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# DEVELOPMENT CO-OPERATION, MADE IN GERMANY

Kamil Frymark

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# **DEVELOPMENT CO-OPERATION, MADE IN GERMANY**

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**OSW** |

CENTRE FOR EASTERN STUDIES

OŚRODEK STUDIÓW WSCHODNICH im. **Marka Karpia**

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# INTRODUCTION

In January 2015, Chancellor Angela Merkel announced that development policy would be among the priorities of the German presidency of the G7 group, and promised to continue measures against poverty as part of the UN so as to eliminate it by 2030. Development policy has attracted increasing attention for many years and is strongly supported by the German public. According to a survey conducted by TNS Emnid in July 2013, 81% of respondents backed Germany's engagement in the fight against poverty, and 80% wanted public expenses on development co-operation to be raised. Even though these expenses have been growing every year, they are still not even close to the level of 0.7% of GNP, as has on numerous occasions been set as Germany's goal. However, development co-operation is not viewed by Germans as a form of humanitarian aid but rather as an agreement between equal partners who mutually benefit from this co-operation.

This report presents the most important trends in German development policy and analyses how Germany utilises this policy to promote its own economic and political interests. The research methods used are primarily observation of political developments and analysis of German governmental documents. Some German experts have also been interviewed. Most of the data presented in this report are sourced from the Federal Ministry for Economic Co-operation and Development (BMZ) and the Organisation for Economic Co-operation and Development (OECD)<sup>1</sup>.

The report is divided into three parts. The first part analyses the objectives of German development policy and its evolution. The second part presents the principles by which Germany is guided in its development policy, together with its regional priorities. The third part discusses individual instruments of German development policy, such as development loans, consultancy for developing countries and German equipment supplies. The report also shows the significance of the key actors in German development policy, the links existing between them and the resulting problems.

<sup>1</sup> OECD reports on development policies of the member countries of the OECD's Development Assistance Committee are published every five years. The latest one, which was used during the work on this report, was published in 2010 and contains data for 2005–2010.

## THESES

1. German development policy is intended primarily to support the German economy. Development co-operation and the state's significant share in development projects reduce the investment risk for German entrepreneurs who operate in the developing countries. The development policy is also aimed at building economic and political ties, and this makes the partners partly dependent on German technologies. This is essential for Germany, given the fact that its economy heavily relies on exports. One proof for the existence of this approach is the choice of German priorities in development policy towards individual countries, which allows continued co-operation without any restrictions even after development co-operation has formally ended.
2. Germany's development policy is guided by two key principles: win-win and conditionality. The first principle means that both the developing countries and Germany benefit from the projects. This approach guarantees support from the German public and also encourages private companies to become actively involved in development policy. The second principle of the German development policy is conditionality of granting funds. If a partner fails to implement the goals set under the agreements, the funds are cut, and further co-operation may be suspended. This has a disciplining effect on Germany's partners and ensures that its objectives are strictly enforced.
3. Germany's development policy is implemented primarily along bilateral lines. Around two thirds of the German development policy budget is allocated on the basis of inter-state agreements. This guarantees a precise definition of both the project goals and the conditions on which funds are granted. Furthermore, bilateral co-operation builds up the 'made in Germany' brand as part of both development projects and further economic co-operation, thus indirectly making Germany's partners dependent on German goods and services. Bilateral agreements cement lasting relations with developing countries. This also has an impact on the perception of Germany as a country engaged in solving global problems and contributes to its positive image in the international community.
4. The selection of the objectives, the long-term operation and the establishment of economic and political ties - all this makes the German approach oriented towards building relations with developing countries even after the development projects end. As a result, co-operation is established

primarily with those countries which have an average level of income and which are likely to become strictly economic partners for Germany within a shorter timeframe, rather than with the poorest countries which require the highest level of financial support and where investment risk is the highest. The pragmatic choice of priorities also enables a smooth transition from development to economic co-operation. This approach is also in line with Berlin's consistent reduction of the number of countries which are classified as developing countries with which it co-operates; and this makes Germany's moves more effective.

5. The greatest share of Germany's development budget goes to Africa. It consumes more than one third of expenditure as part of German development policy. Africa is viewed by Germany on the one hand as a continent with a substantial but often undiscovered economic potential, and on the other as an area of instability and risk, potentially posing a threat to Germany also. In connection with the Arab Spring, Germany has launched special transformation programmes for North Africa and has increased its share in development co-operation in relations with other countries. Germany thus wants to prevent a wave of refugees coming from this area to Germany, offering them the opportunity to find jobs at home, and to stabilise security in the region. At the same time, Germany would like its development policy projects to help it reinforce its economic position in North Africa and compete with France and Italy, which are strong in this region, and also with the expansive Chinese economy.
6. Development policy, along with German diplomacy and defence policy, is the third element of Germany's foreign policy. Within this framework it plays above all a preventive role against international conflicts. Investing funds as part of development projects in the areas affected by military conflicts or at high risk of such conflicts is viewed by Germany as a contribution to overcoming crises or removing their causes. Such measures also stem from the conviction that international conflicts, wherever they appear, are harmful to the German economy which heavily relies on exports. Engagement in development policy is also viewed in a positive light by the German public and is supported as one of the key elements of Germany's foreign policy.
7. The greatest challenges of development policy include the multitude of institutions which form this policy and the lack of effective communication and coordination between them. The Federal Ministry for Economic



Development (BMZ) was established in 1961, but it did not become a single decision-making centre. At the same time, debates conducted so far on making development policy a competence of the Federal Foreign Office and liquidating the separate ministry have failed to cause integration of the two institutions partly due to the BMZ's role in party policy. Control of this ministry guarantees one of the coalition members the opportunity to be present on the international arena (in addition to the Federal Foreign Office and the Ministry of Defence), and is an important element of post-election coalition negotiations.

## INTRODUCTION: THE COMPETING APPROACHES IN GERMAN DEVELOPMENT POLICY

German development policy was one of the first foreign activities of the German government after World War II. In 1952, Germany co-financed the budget of the UN Expanded Program of Technical Assistance for the economic development of under-developed countries, and the first German fund for development co-operation worth DM50 million was established four years later. The Ministry for Economic Development (at present, the Ministry for Economic Co-operation and Development, BMZ) was established in November 1961 and was headed by Walter Scheel (FDP), who later served as Germany's president. German development policy from its onset served to support German foreign and economic policy, which was quite restricted after World War II. Since it was conducted in the reality of the Cold War, the principles of the Hallstein Doctrine were also followed in contacts with developing countries in order to restrict the recognition of the GDR under international law. This meant that co-operation was established only with those countries which had no diplomatic relations with Eastern Germany. German development co-operation from the very beginning performed the function of promoting the German economy. This approach allowed an expansion of the list of countries to which this kind of support was provided.

Two main approaches to Germany's development policy can be distinguished: social and economic. The former, mainly represented by the bloc of left-wing parties, is focused on the needs of the countries receiving aid. This policy was adopted between 1969 and 1974 by the SPD-FDP coalition and Chancellor Willy Brandt<sup>2</sup> (the BMZ was at that time headed by Erhard Eppler from the SPD) and between 1998 and 2009 by the SPD-Green Party and the

CDU-SPD coalition, when the ministry was led by Heidemarie Wieczorek-Zeul (SPD). Since 1998, German development policy has been treated as part of the 'global structural policy'<sup>3</sup>. In the SPD's opinion, development should engen-

<sup>2</sup> Willy Brandt from 1980 chaired the Independent Commission on International Development Issues appointed by the World Bank. The results of the commission's work were presented at the UN forum. They provoked a discussion on the need to change the approach in development policy and to place a greater emphasis on such values as security, human dignity, justice and equality rather than countries becoming richer. Cf: Brandt Report: Das Überleben sichern, 1980, [http://www.nachhaltigkeit.info/artikel/brandt\\_report\\_1980\\_519.htm](http://www.nachhaltigkeit.info/artikel/brandt_report_1980_519.htm)

<sup>3</sup> The SPD-Green Party coalition agreement of 1998, [http://www.spd.de/linkableblob/1850/data/koalitionsvertrag\\_bundesparteitag\\_bonn\\_1998.pdf](http://www.spd.de/linkableblob/1850/data/koalitionsvertrag_bundesparteitag_bonn_1998.pdf).

der structural reforms in the developing countries for which they themselves should be responsible in the first place, while the responsibility for reforms of international financial and trade institutions rests mainly with the OECD countries<sup>4</sup>.

The second approach, promoted by politicians from the CDU and the FDP<sup>5</sup>, places the economy foremost in development policy. This approach was formed partly by the economic crisis in the late 1960s, as a consequence of which German governments focused much more on their own economic interests than before, including on guaranteeing access to fossil fuels. Germany has also remitted part of the debts of the developing countries on conditions set by the IMF (International Monetary Fund) and the World Bank, imposing on these countries the obligation to conduct structural reforms. The tendency to emphasise German interests in development policy continued until the end of Helmut Kohl's term in office, even though an ideological element was added to it – the protection of human rights in developing countries. The Christian-Liberal coalition in 2009–2013 (Dirk Niebel from the liberal FDP was the minister in charge of development policy then) also stressed the economic aspect of development policy and placed an increasing emphasis on co-operation with countries with a large economic potential in a given region, which were referred to as emerging markets (Schwellenländer).

The new vision of the policy was aimed at improving development conditions for example through adopting new global trade rules, more beneficial for developing countries, and encouraging richer countries to become engaged in sustainable development.

<sup>4</sup> The catalogue of the basic elements of the 'global structural policy' includes concentration of funds allocated for development policy, above all on reducing poverty, protection of the natural environment, prevention in military conflicts, investments in renewable energy sources, a greater focus on regional projects rather than only on bilateral ones, greater role of the state in development policy and refraining from putting the burden of this policy on private firms, and the search for new forms of Public-Private Partnerships. Cf: F. Nuscheler, Globale Strukturpolitik: Entwicklungspolitik unter den Bedingungen der Globalisierung, [in] S. Schmidt, G. Hellmann, R. Wolf, Handbuch zur deutschen Außenpolitik, Wiesbaden 2007, pp. 680-682.

<sup>5</sup> One exception to this rule was the approach adopted by Helmut Schmidt (SPD), who after the oil crisis in 1973 focused primarily on support for the German economy and guaranteeing access to raw materials for German companies as part of his development policy.

## **I. GERMAN OBJECTIVES AND INTERESTS IN DEVELOPMENT POLICY**

Development policy in Germany is referred to as Entwicklungszusammenarbeit (development co-operation) and not Entwicklungshilfe (development aid). The ministry in charge of this policy established in 1961 was named the Ministry for Economic Co-operation, which from the very beginning suggested that the tasks of its staff would be primarily focused on economic relations with developing countries. The term ‘development co-operation’ also suggests that negotiations and agreements between Germany and a developing country are conducted on terms of equal co-operation, and fits in with the slogan of ‘assistance for self-assistance’ (Hilfe zur Selbsthilfe) promoted by Germany. It implements the main objectives of its development co-operation through offering tools for combating poverty (understood in an increasingly broad context, including energy poverty), creating workplaces and building lasting economic growth in developing countries (for example, by means of low-interests loans or consultancy and training).

According to the coalition agreement, the goals of German development policy include “combating hunger and poverty, and strengthening democracy and the rule of law, while respecting our own values and interests”<sup>6</sup>. Reduction of poverty has been accorded top priority in this policy since the very beginning. The objectives of development co-operation are linked to the main interests of Germany:

- support for the German economy;
- stabilisation of international and German security;
- co-forming the global development policy agenda;
- preparation for maintaining relations with developing countries ‘post-development assistance’ (such as in the case of China);
- reinforcing the global governance system.

### **1. Support for the German economy**

One of the main tasks of the German development policy is to support the German economy. Germany believes that significant involvement of companies is

<sup>6</sup> The coalition agreement between the CDU, the CSU and the SPD of 2013, p. 126; <https://www.cdu.de/sites/default/files/media/dokumente/koalitionsvertrag.pdf>

a necessary condition for an effective development policy. Private enterprises help to improve the economic condition of the developing countries and have the opportunity to increase their exports to these countries (see Appendix 1). Secondly, German firms have facilitated access to new markets where the investment risk is often high but the development potential is also significant. Furthermore, firms build networks of informal connections while implementing the projects, which helps them gain new contracts in the future. Politicians also frequently emphasise the significance of German economic interests in development co-operation<sup>7</sup>.

Development policy is also expected to help ensure raw material supplies to Germany. This became essential during the oil crisis in 1973, and this tendency strengthened when the prices of raw materials increased in 2004/2005. Furthermore, critical raw materials are gaining significance in the German economy (including cobalt, platinum, germanium, niobium, tantalum and tungsten) as well as rare-earth metals (such as cerium, zirconium, dysprosium, europium, yttrium and lanthanum) which are necessary in the process of creating modern technologies<sup>8</sup>. Development policy in this area is expected to support the actions of other ministries, including in building raw material partnerships and conducting the 'raw materials dialogue' hand in hand with the Ministry for Economic Affairs and Energy (BMWi). Its another objective is to lead to the strengthening of the economies of developing countries through the modernisation of their natural resources sectors. BMZ supports developing countries in commodities production through consulting, the improvement of education quality, strengthening of state structures and support for development of co-operation with private companies and for combating corruption and improving transparency in the cash flow on commodities markets<sup>9</sup>.

