

# German foreign aid is at a record high and rising. Here is how it works.

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The German flag. Photo by: [Martin Deutsch](#) / CC BY-NC-ND

*EDITOR'S NOTE: This is part two of a three-part Devex series that examines Germany as an emerging power in global development. Read part one: [Germany, an emerging power in global development, remains a reluctant leader](#).*

Berlin, Germany — Germany has reinvented itself three times in 100 years, following World War I, World War II, and the reunification with East Germany.

“This experience is useful in the international development context and I still think it influences our perspective” said Chris Meyer Zu Natrup, managing director at [MzN International](#), an association of development professionals based in Hamburg, Germany.

A massive aid recipient half a century ago, Germany is now the [third largest donor](#) for official development assistance, after the United States and the United Kingdom. From the *Wirtschaftswunder* — which is German for the economic miracle the country experienced after World War II — to the *Energiewende* — the transition Germany is now making toward becoming a clean energy economy — the country is drawing on its own experience to provide guidance to its partners.

It is impossible to understand how Germany views its role in the development world without considering how its dark past informs the present. Given its history, Germany prefers to work behind the scenes or alongside others, making any profile of how German foreign aid works a complex undertaking. But it is important for the global development community to understand how a country with a growing budget for development cooperation and increasing pressure to take a leading role on the world stage approaches its work in development cooperation.

On Dec. 1, Germany took over the G20 presidency, building an agenda [under the slogan](#) “shaping an interconnected

world.” A range of development topics, from youth employment to marine conservation to sustainable supply chains, will be on the agenda at the G20 summit, which will take place in Hamburg in July. The country is seeking thoughts from the other G20 members — as well as representatives of groups ranging from business to women to academia — in a meeting German Chancellor Angela Merkel has called [more important now](#) than ever before. It is also a chance for Germany to shape trends in global development going forward.

“Good, effective, poverty-beating development and humanitarian aid cannot simply be exported — it must be based on good cooperation. It’s more Made with Germany, and less Made in Germany,” Meyer Zu Natrup said.

## ODA on the rise

German official development assistance is on the rise, according to data from [Donor Tracker](#), an initiative of [SEEK Development](#), which is a global development consulting group based in Berlin that has recently expanded the Donor Tracker with funding from the [Bill & Melinda Gates Foundation](#).

German ODA increased by 26 percent in 2015, with the country spending \$17.8 billion — or .52 percent of its gross national income — on official development assistance that year. That was the largest development budget Germany has ever had, and it goes against the trend of declining ODA among other major donors, including the U.S. and Australia. Much of that increase in budget is due to the money the country has spent on refugees, which hit \$171 million in 2014, \$3.5 billion in 2015, and is expected to have doubled from 2015 to 2016.

