The German Government’s 14th Development Policy Report

Development Policy White Paper
Since the publication of the German government’s last Development Policy Report, the global development landscape has changed dramatically. The division of the world into a poor Global South and an affluent North is definitely obsolete.

Thanks to positive economic development and progress on democratisation, major successes have been achieved in the fight against poverty in many regions of the world. Some developing and emerging countries are now key players in global politics and the economy. Many of these countries possess pronounced characteristics of industrialised countries, and yet they are home to half the people living in absolute poverty worldwide. China and India are examples. In parallel, these countries have a key role to play in protecting global goods which concern us all: the climate, biodiversity, and world market stability. Sustainable global development is inconceivable without these countries’ active participation.

Nowadays, peace and development are more closely linked than ever before. Violent conflicts and state failure pose a serious obstacle to poverty reduction worldwide. There can be no development without security, and no security without development – so “joined-up” thinking about these two dimensions is essential.

All human beings are born free and equal in dignity and rights. Overcoming poverty and its causes remains the core objective of German development policy. That is why we are committed to freeing people from want and fear and to creating societies based on equal opportunities and life chances for people everywhere in the world. Development policy must empower people to seize the opportunities available to them and lift themselves out of poverty. That is why development policy is global structural policy and a policy for the future. It is an investment in the interests of all humankind.

The German government has responded to the new challenges and, over recent years, has implemented decisive reforms based on a new strategic vision for German development policy in order to enhance its effectiveness.

The Federal Ministry for Economic Cooperation and Development (BMZ) has implemented the most far-reaching reform in the history of German development policy. The founding of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH through the merger of three predecessor organisations which operated in parallel, the decision to unite all our programmes that support civic and municipal engagement in development in a single Global Civic Engagement Service Point, and the founding of the urgently needed German Institute for Development Evaluation (DEval) – all these reforms are crucial steps in making development cooperation more efficient and effective. At international level, too, the German government has done much to encourage the EU and major multilateral donors to adopt a new strategic vision for their development policy and make it more effective. At the same time, we have taken our cooperation with the emerging economies to a new level and developed new strategies for cooperation with fragile states.

German development policy is now focused on creating better global environmental, economic, political and social conditions in order, not least, to eliminate the causes of poverty.

A particularly important aspect, from my perspective, is that we have succeeded in involving civil society and private sector actors in development cooperation to a greater extent and making them a focus of our policies.

In this way, we have succeeded in bringing development policy as a whole much closer to the mainstream of society. This points the way towards the future – for ultimately, development policy is, first and foremost, a policy for the future and for shaping tomorrow’s globalised world. That’s why it concerns us all.

Dirk Niebel
Federal Minister for Economic Cooperation and Development
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1. Executive Summary

Shaping sustainable global development is a key challenge for the 21st century. Poverty, population growth, food security, migration, climate change, fragile statehood and unstable markets call for political action. Protecting global public goods poses immense challenges which can only be overcome through global cooperation. The international community must today find the solutions to economic, social, environmental and political issues that will work tomorrow. Our common future must be shaped today.

The international political landscape is in flux. The division of the world into South and North has definitely become outdated. Some developing and emerging countries are now key global players in politics and the economy. Thanks to these countries’ positive economic development, major progress has been achieved in the fight against poverty. And yet more than a billion people are still living on less than 1.25 US dollars a day. Unlike the situation 20 years ago, however, the majority of these people are no longer to be found in the poorest countries, but live in middle-income countries (MICs) like China, India and Viet Nam. More than two thirds of the world’s extreme poor are women and girls. The tension between the emerging economies’ centres of economic power and the regions and social groups which remain mired in poverty is growing. Fragile states are a serious obstacle to our efforts to reduce poverty. More than 20 out of the 30 or so countries that will probably fail to achieve the Millennium Development Goals (MDGs) by 2015 are affected by state failure and violent conflicts.

The German government has responded to these changes. Global challenges have become a more significant factor in policy-making in almost every department of government and, as a consequence, international cooperation in all policy areas has increased.

Against this background, this 14th Development Policy Report focuses on the contribution that German development policy, as part of the German government’s international policy, is making to solving global challenges. This contribution is intermeshed with the activities being undertaken in other policy fields and by the countries engaged in development cooperation with Germany, by international and multilateral organisations and the European Union (EU), and by civil society and private sector actors.

A number of German ministries, as well as the German federal states (Länder), make important contributions to the implementation of measures within the framework of Germany’s official development assistance (ODA). Besides the Federal Ministry for Economic Cooperation and Development (BMZ) as the lead ministry for German development policy, they primarily include the Federal Foreign Office (AA) with its funding programmes, most of which are administered by the German Academic Exchange Service (DAAD) and the Alexander von Humboldt Foundation (AvH), and the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU), the Federal Ministry of Education and Research (BMBF), the Federal Ministry of Health (BMG), the Federal Ministry of Food, Agriculture and Consumer Protection (BMELV), the Federal Ministry of Economics and Technology (BMWi), the Federal Ministry of Labour and Social Affairs (BMAS), the Federal Ministry of Family Affairs, Senior Citizens, Women and Youth (BMFSFJ) and, to a lesser extent, the other federal ministries as well.

The federal ministries’ specific programmes of cooperation with developing and emerging countries complement the development policy measures implemented by the BMZ, which in turn increasingly involve the other federal ministries as well.

Over recent years, the German government has implemented key reforms aimed at realigning German development policy and, above all, enhancing its effectiveness. The main reforms and their outcomes are summarised in this abridged version of the 14th Development Policy Report. A frame of reference for the future is provided on pages 21–22.
The German government has adopted a new strategic vision for its development policy. Development policy is value-oriented, interest-led and human rights-based policy for the future.

“The objective of development policy is the sustained fight against poverty and structural deficiencies in the spirit of the UN Millennium Development Goals. [...] In pursuing our objectives in development policy our values and interests are on a par. Minimum standards as regards the rule of law and the observance of human rights must be given due consideration.”

(Coalition Agreement, p. 181)

The German government sees development policy as an investment in the future that is in everyone's interests. Its objective is the sustained fight against poverty and structural deficiencies. The Millennium Declaration and the eight Millennium Development Goals (MDGs) derived from it are the main international frame of reference for poverty reduction worldwide and for shaping sustainable global development. This is the focus of German development policy as well. Reducing worldwide poverty is also in Germany's interests. Poverty threatens peace and security, not only in the developing countries but also in neighbouring countries and other regions of the world. A lack of security impedes the fulfilment of individual potential and is an obstacle to social and economic development in the countries concerned.

In recent years, German development policy has increasingly relied on innovative and partnership-based solutions worldwide in order to make development cooperation more effective and efficient. It creates independent, autonomous partners. It opens up opportunities and aims to help people live in peace and freedom, taking responsibility for their own lives. A lack of opportunities in life limits people's freedom. More development means more freedom. Human rights and democracy are therefore the foundations on which German development policy is based. Global development that is fit for the future is its guiding vision. The new strategic vision for German development policy along these broad lines is set out in the Coalition Agreement adopted in 2009. It is elaborated in more detail in the Development Policy Strategy adopted by the BMZ in 2011 and has been integrated into the German government’s overarching policy framework.

The efficiency of German development policy has substantially increased as a result of comprehensive restructuring. The political governance of development cooperation has been improved at the same time.

“We want to increase the impact of German development policy and to improve the effectiveness and targeted nature of the funding provided by, in particular, eliminating dual structures in government and implementation. The reform of the implementation structures will begin with the consolidation of technical cooperation (TZ) organisations. [...]”

(Coalition Agreement, p. 183–184)

“In the context of the European and international division of labour within Germany’s bilateral development cooperation (ODA) we will work with a limited number of partner countries.”

(Coalition Agreement, p. 182)

More effectiveness and efficiency are core issues in the German government’s newly aligned development policy. The structural reform of the implementing organisations, announced in the Coalition Agreement, is the most important and far-reaching element of the reform of German development cooperation. The preparation, political decision-making and implementation of this aspect of the reform took place within a period of just eighteen months during the current legislative term, and had previously been recommended by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD), among others.
The merger of the three implementing organisations – the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH, the German Development Service (DED) and InWEnt (Capacity Building International, Germany) – to form the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH has greatly enhanced the effectiveness of technical cooperation and resulted in substantial efficiency gains, by reducing the amount of coordination required and pooling the previously fragmented technical cooperation toolbox. Technical cooperation is now offered from one source. It is tailor-made for the cooperation countries and thus has a greater impact in line with partners’ needs, creating substantial synergies and quality gains. A new feature introduced as a result of the merger is the German government’s identification of clear medium-term goals for GIZ based on amended Articles of Association and new rules of procedure for the GIZ Management Board. GIZ’s registered offices are in Bonn and Eschborn. As before, GIZ can be commissioned directly by other German ministries as well as by the BMZ, and the range of possible topics has been expanded. GIZ can also be commissioned by international institutions (e.g. the European Commission, the United Nations and the World Bank), governments worldwide, foundations and international corporations (GIZ International Services). Two new bodies – the Board of Trustees and the Private Sector Advisory Board – have been set up to advise the company. The Board of Trustees, which consists of representatives of non-governmental organisations, the German government, the federal states (Länder) and the Bundestag, advises the company on all issues of substantial importance for its development. The GIZ Private Sector Advisory Board provides a platform for regular dialogue between the private sector and development cooperation organisations, and comprises representatives of businesses and industry associations. The coordination between GIZ and KfW, which is responsible for financial cooperation, has intensified in recent years, which has helped to make development cooperation more efficient.

The strengthening of political control over development policy, which was one of the aims of the Coalition Agreement, has been achieved through a substantial increase in the number of staff and the reform of the BMZ’s structures and procedures. As a result, key tasks, such as the influencing of the international development policy agendas and the conduct of the development policy dialogue with developing and emerging countries, can now be addressed and progressed more effectively. Political control will also be strengthened by the integration of the sector policy dialogue with partner countries – which until now has been undertaken chiefly by the implementing organisations – into the German government’s structures, mainly Germany’s missions abroad, from 2013 onwards. To that end, the number of economic development staff seconded to Germany’s diplomatic missions in 46 cooperation countries will be increased from 2013/2014.

Another important element of the structural reform is the founding of the German Institute for Development Evaluation (DEval) in Bonn. The Institute conducts evaluations, performance reviews and impact analyses of German development cooperation activities, with a focus on effectiveness, economic efficiency and sustainability, and recommends ways of improving them. This is intended to support evidence-based design and planning of development projects and transparency of results.

The structural reform therefore consists of very much more than simply the fusion of the organisations responsible for implementing technical cooperation. It has strengthened the policy field overall. The further concentration of the BMZ’s development cooperation on thematic priorities and the reduction of cooperation countries to just 50 – from an original figure of more than 120 countries at the end of the 1990s – are contributing to more focused deployment of Germany’s specific expertise, thus increasing effectiveness. At international level, Germany’s firm advocacy for an increased division of labour among donors and for joint programming by all EU donors is progressively enhancing aid effectiveness.

“Despite the financial crisis we want to adhere to our international obligations to gradually increase German public development financing to 0.7 per cent of GNI. Within the means of the federal budget we aim to work towards this goal.”

(Coalition Agreement, p. 184)

At the same time, the German government has increased the financial resources available for development. Over the past three years, Germany has succeeded in continuously increasing the funding allocated to development cooperation in the federal budget despite the need for budget consolidation. Whereas in 2009, German official development assistance (ODA) still stood at 8.7 billion euros (0.35 per cent of gross national income [GNI]), it rose to 9.8 billion euros in 2010. In 2011, Germany’s net ODA spending exceeded 10 billion euros for the first time (10.2 billion euros), which means that in absolute terms, Germany was the world’s second largest bilateral donor after the United States. This corresponds to a 17 per cent increase in ODA spending from 2009 to 2011, with Germany’s ODA/GNI ratio rising
The German government remains committed to increasing its ODA spending to 0.7 per cent of gross national income (GNI) by 2015.

Growing global issue linkage and the interactions between various policy fields make coherence in German government policy an even more urgent necessity. For example, foreign, trade, agricultural, environmental and energy policy exert considerable influence on the development environment, while development policy must be dovetailed with foreign and security policy, especially in fragile states.

The linkage between security policy and development policy in Afghanistan shows that coordinating the various policy portfolios can generate diverse synergies for the benefit of a country’s development. Over recent years, sensitive issues, including those relating to divergent ministerial objectives – such as the debate about the use of agricultural land for biofuel feedstock production – have not been ignored but have been actively addressed in the interests of achieving coherence in German government policy. Financial stability remains an essential prerequisite for sustainable development. Germany continues to play a lead role in the implementation of the Heavily Indebted Poor Countries (HIPC) Initiative. Within the IMF framework, the German government supports stability-oriented governance through the granting of loans.

Policy coherence for development implies that when preparing decisions in other policy areas, governments should consider, in a timely manner, the possible consequences for development policy. This is desirable not only from the cooperation countries’ perspective; it is in the donor countries’ interests as well. Germany recognised this early on and is committed to policy coherence for development at the international level (EU, OECD) and national level. The DAC Peer Review (2010), i.e. the review of Germany’s development policy and cooperation efforts undertaken by the OECD’s Development Assistance Committee (DAC), also encourages the German government to improve interministerial cooperation and coordination through appropriate mechanisms. As a programme for good global governance, the principles and fields of action identified in the Millennium Declaration are the frame of reference for many policy areas. At the national level, the German government’s National Sustainability Strategy provides guidance for aligning individual policy areas to the vision of sustainable development.

The German government has improved the coordination of its development policy in recent years and has thus contributed to more coherence. In 2010, it set up the Interministerial Steering Group on Technical Cooperation and ODA Transparency at state secretary level, which is chaired by the BMZ and aims to make the various ministries’ ODA activities more transparent. The German government has also prepared various interministerial strategy papers, such as Shaping Globalisation – Expanding Partnerships – Sharing Responsibility on cooperation with the “new players”, as well as strategies for Africa, Latin America and the Caribbean. Furthermore, it has for the first time adopted Interministerial Guidelines to Enhance the Coherence of Government Policy towards Fragile States. The Federal Foreign Office (AA) and the BMZ are engaged in ongoing consultations with the aim of coordinating and “joining up” foreign and development policy. The swift action to set up the three special funds for North Africa and the Middle East is an example of this intensified interministerial coordination. The Interministerial Agreement of April 2012 on ODA Coordination emphasises and specifies the coordination function of the BMZ in respect of German official development assistance (ODA). This is the starting point for improved interministerial cooperation on development policy and is a key step towards implementation of the Coalition Agreement. The measures also make a significant contribution to presenting a more consistent image of German development policy to
In the international and EU context, too, Germany has advocated successfully for more effectiveness and efficiency in development policy. Germany is actively and visibly fulfilling its responsibility in helping to shape international development institutions and agendas.

“We want to increase the effectiveness of development policy and re-align it [...] by providing more efficient [...] multilateral and European organisational structures and instruments.”

(Coalition Agreement, p. 182)

“[…] in order to improve our ability to steer German development policy […], [we will] enhance our presence in multilateral and European structures.”

(Coalition Agreement, p. 183–184)

The German government regards its development policy engagement in the EU framework and in international organisations and international forums as a significant opportunity to bring its influence to bear on international agendas and global development policy issues.

The EU Member States provide around 52 billion euros annually in official development assistance, with a further 9 billion euros coming from the EU institutions, making the EU as a whole the world’s largest donor. The German government has played an active role in shaping EU development policy, particularly in relation to budget support. This is reflected in the new strategy on the future of EU development policy, entitled Increasing the Impact of EU Development Policy: an Agenda for Change. The German government successfully advocated for particularly significant aspects to be incorporated into the Council Conclusions on EU Budget Support: these include a stronger focus on results, an enhanced role for the private sector, and a more consistent requirement for a stable macro-economic framework that provides an enabling environment for development as an eligibility criterion for budget support. Germany has also done much to progress the issues of a division of labour and joint programming of aid at EU level, for example in the EU’s preparations for the Fourth High Level Forum on Aid Effectiveness in Busan (Busan HLF), the aim being to improve coordination and thus enhance the efficiency of development cooperation within the EU framework. With a view to achieving further differentiation of the EU’s development policy instruments according to the partner country’s development progress, the EU has followed the German example: assistance to countries achieving a higher level of development will now increasingly be provided through innovative financing instruments that are more closely aligned to market conditions. The EU is also devising new mechanisms to channel aid for fragile states.