<sup>7</sup> The coalition agreements contain provisions indicating that German development policy is aimed at contributing to creating new jobs in Germany, *Ibidem*, p. 162, [http://www.cdu.de/sites/default/files/media/dokumente/05\\_11\\_11\\_Koalitionsvertrag\\_Langfassung\\_navigierbar\\_o.pdf](http://www.cdu.de/sites/default/files/media/dokumente/05_11_11_Koalitionsvertrag_Langfassung_navigierbar_o.pdf); an approach like this was presented for example by Dirk Niebel in an interview for *Handelsblatt* daily newspaper, <http://www.handelsblatt.com/politik/deutschland/dirk-niebel-entwicklungspolitik-darf-auch-interessengeleitet-sein/3498804.html>

<sup>8</sup> Cf. Anna Kwiatkowska-Drożdż, The natural resources deficit: the implications for German politics, <http://www.osw.waw.pl/en/publikacje/osw-commentary/2011-02-08/natural-resources-deficit-implications-german-politics>

<sup>9</sup> *BMZ, Entwicklungspolitisches Strategiepapier Extraktive Rohstoffe*, 2010, pp. 8, 22-23 [http://www.bmz.de/de/mediathek/publikationen/reihen/strategiepapiere/Strategiepapier299\\_04\\_2010.pdf](http://www.bmz.de/de/mediathek/publikationen/reihen/strategiepapiere/Strategiepapier299_04_2010.pdf). Examples of such co-operation include projects with Mongolia concerning the protection of the natural environment and education in the mining sector, co-operation with Vietnam in development of mining supervisions, and the development of state institutions in charge of raw material production in Ghana, Malawi and Namibia.

## 2. The stabilisation of international security

Development policy performs preventive functions in the regions facing the risk of conflict and stabilises the areas where conflicts already exist. This stems from the belief that conflicts – wherever they occur – adversely affect the German economy, and their consequences can also be felt in Germany (for example, organised crime or fights between various ethnic groups). The connection between German development policy and security policy was initiated by Chancellor Gerhard Schröder, who stated at the World Economic Forum in New York in February 2002 that “there is no global security without global justice”<sup>10</sup>. At present, 50% of the countries with which Germany is engaged in development co-operation are affected by conflicts or have an unstable situation<sup>11</sup>.

The impact of development policy on German security policy is manifested for example by the fact that the BMZ (along with the Chancellor’s Office, the Federal Foreign Office, the Ministry of Defence and the BMWi) co-decides on exports of German weapons, and participates along with the Federal Foreign Office and the Ministry of Defence in developing guidelines for the German government on strategies to be adopted with regard to unstable countries and regions<sup>12</sup>. Germany also tries to match the interests of development policy and security policy with the international community, for example by chairing together with France the World Bank’s working group in charge of policy towards unstable countries and through engagement in the preparation of the World Bank’s World Development Report 2011: Conflict, Security and Development.

<sup>10</sup> F. Nuscheler, *Entwicklungspolitik. Lern- und Arbeitsbuch*, Bonn 2012, p. 37.

<sup>11</sup> *Entwicklung für Frieden und Sicherheit. Entwicklungspolitisches Engagement im Kontext von Konflikt, Fragilität und Gewalt*, p. 3; [http://www.bmz.de/de/mediathek/publikationen/reihen/strategiepapiere/Strategiepapier328\\_04\\_2013.pdf](http://www.bmz.de/de/mediathek/publikationen/reihen/strategiepapiere/Strategiepapier328_04_2013.pdf)

<sup>12</sup> Since 1998, the BMZ has participated in the meeting of the Federal Security Council (Bundesratsrat) which grants licences for export of weapons and is a member of an inter-ministerial commission on civilian prevention of conflicts. Documents developed with the participation of the BMZ include: *Für eine kohärente Politik der Bundesregierung gegenüber fragilen Staaten – Ressortübergreifende Leitlinien*, 2012; the guidelines on Africa (*Afrika-politische Leitlinien der Bundesregierung*, 2014) and the guidelines on support for Afghanistan (*Neue entwicklungspolitische Strategie für die Zusammenarbeit mit Afghanistan im Zeitraum 2014–2017*). The BMZ has also developed a concept for development co-operation with unstable countries (*Entwicklung für Frieden und Sicherheit. Entwicklungspolitisches Engagement im Kontext von Konflikt, Fragilität und Gewalt*, 2014). This concept sets the goals of development policy in the area of security. These goals include: eliminating the reasons of conflicts, instability and violence, improving the capability to resolve conflicts in a peaceful manner, and creating conditions for peaceful and inclusive development.

Development policy is also an important element of the German ‘integrated security’ concept (vernetzte Sicherheit) – the civilian-military approach to challenges and risks in the area of security. This approach means the use of civilian instruments in foreign operations, including those utilising diplomacy (mediations and negotiations), police and the administration of justice (training for police, judges and public prosecutors) and projects covering development and economic co-operation to the same extent as military measures<sup>13</sup> (see Appendix 2).

### 3. Co-forming the international development policy agenda

Berlin has actively co-formed the UN development agenda by holding international conferences devoted to development policy issues and through participation in the group of experts working on the Post-2015 Development Agenda intended to replace the United Nations Millennium Development Goals<sup>14</sup>. The BMZ also has its representatives in the WTO directorate and in the Development Banks: African, Asian, Inter-American and Caribbean and inside various international organisations operating in the area of development policy, including the UN in Geneva and New York, the OECD and the FAO.

The former German president, Horst Köhler (supported by a team of advisors from the Federal Foreign Office, the BMZ, the GIZ (Association for International Development) and KfW (Kreditanstalt für Wiederaufbau) has taken part in the High-Level Panel of Eminent Persons initiated in 2012 in the process of creating the future policy of the UN (Post-2015 Development Agenda). In this new agenda, Germany wants to combine the eradication of poverty (which is a binding element of the agenda as a whole) with the promotion of ecological sustainable development, and to include Global Governance issues within it. Both developed countries and those who aspire to join this group (Schwellenländer) and developing countries should each hold an equal share of the responsibility for the implementation of this policy<sup>15</sup>. The

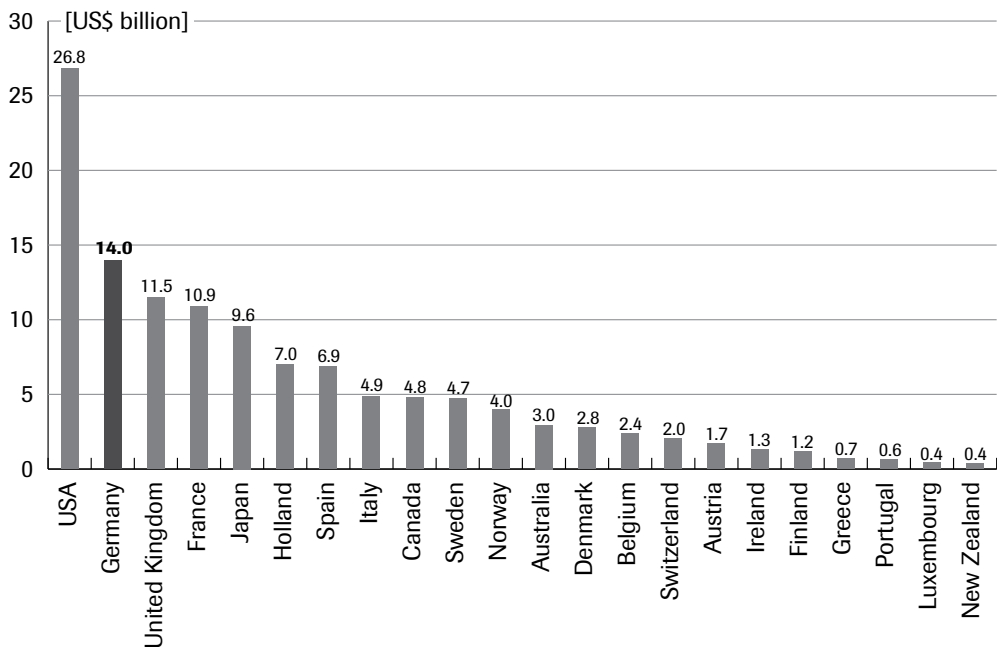
<sup>13</sup> Justyna Gotkowska, W połowie drogi do pełnoletności – niemiecka polityka bezpieczeństwa. Między presją sojuszników i ambicjami politycznymi a brakiem strategii i sceptycyzmem społeczeństwa, *Biuletyn Niemiecki*, No. 4 10 March 2010, pp. 5-6, and Justyna Gotkowska, A weak link? Germany in the Euro-Atlantic security system, *Point of View*, OSW, 15 January 2015, pp. 16-18.

<sup>14</sup> Bonn is frequently chosen as the venue of conferences devoted to development issues, partly because the UN agencies are located there. Conferences concerning Afghanistan have been held there (in 2001, 2002 and 2011; the one in 2004 was held in Berlin). Bonn also hosted the conference Advancing the Post-2015 Sustainable Development Agenda, which was co-financed by the BMZ, where the interests of the civil society concerning Post-2015 Development Agenda were emphasised.

<sup>15</sup> Cf. BMZ, Die post-2015 Entwicklungsagenda. Unser Beitrag, [http://www.bmz.de/de/was\\_wir\\_machen/ziele/ziele/millenniuFederal Foreign Officeiele/unser\\_beitrag/index.html](http://www.bmz.de/de/was_wir_machen/ziele/ziele/millenniuFederal%20Foreign%20Officeiele/unser_beitrag/index.html)

Public-Private Partnerships (PPP) concept, which is based on co-operation between private companies and public institutions in development projects, would also be strengthened in the new agenda<sup>16</sup>. In the opinion of some German think tanks, the new UN concept should also be aimed at combining a number of topics (for example, creating so-called green workplaces based on ecological economy and cities of the future) and utilising the experiences of the Bonn conference in 2011, which led to several issues being conjoined: security of clean water reserves, energy issues and food issues. Experts have also appealed for a better evaluation of the new agenda<sup>17</sup>.

**Chart 1.** German Official Development Assistance (ODA) as compared to the other OECD countries in 2008, net in billions US\$



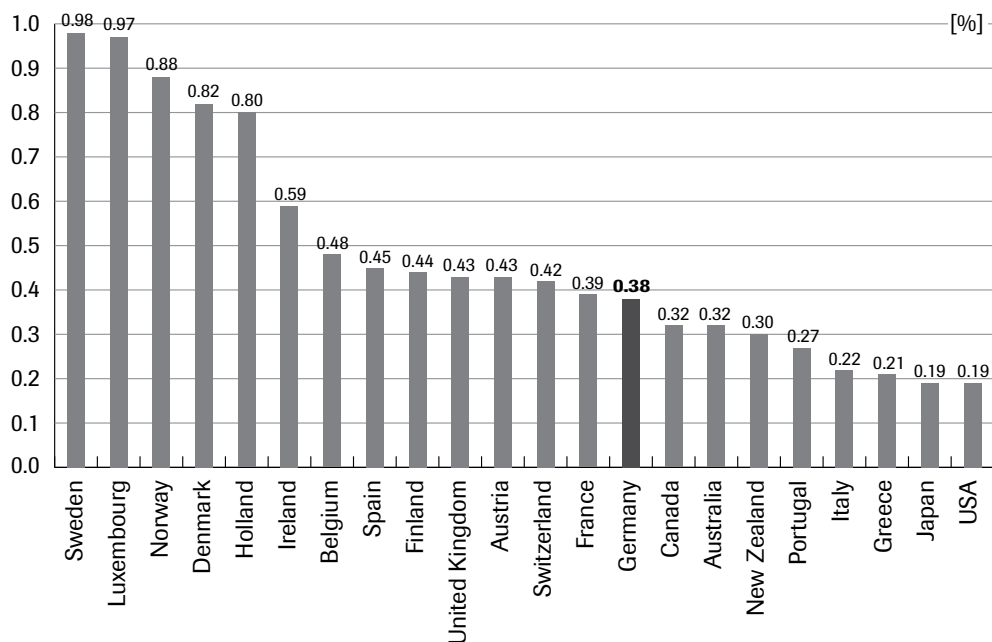
**Source:** OECD, Entwicklungsausschuss (DAC), PEER REVIEW 2010

<sup>16</sup> Dirk Niebel (FDP) has supported and propagated it. He wanted to turn this instrument into a driving engine of German development policy. Cf. Armutsbekämpfung Nebensache, <http://www.sueddeutsche.de/politik/kritik-an-entwicklungshilfe-armutsbekaempfung-nebensache-1.1021032>; Wir betreiben doch keine Kolonialpolitik, <http://www.theeuropean.de/dirk-niebel/7263-deutsche-entwicklungskooperation>

<sup>17</sup> Cf. M. Beisheim, 'Ein Review-Mechanismus für die Post-2015-Ziele nachhaltiger Entwicklung', *SWP-Studien*, Oktober 2014; Embedding the environment in the Post-2015 Agenda, [http://www.swp-berlin.org/fileadmin/contents/products/fachpublikationen/Beisheim\\_EmbeddingTheEnvironment.pdf](http://www.swp-berlin.org/fileadmin/contents/products/fachpublikationen/Beisheim_EmbeddingTheEnvironment.pdf), Nachhaltige Entwicklung für alle. Endspurt zu den MillenniumFederal Foreign Officeielen und Roadmap für die Post-2015-Agenda, [http://www.swp-berlin.org/de/publikationen/swp-aktuell-de/swp-aktuell-detail/article/nachhaltige\\_entwicklung\\_millenniuFederal Foreign Officeiele\\_und\\_post\\_2015\\_agenda.html](http://www.swp-berlin.org/de/publikationen/swp-aktuell-de/swp-aktuell-detail/article/nachhaltige_entwicklung_millenniuFederal Foreign Officeiele_und_post_2015_agenda.html)



