragile contexts in the light of recent policy developments would help Germany and its multilateral and civil society partners to avoid overlaps, but also to actively seek complementarity of Germany’s aid in fragile contexts, while preserving the independence of each ministry.

Many of Germany’s long-standing partner countries listed in the “bilateral partnership” category are fragile, some of them extremely so, and these countries and contexts benefit from both BMZ’s transitional assistance and the Federal Foreign Office’s humanitarian assistance. As conflict sensitivity is one of BMZ’s six quality criteria and in line with Germany’s renewed focus on conflict prevention and building peace, it will be important to make clear that conflict sensitivity or a nexus approach to programming and financing are relevant beyond the ten nexus and peace countries on BMZ’s list of partner countries.

Recommendation

7. Building on their respective roles and their increased coherence and co-ordination when engaging in fragile and crisis contexts, BMZ and the Federal Foreign Office should collectively:
   - improve the delivery of development and humanitarian objectives by exploiting synergies across the humanitarian, development and peace nexus, amongst others by further advancing the implementation of the relevant Policy on Improving Joint Analysis and Joined-up Planning (GAAP)
   - make clear to staff and partners that conflict sensitivity and a nexus approach to programming apply across Germany’s portfolio beyond the ten nexus and peace countries on BMZ’s list of partner countries.

While locally employed staff are highly valued by Germany and its partners and report high job satisfaction, the system would benefit from their greater involvement

Staff employed locally by German development co-operation actors show high satisfaction with their job situation, feel valued and are motivated to contribute to the goals of German co-operation in their countries. However, use of the German language limits their access to certain documents, training opportunities and communication channels. Maximising the use of the international language of partner countries rather than German in non-official documents would enable Germany to draw on the knowledge and enhance the contribution of national staff, making German development co-operation more effective, inclusive and participatory.
Recommendation

8. Germany should maximise the use of the international language of partner countries in non-official documents, training and communication to draw on the knowledge and enhance the contribution of national staff.

Germany needs to address challenges

*Increasing delegation of authority to embassies and country offices and publishing country strategies remain challenging for Germany, but would demonstrate that it responds to partners’ needs*

Although additional BMZ staff have been seconded to embassies since the last review, progress towards decentralising German development co-operation, as recommended in the 2010 and 2015 peer reviews, has been slow. Political decision-making occurs at BMZ headquarters, and there are complex communication and feedback loops with German staff in partner countries. Aside from less formal exchanges between BMZ-seconded staff in German embassies and BMZ headquarters, reporting is done formally via diplomatic channels to the Federal Foreign Office, which then shares information with BMZ. GIZ and KfW staff also report back to their respective headquarters, which in turn report to BMZ headquarters. Such a complex internal set-up risks being overly bureaucratic and producing high transaction costs and inefficiencies. While a strength of the German system is the highly qualified staff working for GIZ and KfW in partner countries, they rarely have direct communication channels to contribute to the strategic vision of Germany’s development co-operation. Moving decision making closer to staff in country or in regional configurations and rethinking the division of labour between the different German actors could lower the high transaction costs of co-ordination and allow for closer linkages at the political and implementation levels of German co-operation to enhance effectiveness and make Germany even more responsive to partners’ needs.

As the second largest bilateral provider, Germany would benefit from clearly and publicly stating its objectives and what it has to offer partner countries. Communicating a clear vision for its development co-operation instruments — from policy loans, grants, technical co-operation, capacity building, and private sector instruments — and systematically sharing up-to-date information with partner countries and stakeholders would increase transparency and accountability to partner country governments and citizens. Further, although Germany ranks first among EU member states for its participation in joint programming, existing (unpublished) country strategies and programming documents do not reflect EU joint programming or implementation, nor is funding of or partnering with multilateral partners reflected. Here, BMZ could play a key role in outlining Germany’s overall footprint in partner countries, including contributions to multilateral organisations and EU joint programming, and clearly state in a transparent manner Germany’s vision, objectives and results for country engagement, including financial and technical co-operation. Such a mapping exercise would also provide a strong basis for partner countries to make well-informed choices to select from the diverse set of German development co-operation instruments and implementers in line with their national development plans, thus enhancing ownership.
**Recommendations**

9. Germany should increase the number, seniority and capacity of BMZ staff seconded to embassies, enhancing their contribution to decisions, and enabling them to engage flexibly in development co-operation at country level in a more efficient way.

10. Germany should outline in country strategies its development co-operation objectives in partner countries and transparently share information about these objectives together with other relevant information about the development co-operation activities financed by the German government.
Access the full report

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