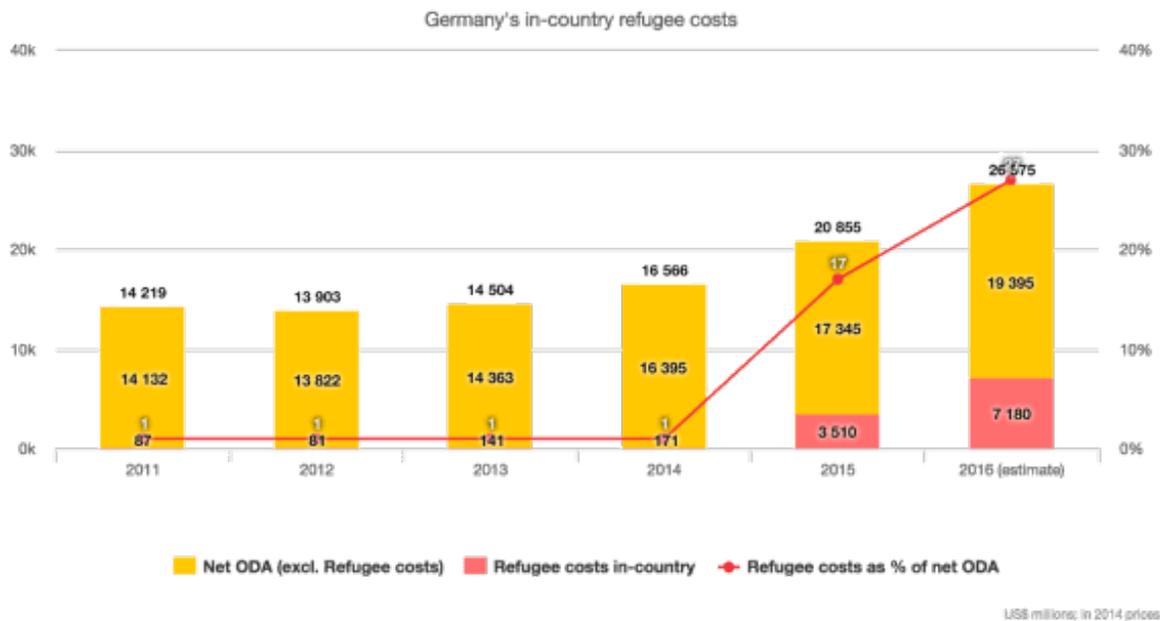
With the words *Wir schaffen das*, or “we’ll manage it,” Merkel has pursued an open door policy for refugees. By the end of 2016, more than two-third of refugees coming to Europe find shelter in Germany, and once they are registered, they receive the wide-ranging social services provided to German citizens, said Dr. Martina Fuchs, founder and CEO of the nonprofit humanitarian aid organization [Real Medicine Foundation](#). While Germany anticipates the crisis will cost the country \$86.2 billion over the [next four years](#), it is one of only a few European countries that are not making cuts to its global development budget in order to offset these costs.

“Quite to the contrary, Germany has increased its assistance,” said Sabine Campe, a partner at SEEK Development.

Between 2016 and 2019, German development aid is expected to increase by more than \$8.9 billion than initially planned, not including refugee costs. Minister of Finance Wolfgang Schäuble cited the “increasingly difficult international environment” as the reason for this [8.3 billion euros in additional funding](#) — which the German media reported on widely given that it was the largest increase in the country’s history. But while the country keeps this rising costs for refugees separate from increasing dollars for development assistance, the government sees the two issues as inseparable.

“The migration crisis can be understood as a symptom of unequal living conditions, and if you stop investing in areas like education and health, you will not solve the problem,” Campe told Devex.

The crisis, she said, has led Germany to view development cooperation as even more important than it was before. And increasingly, the country is framing its development cooperation as an effort to address the root causes of migration, and a matter not only of humanity but also of stability and security. Particularly in Germany, a change like this tends to take years, but the [Federal Ministry for Economic Cooperation and Development](#), or BMZ, is in the midst of a faster transition than usual, because it has been asked to step up, said Meyer Zu Natrup.



Germany's spending for refugees is on the rise. / SEEK Development

## An evolving structure

In November, Devex visited with staff from BMZ and the [German Corporation for International Cooperation](#), or GIZ, in Bonn, a city in western Germany that was the seat of government for West Germany when the country was divided.

Staff gathered around the table to discuss IT for development, big data and virtual reality in a presentation the group called ICT Innovations for Development, which concluded with loud knocks on the table, the German version of a round of applause.

GIZ also has offices in Eschborn — which is closer to Frankfurt — and BMZ also has offices in Berlin, the German capital. But GIZ is in the process of constructing new and expanded office space closer to the Bonn headquarters of BMZ, its primary funder.

The majority of BMZ funding goes to two different entities, with GIZ focused on technical cooperation, and the KfW focused on financial cooperation. While some observers mistakenly think of GIZ as the German equivalent of the [U.S. Agency for International Development](#) — given its 130 offices and 17,300 employees — it is actually a GmbH, the German acronym for a limited liability company. GIZ is a provider of consulting services, mostly to BMZ, but also to other partners, from international governments to private foundations such as the Gates Foundation. Two of the four branches of the KfW do global development work: the [KfW development bank](#), which finances and supports public sector projects, and the [DEG](#), which promotes business growth in emerging market countries.