**Chart 2.** German ODA as compared to the other OECD countries in 2008, net % GNP



Source: OECD, Entwicklungsausschuss (DAC), PEER REVIEW 2010

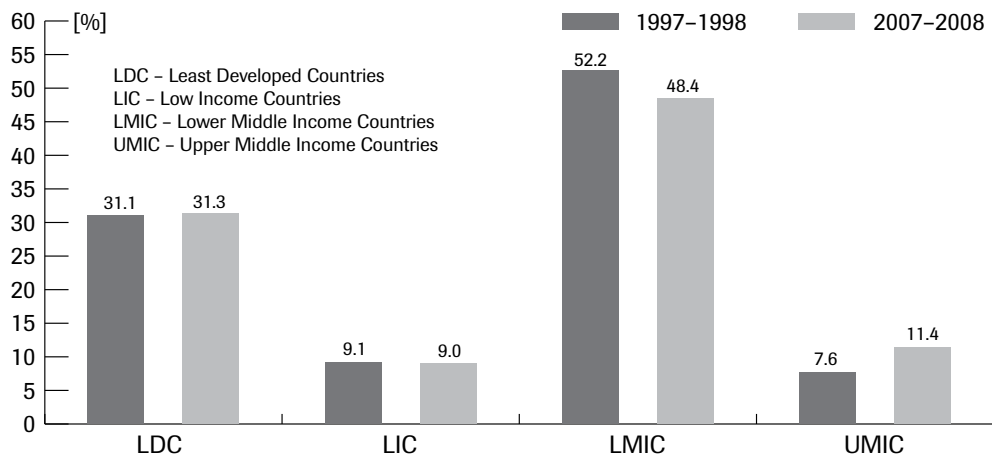
#### 4. 'Post-development' co-operation

Through its development policy Germany has been laying the foundations for co-operation with those countries which will join the group of developed countries in the future. Germany has been building both economic and political contacts between the donor state and the developing country. By implementing joint projects (bi- or trilateral), Germany has been developing a model of co-operation and dependence (on equipment, services and maintenance provided) which continues to operate when post-development co-operation in the strict meaning of the term ceases. This approach provides additional grounds for the term used by the BMZ of 'development co-operation' and not 'development aid', which would have ended when the project ends. To reinforce this effect, Germany co-operates primarily with so-called Lower Middle Income Countries (LMIC), which in 2007-2008 received 48.4% of German Official Development Assistance (ODA)<sup>18</sup>. In the case of these countries, the infrastructure necessary to implement development projects is better adjusted to German needs. Furthermore, co-operation with LMIC does not require making everything

<sup>18</sup> Deutschland. Entwicklungsausschuss (DAC). *Peer Review*, OECD 2010, p. 56, <http://www.oecd.org/berlin/46270433.pdf>

from scratch (and is thus not a copy of humanitarian aid) and enables switching to the post-development phase and embarking on business projects within a shorter timeframe.

**Chart 3.** ODA share according to income groups in beneficiary countries in %



**Source:** OECD, Entwicklungsausschuss (DAC), PEER REVIEW 2010

One example of such an approach is Germany’s development policy towards China. For 30 years, until 2009, Germany offered China 4.034 billion euros as part of development co-operation and 635 million euros as part of technical co-operation, focusing on projects aimed at improving the rule of law, better conditions for foreign investment and climate and natural environment protection. A strategic partnership was established between the governments in Beijing and Berlin in 2009. Since this moment, China is no longer classified as a country with which Germany is engaged in development co-operation. This is due to the perception that a country which has a reputation of an economic power should not be covered by the orthodox instruments of German development policy, and that Germany benefits less from such co-operation than for example from supporting foreign trade. However, the fact that development co-operation has ended does not mean that Germany no longer subsidises development projects from the budgets of other ministries or federal states<sup>19</sup>. This new form of co-operation allows Germany and China be involved

<sup>19</sup> Even though development co-operation between Germany and China has ended, part of the funds allocated by Germany for development policy still goes to China. This concerns, for example, projects financed by the BMU (implemented by the GIZ) or grants offered by German federal states to Chinese students. Cf. Noch immer fließt Geld nach China, FAZ, [http://www.faz.net/aktuell/wirtschaft/wirtschaftspolitik/ende-der-entwicklungshilfe-noch-immer-fliesst-geld-nach-china-11043481-p2.html?printPagedArticle=true#pageIndex\\_2](http://www.faz.net/aktuell/wirtschaft/wirtschaftspolitik/ende-der-entwicklungshilfe-noch-immer-fliesst-geld-nach-china-11043481-p2.html?printPagedArticle=true#pageIndex_2)

in development projects according to the trilateral formula<sup>20</sup>. This concerns for example Africa, where Germany views China's economic expansion as a threat to its own interests, and trilateral co-operation could contain this expansion. The institution which guarantees the continuity of economic and institutional contacts after the end of development co-operation is the Association for International Co-operation (GIZ) which has operated in China for 25 years (until 2011 it was known as GTZ – Association for Technical Co-operation), which acts as an intermediary between German and Chinese institutions as part of both development co-operation and strategic partnership. The GIZ employs around 200 people in China and was in charge of around 50 projects in 2014<sup>21</sup>. The top priorities of the GIZ's engagement in China after 2009 include: sustainable economic development, environmental protection, energy and natural resources issues<sup>22</sup>. Political contacts with Beijing have also intensified since 2011 partly through holding intergovernmental consultations. Previously, Germany took similar action with regard to Saudi Arabia, which since 2008 is no longer classified as a country with which Germany would engage in development co-operation either.

## 5. Reinforcing the global governance system

Germany has also aimed at reinforcing global governance through development policy, for example the presence of developing countries in such forums as G20 and their participation in the decision-making process concerning global economy. Germany wants more and more developing countries to join global governance forums and to coordinate their stances at international forums. This approach is implemented as part of the BMZ's programme 'Global Partnership' (it is coordinated by the GIZ), which has two components: the training project aimed at developing contact networks named Managing Global Governance and a project designated for the exchange of views named Globale Maßnahmen. As part of Managing Global Governance, Germany has since

<sup>20</sup> Trilateral co-operation in the BMZ's development policy means co-operation in the joint implementation of projects by a partner with Germany, an emerging power and a developing country. Owing to this, the costs of the project and the investment risk are shared. Each party may also capitalise on the previous experience and contacts of their partners.

<sup>21</sup> GIZ-Büro China, <http://www.giz.de/de/weltweit/377.html>

<sup>22</sup> Part of the funds are still sent to China as part of co-operation with federal states. German federal states finance grants and research visits to university, allocating to this a total of around 160 million euros. Cf. Noch immer fließt Geld nach China, <http://www.faz.net/aktuell/wirtschaft/wirtschaftspolitik/ende-der-entwicklungshilfe-noch-immer-fliesst-geld-nach-china-11043481-p2.html?printPagedArticle=true#Drucken>

2005 held trainings and workshops on certain topics (for example, on eliminating poverty, protection of the natural environment, and modern solutions in the energy sector) dedicated to young leaders from Egypt, Brazil, China, India, Indonesia, Mexico, Pakistan and South Africa. Other forms of training offered by Germany include: two-week training courses held by the Federal Foreign Office (International Futures) and two and a half months internship at German or European institutions. Participants in the training courses are also supported by Germany in the areas of introducing innovations and organisational change once they return to their countries. As part of the latter project, Globale Maßnahmen, the GIZ holds conferences and consulting meetings with project partners.

## II. THE PRINCIPLES OF GERMAN DEVELOPMENT POLICY

### 1. Win-win

German development policy is guided by the win-win principle, which means that co-operation must be beneficial to both parties. The benefits developing countries receive include the necessary expertise, management capabilities, new technologies and capital; and all this contributes to building new workplaces and raising residents' incomes, and thus helps eliminate poverty. German entrepreneurs view this as an opportunity to gain new markets and build contacts and networks. The degree of risk is limited in their case, considering the strong engagement of the state (partly through loans granted). This also brings benefits to German taxpayers (owing to new jobs in Germany), for whom this is a good argument to invest more in development policy<sup>23</sup>. This principle also applies to trilateral co-operation (a developed country, a developing country and Schwellenländer, like India, Brazil, Mexico), where co-operation should also result in a win-win situation.

### 2. A fishing rod instead of a fish

Germany emphasises the need to shift an increasing burden onto the developing countries themselves. Guided by the principle of 'assistance for self-assistance' (Hilfe zur Selbsthilfe), it offers developing countries tools to overcome problems linked to poverty or environmental protection by themselves. Germany also wants lower middle income countries to become involved to a greater extent than before in development projects, so that these become a driving engine for economic development in their respective regions.

Furthermore, the BMZ has reduced the number of beneficiaries of development co-operation in the strict meaning of the term, treating them as Global Development Partners (GEP), and thus also reducing the availability of BMZ technical and financial assistance to them<sup>24</sup>. This allows some of the German development aid measures (including PPP and grant funding) to be combined

<sup>23</sup> Cf. An interview with Dirk Niebel, minister for economic co-operation and development, Entwicklungspolitik darf auch interessengeleitet sein, <http://www.handelsblatt.com/politik/deutschland/dirk-niebel-entwicklungspolitik-darf-auch-interessengeleitet-sein-seite-2/3498804-2.html>

<sup>24</sup> The list of countries defined by Germany as partners to which the Global Development Partners concept was applied in 2011 includes Brazil, Indonesia, Mexico, India and South Africa, which are classified by the OECD as developing countries.

with those aimed at supporting the German economy abroad (including the mobilisation of private funds, support for private firms, sectoral dialogue and support for scientific research). Germany intends to intensify co-operation with international organisations by promising to change the distribution of votes at such institutions as the World Bank and the IMF to the benefit of GEP countries. Germany has emphasised the need for GEP countries to make a significant contribution to joint projects with Germany and wants them to participate more actively in trilateral co-operation (Germany-GEP-developing country).

### **3. Bilateral co-operation**

German development co-operation is predominantly of a bilateral nature. This is important because a provision setting out proportions between development co-operation taking place under the aegis of international organisations and for bilateral agreements between Germany and a developing state was included, for example, in the coalition agreement of 2009. It stipulates that one third of the funds must be allocated as part of multilateral organisations, while two thirds as part of bilateral agreements between Germany and developing countries<sup>25</sup>.

Bilateral co-operation promotes German solutions branded as ‘made in Germany’. By entering into bilateral agreements, Berlin influences the conditions of co-operation and sets the priorities for expenditure and the allocation of technical co-operation. In this meaning, bilateral co-operation is a successful political tool for propagating German interests, such as in international organisations. This is particularly important at the UN, where each country has one vote at the General Assembly, and developing countries can support Germany’s candidates for non-permanent’ embers of the UN Security Council or its other bodies (such as the Human Rights Council).

<sup>25</sup> Koalitionsvertrag zwischen CDU, CSU und FDP, Wachstum. Bildung. Zusammenhalt. [http://www.csu.de/common/\\_migrated/csucontent/091026\\_koalitionsvertrag\\_02.pdf](http://www.csu.de/common/_migrated/csucontent/091026_koalitionsvertrag_02.pdf), p. 129.

**Table 1.** The largest individual beneficiaries of co-operation

	1997–2001	
	millions US\$	% ODA
China	370	9
Indonesia	198	5
India	183	4
Egypt	177	4
Turkey	144	3
	2002–2006	
	millions US\$	% ODA
Nigeria	625	10
Iraq	494	8
China	392	6
Cameroon	220	3
Serbia	205	3
	2007–2008	
	millions US\$	% ODA
Iraq	1 975	19
Cameroon	669	7
China	552	5
India	289	3
Afghanistan	256	3

Source: OECD, Entwicklungsausschuss (DAC), PEER REVIEW 2010

#### 4. Reinforcing diplomacy

German public opinion polls indicate that Germans support an active foreign policy above all in the non-military area<sup>26</sup>. Public support is traditionally

<sup>26</sup> According to surveys published in May 2014 ordered by the German Federal Foreign Office and the Körber Foundation, 60% of Germans oppose a “stronger engagement of Germany in overcoming international crises”, and only 37% of them support this (in a survey conducted in 1994 by RAND Corporation, 62% respondents expressed their support for this). At the same time, respondents indicated “guaranteeing peace worldwide” (51%) and “Germany’s security” (23%) as the most important goals. The respondents saw protecting human rights (66%), natural environment and climate protection (59%) and guaranteeing fuel supplies

strong for humanitarian aid (which is a prerogative of the Federal Foreign Office<sup>27</sup>) and international negotiations are reinforced with the desire to intensify development co-operation as a manifestation of “taking a greater responsibility” for the global order.

Building the foreign policy / defence policy / development policy triad is a German response to crisis management in military conflicts. This is evident in the ‘integrated security’ (vernetzte Sicherheit) concept, which combines various elements of crisis management: from the use of military force through peace negotiations to economic and development co-operation, which in Germany’s opinion contributes to building secure and stable countries and regions.

Development policy is an inseparable element of German foreign policy (hence the appeals for placing these issues on the agenda of the Federal Foreign Office), which is always present in dealing with international crises or unstable regions. This is backed by the conviction that economic development and the improvement of social conditions lead to stability, security and peace.