Germany has increased the financial capacities of the International Development Association (IDA), the International Bank for Reconstruction and Development (IBRD), the regional development banks and funds, and the International Fund for Agricultural Development (IFAD) by making substantial contributions to their respective capital increases and replenishments. In parallel, the German government has actively supported these institutions’ reform processes in order to enhance their efficiency and effectiveness. For example, Germany has been a committed partner in developing the World Bank’s Program-for-Results (PforR) financing instrument, which aims to focus World Bank support more directly to the achievement of results. When the World Bank reformed its voting system, Germany and its European partners were able to ensure that Europe’s substantial financial contributions to the IDA were taken into consideration in the allocation of voting rights. This was also a major factor in ensuring that the Europeans maintained their presence on the Board.

During the preparation of the new OECD Strategy on Development, Germany actively advocated for an implementation-oriented approach. To support the Strategy’s implementation, Germany participated in the launch of a Knowledge Sharing Alliance as a vehicle for sharing the OECD’s expertise with partner countries. Germany and other OECD countries are continuing to work for the realignment of the DAC and for its doors to be open to even more countries, in order to make the DAC more demand-driven and increase its focus on results. Germany is also a key player in the discussion within the OECD about modernising the way in which development policy-relevant donor contributions are reported (Beyond ODA).

Over recent years, Germany has been intensively involved in shaping the reform process in the United Nations’
development organisations, especially the process for reviewing the various strategies of the UN development organisations. The German government has supported approaches aimed at strengthening the relevance, effectiveness and efficiency of the United Nations’ operational activities for development, e.g. via the Delivering as One initiative and the founding of UN Women.

Enhancing the quantity and quality of the German presence in international organisations is one of the German government’s key political goals, which was enshrined in a coalition agreement for the first time in 2009. The number of German personnel in multilateral and European structures has further increased since then.

Germany has played an active role in G8 and G20 processes, for example as the chair of the Working Group on Managing for Development Results and Results Reporting within the framework of the G8 L’Aquila Food Security Initiative. It was also involved in setting up the G20’s Development Working Group and contributes to the G20’s agriculture agenda.

Germany belongs to an international like-minded donor group, currently comprising Germany, Sweden, Denmark, the Netherlands, the United Kingdom, Australia, the USA and Canada. This group aims to implement a number of shared principles, strategies and objectives in their development cooperation, including furthering development and aid effectiveness and transparency, strengthening partner country ownership, promoting good governance and sustainable and inclusive economic growth, fostering private sector and civil society engagement, and implementing the Global Partnership for Effective Development Co-operation.

At the 2010 MDG Summit, the German government expressed its clear commitment to the Millennium Development Goals (MDGs) and underlined Germany’s core positions: the key role of sustainable and inclusive growth, the importance of education, and the need for private sector and civil society engagement. Since 2010, the German government has been involved in developing the post-2015 Agenda to replace the Millennium Development Goals (MDGs). Initial proposals for the new framework and goals should be ready in time for the next MDG Summit in September 2013. In 2012, United Nations Secretary-General Ban Ki-moon appointed Germany’s former Federal President, Professor Horst Köhler, to his High-Level Panel of Eminent Persons on the Post-2015 Development Agenda, which was set up to draft proposals for the global development framework beyond 2015, the target date for the MDGs. The High-Level Panel consists of 27 leaders from government, civil society and the private sector from all regions of the world. The German government has set up an advisory structure (Sherpa Unit) to support Professor Köhler. One of the challenges arising in this context is dovetailing the post-MDG framework with the universal global Sustainable Development Goals (SDGs) to be defined as agreed at the United Nations Conference on Sustainable Development (Rio+20) in Rio de Janeiro in June 2012, in order to form a single coherent set of goals.

The Busan Partnership for Effective Development Co-operation, established at the HLF in Busan in December 2011, is a further milestone for the international effectiveness agenda. The fact that in addition to the established bilateral and multilateral donors, emerging economies such as China, India and Brazil, as well as private sector and civil society representatives, have joined this initiative can be viewed as a particular success. For the first time, an active role is now envisaged for the United Nations in delivering the agenda. The United Nations Development Programme (UNDP) will in future play a key role in implementing the Busan outcomes. The German government made a substantial contribution to achieving these significant results.

More engagement and visibility: By strengthening the role of civil society in development activities and intensifying the development policy dialogue, the German government has broadened the base of German development policy. Development policy is now more visible in society than ever before.

“The objective of development policy is the sustained fight against poverty and structural deficiencies in the spirit of the UN Millennium Development Goals. [...] This will require the inclusion and strengthening of all parties involved in development work, especially churches, foundations and non-governmental organisations [...]”

(Coalition Agreement, p. 181–182)
Sustainable development policy relies on citizens’ engagement. Non-governmental organisations (NGOs), churches, political foundations, the German federal states (Länder) and the municipalities all make valuable contributions – both in the cooperation countries themselves and in development information and education work in Germany. The German government therefore attaches great importance to the role of a free and creative civil society in development cooperation.

As well as its funding programmes for development information and education work, the German government provides financial support for the overseas activities of the political foundations, churches and private agencies, as well as social organisations in the developing countries. Other key players are the private development services, the Civil Peace Service (CPS), the Development Volunteers Service weltwärts, the other overseas volunteer services, and the Migration for Development Programme.

Over the past three years, the German government has intensified the development policy dialogue with German civil society and with the federal states (Länder), municipalities and local government associations. This is reflected in the development of a BMZ strategy for cooperation with civil society, based on extensive consultations with key civil society actors, as well as in the substantial increase in funding for civil society programmes and the provision of additional financial resources from the Special Energy and Climate Fund.

Participation by citizens and civil society organisations, the German federal states (Länder) and municipalities has been facilitated by the establishment of a central point of contact, the Global Civic Engagement Service Point, at the BMZ in early 2012. The Service Point provides organisational support, training and advice for civil society. Beyond civil society engagement, development policy is becoming more visible in Germany than ever before, utilising new approaches to reach more people – at festivals and markets and via the new social media (Facebook, Twitter and YouTube).

A flourishing economy is the cornerstone of growth and prosperity. By generating income and employment, it establishes the material basis on which the partner countries of German development cooperation are to create a better future for themselves by their own efforts. The German government is committed to promoting entrepreneurial activity and investment within its development policy framework and to strengthening the linkage between foreign trade and development cooperation. The BMZ, AA and BMWi therefore hold regular coordination meetings (jour fixe), which are also attended by other thematically relevant ministries as required. One outcome of this jour fixe is a more intensive dialogue, also in the partner countries, between the institutions responsible for development and foreign trade policy. The German government has taken its cooperation with local, German and international business to a new level in order to tap the win-win potential that this cooperation affords.
German businesses can make important contributions to the attainment of development policy goals – by creating jobs for skilled workers through investment and know-how transfer, and by strengthening labour, social and environmental standards in developing and emerging countries. For that reason, ensuring that German businesses play a stronger role in German development policy is a priority, with a view to utilising their available capital, expertise and technologies for development in line with the principles of corporate social responsibility (CSR), to mutual benefit. For example, the financing by the Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG) of private business initiatives for development in developing and emerging countries is an integral element of German development cooperation.

The German government has created a range of services to encourage companies to make use of the opportunities for development policy engagement. The new Service Point for the Private Sector established within the BMZ is the first point of contact and advice for German companies interested in investing in the sustainable development of a developing or emerging country. In addition to the increase in funding for the Programme for Development Partnerships with the Private Sector (DeveloPPP.de), new funding options have been created, such as DEG’s co-financing of companies’ feasibility studies, aimed at laying the ground for developmentally sound investments by small and medium-sized enterprises (SMEs) in developing countries. The range of services to support development projects by business associations has also been expanded. For example, the BMZ sends Development Cooperation Scouts to industry associations and chambers of industry and commerce, where they steer their hosts and member companies through the range of services available to support development-related investment by the private sector.

The German government has launched a large number of initiatives to support German private sector companies and businesses in developing countries in adopting responsible business practices (corporate social responsibility – CSR). One of the main objectives of the German government’s Action Plan for CSR is to strengthen CSR in international and development policy contexts, for example through advisory and awareness-raising activities on CSR, by intensifying national and international dialogue processes, and by supporting implementation of sustainability standards. The German government therefore also supports international CSR initiatives such as the United Nations Global Compact, whose international membership includes more than 7,000 businesses and around 3,000 other organisations. The German government is also engaged in dialogue on CSR in key international forums such as the EU, the United Nations, G8 and G20. It has also stepped up its engagement for broad-based and innovative business models which aim to increase the inclusion of the poor as consumers, producers or suppliers in value chain development. This is taking place both at international level through the G20 Challenge on Inclusive Business Innovation and through the Base of the Pyramid (BoP) Sector Dialogues at national and international level. The German government is also engaged in dialogue with German industry in selected sectors, for example within the framework of the German Water Partnership, the German Healthcare Partnership and the German Initiative for Agribusiness and Food Security. Further expansion of these sector-specific dialogues is planned in future.

At the Busan HLF, Germany and other donors and private sector representatives adopted a declaration recognising the role of the private sector as a complementary partner for development and defining principles for effective public-private partnership, such as mutual accountability – principles which already form the basis for the German government’s cooperation with the private sector in the field of development. The German government intends to align its activities even more closely to these principles in future.

Some developing countries have become key players in international politics and the economy. As emerging economies, they possess key features of industrialised countries and, as a result of their geopolitical importance, help to
shape global processes. On the other hand, more than half
the world's poorest people live in these countries, which
is why the OECD continues to classify them as developing
countries.

German development policy has redefined its cooperation
with these countries. Today, it is mainly focused on joint
efforts to protect global public goods, such as the climate
and the environment, economic stability, and the control
of transboundary infectious diseases. The BMZ Strategy
for Development Cooperation with Global Development
Partners (2011–2015), which dovetails with the German
government's overarching strategy Shaping Globalisa-
tion – Expanding Partnerships – Sharing Responsibility,
is the basis for Germany's development cooperation with
Brazil, India, Indonesia, Mexico and South Africa. There
are two dimensions to development cooperation with this
core group: on the one hand, cooperation in the countries
themselves through bilateral projects and programmes,
and on the other, international cooperation with the global
development partners to shape regional and global devel-
opment agendas.

The German government will continue to review its policy
on cooperation with the global development partners in
future in light of their economic performance, their own
perception of their political role, and their development
policy relevance, with the strategy Shaping Globalisa-
tion – Expanding Partnerships – Sharing Responsibility
providing the frame of reference for this process.

Moreover, the German government has expanded its multi-
country cooperation with the global development partners
through triangular cooperation arrangements, regional as-
ociations and the promotion of South-South cooperation,
e.g. via the Regional Fund for the Promotion of Tri-
gular Cooperation in Latin America and the Caribbean.
The German government has ended its traditional bilateral
development cooperation with China and has replaced
it with a strategic partnership. Within the framework of
multi-country cooperation, the German government now
intends to make a joint contribution with China to finding
solutions to regional and global development issues, thus
exercising increased international responsibility. Particular
consideration is given, in this context, to the foreign policy
sensitivities in the region.

Due to these countries' higher performance capacities,
their share of subsidy-based instruments has now been
substantially reduced. Scarce budgetary resources can be
deployed more effectively when combined with capital
market funds. This frees up resources and thus creates
scope to increase support for the Least Developed Coun-
tries, for example in sub-Saharan Africa.

The German government did much to ensure that a dif-
ferentiated approach was also adopted in the EU's Agenda
for Change. Countries which are able to generate enough
own resources will no longer receive bilateral support from
the EU; instead, aid to these countries will be channelled
through regional and thematic programmes and innovative
financial instruments, including a combination of grants
and loans (blending). These are complemented by the EU's
new Partnership Instrument, allowing the financing of
measures that might not qualify as ODA and therefore
fall outside the framework of conventional development
cooperation. The new Programme on Global Public Goods
and Challenges offers opportunities for countries to
cooperate with the European Commission in the follow-
ing sectors: environment and climate change, sustainable
energy, human development, food security and sustainable
agriculture, and migration. Whereas until now, only grant
financing was deployed, differentiated aid modalities and
funding approaches will be used to a greater extent at the
EU level in future. Germany is also engaged in the differen-
tiation debate within the United Nations framework.

More prevention: Germany has expanded
its development policy engagement in
fragile states as an investment in peace.

“In our cooperation with fragile and failing states and coun-
tries with poor governance we want to develop concepts that
will allow us to support suitable transformation processes in
selected countries. Crisis and catastrophe prevention should
be planned generally.”
(Coalition Agreement, p. 182)
after France and the United Kingdom. However, fragility cannot be mitigated with development policy instruments alone. A networked approach is required, which is why there is close cooperation between all the relevant German ministries at national level. The adoption of the Interministerial Guidelines for Coherent Federal Government Policy towards Fragile States was a milestone in this context. These define the shared objectives and guiding principles for Germany’s engagement in crisis settings. For example, the Sudan Task Force, convened in 2010, was able to pool the expertise of all the relevant ministries in a joint approach to crisis prevention prior to South Sudan’s gaining its independence.

By hosting the International Afghanistan Conference in 2011, the German government confirmed that reconstructing and stabilising Afghanistan remains a high priority. This is also reflected in the BMZ’s development campaign in Afghanistan (250 million euros annually) and the Federal Foreign Office’s Stability Pact for Afghanistan (180 million euros annually), with which the German government has virtually doubled its funding for the civilian reconstruction of Afghanistan to an amount of up to 430 million euros annually for the period 2010 to 2013. The German government has also intensified its commitment in Pakistan. Its response to the Arab Spring, too, was swift and supportive. Together, the Federal Foreign Office and the BMZ are supporting the reform movements in these countries through transformation partnerships. The BMZ has set up and endowed three development funds to promote democracy, education and economic development in North Africa and the Middle East and has substantially increased its bilateral engagement. Furthermore, the Federal Foreign Office is providing 100 million euros for 2012 and 2013 to support political, economic and social transformation in the region’s transition countries.

With transitional development assistance, German development policy has redefined its funding mechanism for strengthening individual, social and institutional resilience on a sustainable basis in developing regions affected by crises and disasters. Besides reconstruction, it also supports projects that focus on medium- to long-term food security and disaster preparedness.

At international level, Germany and France are the co-chairs of the Working Group on Fragile and Conflict-Affected States (FCSs) established by the International Development Association (IDA), which is part of the World Bank, and are firm advocates, in this context, of a stronger focus on results. The BMZ also actively participates in the OECD’s International Network on Conflict and Fragility (INCAF) and in the International Dialogue on Peacebuilding and Statebuilding with other donor countries and with the g7+ group of fragile states. One outcome is the New Deal for Engagement in Fragile States, which was adopted at the Busan HLF in November 2011. This underscores the importance of country ownership by fragile states and can be regarded as the key reference for donors and partner countries in future.

The German government has identified, prioritised and strengthened key strategic sectors for future-oriented development.

“We will concentrate on the following key sectors: good governance, education/training, health, rural development, climate protection, environmental protection and resource management as well as economic cooperation [...]”

(Coalition Agreement, p. 182)

In order to overcome the causes of poverty on a lasting basis and facilitate sustainable global development, German development policy is prioritising key strategic sectors. The framework for this approach is provided by the BMZ’s new Cross-Sectoral Strategy on Poverty Reduction. It focuses on the following three areas: investing in people and sustainable structures; supporting and challenging business; and creating and strengthening development-friendly framework conditions. Gender issues are identified as a key poverty factor, so targeted support to women and girls is an integral element of this strategy and of the individual sector strategies and policies and will be mainstreamed in all relevant programmes and projects. Overall, the proportion of German ODA allocated to measures of particular relevance to poverty reduction, such as projects and programmes that promote education and health or create a more enabling economic environment, has increased from around 60 per cent in 2007–2008 to almost 80 per cent today.

Good governance has become a synonym at international level for an enabling environment for development, and is an important prerequisite for poverty reduction, basic
social services and a lasting peace. Development is not underpinned by economic success alone, but also by good governance. Enhancing the efficiency of the state – in other words, improving governance quality – depends on the political will to undertake development-oriented reforms and on society’s acceptance of public institutions. Good governance and the observance of human rights are a precondition for, and a goal of, sustainable development. Building on its many years of development cooperation in the field of human rights, the BMZ has – for the first time in 50 years – adopted a binding Strategy on Human Rights in German Development Policy, which has also been recognised by the wider international community. Human rights impact assessments (HRIAs) have now been introduced for all official bilateral development programmes, which means that for the first time, a systematic assessment of human rights risks and impacts must be carried out for all new projects and programmes initiated by the BMZ. The Plan of Action for the Inclusion of People with Disabilities in Development Cooperation (2013–2015) is complementary to the Human Rights Strategy. The Action Plan aims to mainstream the inclusion of people with disabilities in development cooperation at all levels. German development cooperation is successfully advising governments in several cooperation countries on ways of systematically improving access to social services for people with disabilities or on implementing the UN Convention on the Rights of Persons with Disabilities.