Beyond GIZ and KfW, BMZ also provides funds to other federal development cooperation institutions, such as [BGR](#), the federal agency for geosciences and natural resources, and [PTB](#), the national metrology institute. And BMZ also funds other entities, such as civil society organizations and political foundations. One example is [DIE](#), a think tank that launched an online tool called the [NDC Explorer](#) earlier this month together with other partners and with funding from BMZ.

While BMZ is the primary funder of GIZ, other ministries also play a role in ODA, including the Federal Foreign Office and the Federal Ministry for Environment, Nature Conservation, Building and Nuclear Safety. For example, last year,

the Seattle-based global health organization [PATH received a grant](#) from Germany's Federal Ministry of Education and Research to support testing of a malaria vaccine candidate in Africa. When several ministries get behind an issue, there is opportunity for collaboration, but also possibility of conflict.

"They are like siblings who fight each other," Knud Vöcking, a program manager at the German nonprofit [Urgewald](#), said of Schäuble and Minister of Development Gerd Müller. "Because the finance ministry sits on the Euro, it is more powerful than the development ministry. When Schäuble says no, it's a no."

These conflicts can also lead to contradictions, experts told Devex. For example, while GIZ works on renewable energy projects as part of its development cooperation, it also helps companies that have lost domestic opportunities in fossil fuels to find new markets in places such as India and China.

In 2011, three institutions — the German Technical Cooperation, or GTZ; German Development Service, or DED; and InWEnt — [merged to form GIZ](#). This high-profile reorganization put the federal government 100 percent in charge of the newly formed aid agency in order to increase the efficiency of Germany's work in global development. But what is lesser known is that in 2015, BMZ led a reorganization of GIZ to align its efforts with the SDGs and international agreements on climate action, as reflected in this [GIZ organization chart](#).

## Partnerships as a priority

Over dinner in Berlin, [Hans-Joachim Fuchtel](#), the parliamentary state secretary for BMZ, drew an organizational chart filled with acronyms and numbers. He emphasized the separation of foreign and development ministries, explaining that this division between the Foreign Office and BMZ allows Germany to align its development cooperation more closely with the SDGs. Fuchtel talked with Devex about the way he pursues partnerships, emphasizing the role of his ears and his heart, not just his checkbook.

This meeting was a follow up to a trip that representatives of GIZ and BMZ recently made to Silicon Valley, with stops at technology companies, including Zipline, which is delivering blood via drones in Rwanda, and Planet, which is launching cube satellites to monitor the earth. Like many donors and implementers, BMZ and GIZ are interested not only in how technology will revolutionize development cooperation, but also how it can help them advance some of their goals. For example, Fuchtel explored whether software might play a role in an idea he has to link investment projects with training components in a single tender. But in one of many illustrations of how Germany's past is so intertwined with its present, the BMZ delegation explained at a Technology Salon event on big data in emerging markets that [privacy is a sensitive topic in Germany](#).

"This should be a joint process, not developing a technology in the north and bringing it to the south, but to having an exchange and developing things together," said [Carsten Hellpap](#), who is responsible for Energizing Development, or EnDev, at GIZ, which is a partnership between BMZ and other donors to provide 15 million people with access to energy by 2019. "We are interested in the role Silicon Valley can play, but I would still insist we get real development in these countries only if the technology development takes place in these countries."

Germany is known for the strength of its *Mittelstand*, or small and medium enterprise sector, and its vocational training and education system has been lifted up as a [model for other countries](#). Today, GIZ is working in close consultation with the private sector to support the reform of vocational training systems around the world. For example, EnDev has trained 37,000 craftsmen, vendors and technicians, and the program continues to experiment with the best model to maintain quality products, as well as a close relationship between producers and consumers for maintenance and repairs.

"The investment you make in this sector, helping entrepreneurs to develop their knowledge further, will allow them to develop innovations that are appropriate for their situation," Hellpap said.

Germany's three ODA priorities are migration, climate change and food security. Since 2014, BMZ has launched [four](#)

[special initiatives](#): tackling the root causes of displacement; stability and development in the Middle East North Africa region; global efforts to fight climate change; and [One World, No Hunger](#). The initiatives give BMZ more flexibility to allocate funding for these priorities. This may not be good news for GIZ and KfW, given that they have traditionally received the majority of bilateral funding from BMZ, but it allows for new partners to benefit.