## **5. Regional priorities of German development policy**

In 2012, European developing countries received 948 million euros as part of German development policy. In turn, Germany spends most of its funds on African countries – in 2012 total German ODA for Africa was worth 3.761 billion euros. On the one hand, Germany views Africa as an unstable continent, and the consequences of this instability as a threat to Europe, including Germany (refugees, terrorism, piracy, organised crime). On the other hand, it can see Africa’s increasing importance in terms of economy (both rapid economic growth and increasing middle class), demography, raw materials and agriculture. Germany sees this as an opportunity for its own products, technical expertise and investments and expanding political influence in Africa. Germany divides Africa into two areas: Sub-Saharan Africa and North African countries.

(57%) as the most important tasks for German foreign policy. According to polls, in order to make sure that German foreign policy goals are achieved, Germans are ready to accept that their country could intensify civilian international measures for example as part of humanitarian aid (86%), diplomatic negotiations (85%) and support for civil society (80%). They would, however, reject any possibility of greater military engagement of the Bundeswehr (82% respondents oppose this) and more intensive supplies of weapons to allied countries (82% respondents are against this).

<sup>27</sup> The BMZ also has a programme in the area between classical development policy and humanitarian aid: Entwicklungsfördernde und strukturbildende Übergangshilfe.



It focuses in both cases above all on consultancy offered to state administration and supporting sustainable economic growth<sup>28</sup>. Partnerships for modernisation have been established with North African countries which will stabilise and secure the southern borders of the EU, and thus indirectly also of Germany (see Appendix 7).

Germany pursues two major goals in its development policy towards Africa: it wants to increase its own economic engagement and to prevent an inflow of refugees<sup>29</sup>. Berlin has employed for this purpose, for example, the promotion of raw materials production as a leverage for the economic development of these countries. Germany views assistance in the use and modernisation of infrastructure as an opportunity to anchor itself in the African market. Berlin has also made attempts to use the formats of multilateral co-operation (such as the Germany–East Africa–China–India forum) so as to remain in close dialogue concerning the region with these countries. Furthermore, Germany has made efforts to improve investing conditions for its small and medium-sized companies. Germany has employed around 2,000 advisors engaged in African countries to have an influence on new regulations, by offering advice to both companies and state institutions<sup>30</sup>. In the opinion of the BMZ, one of the ways to scale down the wave of refugees from North Africa to Germany is to improve socio-economic conditions in the countries covered by development policy<sup>31</sup> by programmes aimed at eliminating poverty, developing agriculture and running German-African centres at universities in Tanzania, South Africa, Ghana, Congo and Namibia). In addition to this, to ensure security and improve crisis management, Germany has appealed for African organisations to be allowed to play a more important role as part of the UN<sup>32</sup>. A deeper partnership with Africa has been one of the priorities of the German presidency in the G7 group in 2014–2015.

<sup>28</sup> The main goals set by the BMZ in 2004 with regard to Africa; these are used as the basis for guidelines for politics adopted with regard to individual countries, [http://www.bmz.de/de/was\\_wir\\_machen/laender\\_regionen/subsahara/index.html](http://www.bmz.de/de/was_wir_machen/laender_regionen/subsahara/index.html)

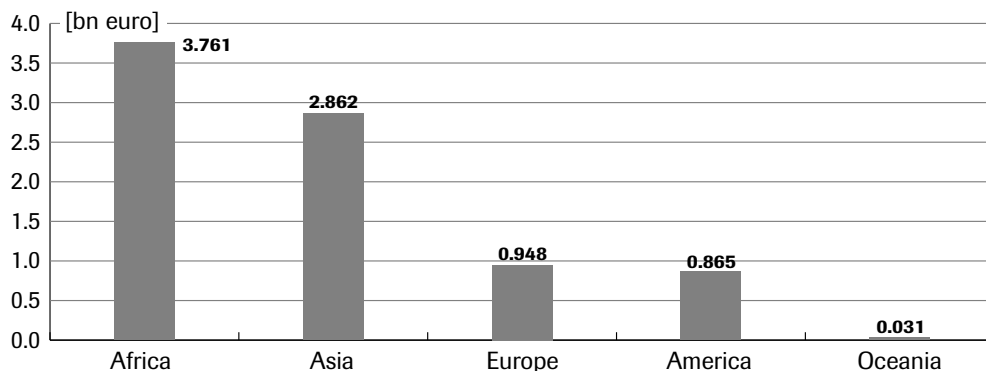
<sup>29</sup> Cf. Artur Ciechanowicz, Kamil Frymark, Szlaban do ziemi obiecanej. Niemcy walczą z imigracją socjalną, <http://www.osw.waw.pl/pl/publikacje/komentarze-osw/2014-11-19/szlaban-do-ziemi-obiecanej-niemcy-walczą-z-imigracja-socjalna>

<sup>30</sup> Afrikapolitische Leitlinien der Bundesregierung, p. 12, Berlin 2014, [http://www.bundesregierung.de/Content/DE/\\_Anlagen/2014/05/2014-05-21-afrikapolitische-leitlinien.pdf?\\_\\_blob=publicationFile&v=1](http://www.bundesregierung.de/Content/DE/_Anlagen/2014/05/2014-05-21-afrikapolitische-leitlinien.pdf?__blob=publicationFile&v=1)

<sup>31</sup> Cf. Bundesminister Müller reist in den Nordirak – die Menschen brauchen eine Perspektive vor Ort, [http://www.bmz.de/de/presse/aktuelleMeldungen/2014/oktober/141001\\_pm\\_094\\_Bundesminister-Mueller-reist-in-den-Nordirak-die-Menschen-brauchen-eine-Perspektive-vor-Ort/index.html](http://www.bmz.de/de/presse/aktuelleMeldungen/2014/oktober/141001_pm_094_Bundesminister-Mueller-reist-in-den-Nordirak-die-Menschen-brauchen-eine-Perspektive-vor-Ort/index.html)

<sup>32</sup> Germany insisted on a stronger engagement of the African Union during its presence in the

**Chart 4.** Geographic distribution of German ODA in 2012



**Source:** Deutsche Entwicklungspolitik in Zahlen und Fakten – BMZ (2014)

Asia is the second most important area in German development policy. German ODA in 2012 was worth 2.862 billion euros. Co-operation priorities include: professional training (in 2009, Asian countries received 52% of all the funds allocated for this purpose<sup>33</sup>), protection of intellectual property and environmental protection issues. As with Africa, in the case of Asia Germany has also made efforts to reinforce regional co-operation and has appealed to Asian countries to resolve most problems concerning development policy. Support for Afghanistan is an essential part of development co-operation in Asia (Appendix 2). India and Indonesia have been classified by Germany as ‘development co-operation partners’. Germany expects these countries to become more active in development co-operation projects in Asia, offering them support in the form of know-how and funds<sup>34</sup>.

South America (with the exception of Oceania, which received 31 million euros in 2012) has been given the lowest priority as a region by Germany. In 2012, it received 865 million euros as part of ODA. This is because Germany has less economic and political interests in this region. Mexico and Brazil, like India and Indonesia, have been classified as ‘development co-operation partners’.

UN Security Council as an impermanent member in 2011–2012, in particular considering the outbreak of the Arab Spring.

<sup>33</sup> Deutsche Entwicklungspolitik in Asien BMZ Strategiepapier Neues Fenster, Berlin 2011, p. 10, [http://www.bmz.de/de/mediathek/publikationen/reihen/strategiepapiere/Strategiepapier310\\_10\\_2011.pdf](http://www.bmz.de/de/mediathek/publikationen/reihen/strategiepapiere/Strategiepapier310_10_2011.pdf)

<sup>34</sup> *Ibidem*, p. 16.

### III. INSTRUMENTS AND ACTORS OF DEVELOPMENT POLICY

#### 1. Bilateral co-operation

Bilateral co-operation is the most important part of German development policy. The BMZ allocated 3.041 billion euros for this purpose (47.2% of its budget). However, if subsidies from other ministries and federal states are taken into account, this amount is higher and reaches around two thirds of the total sum allocated for development co-operation, which in 2013 reached US\$14.06 billion<sup>35</sup>.

The most important issues on which German bilateral development co-operation is focused are:

- 1) eliminating poverty,
- 2) securing peace and democratic development,
- 3) fair development of globalisation,
- 4) environmental protection.

These are described in more detail and with greater precision in the ten areas defined in the governmental *Guidelines for bilateral technical and financial co-operation with the partners of German development co-operation* in force since 2007<sup>36</sup>.

The most important documents relate to strategies for individual countries - these are used as the basis for setting specific goals and conducting bilateral policy with regard to developing countries formulated by the BMZ (often in

<sup>35</sup> This is confirmed by data presented by the OECD in: Deutschland. Entwicklungsausschuss (DAC). *Peer Review*, OECD 2010, p. 55, <http://www.oecd.org/berlin/46270433.pdf>. The ministries concerned include above all: AA, BMU, BMBF, BKM, BMELV, BMG, BMWi, BMVg, BMAS, BMF, BMI, BMFSFJ, BMJ and BMVBS. According to information from the BMZ, the total sum engaged in Germany's bilateral co-operation in 2012 reached around 6.765 billion euros. [http://www.bmz.de/de/mediathek/publikationen/reihen/infobroschueren\\_flyer/flyer/Faltblatt\\_FaktenMDG.pdf](http://www.bmz.de/de/mediathek/publikationen/reihen/infobroschueren_flyer/flyer/Faltblatt_FaktenMDG.pdf)

<sup>36</sup> This concept mentions the following focal points: democratic and civil governance (including human rights), peace development and crisis prevention, education, healthcare, family planning, HIV/AIDS, pottable water, water management, ensuring food, agriculture, protection of the natural environment, protection and sustainable use of natural resources, sustainable economic development, energy, transport and communication. Leitlinien für die bilaterale Finanzielle und Technische Zusammenarbeit mit Kooperationspartnern der deutschen Entwicklungszusammenarbeit, *BMZ Konzepte* 165, <http://www.bmz.de/de/mediathek/publikationen/reihen/strategiepapiere/konzept165.pdf>

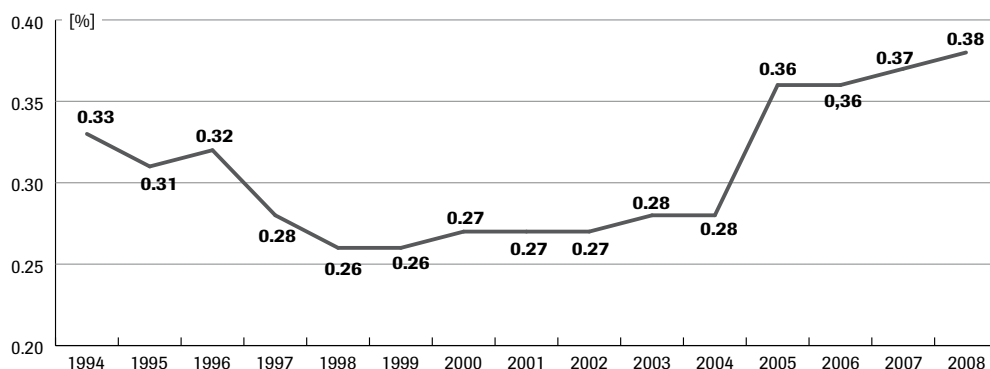
co-operation with other ministries). They are used by the BMZ, in tandem with the countries covered by development co-operation, to develop the so-called State Concept (Länderkonzept), which defines more precisely and narrows down this co-operation to three priorities<sup>37</sup>. The concepts also indicate concrete instruments of development co-operation (technical and financial) designed to implement them. Germany, as part of the intergovernmental consultations prior to concluding an agreement with a developing country, requires the other party to undertake to “create structural and framework conditions for the acceptance of development funds”, and to provide a guarantee of tax exemption in the partner state for the German institution involved in development co-operation. Furthermore, the partner state should guarantee the German staff involved in development co-operation indemnity from penal liability while carrying out their tasks and unrestricted entry and exit to and from the partner state<sup>38</sup>.

German bilateral development co-operation is implemented with the use of two key instruments: technical co-operation (Technische Zusammenarbeit, TZ) and financial co-operation (Finanzielle Zusammenarbeit, FZ). In 2012, the BMZ allocated the greater part of its funds to FZ (2.775 billion euros), while 2.277 billion euros were spent on TZ. The term TZ covers inter-state agreements which are implemented on the German part by the BMZ, and on its behalf by implementing organisations, including the GIZ primarily. TZ is effected mainly through consulting, financial support for consulting, equipment supplies and expert opinions. TZ is used by Germany to promote its know-how in the area of technical solutions, economy and management. One component of development co-operation, above all its technical aspect, are numerous tenders. The assumption is that German entrepreneurs are the first to find out about these tenders. The Federal Agency for Foreign Trade (BFAI) is in charge of this.

<sup>37</sup> In cases where co-operation with a given country is focused on a specific issue and is not based on a general approach and also in the case of regional co-operation, German bilateral development co-operation is restricted to one issue. Auswahl der Kooperationsländer, [http://www.bmz.de/de/was\\_wir\\_machen/laender\\_regionen/laenderliste/](http://www.bmz.de/de/was_wir_machen/laender_regionen/laenderliste/)

<sup>38</sup> Leitlinien für die bilaterale Finanzielle und Technische Zusammenarbeit, *op. cit.*, p. 42.