In order to promote good governance, Germany has defined the cluster “democracy/civil society/public administration” as a priority area of cooperation with around 30 partner countries, with a focus on public institutions such as parliaments, ministries and municipal governments, as well as on civil society organisations and the media. Together with transparency initiatives such as Transparency International and the Extractive Industries Transparency Initiative (EITI), the German government is actively involved in efforts to combat corruption. The International Tax Compact (ITC) to fight tax evasion and inappropriate tax practices was established following a German initiative. Germany is working with the International Monetary Fund (IMF) and the OECD to promote tax transparency, the generation of own resources from tax revenue, and government accountability.

Education is the key to overcoming poverty and lack of freedom, and for societies to develop independently. The BMZ’s new education strategy, entitled Ten Objectives for More Education, encompasses all sectors of education, from early childhood education to higher education and adult education and the promotion of non-formal and informal learning opportunities. Work on implementing these ten objectives has already begun, inter alia through various beacon projects. Through the German BACKUP Initiative – Education in Africa, for example, German development cooperation is assisting African countries, primarily fragile states, to improve their national education strategies. In the vocational education and training sector, for example, vouchers for trainees, as an instrument of demand-oriented financing, are being trialled in Ghana. Germany is also assisting the African Union to establish a Pan-African University (PAU). Participation in international knowledge networks and in the establishment of research institutions and partnerships is also part of the integrated approach to education. Germany involves all the key stakeholders, including the academic community, civil society and the churches, in its development policy promotion of education and hosts regular discussions on education.

Health is a human right and a fundamental prerequisite for development. Germany’s support strategy is aimed at strengthening health systems in the countries with which it cooperates. Integrated measures to promote child and maternal health and combat HIV/AIDS are particular priorities. The BMZ’s annual spending on health and population policy has increased to around 10 per cent of its budget. Its conceptual and financial engagement in global initiatives is also being substantially expanded. These include the G8 Muskoka Initiative, which focuses on maternal and child health, the GAVI Alliance, which increases access to immunisation, the cooperation with the Bill & Melinda Gates Foundation, the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), the International Health Partnership (IHP+) and Providing for Health (P4H).

Sustainable economic development and employment are key prerequisites for sustainable poverty reduction. German development policy aims to put in place a more enabling environment for private sector engagement and partnership-based cooperation between governments and businesses in the countries with which Germany cooperates. In many cooperation countries, structural reforms are needed if the private sector is to develop or build on its strategic competitive advantages. Together with its partners, German development cooperation is therefore strengthening national systems that foster innovation, so that the private and the public sectors, the scientific community, producers and consumers can together harness the potential for innovation in support of more growth and sustainable development.
A further focus is on supporting partner countries’ integration into the world trade system and into regional economic communities so that they are better able to utilise the opportunities afforded by globalisation and world trade. This is one of the objectives of the Aid for Trade Strategy published in summer 2011. Supporting the alignment of economic growth to social and environmental standards is a particular priority. Here, the German government’s efforts are focused on researching and establishing a Green Economy. The Green Economy has a strong international dimension, but must be implemented at the national level. German development cooperation outlines conceptual approaches which can be implemented in the partner countries. It also strengthens corporate social responsibility (CSR) and inclusive business models at the base of the income pyramid. In the field of financial system development, Germany – as one of the world’s largest donor countries in the field of microfinance – has further expanded its leadership role. Via the microfinance investment funds in particular, it has been possible to leverage much more private finance for development and improve SMEs’ access to financial services. At international level, the German government was a firm advocate for the establishment of the G20 Global Partnership for Financial Inclusion, which involves not only the G20 members and other countries but also multilateral institutions, the private sector and civil society organisations.

Rural development, agriculture and food security: The majority of the world’s poor live in rural areas. Rural-urban migration, overexploitation of natural resources and violent conflicts are worsening food insecurity in many places. Climate change and water scarcity are additional challenges. Extreme volatility in agricultural prices is a further obstacle to much-needed investment and worsens hunger. The German government has therefore made this area of development policy a priority since the start of the legislative term. The strategic framework is provided by two new development policy strategies: Rural Development and its Contribution to Food Security, and Promoting Sustainable Agriculture. In relation to food security in particular, it is essential to safeguard water, food and energy security through a nexus approach. This is evident from the debate about the use of agricultural land to grow materials as industrial and energy feedstocks. Around 11 per cent of the bilateral cooperation budget is now spent on projects in rural areas, with approximately 40 per cent of these funds going to African countries. The BMZ has set up a Food Security Task Force to pool and coordinate the various development policy instruments and actors of relevance to rural development and food security. In the multilateral arena, the German government supports the pertinent organisations (FAO, WB, WFP, IFAD) and participates in global initiatives such as the L’Aquila Food Security Initiative and the New Alliance for Food Security and Nutrition, both of which were established by the G8, and, at the G20 level, is involved in the implementation of the Action Plan on Food Price Volatility and Agriculture.

Climate change and the conservation of the environment and resources are among the greatest challenges facing the world today. The close linkage between the environment and development was already the focus of the discussions at the Earth Summit in Rio de Janeiro in 1992, and this basic concept was taken up by the German government with its hosting of the Bonn2011 Conference: The Water, Energy and Food Security Nexus – Solutions for the Green Economy, which gave an important impetus to the preparatory process for the United Nations Conference on Sustainable Development (Rio+20) in 2012. The concepts were developed further at a 2012 conference on the Green Economy – A new economic miracle? organised by BMBF and BMU with the aim of positioning Germany as a pioneer and key player in the international community’s transition to a Green Economy. Germany is supporting the developing and emerging countries’ efforts to reduce their greenhouse gas emissions and adapt their development processes in response to unavoidable climate change. The German government is encouraging its partner countries to commit to ambitious climate policies, including reduction commitments, at the UN climate negotiations. In this way, Germany is actively supporting the goal of ensuring that the developing and emerging countries contribute to limiting global warming to a maximum of 2° C. Development cooperation with the partner countries focuses particularly on climate change mitigation and adaptation and the conservation and sustainable management of forests and water resources, as well as on protecting soils and combating ongoing land degradation. Together with the cooperation countries, Germany aims to utilise the opportunities for climate change mitigation and adaptation while harnessing its own potential for innovation.

Germany’s financial commitment to climate change mitigation and adaptation has doubled over recent years, from 700 million euros in 2008 to 1.4 billion euros in 2012, making Germany the world’s second largest donor in climate finance. Chancellor Angela Merkel’s pledge to provide a total of 1.26 billion euros in new and additional Fast Start climate finance during the period 2010–2012 has been fulfilled. Among other things, this has focused on forest conservation and the development of the innovative financing
mechanism known as REDD (Reducing Emissions from Deforestation and Forest Degradation). Between 2008 and 2011, the low-interest loans made available through the Initiative for Climate and Environmental Protection for climate-related investment in developing countries resulted in approximately 10 million tonnes of avoided carbon dioxide (CO2) emissions per year.

The International Climate Initiative (ICI) launched by the German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) also assists developing and emerging countries to undertake the reform processes necessary for the transition to low-carbon, climate-friendly growth. What’s more, the Special Energy and Climate Fund, a new and additional source of funding established in 2011, channels a proportion of the revenue from emissions trading into international climate and environmental protection. This amounted to around 500 million euros in 2011 alone. At multilateral level, Germany is one of the co-initiators of the Forest Carbon Partnership Facility (FCPF) administered by the World Bank. Strategic cooperation with ICLEI – Local Governments for Sustainability has led to the development of innovative local and regional strategies, as well as the formation of climate alliances of cities and municipalities. The development of verifiable measures for climate change mitigation and adaptation in the developing and emerging countries helps to build these countries’ trust, which is necessary for more intensive climate policy measures based on firm commitments. The German government pursues this approach, which relies on a combination of practical action and negotiation, in the UN climate process as well. Through appropriate climate diplomacy, the German government also aims to encourage other countries to adopt ambitious positions in the international climate process.

Biodiversity is both a field of activity in its own right and a cross-cutting issue in German development policy. Here, the German government focuses on conserving biodiversity, promoting its sustainable use and reducing poverty. The German government has substantially increased its financial contribution for global biodiversity conservation from 2007 and provided a total of 500 million euros for the biodiversity sector in 2011. In line with Chancellor Angela Merkel’s pledge at the Ninth meeting of the Conference of the Parties to the Convention on Biological Diversity, the German government will make available 500 million euros per year from 2013 for the conservation of forests and other ecosystems worldwide. Germany is thus making a major contribution to the implementation of the Convention on Biological Diversity, the Strategic Plan 2011–2020 and the decisions adopted at the Eleventh meeting of the Conference of the Parties.

Universal access to energy services and to a sustainable basic energy supply protects the climate and reduces poverty. Without energy, it is impossible to provide lighting for homes and schools, keep medicines cool, or operate medical equipment. Industry and agriculture need energy for their production processes. Energy is a fundamental prerequisite for development. It is especially important to consider the water-energy-food security nexus. Through the Energising Development (EnDev) initiative funded by Germany and other donors, 8.5 million people worldwide gained access to energy services by the end of 2011. In its development policy engagement, the German government has sharpened its focus on the specific economic, social and environmental challenges facing its partner countries and regions. New strategy papers adopted by the German government and its various ministries for cooperation with Africa, Latin America and Asia provide the framework and generate momentum here. Particular efforts have been made to utilise the comparative advantages that Germany and its development policy have to offer in relation to sustainable development, climate protection

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Germany has sharpened the thematic focus of its development cooperation with the various regions. Africa, as a priority region in German development policy, has received particular support.

“We are committed to creating a new, interdepartmental concept for Africa that will take account both of the security, social, ecological and economic challenges and of the immense potential for development in our neighbouring continent. Our objective is to have self-sufficient development in as many regions as possible and in relation to coping with the great challenges of poverty, food shortages, epidemics, refugee flows, the absence of the rule of law, political extremism and environmental degradation.”

(Coalition Agreement, p. 172)
and vocational education and training, for example. The division of labour and donor harmonisation have gained in significance in recent years. Germany’s active engagement in the multilateral organisations and the EU has complemented and strengthened bilateral activities in the developing regions. This has been accompanied by better dovetailing of bilateral and multilateral activities in these regions.

Africa is, and will remain, a key focus of German development policy. The basis for this is the German government’s new Strategy for Africa, adopted in 2011 in fulfilment of the commitments undertaken in the Coalition Agreement. The Strategy lays the foundations for wide-ranging cooperation in key areas, beyond conventional development policy and cooperation, as the basis for a close and equal partnership with Africa – politically, economically, culturally and socially. Germany regards Africa as a continent of growth and opportunity. Between 2004 and 2012, its financial commitments for development cooperation with Africa increased almost threefold and now amount to around 50 per cent of total regional budgets. The major share of the funding (95 per cent) goes to sub-Saharan African countries. Based on the needs of the partner countries, the German government focuses its development policy engagement on the following sectors: good governance, peace and security, sustainable economic development, water, energy, the conservation of the environment and resources, education, and health. In each cooperation country, German development assistance concentrates on no more than three priority areas. Germany plays an outstanding role within the donor community and is often one of the largest bilateral donors in the countries with which it cooperates. As climate change poses a particular threat to development progress in Africa, it is mainstreamed as a cross-cutting issue. In addition to bilateral support for individual countries, German development cooperation focuses on the regional and pan-African levels, with a key role being played by the African Union (AU) and various African regional organisations such as the East African Community (EAC) in this context. In peace and security, regional economic integration, and the energy, water and environmental sectors, transboundary approaches often offer the most viable and sustainable solutions.

Asia, despite its dynamic economies, is still home to the majority of the world’s poorest people. The continent therefore continues to be an important focus of German development cooperation – not only as a recipient but, increasingly, as a partner in triangular cooperation arrangements. In Asia, German bilateral development cooperation prioritises sustainable and inclusive economic development, education, good governance and health.

Although some donors have withdrawn from Latin America in recent years, the German government remains engaged in this region, which has a particularly important role to play in safeguarding global public goods. Germany’s priorities in development cooperation with Latin America and the Caribbean are good governance, the environment and climate, and sustainable economic development.

South-Eastern Europe, North Africa and the Middle East continue to be particularly significant due to their status as neighbouring regions. In the South-Eastern and Eastern Europe/South Caucasus region, German bilateral development policy focuses on sustainable economic development, the environment and energy efficiency, and on democracy, legal and judicial reform, and municipal development. Development cooperation with the Middle East and North Africa (MENA) region focuses on four sectors: water, energy, education, and sustainable economic development. An overarching goal of German development policy in this region is to support and contribute to transformation processes. Germany is the second largest bilateral donor in this region after the USA.
Future challenges and future-oriented development policy

Global developments, such as the further intensification and integration of trade, financial and information flows, will have a positive impact on many developing and emerging countries. Nonetheless, it is likely that the diverse challenges facing the world will increase over the coming years and decades, with attendant risks for developing and emerging countries.

Key global challenges are the safeguarding of natural resources, the conservation and sustainable management of biodiversity, climate change mitigation and adaptation, peace and security, reducing social inequalities, supporting job creation and income-generating opportunities, and managing the ongoing processes of urbanisation and migration. These challenges mean that consensus building and even closer cooperation within the international community, with engagement by private sector and civil society actors, will be an even more urgent necessity in future.

Development policy, as an integral part of the German government’s international policy, can contribute to global sustainable development in future, particularly in the following areas:

1. Development policy will make a contribution to the reduction of ongoing poverty in all its dimensions through bilateral and multilateral development cooperation. Knowledge and education, as the key to overcoming poverty and a lack of freedom, will continue to play a central role. Africa, as a continent of opportunity, will continue to be a particular focus of attention in future.

2. Development policy will help to promote modern and sustainable models of growth. In future, it will utilise every opportunity to support the partner countries as they embark on new growth pathways that are tailored to their specific needs. Above all, development means economic development that benefits local communities. Businesses in the partner countries must play a greater role in future, and the same applies to German companies with their specific knowledge and potential for innovation in the field of sustainable technologies and production processes.

3. Development policy will help to safeguard regional and global public goods such as the environment and resources, climate and health in the partner countries. In fragile regions, support for peacebuilding, crisis management and democratisation is becoming increasingly significant. It is also important, in this context, to make progress in international processes that aim to achieve consensus on the key public goods and their protection.

4. Development policy will be coordinated with other policy areas, making an important contribution to policy coherence for development. The German government will also continue to align its policies to the principles and fields of action defined in the Millennium Declaration and the National Sustainability Strategy.

5. Development policy has a key role to play in dialogue and knowledge exchange with new players. In view of the increasing importance of new public and private sector donors, this exchange is necessary for a “quality competition” and to facilitate agreement on shared goals, principles and procedures. This is the only way to increase the quality and effectiveness of international cooperation. It is also important to generate shared knowledge and make it accessible. The new communication technologies offer a unique opportunity to bring knowledge to social groups and regions of the world which, until now, have had virtually no access to information of relevance to development.
On this basis, German development policy will continue to address global challenges within the framework of its bilateral and multilateral activities. In view of the overarching goals of poverty reduction and global sustainable development, topics such as sustainable and inclusive growth, including job creation and urbanisation (green urban management), use of the positive effects of migration, peace and security, democratisation and the protection of the climate and resources will continue to gain in importance. In view of the changed stakeholder landscape, it is important to align traditional recipient-donor models to the new realities and to continue to apply a differentiated approach towards partner countries.

The German government will continue to work on implementing the Busan outcomes and will help to ensure that all actors engaged in international cooperation, including the new private and public sector actors, comply with the principles of effective development cooperation. The German government will also contribute more intensively to other international processes and initiate new ones where appropriate. Its contribution to shaping the post-2015 agenda will chart the way forward here.
2. More Effectiveness and Efficiency: Strengthening and Restructuring German Development Policy

Improving effectiveness and efficiency is a key concern in the German government’s newly aligned development policy. The Coalition Agreement states: “We want to increase the effectiveness of development policy and re-align it by honing its profile, by emphasising economic cooperation, through clear national and international division of labour in keeping with the principles of the Paris Declaration, through increased coherence and by providing more efficient bilateral, multilateral and European organisational structures and instruments.”

(Coalition Agreement, p. 182)

Germany has made firm commitments, at the international level, to increasing aid effectiveness, particularly in the Rome Declaration, the Paris Declaration, the Accra Agenda for Action and, most recently, the Busan Partnership for Effective Development Co-operation, established in 2011. Here, Germany was successful in its efforts to ensure that effectiveness remains at the heart of political debate.