*Bernhard Kowatsch, head of the WFP innovation accelerator, talks about the model.*

Whenever the German federal government funds alongside state governments, or European Union institutions, there are benefits, such introductions to new partners, and drawbacks, such as separate monitoring and evaluation initiatives, experts told Devex.

## New priorities

On Jan. 18, Germany revealed a new initiative to increase trade and development on the African continent, calling it the [Marshall Plan](#), in reference to the program that played such a key role in its own economic recovery and infrastructure development following World War II.

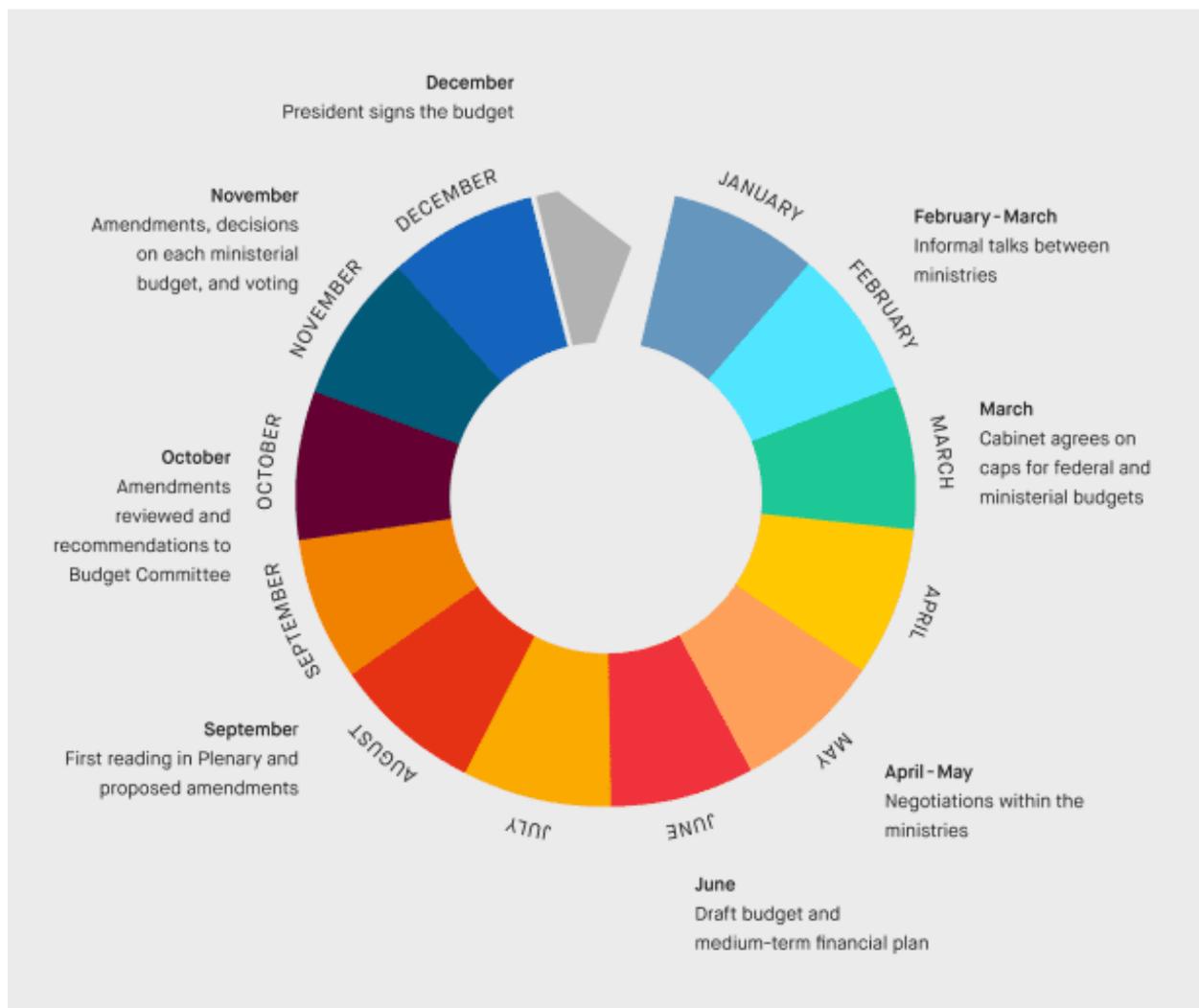
“Africa’s fate is a challenge and an opportunity for Europe,” [Müller said in a recent presentation](#) on Germany’s new strategy for relations with African countries. “If we do not solve the problems together, they will come to us at some point.”