**Chart 5.** German net spending on ODA in % of GNP



**Source:** OECD, Entwicklungsausschuss (DAC), PEER REVIEW 2010

Financial co-operation is another type of bilateral development co-operation. It is coordinated by the state-controlled bank KfW (Kreditanstalt für Wiederaufbau), while the political conditions governing co-operation with developing countries are set by the BMZ, taking into account opinions from the Federal Foreign Office, the BMF and the BMWi. Loans are granted depending on their investment nature, how the investment is related to the goals set in the development co-operation agreement and the degree of involvement of German employees. In the case of projects being carried out improperly, FZ agreements provide for the possibility of launching sanction mechanisms (for example, limiting or withholding payments). Germany offers FZ in several categories: non-returnable support is provided to the least-developed countries (LDC); loans with the annual interest rate at 0.75% are offered for 40 years to those developing countries which are on the World Bank's list; in the case of the other countries, loans with an annual interest rate set at 2% are offered for 30 years. Germany also offers loans on market conditions for economic development projects (mainly for the development of economic infrastructure, environmental protection and support for the financial sector), which are intended to be an offer combining business projects with development policy. In 2011, KfW conducted 1,800 projects in over 100 countries<sup>39</sup>.

## 2. Multilateral co-operation

The second part of German development co-operation is multilateral co-operation. The EU is the greatest beneficiary of German multilateral co-operation

<sup>39</sup> KfW Entwicklungsbank, [http://www.bmz.de/de/was\\_wir\\_machen/wege/bilaterale\\_ez/akteure\\_ez/einzelakteure/kfw/index.html](http://www.bmz.de/de/was_wir_machen/wege/bilaterale_ez/akteure_ez/einzelakteure/kfw/index.html)

(1.891 billion euros in 2012), followed by the World Bank group (0.614 billion euros in 2012) and the UN (0.262 billion euros in 2012). Germany also supports regional development banks and smaller international organisations, spending over 3 billion euros annually on this (3.389 billion euros in 2012).

In German development policy, multilateral co-operation is complementary to bilateral co-operation and allows development funds to be utilised in places where the political and financial risk of applying them would be too high for Germany by itself. By offering funds to international organisations, Germany applies the win-win principle. It takes into account above all the compliance of a given organisation's agenda with German development policy, the areas of its operation<sup>40</sup> and to what extent it is complementary to German bilateral co-operation. Germany also takes into consideration its influence on the forming of a given organisation's programme, the strength of voting among its decision-makers, the financial contribution of its budget and the human resources policy on both worker and managerial levels<sup>41</sup>.

By holding conferences for development co-operation donors and forming working groups at the BMZ, Germany is engaged in shaping the framework of multilateral development policy<sup>42</sup>. Berlin wants, amongst other things, emerging powers to increase their share in the funding of development co-operation and to set the conditions for spending the funds. Furthermore, Germany has made efforts to ensure that the key international organisations keep close contacts with German organisations involved in the implementation of projects funded by international organisations<sup>43</sup>.

Over the past few years, Germany has limited (partly under the influence of the OECD's criticism) the number of international organisations it supports. This was intended to improve the effectiveness of funds offered.

<sup>40</sup> In the case of multilateral co-operation Germany has focused on: the water and sewage sector, the energy sector, agriculture, food, sustainable development, human rights and good governance.

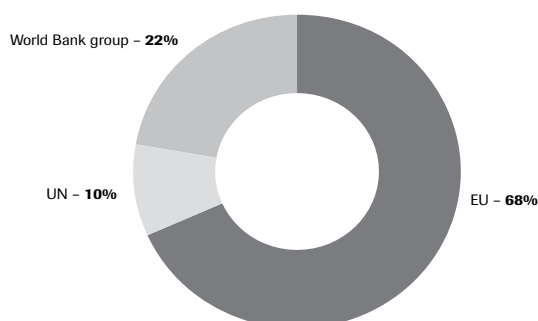
<sup>41</sup> Eckpunktepapier für die multilaterale Entwicklungspolitik, *BMZ-Strategiepapier*, 2013, p. 12.

<sup>42</sup> The tasks of the working groups created at the BMZ include setting the conditions for spending EU funds as part of development co-operation.

<sup>43</sup> *Ibidem*, pp. 5 and 9.

**Chart 6.** German ODA: contribution to the development budgets of international organisations in 2012

**Total: 2.77 billions of euro**



**Source:** Deutsche Entwicklungspolitik in Zahlen und Fakten - BMZ (2014)

### 3. The actors of German development policy

German development policy is determined by several institutions (see Appendix 4), and various ministries and Bundestag commissions have this policy among their responsibilities. The lack of ready patterns of effective communication between all the actors of development policy and the political competition between individual offices make its coordination difficult, thus being one of the major challenges this policy needs to face<sup>44</sup>.

The BMZ is the largest institution which co-decides on German development policy. This ministry has the most staff - around 800 people at the central office in Bonn and over 100 at foreign agencies (including in embassies which form special sections in charge of development policy and agencies operating at international organisations<sup>45</sup>) and the largest budget. In domestic politics, the BMZ is an essential ministry in the process of government coalition forming. If a coalition party has its people among its staff, it gains guarantee of participation in foreign policy and thus attracts the attention of the media. The BMZ - through its participation in secret meetings of the Federal Security Council - also influences the granting of licences for arms exports and is able to delegate its representatives to diplomatic agencies.

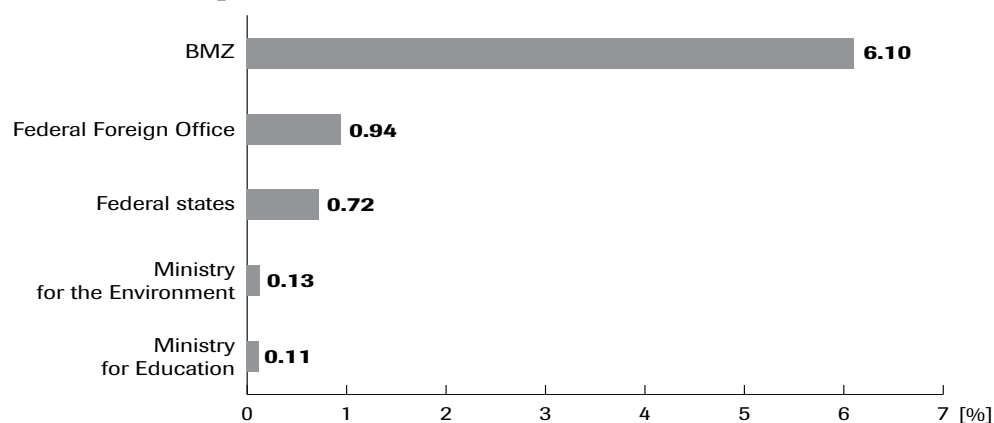
<sup>44</sup> This aspect has also been emphasised by German experts. This was pointed out in a conversation with the OSW by Professor Theo Rauch from FU Berlin and Doctor Marianne Beisheim from SWP, Berlin, 18-20 June 2014.

<sup>45</sup> Aufbau und Organisation, <http://www.bmz.de/de/ministerium/aufbau/>

The Federal Foreign Office also has a strong influence on development policy, first of all by setting the political criteria of co-operation with individual countries, developing inter-ministerial strategies and guidelines concerning development policy (for example, with regard to countries with unstable government structure 'Fragile Staatlichkeit'). A separate section in charge of economic issues and sustainable development also functions within the organisational structure of the Federal Foreign Office. Furthermore, the Federal Foreign Office has created a working group which takes part in the preparation of development goals for the new agenda of the UN, post 2015. The Federal Foreign Office is also the second largest contributor to the German development policy budget, after the BMZ. In 2012, it allocated 0.9391 billion euros (9.3% of German ODA) for this purpose.

Other ministries, such as the Ministry for the Environment and Nuclear Safety (this ministry spent 0.1274 billion euros, i.e. 1.3% of German ODA on development policy in 2012), the Ministry for Education and Research (0.1127 billion euros; 1.1% of German ODA in 2012)<sup>46</sup> and the Ministry for Economic Affairs and Energy (partly through the coordination of the German government's initiatives linked to raw materials)<sup>47</sup> are involved in financial and organisational terms in development policy (for example, they have their own special departments in charge of development policy).

**Chart 7.** ODA expenses of individual ministries in 2012



**Source:** Deutsche Entwicklungspolitik in Zahlen und Fakten - BMZ (2014)

<sup>46</sup> Deutsche Entwicklungspolitik in Zahlen und Fakten, [http://www.bmz.de/de/mediathek/publikationen/reihen/infobroschueren\\_flyer/flyer/Faltblatt\\_FaktenMDG.pdf](http://www.bmz.de/de/mediathek/publikationen/reihen/infobroschueren_flyer/flyer/Faltblatt_FaktenMDG.pdf)

<sup>47</sup> Stärkung rohstoffpolitischer Ansätze in der Entwicklungspolitik, Zwischenbilanz der Rohstoffaktivitäten der Bundesregierung (Schwerpunkt nichtenergetische Rohstoffe), Juli 2008, BMWi, <http://www.bmwi.de/BMWi/Redaktion/PDF/XYZ/zwischenbilanz-der-rohstoffaktivitaeten-der-bundesregierung,property=pdf,bereich=bmwi2012,sprache=de,rwb=true.pdf>



It has been debated for years in Germany whether the BMZ should become part of the Federal Foreign Office so that to improve the effectiveness and coordination of development policy and reduce its handling costs. However, given the political significance of this ministry, none of the cabinets has decided to make this move as yet<sup>48</sup>.

The CDU/CSU-SPD coalition is unlikely to place the Federal Foreign Office in charge of development policy and liquidate the BMZ, especially after the initiative of the new minister for economic co-operation and development, Gert Müller (CSU). He puts greater emphasis than his predecessor, Dirk Niebel (FDP), on humanitarian issues, labour conditions in developing countries (especially in the textile industry) and food and agriculture issues (before this he served as a secretary of state at the Ministry for Agriculture). One of Müller's key projects at the BMZ is the debate concerning the future of German development policy. This debate has been branded as 'Future Card' (Zukunftscharta) and is intended to make Germans aware of development policy issues, convince them that development policy begins at home (for example by buying fair trade products) and contribute to the formulation of new United Nations Millennium Development Goals – Post 2015. One of the main goals of the new minister is to join in the preparation and implementation of the German presidency of the G7 in 2015, where development is mentioned as one of Germany's priorities<sup>49</sup>.

Since the election to the Bundestag in 2013, the parliamentary commissions in charge of development policy, i.e. the commission for economic co-operation and development, the budget commission, the commission for human rights and humanitarian aid and the commission for foreign affairs have lost significance<sup>50</sup>. This is partly down to the lack of adequate staff among the deputies. Some of the deputies who were most strongly engaged in development issues

<sup>48</sup> Plans to make the BMZ part of the Federal Foreign Office were pushed through in the previous coalition by the liberal FDP. For example, it developed a document titled 'Papier zur politischen Positionierung von AA und BMZ', which prepared complete integration in three stages. However, in practice, only part of the BMZ's previous competences concerning humanitarian aid were transferred to the Federal Foreign Office. In effect, all responsibilities in the area of humanitarian aid are now the prerogative of the Federal Foreign Office. Niebels Plan, <http://www.zeit.de/2012/03/BMZ/komplettansicht>

<sup>49</sup> Pressekonferenz von Bundeskanzlerin Merkel zum G7-Gipfel am 4. und 5. Juni 2014, Brüssel, <http://www.bundesregierung.de/Content/DE/Mitschrift/Pressekonferenzen/2014/06/2014-06-05-merkel-pk.html>

<sup>50</sup> This was pointed out in a conversation with the OSW amongst others by Klaus Brückner (GIZ) and Dr. Marianne Beisheim (SWP), Berlin, 18–20 June 2014.

lost their mandates, while the newly elected ones view development policy (like foreign policy) as an unattractive area to operate in, since they would rather become involved in domestic policy and thus build their position among the electorate and within their political parties. The Bundestag since 1998 has also been the scene of debates devoted as a whole to the issues and implementation of German development policy.

German federal states also have development policies of their own, thus decentralising this policy on the federal level and making it difficult to coordinate. Each of the sixteen federal states has its own development policy guidelines, and attempt to coordinate them during annual meetings of the commission for development policy of the federal states and the federation. Federal states are involved in development policy first of all by funding grants for students from developing countries at German universities (in Germany, education is a responsibility of the federal states). In 2012, overall expenditure of the federal states on development policy reached 722 million euros (7.5% of total ODA)<sup>51</sup>. This policy is conducted through the establishment of co-operation partnerships between individual federal states and developing countries, e.g. Lower Saxony and Tunisia or North Rhine-Westphalia and Ghana<sup>52</sup>. Furthermore, an agency of GIZ, the main German implementing agency, operates in each federal state.