In keeping with the Paris, Accra and Busan effectiveness agenda, the German government is calling for more ownership by developing country partners. Supporting and challenging its partners is an important basis for German development policy. It facilitates cooperation on equal terms and contributes significantly to enhanced effectiveness. Today, Germany’s development policy dialogue with partner countries focuses more strongly on managing for results and building partner countries’ own capacities.

Germany has initiated sweeping reforms of its development architecture, some of which have already been completed. It has also pressed for reforms of the global development architecture and has contributed to international agenda-setting. These structural reforms are described below.

2.1 Strengthening the policy field and steering capacities

“We want to increase the impact of German development policy and to improve the effectiveness and targeted nature of the funding provided by, in particular, eliminating dual structures in government and implementation. […] in order to improve our ability to steer German development policy [we will] improve the field structures of the department responsible for development policy.”

(Coalition Agreement, p. 183 – 184)

The structural reform announced in the Coalition Agreement is the most important and far-reaching element of the reform of German development cooperation. The preparation, political decision-making and implementation of the reform took place during the current legislative term.

On 7 July 2010, the Federal Cabinet approved the Strategy for the Implementation of the Structural Reform of Technical Cooperation. The structural reform has led to a radical shake-up of procedures and processes in Germany’s official development cooperation. The German government’s enhanced policy steering capacities in the dialogue
with overseas partners and vis-à-vis the implementing organisations are of particular significance. In a statement issued on 10 November 2010, the Bundesrechnungshof (= Federal Court of Audit) reaffirmed the policy course pursued by the German government and endorsed the reform, which aims to improve political control and governance in the field of German development policy: “The Bundesrechnungshof regards the safeguarding and improvement of the BMZ’s capacity to steer development policy vis-à-vis the future company (GIZ) as a fundamental prerequisite for the reform’s success.”

The reform has clarified responsibilities and improved the division of labour between the German government and the implementing organisations. The German government has now reclaimed a number of core ministerial functions. For example, the German government, via Germany’s missions abroad, now conducts the development policy dialogue with partner governments and other donors at sector level as well, a task which was previously undertaken by experts from the implementing organisations. Similarly, key policy-making tasks, such as the influencing of the international development policy agendas, can now be addressed and progressed more effectively by the German government.

The BMZ has also reformed its own structures and procedures. It now has enhanced policy steering capacities vis-à-vis the implementing organisations; the same applies to its policy planning and communication capacities in response to the substantial expansion of the BMZ’s remit in these areas. The number of BMZ staff has been increased, based on an economic analysis in late 2010 and a human resource needs assessment in early 2011, which demonstrated the feasibility and economic viability of the reform but also highlighted the need for additional personnel. In the 2012 and 2013 budgets, a total of 195 new posts were therefore approved for the BMZ, 46 of which are intended to increase the number of development staff seconded to Germany’s diplomatic missions in partner countries.

MORE FUNDING – MORE CAPACITIES

At the same time, the German government has increased the financial resources available for development. Over the past three years, Germany has succeeded in continuously increasing the funding allocated to development cooperation in the federal budget despite the need for budget consolidation. Whereas in 2009, German official development assistance (ODA) still stood at 8.7 billion euros (0.35 per cent of gross national income (GNI)), it rose to 9.8 billion euros in 2010. In 2011, Germany’s net ODA spending exceeded 10 billion euros for the first time (10.2 billion euros), which means that in absolute terms, Germany was the world’s second largest bilateral donor after the United States. This corresponds to a 17 per cent increase in ODA spending from 2009 to 2011, with Germany’s ODA/GNI ratio rising to 0.39 per cent in 2011. The German government remains committed to increasing its ODA spending to 0.7 per cent of gross national income (GNI) by 2015.
2.2 A far-reaching reform of the development architecture

“The reform of the implementation structures will begin with the consolidation of technical cooperation (TZ) organisations. [...]”
(Coalition Agreement, p. 183)

There was frequent criticism, in the past, that there were too many implementing organisations in German development cooperation. This point was emphasised in the Peer Review of German development cooperation carried out by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) in 2010.

Based on the Cabinet decision adopted in July 2010, the legal merger of the three implementing organisations – the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH, the German Development Service (DED) and InWEnt (Capacity Building International, Germany) – therefore took place in January 2011. This was followed by the organisational merger in October 2011 to form the new Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH. Dual structures have thus been eliminated. Compared with the three predecessor organisations, the number of management posts in the new GIZ has been reduced by 10 per cent, making GIZ far leaner and more efficient. The pooling of the previously fragmented technical cooperation toolbox has created substantial synergies and quality gains. With more than 16,000 staff and around 3,000 additional personnel (development workers, integrated experts, returning experts, national staff in partner organisations, volunteers deployed by the Development Volunteers Service (weltwärts) and trainees) in more than 130 countries worldwide, GIZ is one of the largest and most effective development agencies in the world.

GIZ aims to promote international cooperation for sustainable development. It is also engaged in international education. Like its predecessors, GIZ assists the German government to achieve its development policy objectives and, as before, can be commissioned directly by other German ministries, as well as by the BMZ, to implement projects and programmes relating to their particular portfolio. As before, GIZ can also be commissioned by international organisations, such as the European Union (EU), the United Nations and the World Bank, and by governments worldwide, foundations and international corporations (GIZ International Services). GIZ’s registered offices are in Bonn and Eschborn. Two new bodies – the Board of Trustees and the Private Sector Advisory Board – have been set up to advise the company. The Board of Trustees, which consists of up to 40 members, inter alia from non-governmental organisations, the German government, the federal states (Länder) and the Bundestag, maintains an exchange of information and opinions and advises the company on all issues of substantial importance for its development. The GIZ Private Sector Advisory Board provides a platform for regular dialogue between the private sector and development organisations, and comprises 10 representatives of businesses and industry associations.

The BMZ has also set up an Ombudsman Unit to deal with competition issues relating to technical cooperation. As an independent contact point for companies, business associations and non-governmental organisations, its task is to clarify competition issues arising in relation to GIZ contracts or sub-contracts and identify consensus-based solutions.

Another new feature introduced as a result of the merger is the identification by the German government, represented by the BMZ and BMF, of clear medium-term goals for GIZ based on amended Articles of Association. The flow of information and the dialogue with GIZ have greatly improved and the German government’s political control has been strengthened. Coordination of the working relations between GIZ and KfW, which is responsible for technical cooperation, has also intensified in recent years, which has helped to make development cooperation more efficient.

The primary aim of the structural reform was to enhance the effectiveness of technical cooperation. However, other measures, such as the reform of the programme proposals, have also made procedures for programme implementation more transparent and efficient. However, the main benefit afforded by the merger is that technical cooperation is now offered from one source, which means that services can now tailored more precisely to partner countries’ needs and developed on this basis. Examples are the definition of a clear profile for development workers, and a new frame of reference for Human Capacity Development (HCD). This defines capacity building as an integral part of development policy and underscores the systemic links between
The German Government’s 14th Development Policy Report

The institutional environment, organisations and individuals. The HCD toolbox aims to strengthen individual capacities and therefore takes account of these linkages. In conjunction with other tools, it helps to enhance Germany’s aid effectiveness.

Creating and safeguarding high-quality jobs was a priority in the merger. It was therefore agreed that there would be no merger-related redundancies at GIZ until the end of 2015 and that employees’ existing financial benefits would be secure. It was also guaranteed that all the existing company sites would continue to operate until the end of 2014. Age-related retirements and continued employment under new contractual arrangements offer considerable scope to make the necessary adjustments without social cuts. On the contrary, the new and efficient GIZ is on a growth course. The structural reform thus safeguards existing jobs and creates new ones with an international focus for well-qualified staff in Germany and worldwide. An agreement has been reached with the Management Board that GIZ’s Bonn site should continue to expand, boosting Bonn’s status as a key location for German and international development policy.

2.3 ODA coordination and policy coherence for development

“We want to increase the effectiveness of development policy and re-align it [...] through increased coherence ...” (p. 182): This commitment, enshrined in the Coalition Agreement, is a response to the many international demands being made of German development policy. In the OECD, Germany advocated for making policy coherence a thematic focus of the new OECD Strategy on Development. During the current legislative term, the relevant government departments have therefore improved the coordination of their development policies and thus enhanced their effectiveness and impact.

In this context, efforts have focused on specifying the BMZ’s coordination function in respect of German official development assistance (ODA), as agreed by the German government. In accordance with the Cabinet’s decision of 7 July 2010, the German government set up the Interministerial Steering Group on Technical Cooperation and ODA Transparency at state secretary level, which is chaired by the BMZ. The Steering Group generally meets twice a year. It aims to safeguard the German government’s political governance of technical cooperation and ensure that the various ministries’ ODA activities are transparent.

A further step was taken with the adoption of an interministerial agreement in April 2012, which specified the BMZ’s coordination function in respect of German official development assistance (ODA). Within the German government, the BMZ is currently responsible for around 60 per cent of Germany’s bilateral ODA. So that it can perform its role in ODA coordination efficiently at the institutional level as well, the BMZ has set up a new unit to deal with this task. The German government also aims to enhance the visibility of Germany’s substantial ODA contribution by showcasing the wide range of ODA-related activities undertaken by the various ministries. An Inter-Sectoral Cooperation Fund has also been established, offering targeted support for interministerial cooperation on development projects.

An interministerial agreement on improved cooperation and division of labour, adopted on 10 November 2011 between the German Federal Foreign Office (AA) and the Federal Ministry for Economic Cooperation and Development (BMZ), aims to improve the coordination and coherence of the German government’s foreign and development policy portfolios, with responsibilities being assigned accordingly. Based on this agreement and commencing in 2012, responsibility for the entire sphere of the German government’s humanitarian assistance now lies with the German Federal Foreign Office, whereas transitional development assistance, which is classed as development cooperation, is now entirely a matter for the BMZ. The German Federal Foreign Office is responsible for cooperation with the political foundations in EU accession countries, whereas the responsibility for relations with UNICEF, and also for disaster risk management, has passed to the BMZ. These measures have created more transparency, facilitate better and more efficient governance, and increase the effectiveness, of German development and foreign policy.

Coherence is not only safeguarded by structural agreements and procedures, however. It also requires thematic and strategic coordination between the various policy fields. For that reason, one of the German government’s key goals is to set out its priorities in joint interministerial strategy papers. A new Strategy for Africa, developed and agreed by the relevant ministries, was therefore unveiled.
in mid 2011. As with the German government’s Strategy Paper for Latin America, published in 2010, it forms the basis for policy coherence in the German government’s approach to the region. With the adoption of the document “Shaping Globalisation – Expanding Partnerships – Sharing Responsibility” in early 2012, the German government now, for the first time, has an overarching strategy for its cooperation with major emerging economies.

In late 2012, the Cabinet adopted the Interministerial Guidelines to Enhance the Coherence of Government Policy towards Fragile States, which now serve as an important frame of reference for cooperation between the various government departments.

The agreement reached between agricultural and development policy-makers on the elimination of the EU’s agricultural export subsidies and also the close linkage between foreign, security and development policy in Afghanistan show that policy coherence can generate diverse synergies. Over recent years, sensitive issues, including those relating to divergent ministerial objectives – such as the debate about goal conflicts between energy, nature conservation and food policy – have not been ignored but have been actively addressed in the interests of achieving coherence in German government policy.

2.4 Strategic vision, concentration, evaluation

A CLEAR STRATEGIC VISION

The German government’s entry into office in 2009 confirmed that in the 17th legislative term, German development policy would be conducted along the broad lines previously set out in the Coalition Agreement. On this basis, in mid 2011, the BMZ adopted a Development Policy Strategy which defines the new strategic vision for German development policy along these broad lines, with the aim of enhancing its effectiveness. The BMZ’s Development Policy Strategy should be viewed as a general framework for the BMZ’s specific strategies and policies. It has been integrated into the German government’s general policy portfolio without affecting its validity. The BMZ has thus acted on the OECD’s recommendation that an overarching strategy be adopted as the basis for German development policy.

The dialogue is part of the strategy – in line with this principle, the Ministry held intensive discussions with a variety of stakeholders on the Strategy until the end of 2011. Representatives of Parliament, the ministries, civil society, academic institutions, political foundations, the business community, the federal states and local authorities were involved in these consultations. As a result of this dialogue, the BMZ’s Strategy was supplemented by roadmaps defining the new strategic vision for 17 key areas of the BMZ’s work. The BMZ then published an expanded version of the Strategy which includes these roadmaps, entitled Development Policy plus.

In parallel, the BMZ has sharpened the focus and driven forward progress on sectoral and regional priorities with new policies, strategies and position papers. It has also participated in the formulation of other strategies of development policy relevance drawn up by the German government and by international organisations. Civil society has also been involved to a greater extent in the preparation of these strategies and policies. As a result, many useful ideas have been taken up and a high level of transparency and trust has been achieved.

The German government also made a significant contribution to the consultation on the Green Paper on the future of EU development policy and EU budget support to 2020. This is reflected in the Council Conclusions “Increasing the Impact of EU Development Policy: an Agenda for Change” and the Council Conclusions “The Future Approach to EU Budget Support to Third Countries”. Both documents are generally in line with the German government’s positions.

Germany actively participated in the preparation of the new OECD Strategy on Development and advocated, in this context, for an implementation-oriented approach. As the first step towards the Strategy’s rapid implementation, Germany is now participating in the launch of a Knowledge Sharing Alliance as a vehicle for sharing the OECD’s structural policy expertise with partner countries. At the same time, Germany and other OECD countries are continuing to work for the realignment of the DAC and for its doors to be open to even more countries, in order to make the DAC more flexible and demand-driven and to increase its focus on results.

Germany is, and will continue to be, intensively involved in shaping the reform process in the United Nations. In
particular, Germany is an active participant in the process for reviewing the various strategies of the UN development organisations. Germany has also contributed to the preparation of other multilateral organisations’ sectoral, country and institutional strategies and policies, including the African Development Bank’s Long Term Strategy.

CONCENTRATION ON COUNTRIES AND SECTORS

“In the context of the European and international division of labour within Germany’s bilateral development cooperation (ODA) we will work with a limited number of partner countries. Good governance, need, significance of our aid, source of risk and strategic partnership will be important factors in relation to flexible adjustment.”

(Coalition Agreement, p. 182)

In terms of its ODA spending (in US dollars), Germany has been the world’s second largest bilateral DAC donor since 2011 (see Section 2.1). In the past, however, German aid was spread among so many countries that Germany only ranked in a midway position on the donor league table in many of its partner countries. This situation has prompted criticism from many partner countries. Firstly, they expect cooperation with Germany to be commensurate with its economic and political status. Secondly, many developing countries have only limited capacities to efficiently manage and steer a plethora of smaller development projects from many different donors. Despite the efforts to improve donor harmonisation, this continues to be a problem. According to OECD data, in 38 developing countries there were 12 or more donors which, together, provided only 10 per cent of total country programmable aid (CPA). More than one third of the donor-recipient relationships surveyed by the OECD were judged to be insignificant in financial terms for the partner country. Of course, a financially insignificant programme may have significant development value. However, a large number of small-scale projects requires substantial administrative effort by the partner and often ties up scarce local personnel resources. It also creates a multitude of bureaucratic procedures and overstretches partners’ capacities by requiring them to comply with numerous different donor mandates. Sectoral fragmentation of aid is also increasing, according to the OECD: in other words, funds from donors are being channelled into many more sectors than before. The OECD has therefore urged Germany to continue to concentrate its aid.

The German government therefore aims to sharpen its donor profile by concentrating on a limited number of partner countries, thereby strengthening the international division of labour in accordance with the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. This is particularly relevant in achieving a more effective division of labour at the European level, primarily through joint programming. In consequence, the number of partner countries with which a full programme of official bilateral cooperation has been agreed has been reduced by the BMZ from 58 to just 50. Furthermore, in each cooperation country, the BMZ concentrates its development assistance on no more than three priority areas. Countries are selected according to the criteria for cooperation set out in the Coalition Agreement: poverty and need, significance of Germany’s contribution, good governance, strategic partnerships, and specific risks affecting the countries. Enlightened self-interest also plays an important role for Germany, e.g. in relation to the protection of global public goods such as the global climate, support for fragile states or post-conflict countries, and the protection of human rights.