The three pillars of the proposal are economic activity, trade and employment; peace and security; and democracy and rule of law. The Marshall Plan is a living document, and the government has already shifted the name from the Marshall Plan *for* Africa to the Marshall Plan *with* Africa, to capture that this is not about aid delivery to Africa but an initiative to support African development. The government seeks feedback ahead of the G20 summit, where the plan will be finalized.

The G20 presidency provides Germany with a new platform for leadership. The three aims of the G20 agenda are building resilience, improving sustainability, and assuming responsibility, said Lars-Hendrik Röller, economic advisor to Merkel, at [an event last month](#) convened by the [T20](#), a network of think tanks and research institutions from G20 countries.

“Under these three columns, we have policy areas which we want to push,” he said, stopping for a moment when the wording came across as stronger than he intended. “Not push, but put on the agenda and discuss with our nations.”

Merkel has said she wants the G20 agenda to focus prominently on the empowerment of girls and women, as well as health, with a focus on pandemic preparedness. Digitalization is one of the areas Merkel highlights in [a document outlining priorities](#) for the G20 summit. Another priority for Germany at the G20 is increasing the transparency, openness and reliability of tax systems around the world, building on recent efforts by Germany to come down on tax evaders. In Hamburg, G20 leaders will put together a communiqué, which will lead to new deliverables for German ODA, such as the [#Eskills4girls](#) initiative.



A snapshot of Germany's annual budget process. / Courtesy of SEEK Development

## Looking ahead

Between Brexit, which has made German leadership within the EU more important than ever, the United States presidential elections, which put an “America first” administration in the White House, and the rise of nationalism and populism, the pressure is on Merkel. While [Germany is a reluctant leader](#), the country is likely to lead by example and work in partnership with others to advance these agendas. For example, GIZ staff members are highly sought after around the world for expertise on energy, due in part to the reputation Germany has developed as a leader in the clean energy transition through its *Energiewende*.

Beyond its own domestic energy transition — and the work Germany is doing to work with partners on their own clean energy transitions — Germany is helping developing countries reach their climate goals. The [2015 annual report](#) for GIZ outlines how the agency supported the governments of 30 countries, from Vietnam to Morocco to Peru, to meet their COP21 commitments to reduce greenhouse gas emissions. At COP22, Morocco and Germany launched the [NDC Partnership](#), a new coalition of developed and developing countries working together on national climate plans. And COP23 will take place at the U.N. Convention on Climate Change Secretariat in Bonn later this year.

2017 is a big year for Germany, not only because of the COP and G20, but also because of its own upcoming elections that will likely shake up the coalition in the Reichstag, the seat of the German Parliament in Berlin.

But despite the rise of nationalism and populism reflected in Brexit, the U.S. presidential elections, and even the rise

of the far right Alternative for Germany party, the majority of Germany remains liberal, pro-European and supportive of the free movement of ideas and people across borders, said Meyer Zu Natrup.

“The government made clear that where partners are willing to reform to tackle the many problems we all face, they will get support from Germany,” he said.

It remains to be seen if this country that has remade itself three times in 100 years will rebuild the way that development cooperation is done. But there is no doubt Germany is an emerging power in global development that observers are watching closely.

*EDITOR'S NOTE: The reporter traveled to Germany with the support of the [IJP](#). Devex retains full editorial independence and responsibility for this content.*

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