The BMZ's co-operation with non-governmental organisations, political foundations and churches (Catholic and Protestant) plays a great role in German development policy. The great variety of organisations (over 2,000 NGOs) involved in development policy and subsidies from the BMZ (in 2012, political foundations received 247 million euros, churches received 218 million euros in 2014, and NGOs received 60 million euros in 2012)<sup>53</sup> guarantee the base for long-term development projects. This also concerns the countries which have no adequate institutional and legal infrastructure to conduct co-operation or

<sup>51</sup> BMZ, *Zahlen und Fakten*, [http://www.bmz.de/de/mediathek/publikationen/reihen/info-broschueren\\_flyer/flyer/Faltblatt\\_FaktenMDG.pdf](http://www.bmz.de/de/mediathek/publikationen/reihen/info-broschueren_flyer/flyer/Faltblatt_FaktenMDG.pdf)

<sup>52</sup> A detailed list of activities in which individual federal states are engaged can be found in: *Deutsche Länder in der Entwicklungspolitik*, <http://www.entwicklungspolitik-deutsche-laender.de/deutsche-l%C3%A4nder>

<sup>53</sup> Nichtregierungsorganisationen (Private Träger und Sozialstrukturträger), [http://www.bmz.de/de/was\\_wir\\_machen/wege/bilaterale\\_ez/akteure\\_ez/nros/index.html?PHPSESSID=fc344d5ee5f8c660a9d8eedof38c8796](http://www.bmz.de/de/was_wir_machen/wege/bilaterale_ez/akteure_ez/nros/index.html?PHPSESSID=fc344d5ee5f8c660a9d8eedof38c8796). It was pointed out in the OECD survey published in 2000 that around 175,000 people are engaged as volunteers in co-operation between northern and southern countries. Cf. <http://www.bpb.de/apuz/27118/entwicklungspolitische-nicht-regierungs-organisationen-in-deutschland>

in cases where good political relations between Germany and a given country do not exist. NGOs are primarily focused on combating poverty (hence most of the projects concern education and healthcare), while political foundations are active to a greater extent in the implementation of political projects thus contributing to the implementation of German diplomacy's goals. Owing to these foundations, Germany is able to carry out its long-term priorities in foreign policy (including democratisation, promoting the rule of law, supporting the legislative process and combating corruption) everywhere where this is impossible with the use of the classical foreign policy instruments and where other development policy instruments do not bring the desired effects. Furthermore, engagement in development policy allows Germany to promote political lobbying, to build a network of contacts in a given country and to obtain information which is often much more accurate than official data, all of which is necessary to conclude development co-operation agreements<sup>54</sup>.

With such an extensive network of institutions involved in German development policy, coordination and exchange of information between all the actors is a problem. In an attempt to overcome these problems, meetings between departments of individual ministries and ad hoc working groups are held. However, often as a result of further arrangements at higher levels of German administration, and following consultations with development co-operation organisations, the initial guidelines are modified and this does not lead to coordinated actions of all the agencies involved. Another problem area is co-operation and distribution of competences between embassy staff delegated by the Federal Foreign Office and the BMZ.

Another problem the BMZ needs to face is the limited number of staff, mainly in the area of strategic planning. This translates into difficulties in initiating political projects and their effective implementation (in both Germany and developing countries). This also results in the inadequate shaping of international policy and the policies of other ministries (especially the environmental, security and foreign policies). Staff shortages also affect the quality of evaluation of development policy<sup>55</sup>. In this case, the BMZ focuses above all on controlling

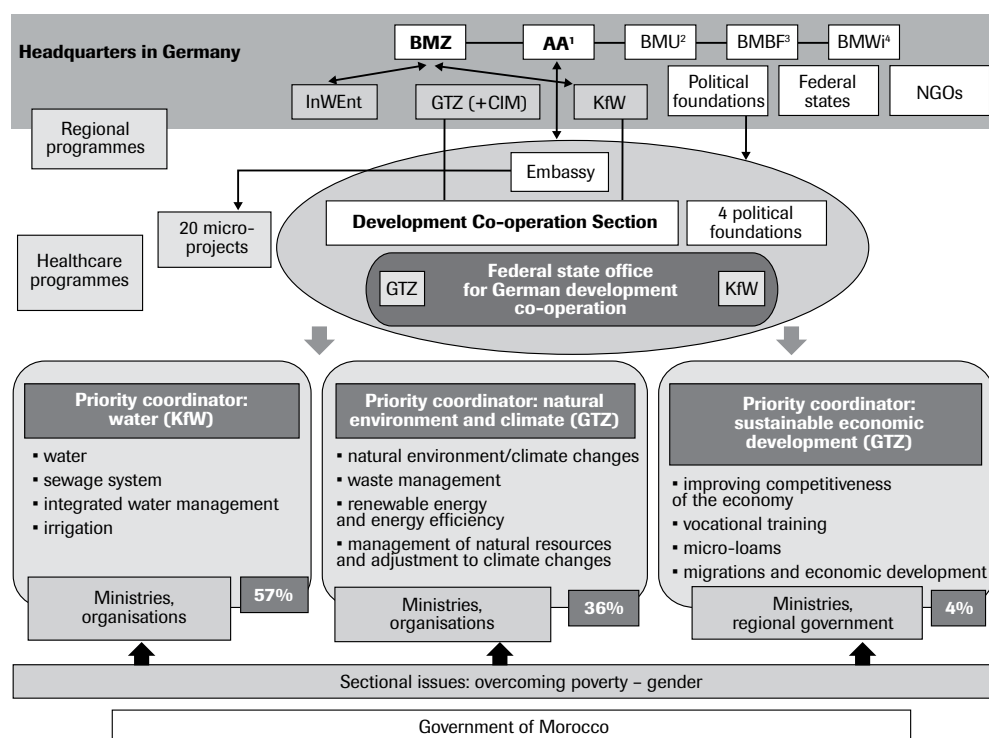
<sup>54</sup> S. W. Pogorelskaja, Die parteinahen Stiftungen als Akteure und Instrumente der deutschen Außenpolitik, <http://www.bpb.de>

<sup>55</sup> Deutschland. Entwicklungsausschuss (DAC), *op. cit.*, s. 68, Furthermore, OECD experts have pointed out that a conflict of interest between implementing organisations and the offices to which they offer consulting can be a problem. In such a case, some experts might create recommendations guided by the interests of these organisations in the first place.

the implementing organisation, including the implementation of the political guidelines set out in the BMZ's strategies and concepts.

The structure and the great number of entities involved in German development policy also poses a problem to foreign partners (one example of the connections between German co-operation institutions in a partner state and the central office in Germany is presented in Chart 8). The centralisation of the BMZ and its supervisory function with regard to development co-operation organisations which are decentralised makes the partner states confused about which entity they should consult in a given matter.

**Chart 8.** The structure of German development co-operation in Morocco



<sup>1</sup> Federal Foreign Office (AA)  
<sup>2</sup> Federal Environment Ministry (BMU)  
<sup>3</sup> Ministry of Education and Research (BMBF)  
<sup>4</sup> Ministry for Economic Affairs and Energy (BMWi)

**Source:** OECD, Entwicklungsausschuss (DAC), PEER REVIEW 2010

German development policy is less effective because the BMZ is unable to coordinate the activities of all its actors to a sufficient extent. Reforms to this effect have been proposed by both international institutions, e.g. the OECD and German experts, including from the German Development Institute (DIE) and

SWP (Science and Politics Foundation)<sup>56</sup>. The main proposals include further merger of implementing organisations, which was partly done in 2011 when GTZ (Deutsche Gesellschaft für Technische Zusammenarbeit, the German Association for Technical Co-operation) and InWEnt (Internationale Weiterbildung und Entwicklung gGmbH – Continued International Education and Development), which were two separate institutions until 2002<sup>57</sup>, merged into GIZ. It has also been proposed to unite the financial and technical co-operation instruments as part of a single programme following Japan's example, and Germany's greater engagement as part of multilateral development co-operation, though this is highly unlikely considering German political priorities and goals. Furthermore, Germany should restrict the scope of topics covered by development co-operation and the number of countries to which co-operation is offered. This will allow the BMZ's resources to be increased and for them to be utilised for the carrying out basic tasks<sup>58</sup>.

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<sup>56</sup> Cf. G. Ashoff, *Institutioneller Reformbedarf in der bilateralen staatlichen deutschen Entwicklungszusammenarbeit*, p. 4, <http://www.die-gdi.de/analysen-und-stellungnahmen/article/institutioneller-reformbedarf-in-der-bilateralen-staatlichen-deutschen-entwicklungszusammenarbeit/>; D. Brombacher, *Geberstrukturen in der Entwicklungspolitik*, *SWP-Studien 2009*, Oktober 2009, [http://www.swp-berlin.org/fileadmin/contents/products/studien/2009\\_S27\\_brm\\_ks.pdf](http://www.swp-berlin.org/fileadmin/contents/products/studien/2009_S27_brm_ks.pdf)

<sup>57</sup> F. Nuscheler, *op. cit.*, s. 331.

<sup>58</sup> To improve the effectiveness of German development policy, the OECD recommended for Germany in its report in 2010: the need to adjust aid so that in 2015 it reaches 0.7% of GNP, a level promised by Germany, for example, in subsequent coalition agreements; replacing state debt reduction preferred until recently (as part of financial co-operation, which in fact does not entail the need to incur additional financial costs) with other forms of development co-operation; focusing German development co-operation on African countries and regions facing the highest risk of crisis; encouraging new investors to support developing countries (at the same time, the OECD warns against transforming this process into a new instrument for promoting Germany's own exports); improving the coordination of development policy among all its actors; stronger decentralisation of the BMZ by delegating part of its competences to diplomatic agencies and improving the evaluation of development policy for which the BMZ is responsible to the greatest extent. Cf. Deutschland. *Entwicklungsausschuss (DAC)*, *op. cit.*

## **APPENDIX 1. THE SECTORAL CONCEPT FOR SUPPORTING PRIVATE COMPANIES**

The Sectoral concept for supporting companies (BMZ Strategiepapier 9/2013)<sup>59</sup>, which was amended in 2013, is addressed above all to small and medium-sized firms in developing countries. The main goals are: support for companies in certain sectors of the economy, support for local and regional economies, supporting ecological and sustainable development, reinforcing innovative systems and support for institutions representing companies' interests. To achieve these goals, Germany employs as part of technical co-operation: specialist consulting (mainly in ministries and in the legislative process), dialogue programmes and platforms uniting key actors at economic institutions, financial support for economic organisations and associations. As part of financial co-operation, Germany supports political dialogue aimed at creating the conditions for developing private business and improving the skills of key actors and experts. In addition to this, Germany promotes PPP partnerships as part of joint projects with companies from developing countries. By implementing this concept Germany wants above all to improve legal conditions for doing business in developing countries and thus encourage German entrepreneurs to invest in these countries. Furthermore, Germany wants to create a network of contacts and develop collaborating institutions in order to reinforce entrepreneurship there. The element which is constantly present in this concept is support for projects promoting stronger involvement of women in the economy and also the use of renewable energy sources.

The BMZ emphasises in its concept that it offers an opportunity for companies from developing countries to become part of the 'production cycle' in which they will take over certain production stages supplying adequate components. This is expected to create additional workplaces and allow them to gain new outlets and use German know-how and technologies.

<sup>59</sup> Sektorkonzept Privatwirtschaftsförderung, *BMZ-strategiepapier 9/2013*, [http://www.bmz.de/de/mediathek/publikationen/reihen/strategiepapiere/Strategiepapier333\\_09\\_2013.pdf](http://www.bmz.de/de/mediathek/publikationen/reihen/strategiepapiere/Strategiepapier333_09_2013.pdf)

## **APPENDIX 2. SECURITY VS. DEVELOPMENT: DEVELOPMENT CO-OPERATION WITH AFGHANISTAN AFTER 2014**

Since 2001, Germany has been strongly active in development co-operation in Afghanistan. On 27 November 2001, Germany held a conference in Petersberg near Bonn concerning coordination of humanitarian and development aid and support for the democratisation of Afghanistan. Germany also organised conferences in 2002, 2004 and 2011. Internal security in Afghanistan and its economic and political development were also among German priorities during its period on the UN Security Council in 2011–2012. Germany has coordinated the council’s policy regarding Afghanistan (in practice this meant presiding over work on the Security Council’s resolutions) and chaired the Security Council’s commission on sanctions on Al-Qaeda/ the Taliban.

In 2002–2009, Germany allocated a total of 1.3 billion euros for the reconstruction of Afghanistan<sup>60</sup>. In the report concerning the development of the situation in Afghanistan in 2014, the German government undertook to spend as part of development co-operation up to 430 million euros annually by 2016<sup>61</sup>. In 2014, development co-operation was worth in total 245 million euros. The partnership agreement signed on 16 May 2012, which primarily concerns the time-frame between 2015 and 2024, is the basis of German-Afghan co-operation.

According to the strategy adopted by the BMZ for co-operation with Afghanistan for 2014–2017, the previous priorities of German engagement have not changed. Until recently, they were focused on the rule of law, sustainable economic development, education, energy and water-sewage projects. Since 2014, Germany has placed greater emphasis on creating new jobs. At the same time, Germany is interested in intensifying co-operation in the area of raw material production (for example, through consultancy offered to Afghan ministries concerning production conditions), development of renewable energy sources and vocational training. The regional priority of German engagement remains unchanged in the new strategy – these are the northern areas of Afghanistan, the provinces: Badakhshan, Baghlan, Balkh, Kunduz, Samangan and Takhar, and Kabul as the capital city. The BMZ is represented in the northern province by a special envoy. The partners of German

<sup>60</sup> Beziehungen zwischen Afghanistan und Deutschland, [http://www.auswaertiges-amt.de/DE/Aussenpolitik/Laender/Laenderinfos/Afghanistan/Bilateral\\_node.html](http://www.auswaertiges-amt.de/DE/Aussenpolitik/Laender/Laenderinfos/Afghanistan/Bilateral_node.html)

<sup>61</sup> Fortschrittsbericht zur Lage in Afghanistan 2014, p. 2, <http://dip21.bundestag.de/dip21/btd/18/004/1800466.pdf>

development co-operation in the provinces are primarily local governments and Provincial Development Committees.