The list of countries engaged in bilateral development cooperation was therefore revised on the basis of the Coalition Agreement and presented to the German government in September 2011. The list takes account of the need for flexible thematic and regional cooperation. In addition to the 50 partner countries, the BMZ works with a further 29 countries which receive assistance as part of regional or thematic programmes in sectors such as HIV/AIDS, climate protection and forest conservation, and crisis prevention. In countries engaged in thematic cooperation with Germany, this cooperation is limited in principle to one priority area. The concentration of Germany’s ODA activities on a limited number of partner countries and sectors increases their effectiveness, visibility and significance. The principle of “less is more” is also in keeping with the decisions on the European and international division of labour which Germany did much to progress.
New policies, strategies and position papers

Combating the causes of poverty/Promoting human dignity

- BMZ Sector Strategy on Social Protection (July 2009)
- BMZ Sector Strategy: German Development Policy in the Health Sector (August 2009)
- BMZ Strategy: Rural Development and Its Contribution to Food Security (March 2011)
- BMZ Position Paper: Germany’s Contribution to a Sustainable HIV Response (June 2012)

More democracy and human rights

- BMZ Strategy: Human Rights in German Development Policy (May 2011)
- BMZ Gender Plan of Action 2009–2012 (February 2009)
- BMZ Position Paper: Young people in German development policy – a contribution to the implementation of the rights of children and youth (October 2011)
- BMZ Strategy: Anti-Corruption and Integrity in German Development Policy (June 2012)
- BMZ Action Plan for the Inclusion of Persons with Disabilities (January 2013)
- BMZ Strategy for Cooperation with Civil Society (2013)

More education

- BMZ Education Strategy: Ten Objectives for More Education (February 2012)

More business and sustainable economic development

- BMZ Strategy Paper: Extractive Resources in German Development Cooperation (April 2010)
- BMZ Strategy Paper: The contribution of tourism to sustainable development and achieving the Millennium Development Goals (March 2011)
- BMZ Strategy Papers on Cooperation with the Private Sector (March and April 2011)
- BMZ Strategy Paper and Cross-Sectoral Strategy: Aid for Trade in German Development Policy (June and August 2011)
- BMZ Strategy Paper: Biofuels – Opportunities and Risks for Developing Countries (November 2011)

More engagement


More differentiation

More prevention

Cooperation with countries and regions

- Germany and Africa: A Strategy Paper by the German Government (June 2011)
- Germany, Latin America and the Caribbean: A Strategy Paper by the German Government (2010)
- BMZ Strategy Paper: German Development Policy in Asia (August 2011)
- BMZ Regional Strategy: German Development Policy in Latin America and the Caribbean (September 2011)

Multilateral cooperation

- The BMZ’s Statement of Principles guiding multilateral development policy (2013)
EVALUATION AND IMPACT MONITORING

“In order to be able to better record results and create more value for money, we will set up an independent evaluation institute to assess long-term impacts.” (Development Policy Strategy “Minds for Change – Enhancing Opportunities”, 2011, p. 14)

The evaluation of programmes and projects is a key pillar of active, evidence-based political governance of development cooperation. Evaluations aim to assess development strategies, instruments and interventions as objectively as possible according to five basic criteria: relevance, effectiveness, efficiency, impact and sustainability. They fulfil a
public accountability function and contribute to an ongoing learning process, which helps to improve the quality of development interventions. In the division of labour between the BMZ and its implementing organisations, the BMZ was responsible until 2012 for policy-level evaluations, focusing on development strategies and instruments, whereas the implementing organisations evaluated representative samples of individual projects, past and present.

Over recent years, the BMZ has commissioned evaluations, inter alia, of the Civil Peace Service (CPS), the Development Volunteers Service (weltwärts) and “social capacity building”
in non-governmental development cooperation. The German Federal Foreign Office (AA) and the BMZ commissioned a joint evaluation of German humanitarian aid abroad. These evaluations were performed by independent German and European research institutes and consultancies, with the involvement of all relevant stakeholders. The findings were then published. The BMZ also made substantial contributions to multi-donor evaluations at the international level. These included the Evaluation of the Paris Declaration (Phase 2), which focused particularly on its impacts in developing countries, the Evaluation of Support to Conflict Prevention and Peacebuilding Activities in Southern Sudan, and the Joint Evaluation of Conflict Prevention and Peace Building in the Democratic Republic of the Congo. All the evaluations offered important new ideas for further reflection and made recommendations for reforms of Germany’s official and non-governmental development cooperation, which are now being implemented on a step-by-step basis. Progress on the implementation of the evaluations’ recommendations is regularly reviewed by the BMZ.

At the same time, the German government recognised that the German system for the evaluation of development interventions needed to be reformed. A comprehensive report, entitled “Evaluation in German Development Cooperation” (2009), and the DAC Peer Review of Germany (2010) emphasised that the evaluation system for German development cooperation was too fragmented and heterogeneous and underlined the need for a more systemic approach.

As part of the structural reform of German development cooperation, the German government therefore decided to establish an institution which would be responsible for performing independent evaluations and for ensuring the quality of impact monitoring in German development cooperation. The German Institute for Development Evaluation (DEval) in Bonn began work in 2012 and will be fully operational in 2013. The Institute can be commissioned by other German ministries as well as the BMZ.

The main functions of the new Institute are to:

- conduct evaluations, performance reviews and impact analyses of the BMZ’s German development cooperation activities,
- examine and refine relevant methods and standards,
- process and disseminate findings of evaluations and methodological research,
- provide training in Germany and abroad,
- engage in national and international cooperation networks,
- develop evaluation capacities in partner countries.

Basic principles governing the Institute’s work:

- Independence: in its analyses and evaluations. The Institute’s statutes guarantee the requisite academic independence in the conduct of evaluations and ensure compliance with the provisions of the German Corporate Governance Code.
- Transparency: this is achieved through clear methodologies and the publication of the Institute’s reports.
- Quality: the Institute’s work is based on the DAC’s Principles for Evaluation of Development Assistance and Quality Standards for Development Evaluation. An advisory committee monitors the Institute’s performance, with external periodic reviews of its work also contributing to quality assurance.
- Participation: all relevant stakeholders are involved in the evaluation process.
- A needs-based approach: in order to safeguard development policy relevance and ensure that lessons are learned from the evaluations, the BMZ is involved in the process to select development interventions for evaluation. The Institute proposes the evaluation programme and agrees it with the BMZ’s senior management after a broad-based consultation process.
- Partnership: partner organisations in the developing countries are involved in the planning and conduct of evaluations.

The Institute’s evaluation remit encompasses all development measures for which the Federal Ministry for Economic Cooperation and Development (BMZ) is responsible. In general, the Institute will conduct the evaluations itself. However, development cooperation is such a wide-ranging policy field, both geographically and thematically, that it is impossible for the Institute to cover all areas itself. It therefore has programme funding available, which enables it to contract some work out to consultancies and engage in cooperation with other evaluation partners.

The Institute also promotes evaluation capacity development (ECD) in partner countries as a cross-cutting task. By involving local professionals, the aim is to establish evaluation as an independent sector in the partner countries. Funding will be provided for relevant projects, training and advice.

The key challenge in the coming years is to ensure that an improved evaluation system genuinely contributes to impact-oriented governance and implementation of German development cooperation. This will require not only an increase in the quality and quantity of evaluations: the results of evaluations must also be channelled into new project planning. Incentives and systems must be created for
this purpose, both by the German implementing organisations and by local partners and the BMZ itself. Ensuring the assessability of development interventions is a further challenge. Evaluations require a sound body of data so that credible and informative conclusions can be drawn. The basis for this must be established during planning and integrated more firmly into monitoring and reporting systems.

2.5 Global governance: helping to shaping international institutions and agendas

Poverty and inequality, environmental degradation and climate change, fragile statehood, food and energy insecurity are just some – and by no means all – of the obstacles to sustainable development. Overcoming them requires more intensive and more effective cooperation among many different stakeholders, particularly at the international level.

The international development architecture, as a key pillar of global governance, must become more effective in order to achieve sustainable global development goals, with a particular focus on the principles enshrined in the Millennium Declaration and the Millennium Development Goals and their related targets. Germany has declared its willingness to assume more responsibility in this context together with other donors and partners, in accordance with its policy goal of giving two thirds of its ODA as bilateral and one third as multilateral aid.

The EU’s development policy and the cooperation with multilateral organisations, international forums and networks provide the German government with substantial leverage for its own development policy. The major multilateral organisations, such as the United Nations, the World Bank and the regional development banks, are key players in international development. As a member and shareholder in these institutions, the German government makes intensive use of the specific opportunities that they afford for shaping sustainable global development. For example, multilateral organisations have substantial financial resources at their disposal, provided by their member states. They are development knowledge bearers and, in many regions and sectors, act as donors of last resort. Multilateral organisations also serve as dialogue platforms in which bilateral donors can draw attention to their priorities and which they can utilise for strategic purposes. The experience gained with the G20 shows that informal forums can make an important contribution to more effective global governance as well, by strengthening cooperation on development policy with key emerging economies. These forums must now acquire broader legitimacy, for example by cooperating with the United Nations. The German government aims to optimise its use of the comparative advantages afforded by multilateral organisations and forums in its own development cooperation.

In order to create synergies, the German government is working to achieve stronger linkage between bilateral and multilateral development cooperation. Bilateral development cooperation can exert stronger leverage if it links in with the multilateral organisations while drawing on its own strengths and experience. Conversely, multilateral and EU development cooperation can benefit from Germany’s bilateral development expertise.

<table>
<thead>
<tr>
<th>Organisation</th>
<th>German ODA in Euro million</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td>2,209.1</td>
</tr>
<tr>
<td>United Nations</td>
<td>265.1</td>
</tr>
<tr>
<td>World Bank Group</td>
<td>575.9</td>
</tr>
<tr>
<td>Regional development banks</td>
<td>225.9</td>
</tr>
<tr>
<td>Other organisations</td>
<td>446.0</td>
</tr>
</tbody>
</table>

Since 2005, only includes contributions to the organisations’ budgets (= core contributions). Since 2005, all project- and programme-related contributions to multilateral organisations have been recorded as bilateral ODA.
A NEW DIRECTION IN EU DEVELOPMENT POLICY

“The EU is present in nearly every country in the world and has a leading role in efforts to increase effectiveness. We want to make better use of this potential.”

(Development Policy Strategy “Minds for Change – Enhancing Opportunities”, 2011, p. 16)

The European Commission has an annual development budget of around 9.1 billion euros, with the German contribution amounting to around 20 per cent. Together, the European Commission and the EU Member States provide around 53 billion euros annually in official development assistance (ODA), making the EU as a whole the world’s largest donor. The EU is also a key forum for the preparation of international policy processes. European donors contribute their policy positions in the Brussels institutions, enabling Europe to speak with one voice in the international arena. Germany, as the largest Member State, plays an important role in this context. Furthermore, Europe plays a leading role in issues relating to the international division of labour and thus makes a substantial contribution to enhancing efficiency in development cooperation. In view of the great significance of European development policy, Germany is a firm advocate for donor coordination within the EU, the aim being to actively shape and influence European policy in this context.

The EU is currently restructuring its development policy. The German government plays a key role in setting the new course. In 2010, the European Commission launched a Green Paper consultation to elicit the views of Member States and other stakeholders on the future of European development policy and budget support. In late 2011, EU Development Commissioner Andris Piebalgs presented the new strategy on the future of EU development policy, entitled “Increasing the Impact of EU Development Policy: an Agenda for Change”. The strategy, which was published as a Communication, was flanked by a further Communication, entitled “The Future Approach to EU Budget Support to Third Countries”, which defines new and more stringent criteria for the granting of budget support by the Commission. Together, the two documents outline thematic priorities and working methods for EU development policy for the next Multiannual Financial Framework (MFF) (2014–2020). They are very much in line with the German government’s positions. The reform agenda was approved by the European Development Ministers Council in spring 2012.

In consequence, EU development policy will in future concentrate on two overarching thematic priorities. Firstly, it will promote human rights, democracy and other key elements of good governance; secondly, it will support inclusive and sustainable growth for human development. To that end, at least 20 per cent of EU development funding will be spent on education, health and social inclusion as the bases for sustainable economic growth. The role of the private sector and civil society in the EU’s forward-looking development policy is emphasised in particular.

Shared values – particularly human rights, democracy and the rule of law – are the foundation of EU development policy. The support provided at country level will therefore be determined by the partner country’s commitment and progress in these areas. At the same time, the EU will focus to a greater extent than before on managing for results. In this way, partner country ownership of development processes acquires the significance that it deserves.

The EU will increasingly apply a differentiated approach to aid allocation and aid modalities, according to the partner country’s development status. In this way, the EU is responding to the changed development landscape. From now on, the EU will aim to achieve maximum impact and value for money. Germany actively supports the Commission’s differentiation agenda.

Countries which are able to generate enough own resources will no longer receive bilateral support in the conventional sense. Budget support and grants in particular will be phased out. However, regional and thematic cooperation, focusing, for example, on the protection of global public goods, will continue. For these more advanced countries, innovative financial instruments, such as blending – a tool which combines EU grants with market-based instruments, such as loans and equity, to leverage additional financing – will be deployed. A new EU Platform will bring together relevant stakeholders and provide a basis for the expansion of blending in qualitative and quantitative terms.

Within the framework of the differentiation agenda, the EU will continue to attach particular importance to bilateral development cooperation with sub-Saharan Africa and the Least Developed Countries (LDCs). The Commission is also committed, in principle, to the concentration of EU development activities in each country on a maximum of three sectors. The EU will also develop specific instruments for fragile states and will expand its cooperation with these countries.

Since the German EU Council Presidency in 2007, the German government has consistently emphasised the key
The EU: An Agenda for Change

In June 2012, EU Development Minister Andris Piebalgs and German Development Minister Dirk Niebel made a joint visit to Afghanistan, Pakistan and Bangladesh. In Dhaka, they met with Sheikh Hasina, the Prime Minister of Bangladesh, and visited several projects supported by the European Commission and Germany. Germany and the European Union are important donors in Bangladesh and are working to improve social and environmental standards, particularly in the garment industry. Other relevant topics are renewable energies, education and health. These are also priority areas of European development cooperation in line with the new strategy on the future of EU development policy, entitled “Increasing the Impact of EU Development Policy: an Agenda for Change”.

In order to increase the EU’s aid effectiveness, Germany is also advocating for greater use of delegated cooperation. This denotes a partnership between a Member State, such as Germany, and the European Commission. Projects are planned jointly, but one of the partners assumes responsibility for project management and implementation, while the other partner is a silent participant. This reduces costs while also contributing to donor coordination and harmonisation, thus increasing the efficiency of development interventions.

The new course adopted for EU budget support is also extremely important, in the German government’s view. Germany was critical of previous practice and did much to initiate the reform. The previous eligibility criteria for budget support – a stable macro-economic framework, national/sector policies and reforms (“public policies”) and public financial management – have now been expanded to include transparency and oversight of the budget. The partner country’s commitment to the fundamental values of human rights, democracy and rule of law is also a prerequisite for the granting of budget support. It is a matter for Member States jointly to determine whether these criteria are being fulfilled. More intensive policy dialogue will be conducted with partner countries in order to make budget support an effective development policy instrument in future.

From the German government’s perspective, this new direction dovetails with Germany’s positions. For the EU to fulfil its leading role, this new course must now be pursued consistently. As the first step, it is currently being integrated into the regulations on external financing. After that, it is important to ensure that sufficient resources are available for the external financing instruments, and thus for European development cooperation, in the EU’s Multiannual Financial Framework for 2014–2020.

In autumn 2010, the German government proposed that a new direction be adopted for the European Neighbourhood Policy (ENP) as well, in order to enable the EU to deploy its range of instruments in a more differentiated manner, with a focus on providing targeted support for democratic change. In May 2011, the High Representative of the Union for Foreign Affairs and Security Policy, Catherine Ashton, and the European Commission published a Joint Communication, entitled “A New Response to a Changing Neighbourhood”. The new approach aims to provide more support for partners’ democratisation processes and to promote sustainable economic development and cross-border links. The German government has also proposed stronger linkage between the granting of funding to the EU’s neighbours and genuine progress on reform. This initiative has been taken up by the EU: the more progress a country makes in its domestic reforms, the more support it will receive (“more-for-more”). The EU will review its assistance to countries where no reforms have taken place.

For the period 2007–2013, the EU’s neighbours will receive more than 11 billion euros from the European Neighbourhood and Partnership Instrument (ENPI), with the prospect of further resources amounting to around one billion euros for reform-minded partner countries to implement the new European Neighbourhood Policy. In September 2011, a Neighbourhood Civil Society Facility was introduced with an annual budget of around 26 million euros. ENPI funds and Member States’ bilateral contributions are also channelled into the Neighbourhood Investment Facility (NIF) set up in 2008, which aims to maximise the impact of the ENPI.
and generate the greatest possible impetus for reform in the neighbour countries and regions. To date, the German Federal Foreign Office (AA) has contributed 30 million euros to the NIF, making Germany the largest donor in this context.

**STRONGER AND MORE EFFICIENT MULTILATERAL DEVELOPMENT ORGANISATIONS**

In order to increase the effectiveness and coherence of German multilateral development cooperation, the BMZ has, for the first time, developed a Statement of Principles guiding multilateral development policy. It covers Germany’s cooperation with multilateral organisations and vertical funds, i.e. funds with a specific purpose, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria, which are supported by diverse development actors (e.g. governments and non-governmental organisations). With this Statement of Principles, Germany has acted on the recommendation made by the DAC Peer Review in 2005 and 2010, which called for a more systematic and coherent approach to Germany’s development policy cooperation with international organisations. At the same time, the BMZ has thus fulfilled the relevant commitment enshrined in the Coalition Agreement (p. 182) and has acted on key provisions on multilateral development cooperation set forth in the Development Policy Strategy.

According to the Statement of Principles, a systematic assessment of the reform activities of multilateral organisations and vertical funds is to be carried out applying three criteria: development policy relevance/mandate of an organisation; performance capability of an organisation; and scope for Germany to exert influence. In assessing multilateral organisations, the BMZ mainly utilises data already available. When conducting its assessment of multilateral organisations, the BMZ will aim to collaborate with other donors. On the basis of this assessment, the BMZ can then make strategic decisions, in a systematic and transparent manner, on thematic priorities, allocation issues and possible channels for exerting influence.

The BMZ will in future look particularly closely at the issue of fragmentation and the joint assessment of multilateral organisations and funds. The DAC Report on Multilateral Aid, published in 2011, identifies more than 200 small organisations and six major development organisations, including the EU, the International Development Association (IDA), UN Funds and Programmes, the Global Fund, the African Development Bank (AfDB) and the Asian Development Bank (ADB). The trend towards an ever broader donor spectrum that includes new bilateral donors, foundations and vertical funds offers huge political and financial potential. At the same time, however, the fragmentation of financing channels generates higher direct and indirect transaction costs and also binds – and often overstretches – governance capacities in partner countries, especially in the least developed and most fragile states. The German government currently supports various initiatives which aim to achieve more coherence and a stronger concentration of multilateral organisations; these include concentration processes within the United Nations (e.g. the establishment of UN Women). With its active engagement in the Managing Diversity and Reducing Fragmentation initiative and in EU joint programming, the BMZ is endeavouring to achieve a more effective division of labour among bilateral and multilateral development partners at international and national level.

Bilateral donors are increasingly assessing the relevance, performance and effectiveness of multilateral organisations. A network of donor countries, known as the Multilateral Organisation Performance Assessment Network (MOPAN), was founded in 2002 and currently consists of 17 bilateral donors with a common interest in assessing and improving the organisational effectiveness of multilateral organisations and vertical funds. Germany led the MOPAN secretariat in 2011. One of MOPAN’s objectives is to reduce the number of bilateral assessments and avoid duplication. The BMZ is therefore actively progressing MOPAN’s expansion and the development of its methodologies in order to make it an even more effective mechanism for the joint evaluation of the performance of multilateral organisation and funds.

In strengthening its cooperation with multilateral organisations, the German government has increased the financial capacities of the regional development banks and funds, the International Fund for Agricultural Development (IFAD) and the International Development Association (IDA) by making substantial contributions to their capital increases and replenishments. The German government has coupled these measures with clear positions indicating how these institutions can enhance their efficiency and effectiveness. For example, reform and modernisation agendas have been adopted by the World Bank and the regional development banks. These agendas are intended to embed managing for results and cost effectiveness more firmly as objectives in the banks’ management processes and business practices.

Together with other countries, Germany participates in international agenda-setting in multilateral organisations and forums. For example, Germany was involved in setting up the G20’s Development Working Group and has actively contributed to the development of its Multi-Year Action
Plan. Represented by the BMZ, the German government has made an active contribution, particularly on the topics of green growth and private investment. Various measures in these areas – including the G20 Challenge on Inclusive Business Innovation, a dialogue platform for mobilising private investment to support inclusive and sustainable growth strategies in developing countries – were developed with key input from Germany.

Germany belongs to an international like-minded donor group, currently comprising Germany, Sweden, Denmark, the Netherlands, the United Kingdom, Australia, the USA and Canada, which aims to implement a number of shared principles, strategies and objectives in their development cooperation, including furthering development and aid effectiveness and transparency, strengthening partner country ownership and accountability, promoting good governance and sustainable and inclusive economic growth, fostering private sector and civil society engagement, and implementing the Global Partnership for Effective Development Cooperation established as part of the Busan process.

When the World Bank reformed its voting rights system, Germany and its European partners were able to ensure, on the basis of a German proposal, that Europe’s substantial financial contributions to the International Development Association (IDA) were taken into consideration in the allocation of voting rights. This was also a major factor in ensuring that the Europeans maintained a presence on the Board. The new allocation of voting rights reflects the World Bank’s mandate as a development organisation and makes it more independent of the International Monetary Fund (IMF).

Germany actively participated in the drafting of the OECD Strategy on Development and ensured that German positions were integrated into the Strategy. Germany and other OECD countries are continuing to work for the realignment of the DAC and for its doors to be open to even more countries, in order to make the DAC more flexible, demand-driven and focused on results. The German government is also actively engaged in efforts to improve and expand the DAC’s reporting system in order to increase transparency and support the evaluation of ODA transfer flows. Germany is also a key player in the discussion within the OECD about modernising the way in which donor contributions are reported (Beyond ODA).

In the United Nations, General Assembly negotiations on standard-setting resolutions pertaining to topics such as development financing, sustainable development and international trade and financial policy are a particular focus of interest for Germany.

Enhancing the quantity and quality of the German presence in international organisations and European institutions is also one of the German government’s key political goals. Germany makes a major contribution to fostering young talent in particular. At present, around 170 young Germans are seconded to international organisations, particularly the United Nations, via the BMZ-funded programme “Nachwuchsprogramm der Beigeordneten Sachverständigen” (Experts Assigned to International Organisations), compared with only 130 in 2008. The programme is the German government’s most important human resources policy instrument to facilitate young graduates’ access to a career in the international system.

Other commitments and challenges for the future

The German government will continue to progress the current reform processes in the development banks. Through its participation in IDA working groups, it will actively support the organisational reform and alignment of cooperation to new international realities. These include the emerging economies’ greater influence, stronger voice and changed financial status. In the regional development banks, the BMZ will focus on the current reform processes and establish or further develop, as appropriate, strategic partnerships in priority areas of German development cooperation.

The German government continues to play an active role in the United Nations’ development policy reform. At the 67th Session of the United Nations General Assembly in 2012, the General Assembly’s regular policy review of UN operational activities for development (Quadrennial Comprehensive Policy Review – QCPR) was an opportunity to increase the efficiency and effectiveness of the UN’s development activities and, in particular, to improve cooperation within the UN system. The German government will work intensively to support the implementation of the resolution adopted by the General Assembly. Particular priorities in this context are country-level cooperation, e.g. through the Delivering as One initiative, sustainable development initiatives and results-based management.

THE GERMAN CONTRIBUTION TO THE MDG AGENDA AND THE POST-2015 GLOBAL DEVELOPMENT GOALS

The Millennium Declaration, adopted in 2000, and the eight Millennium Development Goals (MDGs) derived from it are, currently, the main international frame of reference for poverty reduction worldwide and for shaping sustainable
global development. Overcoming poverty and its causes is also a core objective of German development policy. As a country built on trade and industry and firmly embedded in the world economy, Germany has a particular interest in sustainable global development.

At the MDG Summit in 2010, the German government reaffirmed its clear commitment to the MDGs and contributed core German positions: the key role of sustainable and inclusive growth, the importance of education, and the need for more private sector and civil society engagement. The international consensus reached on this basis strengthens the role of the United Nations in developing effective solutions to the urgent global challenges addressed by the Millennium Development Goals.

There is strong interaction between the individual Millennium Development Goals. For that reason, these Goals can only be achieved with a comprehensive and holistic approach which takes account of all their various dimensions and promotes inclusive, pro-poor and sustainable growth underpinned by private sector development. The German government supports this holistic approach.

Coherent national MDG strategies and partner country ownership are key to achieving the Millennium Development Goals. More investment in rural development and in education and health systems is needed, accompanied by capacity building in these sectors. Better access to, and more widespread use of, development-relevant knowledge and appropriate technologies are also essential. Good governance, respect for human rights and gender equality are fundamental prerequisites for achieving the Millennium Development Goals. It is also important to mobilise national resources in the partner countries, increase the private sector’s contributions, boost the effectiveness of all the resources deployed to support the development process, and create a more enabling global environment for development.

In order to reduce poverty effectively in accordance with the Millennium Declaration, it is also essential to protect global public goods. However, the secure and effective provision of global public goods, such as climate stability and ecosystem services, peace and security, open and functioning trade systems, stable financial markets and access to knowledge and information, poses immense challenges for the international community. The German government is therefore working actively to ensure that the issue of global public goods is included on the international organisations’ and forums’ agendas and is setting its own priorities in this context. In line with the goal of further developing an open, rule-based and non-discriminatory world trade system, the German government is working for the swift conclusion of the Doha Development Round of the World Trade Organization (WTO), as well as for the successful conclusion of Economic Partnership Agreements between the EU and the ACP states.

Germany is committed to ensuring that the Millennium Development Goals are achieved by 2015. Its approach and the outcomes in priority sectors and regions are described in Chapters 4 and 5 of this White Paper.

Since 2010, the German government has been actively involved in the international debate about an effective post-2015 agenda to replace the Millennium Development Goals. Initial proposals for the new post-MDG framework and goals should be ready in time for the next MDG Summit in September 2013. In 2012, United Nations Secretary-General Ban Ki-moon appointed Germany’s former Federal President, Professor Horst Köhler, to his High-Level Panel of Emi-

The eight Millennium Development Goals, as quanti-
fied and time-limited targets, have sharpened the focus of development efforts since 2000 and strengthened government accountability. However, the formulation and, above all, the interpretation of the MDGs have a number of weaknesses. The choice of goals reflects only a small proportion of the topics covered in the Millennium Declaration. Topics not addressed in the MDGs include human rights, peace and security, govern-
ance and global environmental issues. Furthermore, the Millennium Development Goals are global goals which are based on aggregated global trends (in the 1990s) and do not adequately reflect national development progress. This has a particularly adverse effect on the monitoring of progress in the poorest countries with the most inauspicious starting conditions. The Millennium Development Goals are also focused on quantitative targets and do not take adequate account of qualitative aspects. The task now is to utilise the MDGs’ strengths and develop a new framework for the future which does not have the weaknesses inherent in the MDGs.

The post-2015 agenda

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Ellen Johnson Sirleaf of Liberia and President Susilo Bambang Yudhoyono of Indonesia. It consists of 27 leaders from government, civil society and the private sector from all regions of the world. As a member of the Panel, Professor Köhler acts in an independent capacity and is supported by an advisory structure set up by the German government.

One of the challenges arising in this context is dovetailing the post-MDG framework with the universal global Sustainable Development Goals (SDGs) agreed at the United Nations Conference on Sustainable Development (Rio+20) in Rio de Janeiro in June 2012, in order to form a single coherent set of goals.

IMPLEMENTATION OF THE BUSAN OUTCOMES AND THE INTERNATIONAL DIVISION OF LABOUR

In December 2011, heads of state and governments and ministers from numerous countries established a new Global Partnership for Effective Development Co-operation. In the spirit of the Rome Declaration (2003), the Paris Declaration (2005) and the Accra Agenda for Action (2008), this partnership, agreed in the outcome document of the Fourth High Level Forum on Aid Effectiveness in Busan (Busan HLF), is a further milestone in the international debate about aid effectiveness. In addition to the established bilateral and multilateral donors, emerging economies such as China and Brazil, in their role as donor countries, as well as private sector and civil society representatives have joined this initiative. An active role is envisaged for the United Nations in the new bodies and in delivering the agenda. The United Nations Development Programme (UNDP) will in future play a key role in implementing the Busan outcomes at country level. The German government made a substantial contribution to the process. At UN level, the effectiveness debate is conducted in the Development Cooperation Forum (DCF) convened by the Economic and Social Council (ECOSOC). This is an important interactive forum for the German government as well.

The Partnership agreed in Busan has created a new profile for German development cooperation. It is now increasingly acting as a catalyst, mobilising all social forces in support of development and thus enhancing its impact. Effective development cooperation means mobilising people and releasing social potential, initiative and the power to innovate in diverse countries and cultures, thus improving living conditions in the developing countries on a lasting basis.

The decisions adopted at Busan are lending momentum to the German government’s policies. Busan has made it clear that development is not just a matter of traditional official development cooperation. Development is an issue that concerns everyone. Development cooperation today involves a larger number of bilateral and multilateral players, civil society organisations and the private sector and has thus become more multi-faceted and complex. It also offers more opportunities. The Busan outcomes are a basis for pooling these forces and moving forward together, towards more effectiveness, quality and sustainability. The validity of the effectiveness agenda adopted in Paris and Accra was reaffirmed in Busan. This applies especially to issues of particular concern to the German government, such as a better division of labour among donors, more effectiveness and efficiency, a stronger focus on managing for results, and greater involvement of the private sector. More responsibility for the partner countries in implementing the effectiveness agenda is also envisaged, so that these countries assume ownership of their development processes. The German government is actively supporting the implementation of the Busan outcomes with a view to increasing the effectiveness of German development cooperation.

In Busan, a joint statement, entitled “Expanding and Enhancing Public and Private Cooperation for Broad-Based, Inclusive and Sustainable Growth”, was endorsed by representatives from the public and the private sectors and other development actors. It defines a set of principles for effective public-private sector cooperation as the basis for generating new and effective partnerships between public and private

Lake Victoria: triangular cooperation between Kenya, Israel and Germany

With an area roughly equivalent to the size of Bavaria, Lake Victoria is Africa’s largest lake. Triangular cooperation between Kenya, Israel and Germany aims to ease the environmental burden on this water body, which is severely affected by pollution and overfishing. In order to reduce pressure on its fishing grounds while safeguarding fishing communities’ incomes, this three-way project supports the farming of tilapia in ponds, which are separate from the lake. A properly regulated system of wastewater management is reducing pollution. Germany is providing expertise in the field of private sector development for agriculture, value chain development, and wastewater management. Israel is sharing its expertise in fish farming and aquaculture.
sector organisations in the partner countries. Germany is contributing to the elaboration of an action plan to implement the joint statement.

A key objective agreed at Busan is to utilise the diversity of new players while countering the fragmentation and proliferation of financing channels. Based on the premise that multilateral organisations and bilateral donors bear common but differentiated responsibility for finding solutions to problems, Germany is working for the formulation of principles to address the developing countries’ difficulties with under-financing. In the further discussion and adoption of these principles, Germany will continue to advocate for aid effectiveness in the DAC and Global Partnership frameworks, as well as for more development policy coherence at donor and partner country level.

At the same time, the German government will fulfil the obligations arising from the effectiveness agenda in the German system. Building on Germany’s existing Plan of Operations for Implementing the Paris Declaration and the Accra Agenda for Action and taking account of the results of the most recent monitoring process (2011), Germany is now defining the key elements of a new plan of operations aimed at enhancing effectiveness. In line with the Busan commitments, managing for results, division of labour and private sector engagement will be a stronger focus of attention in future. However, some of the commitments undertaken at Paris and Accra have not yet been fulfilled. The German government will continue its work to achieve full compliance with these obligations.

One of these is more transparency in development cooperation. This is intended to help limit the scope for corruption, promote more partner country ownership and accountability, and thus enhance effectiveness. Germany is a founder member and signatory to the International Aid Transparency Initiative (IATI) launched in 2008 and has helped to develop transparency standards on this basis. In Busan, all the development partners committed to publish data and information on development cooperation in accordance with uniform standards. The German government will fulfil these transparency commitments, e.g. through the publication of more detailed and precise information about German development cooperation on the Internet.
3. Drivers of Change

The German government has recognised that in a dynamically changing world, development policy becomes more effective when it integrates the various drivers of change to a greater extent. Its goal is development cooperation that is closer to the people, focuses on decentralised and regional structures, invests in knowledge, and promotes a vibrant and well-performing civil society.

In order to reduce poverty more effectively and contribute to sustainable global development, German development policy aims to mobilise all the forces within society, particularly civil society, including the churches, the business community, the German federal states (Länder) and the municipalities. The German government has opened up and adapted its development policy and has created new mechanisms and institutions for cooperation.