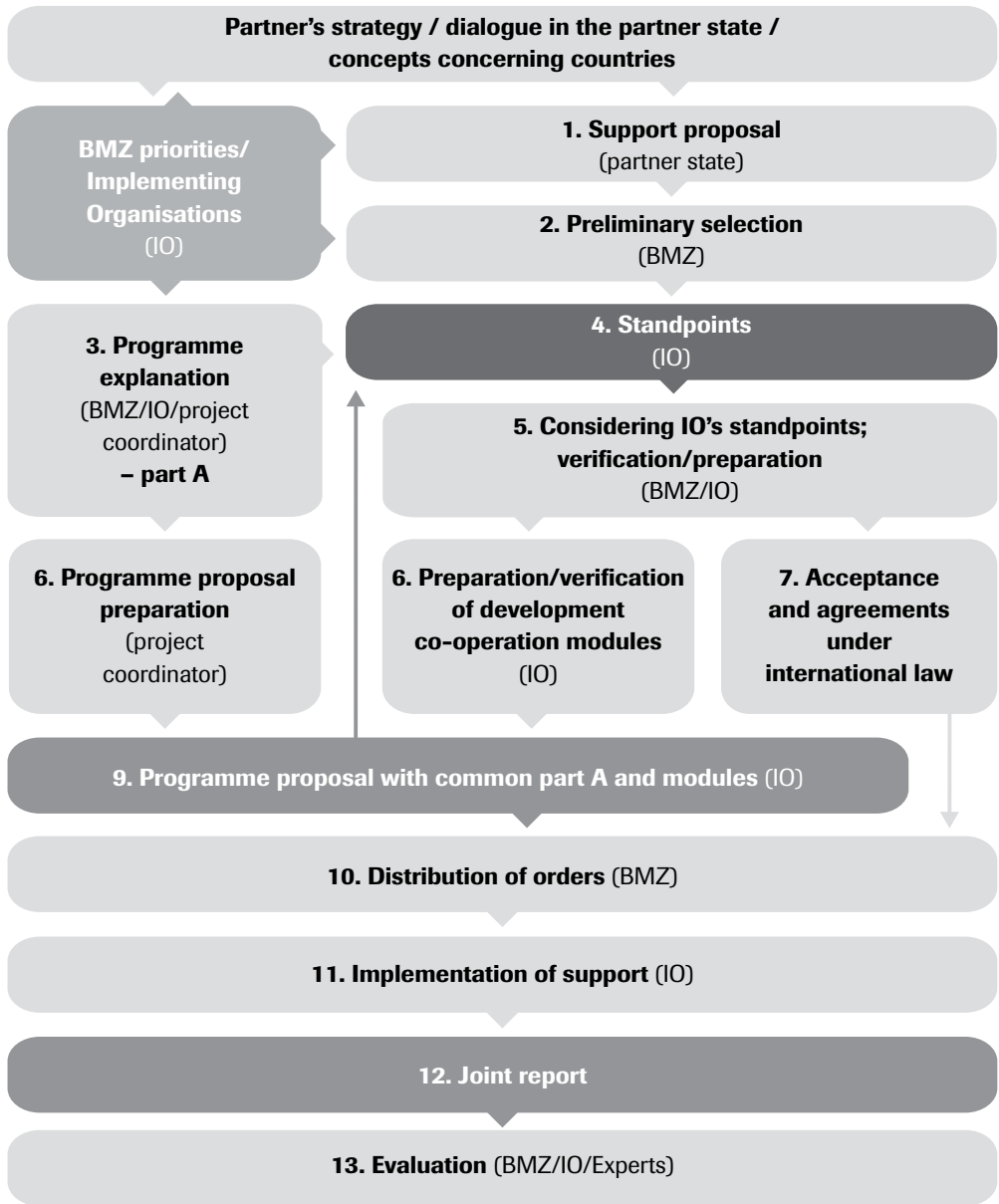
Conditionality of support offered forms an essential part of German co-operation with Afghanistan. Germany makes full-scale co-operation with Afghanistan dependent on progress in carrying out reforms announced by the Afghan government. The strategy includes the stipulation that unless sufficient progress is made, not all funds allocated for co-operation will be made available<sup>62</sup>. The new strategy determines in detail the indicators for verification of the goals set by Germany. For example, in the case of the first priority (rule of law) the criteria are: results of public opinion polls in Afghanistan as to whether human rights, including above all women's rights, are respected more than before 2014; the degree to which analyses concerning combating corruption are used to build ministerial structures; a 50% increase of cases in Afghan courts where the BMZ's consulting is used; and a 35% increase in the share of women in legal professions. A similar set of indicators has been prepared for all of the five priorities.

Furthermore, the strategy sets the priorities for the Federal Foreign Office, which are focused above all on the reform of Afghan law enforcement agencies, support for the construction of hospitals, schools, transport infrastructure and building capabilities as regards the judiciary, vocational training and the reconstruction of destroyed cultural heritage.

<sup>62</sup> Neue entwicklungspolitische Strategie für die Zusammenarbeit mit Afghanistan im Zeitraum 2014 - 2017, *BMZ 2014*, p. 5; [http://ez-afghanistan.de/fileadmin/content/home\\_page/Strategiepapier342\\_03\\_2014.pdf](http://ez-afghanistan.de/fileadmin/content/home_page/Strategiepapier342_03_2014.pdf)

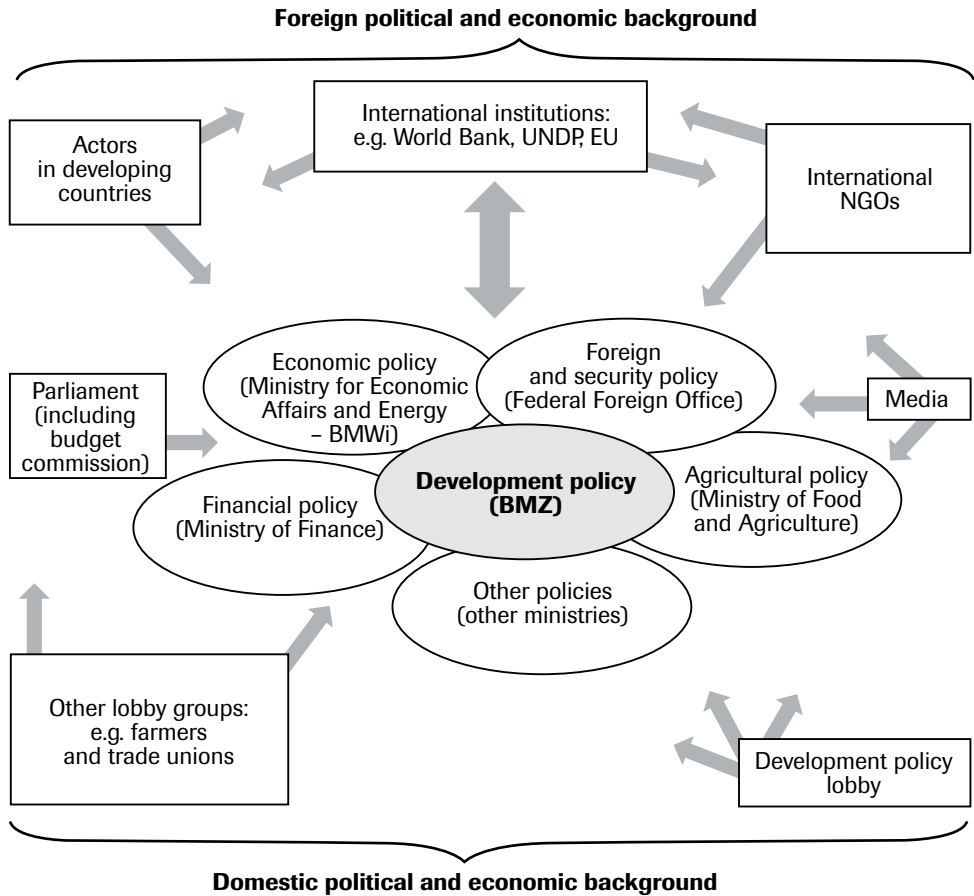


**APPENDIX 3. PLANNING AND IMPLEMENTATION OF FINANCIAL AND TECHNICAL DEVELOPMENT CO-OPERATION**



Source: [http://www.bmz.de/de/was\\_wir\\_machen/wege/bilaterale\\_ez/zwischenstaatliche\\_ez/index.html](http://www.bmz.de/de/was_wir_machen/wege/bilaterale_ez/zwischenstaatliche_ez/index.html)

**APPENDIX 4. GERMAN DEVELOPMENT POLICY SCHEME**  
**- INSTITUTIONS AND INTEREST GROUPS**



**Source:** F. Nuscheler, Entwicklungspolitik. Lern- und Arbeitsbuch, Bonn 2012

## **APPENDIX 5. DEVELOPMENT CO-OPERATION AND CONSULTING IN UKRAINE**

Ukraine has been treated as a partner state by Germany as regards development co-operation since 2002. Projects worth 320 million euros were implemented by 2014 as part of financial and technical co-operation. Germany, after the EU and the USA, is the third largest donor in Ukraine. In 2011, development co-operation funds reached 33 million euros (11 million euros as part of technical co-operation, mainly consulting, and 22 million euros as part of financial co-operation, loans). This means a 57% increase as compared to 2010, when total development co-operation funds were worth 21 million euros. It is worth noting that Ukraine has received less development funds from Germany than other countries in the region (for example, in 2012, Serbia received 81 million euros, Georgia 59 million euros, and Kosovo 28 million euros). German development co-operation with Ukraine also intensified in 2014 in connection with the military operation in eastern Ukraine. The aid increased to 40 million euros.

Germany focuses in Ukraine on three major aspects of development co-operation: sustainable economic development (including investment support and assistance to small and medium-sized companies), renewable energy sources and healthcare issues. At the same time, development co-operation instruments (mainly loans granted by KfW Entwicklungsbank and projects coordinated by GIZ as part of technical co-operation) make it possible to implement many other projects in the areas of support for agriculture and scientific co-operation.

Ukraine is the country which has been covered by Germany's most extensive consulting programme (among Eastern Partnership countries), which is mainly linked to Ukraine's economic and political potential. For many years Germany has used the consulting system to press (mostly unsuccessfully) on Kyiv to improve investing conditions. Above all, this concerns combating corruption, shortening the time for issuing permits in the investment process and clear interpretation of legal regulations applied. It has also pressed on the reform of electoral law, strengthening the rule of law, greater independence of judges and weakening the position of public prosecution authorities, and in particular of the prosecutor general. Germany also wants to strengthen control of the competences of public servants and transparency in spending public money. It also expects that the practice of informing public opinion of lawsuits to a greater extent will be introduced and that public servants will improve their qualifications in order to be ready to implement EU law, given the expected signing of the Association Agreement.

To support reforms and legal transformation in Ukraine, the German Consulting Group (Deutsche Beratergruppe) was established in 1994. It focuses on preparing macroeconomic analyses regarding the development of financial markets, energy, infrastructure, social policy and healthcare. Comprehensive consultation is offered above all to Ukrainian state institutions, including ministries, the central bank and parliament representatives. The group's work is fully financed as part of the German programme TRANSFORM (known as TRANSFORM-Nachfolgeprogramm since 2005) implemented by the Ministry for Economy and Energy. The group closely co-operates with the Institute for Economic Research and Policy Consulting (IER Kiev) which was established in 1999 by the Ukrainian government and the German Consulting Group.

The High-Level Group on Economic Affairs, established in 2005 on the initiative of Chancellor Gerhard Schröder and President Viktor Yushchenko, is the most important body as regards coordination of economic co-operation. This body is in charge of developing joint projects in high-priority economic sectors: modernisation of metallurgy and coal mining, certification and standardisation, biofuel production, development of transport infrastructure, aviation and shipbuilding industries<sup>63</sup>. This form of economic coordination is supplemented by the presence of the German Economic Delegation in Ukraine since 1993 and the Ukrainian-German Forum, which was established in 1999 on the basis of an agreement between the Ukrainian League of Industrialists and Entrepreneurs and the German Economic Association. It serves as a co-operation platform for entrepreneurs from both countries, for example through holding mutual presentations of entities interested in co-operation and offering legal assistance for those who want to open a firm. It is even more important since the president of the forum is Rainer Lindner, who also chairs the Committee on Eastern European Economic Relations (Ost-Ausschuss); and his deputy is Günter Verheugen (a politician from the SPD and a former EU commissioner for enlargement).

German political foundations also play an important consulting role. At present, five foundations linked to German political parties operate in Ukraine (the Friedrich Ebert Foundation linked to the SPD, the Konrad Adenauer Foundation linked to the CDU, the Friedrich Naumann Foundation for Freedom linked to the FDP, the Hans Seidl Foundation linked to the CSU and the Heinrich Böll Foundation linked to the Green Party). They hold workshops, training

<sup>63</sup> Cf. Anna Górska, Współpraca niemiecko-ukraińska – korzystny dla obu stron niemiecki pragmatyzm [in:] Łukasz Antas (ed.) *Relacje gospodarcze Niemiec z krajami Europy Środkowo-Wschodniej*, OSW, Warsaw 2008, p. 47.

courses, conferences for representatives of civil society in Ukraine and they co-operate closely with political organisations, thus building strong personal bonds between representatives of Germany and future civil society leaders and politicians in Ukraine. They also issue publications and training materials and organise research visits in Germany and fund grants. Contacts between the Konrad Adenauer Foundation and Vitali Klitschko's party, UDAR, are particularly important for this co-operation. The Christian Democratic political foundation has held training courses and seminars for UDAR (and its youth wing) concerning such areas as the consequences of signing the Association Agreement between Ukraine and the EU and the process of adjusting Ukrainian law to EU law, as well as the way in which German political parties operate<sup>64</sup>. In addition to this, the weekly magazine, *Der Spiegel*, revealed towards the end of 2013 that German Christian Democrats and the European People's Party (EPP) wanted to back the Ukrainian opposition more intensively than before, and invited the leaders of Batkivshchyna, led by Yulia Tymoshenko and UDAR, to the congress of the European People's Party in Dublin in March 2014<sup>65</sup>.

Since 2012, German experts and companies have taken part in the pilot programme *Energieeffiziente Stadt* in Zhovkva. On the Ukrainian side, this enterprise was initiated by President Viktor Yanukovich and the Ministry for Regional Development, and on the German side this programme is implemented by the Committee on Eastern European Economic Relations. Since October 2013, Zhovkva has been a partner city for Delitzsch in Germany. Project financing is guaranteed by GIZ from the budget of the German Ministry for the Environment, Nature Conservation, Building and Nuclear Safety. This programme is aimed at improving the city's energy infrastructure: this concerns first of all overhauls of residential and public utility buildings so that they are more energy and heat-saving. Germany would like to use here those technological solutions which have been successfully employed in other regions of Ukraine, and thus to promote German technologies in the energy sector.

The co-operation also includes support for the food and agricultural sector. As part of the German-Ukrainian Agrarian Dialogue programme a long-term

<sup>64</sup> Including Seminar mit der politischen Partei UDAR von Vitali Klitschko, <http://www.kas.de/ukraine/de/pages/12882/>; Studien- und Dialogprogramm für Parlamentsabgeordnete der Fraktion UDAR aus der Ukraine, <http://www.kas.de/wf/de/33.36203/>; Vitali Klitschko: Von der CDU kann man viel lernen, <http://www.youtube.com/watch?v=Sgq3NsQDTGE>

<sup>65</sup> Ost-West-Konflikt um die Ukraine: Merkel kämpft für Klitschko, <http://www.spiegel.de/politik/ausland/ukraine-merkel-will-klitschko-zum-praesidenten-aufbauen-a-937853.html>

loan worth 11 million euros and a grant worth 3 million euros have been granted for the implementation of projects concerning: support for agricultural businesses, development of a loan system for rural areas and support for the effective use of energy by small and medium-sized companies. Another example of the implementation of agricultural projects is German consultancy covering the adjustment of plant protection standards to EU regulations and those for improving transparency on the land trade market (projects implemented by the German Ministry for Food and Agriculture since 2012). Furthermore, Germany holds training courses among Ukrainian farmers concerning the use of pesticides, and have a predominant share in the Ukrainian market for these products<sup>66</sup>.

<sup>66</sup> Cf. Anna Górska, Współpraca niemiecko-ukraińska - korzystny dla obu stron niemiecki pragmatyzm [in:] Łukasz Antas (ed.) Relacje gospodarcze Niemiec z krajami Europy Środkowo-Wschodniej, OSW, Warsaw 2008, p. 47.

## APPENDIX 6. DEVELOPMENT CO-OPERATION AND POLITICAL FOUNDATIONS IN NORTH AFRICA

German development co-operation in North Africa covers six countries (co-operation with Syria was suspended in 2011). It has intensified since the Arab Spring in 2010 and has been supplemented by special programmes of the Federal Foreign Office and the Ministry for Economy and Energy. The main goals of this co-operation are political stabilisation of the region and improving economic conditions in these countries (including investment conditions, which would allow Germany to reinforce its own economic position in the region which traditionally has close economic relations with France and Italy) and restricting the influx of immigrants and refugees to Germany. In 2011, the German Federal Foreign Office initiated a programme supporting the democratic transformation in Egypt, Tunisia, Morocco, Libya, Jordan and Yemen. As part of this programme, projects aimed at strengthening democratic institutions, including constitution amendments, creating leaders among young people (for example, training in Germany), co-operation of higher education facilities and economic co-operation are implemented. Annually, the Federal Foreign Office allocates 50 million euros on around 200 projects linked to this programme.

### Co-operation with individuals countries in the region:

Country	Co-operation sum (million euros)	Co-operation priorities	Political foundations
Egypt	353 (2012/2013)	<ul style="list-style-type: none"> <li>- the use and management of water reserves</li> <li>- climate and natural environment protection (including the energy sector and waste disposal)</li> <li>- education and improving employment levels</li> <li>- urban development</li> <li>- human rights</li> <li>- administration reforms</li> </ul>	<ul style="list-style-type: none"> <li>- Friedrich Ebert Foundation (FES) (projects concerning environmental protection and human rights)</li> <li>- Hanns Seidel Foundation (HSS) (projects mainly focused on the decentralisation of power)</li> <li>- Friedrich Naumann Foundation (FNS) An agency of the Konrad Adenauer Foundation (KAS) was closed in 2013 after a court sentence was passed and the foundation's workers were sentenced to several years in prison on charges of illegal activity and financing contrary to the law brought by the Egyptian government.</li> </ul>

Country	Co-operation sum (million euros)	Co-operation priorities	Political foundations
Tunisia	151.5 (2013)	<ul style="list-style-type: none"> <li>- development of agricultural areas</li> <li>- raising employment levels among young people</li> </ul>	<ul style="list-style-type: none"> <li>- FNS (most projects concern support for journalists)</li> <li>- FES (main engagement concerns support for trade unions; actions for the protection of women's and young people's rights)</li> <li>- KAS (projects concerning for example democratisation, the rule of law and civil society)</li> </ul>
Morocco	671.7 (2012/2013)	<ul style="list-style-type: none"> <li>- water resource management</li> <li>- renewable energy sources</li> <li>- sustainable economic development</li> </ul>	<ul style="list-style-type: none"> <li>- FNS (emphasis put on women's rights)</li> <li>- FES (mainly support for women's political activity, human rights and trade unions)</li> <li>- HSS (projects addressed to employees, academic staff and administration aimed at reinforcing democratic and legal structures, civil society and decentralisation)</li> <li>- KAS (the priorities are projects strengthening democracy and the rule of law, civil society and intercultural dialogue)</li> </ul>
Jordan	214 (2012/2013)	<ul style="list-style-type: none"> <li>- water management</li> <li>- due to the war with Syria in 2012 and 2013, the BMZ allocated a total of 64 million euros for care over refugees in Jordan</li> </ul>	<ul style="list-style-type: none"> <li>- FES (projects linked to social justice in the broad meaning of the term, democratic participation, unemployment among young people, promoting women's rights and energy and climate policy)</li> <li>- FNS (projects concerning corporate culture, creation of liberal conditions of economic development)</li> <li>- KAS (focused on human rights and refugees)</li> </ul>
Yemen	93 (2011/2012)	<ul style="list-style-type: none"> <li>- potable water supplies</li> <li>- sewage system</li> <li>- education</li> </ul>	<ul style="list-style-type: none"> <li>- FES (the projects are mainly aimed at improving women's rights and employment levels among young people)</li> </ul>



Country	Co-operation sum (million euros)	Co-operation priorities	Political foundations
Palestine	55 (2013)	<ul style="list-style-type: none"> <li>- water supplies</li> <li>- water and sewage systems</li> <li>- combating unemployment</li> <li>- administration support</li> </ul>	<ul style="list-style-type: none"> <li>- KAS (the projects concern mainly support for rule of law institutions, development of local government, strengthening civil society and support for economic reforms)</li> <li>- FES (the projects are addressed above all to political and local government leaders concerning dialogue and democratisation)</li> <li>- FNS (the projects concern strengthening liberal political and economic structures, and political and social dialogue in the region)</li> </ul>

## APPENDIX 7. THE BMZ'S STRATEGIES AND CONCEPTS CONCERNING DEVELOPMENT POLICY

Priority	Documents
Elimination of poverty	<ul style="list-style-type: none"> <li>- The BMZ's sectoral concept: Social security (July 2009)</li> <li>- The BMZ's sectoral concept: Health in German development policy (August 2009)</li> <li>- The BMZ's concept concerning the development of agricultural areas and food safety (March 2011)</li> <li>- The BMZ's standpoint - Germany's contribution to sustainable combating of HIV (June 2012)</li> <li>- The BMZ's suprasectoral concept: Effective elimination of poverty worldwide (August 2012)</li> </ul>
Democracy and human rights	<ul style="list-style-type: none"> <li>- The BMZ's concept: Human rights in German development policy (May 2011)</li> <li>- The BMZ's standpoint: Young people in German development policy. Contribution to the implementation of children's and young people's rights (October 2011)</li> <li>- The BMZ's concept: Combating corruption and integration in German development policy (June 2012)</li> <li>- The BMZ's action plan for the inclusion of handicapped people (January 2013)</li> </ul>
Education	<ul style="list-style-type: none"> <li>- The BMZ's strategy for education - Ten goals for the improvement of education (February 2012)</li> </ul>
Economy and sustainable economic development	<ul style="list-style-type: none"> <li>- The BMZ's standpoint on raw materials (April 2010)</li> <li>- The BMZ's strategy: Contribution of tourism to sustainable development and the implementation of the Millennium Development Goals (March 2011)</li> <li>- The BMZ's strategy: Co-operation with economy (March - April 2011)</li> <li>- The BMZ's strategy: Aid for Trade - Development policy in trade (June - August 2011)</li> <li>- The BMZ's strategy: Biofuel - the opportunities and risks for developing countries (November 2011)</li> <li>- The BMZ's strategy: Investments in rural areas and the 'Land Grabbing' phenomenon - development policy challenges (January 2012)</li> <li>- The BMZ's strategy: waste as raw materials (January 2012)</li> </ul>

Priority	Documents
Greater engagement	<ul style="list-style-type: none"> <li>- The BMZ's strategy: Support for constructive state – society relations – legitimacy, transparency and responsibility (2010)</li> <li>- The BMZ's strategy: Co-operate, co-act and co-create – co-operation with civil society in German development policy (2013)</li> </ul>
Prevention	<ul style="list-style-type: none"> <li>- The German government's concept: Co-shaping globalisation, developing partnerships and sharing responsibility (February 2012)</li> <li>- The BMZ's concept: Political and development co-operation with global development partners (June 2011)</li> <li>- Joint guidelines from the BMZ, the Federal Foreign Office and the Ministry of Defence on policy towards unstable countries (October 2012)</li> <li>- The BMZ's concept: Development for peace and security. Political and development engagement in the context of instability and violence (2013)</li> </ul>
Co-operation with countries and regions	<ul style="list-style-type: none"> <li>- The German government's guidelines concerning the policy towards Africa (2014)</li> <li>- The German government's concept on Latin America and the Caribbean Islands (2010)</li> <li>- The BMZ's strategy: German development policy in Asia (August 2011)</li> <li>- The BMZ's strategy: Co-operation with Afghanistan in 2014–2017 (June 2014)</li> </ul>
Multilateral co-operation	<ul style="list-style-type: none"> <li>- The BMZ's guidelines on multilateral development co-operation (2013)</li> </ul>

## **APPENDIX 8. FORMS OF CO-OPERATION BETWEEN GERMAN DEVELOPMENT POLICY AND BUSINESS**

German development co-operation is based on six forms of co-operation with German private companies. According to one of the basic principles of German development co-operation, the win-win principle, co-operation between public and private institutions allows all parties to enjoy the benefits of co-operation, increases the funds necessary for implementing development policy and often improves the effectiveness of projects conducted owing to business know-how. In turn, this co-operation lets firms reduce the risk they take when entering a new market, to expand it and to gain benefits from building the company's image (including the perception of the firm as an element of business's social responsibility).

The main forms of co-operation are:

1. Sponsoring – first of all in the social area and in natural environment protection.
2. Formal contact networks – support for the operation of organisations which gather together representatives of state administration, entrepreneurs and civil society who deal with development policy on a regular basis (above all in the areas of improving investment climate and private sector development in developing countries).
3. Development partnerships with economy – the BMZ distinguishes two types of partnership: (1) when one of the organisations implementing German development policy is a partner for the company – most of such projects concern vocational training in developing countries; (2) when an institution in the partner state (generally ministries or implementing organisations in the developing country) is a partner for a German company (including banks). The following criteria need to be met in order for one of the two partnerships to exist: compliance with the development policy goals, complementarity, subsidiarity, competitiveness and own contribution<sup>67</sup>.
4. Public-Private Partnerships – PPP. This form of co-operation has been promoted by the BMZ since 1999. It enables private companies to carry out

<sup>67</sup> Kooperation mit dem Privatsektor im Kontext der Entwicklungszusammenarbeit – Kooperationsformen, p. 8, [http://www.bmz.de/de/mediathek/publikationen/themen/wirtschaft/Strategiepapier304\\_05\\_2011.pdf](http://www.bmz.de/de/mediathek/publikationen/themen/wirtschaft/Strategiepapier304_05_2011.pdf)

public tasks. In the case of development policy, PPP allows the reduction of investment risk for companies doing business in developing countries. According to the BMZ, 52% of entrepreneurs involved in PPP thus want to reduce the risk of entering the market in developing countries<sup>68</sup>. This form of co-operation is seen above all in the areas of infrastructure, energy, telecommunication, transport and water and sewage projects.

5. Mobilisation and combining private and public capital – DESERTEC project is an example of this form of co-operation.
  
6. Financial and consulting support for private institutions in developing countries has been supported by DEG (German Association for Investment and Development) as a subsidiary of KfW bank since 1962; financing private projects which are in line with German development policy in developing countries. Loans are granted on market conditions, above all in the area of protecting the natural environment in countries where income per resident is low and investment risk is high (these are predominantly projects which could not gain financial backing under market conditions due to excessive risk).

<sup>68</sup> Entwicklungspartnerschaften mit der Wirtschaft, BMZ, September 2014, p. 4.