Thinking in terms of conventional models and institutional structures is not enough, however. An innovative approach is required. New financing options must be deployed in order to make more effective use of limited public funds.

Furthermore, German development policy nowadays is engaged in highly diverse partner countries. It is no longer about “the developing countries” or “the Global South”. The German government has therefore produced new strategies for its development cooperation with various partners, in order to achieve even greater differentiation.

3.1 More private sector, more commitment

COOPERATION WITH CIVIL SOCIETY

Freedom and country ownership are key elements of German development policy. Sustainable development cooperation relies on citizens’ support. Civil society must play a significant role and must be able to help shape development policy. The German government therefore attaches great importance to a free and creative civil society and consistently strengthens its role. Cooperation with civil society is a key element of its development policy.

German civil society institutions, such as non-governmental organisations, churches and political foundations, make significant contributions to development cooperation, both in the developing countries themselves and in the development information and education work in Germany. The German government and civil society have developed a trustful relationship which is characterised by a high degree of autonomy and is founded on the principle of subsidiarity. Nevertheless, it is also understood that while civil society may be able to complement government action, it cannot replace the state.

As well as its funding programmes for development information and education work in Germany, the German government therefore provides financial support for cooperation between civil society – the political foundations, churches, private agencies and social capacity building organisations – and partners in developing countries.

Other key civil society players are the private development services, the Civil Peace Service (CPS), the Development Volunteers Service weltwärts, the other overseas volunteer services, and the Migration for Development programme.

The German government also makes important contributions, within the framework of bilateral development cooperation, to civil society development and capacity building in the partner countries. Not least, Germany’s missions abroad implement micro-measures with local agencies on an independent basis in many developing and emerging countries, providing more than 800 small-scale projects with funding up to a maximum of 25,000 euros per project per year. These micro projects specifically aim to strengthen the social and economic capacities of the society in need and tie in with the German Federal Foreign Office’s ODA strategy.

What has been achieved?
Over recent years, German development policy has intensified the often critical dialogue with German civil society. In doing so, it has pursued two core objectives. Firstly, it aims to encourage as many citizens as possible to engage in development. Secondly, it aims to initiate dialogue between civil society, the government and the private sector, based on the recognition that in order to strengthen development policy on a lasting basis, it needs to be firmly embedded in society at large.
This intensive dialogue was also reflected in the consultations on the Development Policy Strategy for Cooperation with Civil Society, which was formulated in 2012/2013. This strategy is the first to provide a conceptual basis for all the various aspects of cooperation with civil society.

In order to strengthen civil society, financial support for civil society programmes has substantially increased, from 557 million euros in 2009 to 662 million euros in 2012. An additional sum of 22.5 million euros was provided for civil society organisations from the Special Energy and Climate Fund in 2011.

Participation by citizens, civil society organisations and municipalities has been greatly facilitated by the establishment in 2012 of a central point of contact, the Global Civic Engagement Service Point, for people and organisations wishing to engage in development. The Service Point pools the various instruments available to support development engagement by civil society and municipalities, provides advice for civil society organisations and offers training opportunities. Intensive cooperation is intended to boost engagement by existing and new players and thus harness their development potential.

Civil society organisations play a key role in forming political opinion and facilitating social participation in developing countries as well. The conceptual background for the German approach to strengthening national accountability is presented in the BMZ Special: Promoting Resilient States and Constructive State-Society Relations – Legitimacy, Transparency and Accountability (2010).

→ What is planned?

The German government intends to continue to intensify its dialogue with German civil society, as the development policy agenda to create more development opportunities needs strong partners. The German government is therefore focusing on forward-looking alliances with civil society throughout the world. In this context, civil society actors are viewed as political partners on an equal footing who should be both supported and challenged.

More support will be provided for the work of civil society organisations, both in Germany and in the partner countries. To that end, funds for civil society programmes will rise continuously in 2013 too. These financial resources will be provided primarily for the particularly important issues of human rights, biodiversity and climate change mitigation, maternal and child health, and reconstruction in Afghanistan.

The credibility of civil society cooperation arrangements will be further strengthened by ensuring their effectiveness and sustainability, and by pursuing a human rights-based approach. The German Institute for Development Evaluation (DEval), established in 2012, will not only assess the impacts of publicly funded cooperation with civil society. It will also help to develop appropriate standards for the evaluation of these programmes and will advise and support agencies in their implementation. The Global Civic Engagement Service Point will also help to boost the effectiveness of civil society programmes.

Active and effective use is to be made of the diversity of actors and their comparative advantages, by maintaining their scope for innovation, for example, and continuing to develop funding instruments for civil society programmes. The conceptual development of social structural programmes will continue.

Development policy engagement will be expanded further, with new media being used more widely for this purpose. The aim is to reach new target groups, promote South–North dialogue on equal terms, and strengthen new forms of engagement. In conjunction with the Standing Conference of the Ministers of Education and Cultural Affairs of the Länder in the Federal Republic of Germany, global learning will be further integrated into school curricula and teacher training. Specific learning content is being developed in some of the federal states (Länder) for this purpose. An Engagement Fund should in future make it even easier to provide precisely
Tailored and non-bureaucratic support for ideas and campaigns developed by stakeholder organisations and interested citizens, especially returnees from partner countries.

In its political dialogue with the partner countries, the German government intends to advocate resolutely and systematically for civil society engagement in political processes. Germany will continue to call for and support active civil society participation in global processes as well.

**Cooperation with the Private Sector**

German businesses make important contributions to the attainment of development policy goals – by creating jobs through direct investment, by transferring know-how and technology, and by ensuring compliance with labour, social and environmental standards in developing countries, for example. For that reason, ensuring that German businesses play a stronger role in development policy is a priority for the German government, as is improving the linkage between its foreign trade policy and development cooperation (cf. Coalition Agreement, p. 75). It thus aims to make better use of the private sector’s capital, knowledge, technologies and values for development to mutual benefit.

In order to dovetail these activities more effectively, the Federal Ministry for Economic Cooperation and Development (BMZ) is engaged in ongoing consultations with the Federal Ministry of Economics and Technology (BMWi) and the Federal Foreign Office (AA). The regular meeting (jour fixe) to dovetail foreign trade and development policy, which is also held periodically at state secretary level, is a key instrument in this process. One outcome of this jour fixe is a more intensive dialogue in the partner countries between the decentralised development and foreign trade policy agencies. To that end, successful regional conferences are held jointly by the chambers of commerce abroad and Germany’s development institutions, for example in Jakarta, Lima and Casablanca, increasing all stakeholders’ willingness to deepen their cooperation and giving substance to this cooperation.

In Lima, for example, the discussions concerned the establishment of a common raw materials centre for the Andean countries. The regional conferences thus form an essential and proven link between the policy objectives in the partner countries and their practical implementation.

At operational level, the dovetailing of foreign trade promotion and German development policy is also being improved with the deployment, by CIM, of *integrated experts* in chambers of industry and commerce in partner countries. These experts advise German, local and international companies on investment and export promotion and make them aware of mechanisms and opportunities for cooperation with development institutions.

In order to boost German private sector engagement in development policy, *Development Cooperation Scouts* or liaison officers are seconded to business organisations such as the chambers and industry associations. The scouts are tasked with encouraging German companies to make meaningful development-related investments in the partner countries, and to inform and advise these companies about the toolbox provided by the German government to support, finance and protect these investments.

The special role of the private sector in shaping globalisation brings with it a particular responsibility for the impacts of business activity. Corporate responsibility not only entails compliance with national and international rules. It also applies to companies’ voluntary initiatives. *Corporate social responsibility (CSR) initiatives* aim, for example, to improve a company’s competitiveness while also fulfilling society’s expectations with regard to sustainable development.

German development policy has launched a large number of initiatives to support companies in adopting responsible business practices for sustainable development. To that end, the BMZ provides information and advice to companies, raises their awareness of CSR, and promotes CSR dialogue processes. The German government also helps companies to

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*Sustainable Cocoa Forum*

**Multi-stakeholder approaches** – which bring all the various stakeholders, governmental and non-governmental alike, around the table – are the most successful way of promoting environmental and social standards. The Sustainable Cocoa Forum, which was set up in June 2012, brings German private sector and civil society actors with an interest in growing and trading sustainable cocoa together with representatives from the producer countries and farmers in order to improve cocoa farmers’ living conditions. By facilitating their access to schemes which promote environmental and social standards, such as Fair Trade, the Forum aims to increase the proportion of sustainably grown cocoa. The pilot country is initially Côte d’Ivoire, and the Forum’s patrons are the BMZ and BMELV, which will together be providing around 500,000 euros in funding during a two-year start-up phase.
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Implement sustainability standards, include them in their corporate reporting, and align their activities towards the internationally recognised CSR instruments and initiatives. These include the United Nations Global Compact, the ILO’s Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the OECD Guidelines for Multinational Enterprises, the Global Reporting Initiative as a guideline for CSR and sustainability reporting, and ISO 26000, which was developed in conjunction with all the relevant stakeholders.

German development policy has also stepped up its engagement for broad-based, innovative business models, for example through the G20 Challenge on Inclusive Business Innovation at international level, and through sector dialogues at national level. In promoting inclusive business models for sustainable development, the poor are seen not as aid recipients but as consumers, producers and suppliers. The aim is to develop and utilise companies’ innovations and adaptations in development-friendly business models in order to reach people at the base of the income pyramid. In order to pool efforts and create synergies, the German government is also engaged in dialogue with German industry in individual sectors, for example within the framework of the German Water Partnership, the German Healthcare Partnership, the German Initiative for Agribusiness and Food Security and the German Climate Technology Initiative (DKTI). In the future, a more intensive and defined format for these sector-specific dialogues will be developed in conjunction with the relevant specialised ministries.

OECD Guidelines

The OECD Guidelines for Multinational Enterprises are recommendations for responsible corporate governance from OECD member countries and 10 other countries, which are addressed to international enterprises and aim to promote the positive effects of foreign investment by multinational enterprises. The OECD Guidelines contain recommendations for action in the spheres of human rights, employment policy, environmental protection, anti-corruption and consumer interests. The National Contact Points (NCPs) of the OECD member countries have the task of encouraging implementation of the Guidelines and, in individual cases, helping to find consensus-based solutions to specific problems. Complaints regarding possible contraventions of the Guidelines by multinational enterprises can be submitted to the NCPs. The NCP in Germany is based in the Federal Ministry of Economics and Technology (BMWi), and all decisions and activities of the German NCP are agreed by an Interministerial Task Force. The German government also works closely with trade unions, business and civil society in the OECD Guidelines Working Group.

Innovative business models to combat poverty

Business activities aimed at the poorest social groups don’t just mean business in the conventional sense for companies. They can also be extremely beneficial for development policy. For example, if a company launches rechargeable LED lamps on the market in rural Africa at prices that are affordable for the poor, this not only benefits the company, but also gives large numbers of people on very low incomes access to adequate lighting for the first time. At international level, this target group is known as the base of the income pyramid (BoP). Inclusive, innovative business models aim to integrate the world’s poorest people into business value chains as customers, suppliers or distributors, allowing the benefits of business opportunities to be combined effectively with long-term poverty reduction. To promote these activities, BMZ has developed the base of the pyramid (BoP) sector dialogue format, which introduces interested companies to market opportunities at the base of the income pyramid. So far, BoP sector dialogues have been held on the energy, social security and pharmaceutical sectors, and further BoP sector dialogues on agribusiness and information and communication technologies are to follow. In April 2012, one BoP sector dialogue was repeated in a partner country for the first time due to its great success, namely the Energize the BoP Workshop which was held within the framework of the Asia Competitiveness Forum 2012 in New Delhi, India.
Better working conditions in Tchibo production facilities in Asia

Within the framework of a development partnership with the private sector, the BMZ has been assisting Tchibo GmbH to improve working conditions in its Asian production facilities. As part of the **Worldwide Enhancement of Social Quality** initiative, a training programme has been developed that promotes dialogue between management and employees, and between commercial enterprises and suppliers. So far, 18 local trainers have been trained in Bangladesh, China, and Thailand, and compliance with labour and social standards in 40 pilot factories has been improved. Due to its success, Tchibo is now extending the training programme to all its suppliers worldwide.

**Better working conditions in Tchibo production facilities in Asia**

At the Busan HLF, five principles for effective public-private partnership were adopted with German support. These principles already form the basis for cooperation with the private sector, but the BMZ wishes to align its activities even more closely to them. The BMZ therefore intends to establish public-private sector dialogues in more of its projects and thus help to improve economic conditions in the partner countries. Working with the private sector, the BMZ also plans to assess the impacts of this cooperation, learn from the results, and thus enhance the effectiveness and efficiency of the partnerships with the private sector. This includes systematically deploying information and communication technologies to increase effectiveness.

The German government has created a range of services to encourage companies and business organisations to make use of the opportunities for development policy engagement. The new **Service Point for the Private Sector** established within the BMZ is the first point of contact and advice for German companies interested in investing in the sustainable development of a developing or transition country. The funding for the **Programme for Development Partnerships with the Private Sector** (DeveloPPP.de) has been increased, enabling even more development projects to be implemented on a joint basis. New funding options have been created, such as the co-financing by the Deutsche Investitions- und Entwicklungsgesellschaft mbH (DEG) of companies’ feasibility studies, aimed at laying the ground for developmentally sound investments by small and medium-sized enterprises (SMEs) in developing countries. The BMZ has also expanded the range of services to support development projects involving business organisations such as the chambers and industry associations.

**What is planned?**

The BMZ aims to increase companies’ awareness of development policy objectives. When formulating new approaches and innovative instruments at the interface between CSR and private sector promotion, the BMZ intends to pay increasing attention to social entrepreneurship and innovative, inclusive business models.

Greater use must also be made of local companies’ willingness and potential to integrate CSR principles into their business strategies and contribute to sustainable development. This requires an appropriate governance framework. It is also essential to build national capacities for cooperation with the private sector, to support regional or national CSR institutions, and to develop company networks and voluntary corporate initiatives. **Responsible and Inclusive Business Hubs (RIBHs)** in key partner countries can facilitate...
these regional initiatives. RIBHs form a network of CSR competence centres in Germany’s main partner regions and support the implementation of inclusive business models in highly dynamic developing regions. They also broker partnerships with companies and align their work with regional development portfolios.

The German government also plans to intensify and sharpen the focus of its dialogue and cooperation with the German private sector, the aim being to utilise companies’ expertise for development cooperation wherever possible and useful from a development perspective. To ensure that this is successful, not only in the direct cooperation with companies but also in bilateral development cooperation and at dialogue level, the regional conferences on development cooperation and foreign trade promotion should be continued. The number of Development Cooperation Scouts in German industry associations should be increased, and more experts should be deployed in the chambers of commerce abroad, especially in Africa. In the German government’s partner countries, centres to promote cooperation with the private sector should be set up at regionally significant locations, in order to support the private sector’s development activities.

COOPERATION WITH THE FEDERAL STATES (LÄNDER) AND MUNICIPALITIES

"While our Goals are global, they can most effectively be achieved through action at local level." (Kofi Annan)

Development policy is a very important cross-cutting issue for the federal states (Länder). In 2010, their contributions accounted for around 10 per cent of Germany’s ODA, amounting to approximately 713 million euros in total. Development financing in the narrower sense accounted for around 6 per cent of this figure, with the funding of university places for students from developing countries making up the larger part.

In the resolution adopted by the Conference of Minister-Presidents of the federal states (Länder) in 2008, the federal states (Länder) described the role that they are willing and able to play in development policy. The following points are important from the German government’s perspective:

— In Germany’s federal multi-tier system, the federal states (Länder) are responsible for education. They are therefore key providers of development information and education and are responsible for ensuring that subjects of relevance to development policy are taught in German schools.

— The federal states (Länder) have a key function as interfaces and mediators between the political levels and individual actors. They are closer to the municipalities than the German government and can motivate them to engage in development. They work intensively with civil society at local level, and maintain close relationships with the regional economies at the same time.

— As procurers of goods, services and infrastructural facilities, the federal states (Länder) are responsible for a large volume of financial transactions. They have significant buying power – all the more so in conjunction with the municipalities – and by shaping their demand, they serve as effective role models, for example in climate issues and fair procurement practices.

— The federal states (Länder) are also engaged in providing training in Germany for experts from developing countries. The regional centres and training facilities, which are co-funded by the federal states and established within GIZ, play an important role here.

— Many federal states (Länder) are also engaged abroad, often within partnership frameworks. Rhineland-Palatinate, for example, has close relations with Rwanda, Baden-Württemberg with Burundi and North Rhine-Westphalia with Ghana.

The German government welcomes the engagement of the federal states (Länder) overseas, especially when they contribute to development cooperation on the basis of complementarity. This is laid down in the Paris Declaration and the Accra Agenda for Action, which call for aid effectiveness and donor harmonisation. The federal states should not – and do not wish to – compete with the German government or other donors, but are keen to sharpen their own profile.

In order to achieve complementarity and create synergies, the German government and the federal states (Länder) must work together in a spirit of trust and engage in regular dialogue. Appropriate forums include the Federation-Länder Committee for Development Cooperation together with its working groups, and the outlook conferences convened by the federal states (Länder).
Climate partnership between Bonn and Cape Coast in Ghana

The project to share experience on environmental and climate issues was born out of the partnership between the cities of Bonn and Cape Coast, agreed in 2008. Since 2011, both cities have been engaged in the “50 Municipal Climate Partnerships by 2015” initiative implemented by the Service Agency Communities in One World (SKEW), part of the Global Civic Engagement Service Point. This enabled the partnership to implement a specific project in Cape Coast within the framework of the BMZ’s Climate Protection, Forest and Biodiversity Conservation programme. Its goal is the renaturation of the Fosu Lagoon in Cape Coast as a contribution to climate change adaptation and species conservation. The BMZ is providing 450,000 euros in funding for this project until 2015.

Municipalities

Located at the interface between the state and civil society, municipalities are the German government’s key partners in promoting civic engagement. In 2010, the Federation-Länder Committee for Development Cooperation adopted a resolution to promote municipal engagement for development, for the first time creating a shared understanding of municipal development policy as a voluntary task within the framework of local government. The resolution also sets out a work programme to define ways to encourage more municipalities to take on a development role or strengthen their existing commitment. This was co-developed by the representatives of the local government associations, led by the German Association of Cities (Deutscher Städtetag) and the Association of German Counties (Deutscher Landkreistag). The resolution is also a reflection of the fruitful cooperation between the German government and the federal states (Länder) in the field of development policy.

Being close to citizens, municipalities are able to make development policy transparent and visible at local level, raise citizens’ awareness of global interdependencies, and garner support for sustainable action. Furthermore, the resolution underlines the fact that municipal action always has development policy implications, so in this respect, the municipalities have a responsibility for development policy. They serve as role models for citizens – by implementing sustainable and fair public procurement practices, for example.

Municipalities are engaged in developing countries as well. Many maintain links with partner municipalities, often on a long-term basis. In this way, they can share their specific expertise, e.g. in municipal governance, public service delivery or local climate action. They also support reforms, based on a partnership of equals.

Municipal partnerships and/or town twinning arrangements have stood the test of time, with around 170 German cities, municipalities and rural districts working together with local authorities in developing countries. These partnerships offer significant potential for mobilising civic engagement. Local citizens, associations, initiatives and schools, regional businesses and even migrant self-help organisations are often driving forces behind the establishment of these partnerships and also make a key contribution to maintaining their vitality in the long term.

The German government wishes to make greater use of the development potential of municipalities and municipal partnerships, and has laid the ground for this process:

The Service Agency Communities in One World (SKEW), as the key point of contact set up by the German government for municipalities with an interest in development policy, has had its staffing increased and its programme of services extended. Its particularly successful activities include the promotion of municipal climate partnerships and the establishment of a network of municipalities in North Africa (see example in box).
Furthermore, as part of the new Global Civic Engagement Service Point, the Service Agency Communities in One World (SKEW) is benefiting from new synergies and opportunities to work with other programmes. The range of advisory services and funding opportunities for municipalities is expanding as a result. The Service Agency is also utilising the Global Civic Engagement Service Point’s six branch offices in order to implement its activities locally.

The Service Agency Communities in One World (SKEW) received around 1.4 million euros in 2011 and roughly 2.1 million euros in 2012 under development education programmes. The federal states (Länder) of Bremen, Hamburg, North Rhine-Westphalia and Rhineland-Palatinate also made financial contributions. For the first time, a separate budget line, with an allocation of 5 million euros, has been established in the 2013 budget to promote municipal development policy.

The extent to which key municipal development partners and town twinning arrangements can be additionally supported by integrated experts is currently being tested on a small scale within the framework of a GIZ pilot programme, entitled Thematically Flexible Measures with Integrated Experts.

3.2 More innovation and investment

GERMAN DEVELOPMENT POLICY AS AN INNOVATIVE AGENDA-SETTER

Innovation – the foundation for future-makers

“More innovation” is the first of the 10 goals defined in the BMZ’s Development Policy Strategy. Innovation is crucial if we are to act creatively and in a way that today’s world demands. That is why the German government is as committed to harnessing its own innovation potential and that of the German development institutions as it is to encouraging the innovative potential of German civil society and the private sector.

In order to establish a more enabling environment for this process, the BMZ is working intensively to create a new culture of innovation, with greater incentives for every employee to develop and implement innovations. It is also constantly identifying and actively promoting innovative processes within the BMZ itself and is initiating new ideas in international development policy. It is seeking external advice and expertise, but is promoting ideas and creativity among its own employees too. The BMZ is thus fostering creative thinking and solutions to complex challenges in the development policy field, for Germany can only initiate new approaches in the partner countries if it is innovative itself.

Looking at the bigger picture – the Innovation Council and Minds for Change – Future of Global Development

Dialogue and learning beyond sectoral, economic and regional boundaries are core elements of the BMZ’s Development Policy Strategy. This priority was reflected in the Minds for Change – Future of Global Development forum, convened in Berlin at the end of 2011 to mark the BMZ’s 50th anniversary. The aim of the event was to encourage openness to future global challenges and innovations among high-level international decision-makers. The Minds for Change forum was therefore conceived as an open dialogue between various interest groups (multi-stakeholder dialogue), with the 70 or so high-level participants coming not only from the world of politics, civil society and academia, but also from the cultural sphere. The event intentionally pursued an interdisciplinary, cross-sectoral approach, enabling a holistic view of the challenges to be gained.

Following on from the Minds for Change forum, the BMZ is also working on many levels within its own organisation to create innovative approaches to international cooperation, focusing particularly on how extensive knowledge of the challenges can be translated into action, and how people can become drivers of change.

Another example of the culture of innovation is the Innovation Council, also known as the Advisory Council on Innovation, which was established in 2011. The Advisory Council’s purpose is to support the Ministry in its efforts to bring fresh thinking to development policy and to develop viable ideas on how to meet future challenges. Council members come from a wide variety of backgrounds in public life: civil society, business, the academic community, politics, culture and the media. This heterogeneous mix of members is intended to ensure that the Council does indeed develop new approaches and considers the challenges ahead from different angles. With the help of the Innovation Council,
The German Government’s 14th Development Policy Report

The German Government’s 14th Development Policy Report

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The world is facing the challenge of producing enough food for the projected population of 9 billion people in 2050. A widening gap in the supply of and demand for food, energy and water is emerging throughout the world, and difficult distribution issues and decisions have implications for global economic growth. Against this background, new ways of solving these problems were developed by the participants at the Bonn2011 Nexus Conference on 16-18 November 2011. Its purpose was to look at the dependencies and interconnections between food, water and energy security objectives and the availability of natural resources in a “joined-up” way for the first time – from a nexus perspective, in other words. The participants also identified incentives and general conditions that can help achieve progress towards sustainable growth. Around 500 high-level decision-makers from the world of politics, academia, international organisations, civil society and the private sector were invited to the multi-stakeholder conference, which was organised by the BMU and BMZ.

In summer 2012, the German government also hosted a conference on The Green Economy – A New Economic Miracle? The aim of this kick-off event was to enable stakeholders from academia, the private sector and civil society to come together to discuss the development of a sustainable economy, also in an international context. The debate, which featured Achim Steiner, Executive Director of UNEP, among others, underscored Germany’s international responsibility for the implementation of a sustainable economy.

In order to find solutions to global challenges, however, we need people who not only want to shape politics, the economy and society, but who are also able to identify the systemic causes of obstacles to development and implement sustainable solutions. This not only requires technical expertise; it is also important to have people with the ability to assess the relevance of information and use it to resolve complex challenges.

In this context, the new Global Leadership Academy (GLAC) aims to boost individual creativity, ethical competence and leadership skills using the BMZ’s Human Capacity Development approach. The Academy, which is located in Bonn, sees itself as a network of institutions, social innovation projects and leaders on all continents, and aims to shape dialogue processes and serve as a platform for cross-sectoral and transnational learning processes. Partner countries, emerging economies, the public sector, private companies and foundations are the GLAC’s target clients and commissioning parties. The intention is that joint research and reflection activities will not take place centrally in Bonn but in various partner countries, ensuring that the Academy is an expression of an equal partnership.

NEW FINANCING METHODS

With the adoption of the Millennium Development Goals (MDGs) in 2000, the international community initiated a debate on how the measures needed to achieve the Goals would be funded. As well as mobilising more national
resources from the partner countries by broadening and deepening the tax base, developing and industrialised countries agreed to increase financing for development in the Monterey Consensus adopted in 2002 and reaffirmed this commitment in the Doha Declaration in December 2008.

Since then, the challenges of development financing have mounted, also as a result of the global financial and economic crisis. Besides making more funds available from the regular budget, which Germany has been doing over recent years, it is therefore essential to broaden the basis of development financing, for example by using innovative financing instruments.

In general, the mechanisms include either mobilising additional funds or freeing resources for additional measures by increasing efficiency and effectiveness.

The large number of different proposals and instruments are based on various strategies, including the use of revenues from auctioning usage rights (carbon emissions allowances, for example), the combination of public budgetary resources with capital market funds, the mobilisation of private and institutional investment capital (particularly PPP), the assumption of risks or guarantees, and (conditional) debt conversion. Public funds frequently act as a catalyst for securing further private resources.

In German financial cooperation, public funds are increasingly being used to leverage additional market funds. For certain types of project, countries that are able to sustain debt are given the opportunity to blend market funds with development loans; this is known as mixed and composite financing.

One particular advantage of integrating market funds is that they facilitate further differentiation between the development partnerships in accordance with the partner countries’ economic potential and debt sustainability. Assistance to low-income countries must generally be provided by grants to a greater degree, while emerging economies are usually able to finance their development agendas using more market-based concessionary loans.

At the same time, German development cooperation has been making greater use of market funds for financial cooperation projects and programmes in partner countries with more robust economies. As a result, total commitments from German financial cooperation increased by around a quarter to approximately 4.5 billion euros in this period.

What has been achieved?

Examples from bilateral development cooperation

Expansion of financial cooperation instruments

Mixed and composite financing, interest rate reductions:
Even the tried and tested financial cooperation instruments have been developed further during the last decade. Alongside mixed and composite financing, German development cooperation is increasingly utilising interest rate reductions as a catalyst for mobilising further market funds. In the four-year period from 2008 to 2011, German financial cooperation leveraged a further 2.4 billion euros of market funds using almost 1.5 billion euros of budgetary resources on average per year, with DEG contributing a further 1.2 billion euros in new annual commitments from market funds.

Blending:
The EU has established various facilities for blending loans and grants since 2007 (Loan and Grant Blending Facilities). By 2011, blending activities in cooperation with European development finance providers had resulted in the provision of concessionary loans amounting to 10 billion euros from grant funds of 760 million euros, and to investments amounting to more than 26 billion euros. Germany is advocating the further development of this successful instrument by means of an integrated EU platform.

Financial cooperation promotional loans:
These loans are based purely on market funds. Partners benefit from the KfW’s favourable triple-A-rated financing options, which KfW passes on to them. The German government’s guarantee framework was extended to include financial cooperation promotional loans in the 2012 budget.

Grants from budgetary resources for the Deutsche Investitions- und Entwicklungsgesellschaft (DEG):
The financing by DEG of private business initiatives for development in emerging and developing countries has been an integral element of German development cooperation for decades. New funding agreements between the BMZ and DEG in 2011 have succeeded in closing the SME gap in financing between one and five million euros, and further measures to promote investment and job creation in partner countries have also been initiated.
Debt conversion:
With some partner countries, Germany has agreed to a conversion of outstanding financial cooperation debt in the field of health (Debt2Health). In return for the cancellation of part of its debt, the partner country pledges to invest in projects and programmes sponsored by the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM). Being an independent GFATM donor gives the country an increased sense of ownership, and the debt relief thus makes a contribution to the attainment of the Millennium Development Goals.

Special Energy and Climate Fund:
This special fund, which is fed by revenues from emissions trading, is a key instrument for implementing international climate obligations as well as the national agenda set out in the German government’s Energy Concept. Under its international climate and environmental protection portfolio, the Fund provides financial resources for climate change mitigation and adaptation and for forest and biodiversity conservation initiatives in developing and emerging countries. It includes the German Climate Technology Initiative (DKTI), which aims to promote low-carbon technologies in developing and emerging countries. In 2011 alone, the German government’s budget commitments for DKTI programmes in partner countries leveraged a fivefold figure, on average, in additional market funds via KfW.

Structured funds:
Structured funds are used by public sector donors and development banks to facilitate private investors’ engagement in high-risk developing countries. Investment incentives are created by the fact that public funds and funds from development banks absorb any initial losses (first loss tranches). Structured funds can mobilise very high volumes of funds, but can only be used in partner countries with well-developed financial markets or in countries which anticipate relatively secure income streams in future.

The European Fund for Southeast Europe (EFSE), for example, has succeeded in mobilising more than three quarters of a billion euros since its inception in 2005, which it has used to finance micro, small and medium-sized enterprises and housing modernisation in South-East Europe and South Caucasus. More than 300,000 loans have been granted and around 315,000 jobs have been created, facilitated by Germany with just 129 million euros from the taxpayer. Structured funds are also utilised in other regions and sectors, such as climate change mitigation, infrastructure, renewable energies and agriculture. Even in difficult countries in Africa, for example, loans are being granted to micro-enterprises in their own currencies through the regional REGMIFA fund. In total, Germany has invested around 450 million euros in structured funds. By establishing the funds and using Germany’s own resources as security, it has been possible to leverage almost 1.8 billion euros from other investors.

Other instruments are available to minimise currency risk. German development cooperation’s investment in the Currency Exchange Fund (TCX) enables international development finance providers to fund microfinance institutions in their local currencies. KfW guarantee mechanisms on behalf of the German government can also be deployed in order to utilise the liquidity available in the partner countries for long-term infrastructure financing. New benchmarks are being set by the GuarantCo fund here, for example, which facilitates funding even for very low-income countries such as Chad.

Results-based financing:
Germany is utilising and pursuing various innovative product-based approaches in order to make its development financing more efficient and effective. These principally include results-based and demand-driven financing instruments, in which payments are tied to pre-defined results and/or impacts. They can be used on both the demand side for individuals (as rewards and remuneration for certain activities such as medical check-ups) and on the supply side for government institutions or non-governmental organisations (payment for services provided). One example is the voucher system used by German development cooperation to fund health care for expectant mothers in Uganda. To access health care services, pregnant women on low incomes acquire a voucher for a small sum, equivalent to one euro. With this voucher, they can obtain safe health care and childbirth services, along with medical treatment in the event of complications arising, from private, quality-tested health care service providers, who then redeem the voucher, receiving a flat fee for providing the treatment.

Engagement in the international arena:
The Leading Group on Innovative Financing for Development is the body in which ideas and experience with successful and promising innovative financing approaches are discussed at international level. 63 countries, international organisations, international foundations and non-governmental organisations have been engaged in dialogue in this group since 2006. Germany contributes its extensive expertise here, acquired both in its role as a pioneer in the use of revenues from emissions trading, and from the active role it plays in integrating public funds as a catalyst for private actor engagement in development financing. Individual members of the Leading Group are also utilising other innovative financing instruments, such as a development levy on airline tickets, a financial transaction tax, or raising capital
or providing guarantees for the development of drugs and vaccines.

**ADAPTING AND DEVELOPING THE REPORTING OF DONOR CONTRIBUTIONS**

The further development and promotion of innovative financing instruments in development cooperation is also creating the need for an appropriate system to report the use of funds from these mechanisms. Reporting systems must document donor contributions as precisely as possible in order to produce comparable indicators and obtain a comprehensive picture of the interactions in development cooperation. The existing reporting system for official donor contributions, Official Development Assistance (ODA), the basis of which was created back in the 1960s, has been continuously adapted and improved, but it has not been possible to correct some fundamental problems to this day. The current definition of ODA sometimes leads to negative incentives that can hamper the use of innovative development instruments. For example, this has negatively impacted on structured funds (the EFSE and others), promotional loans, equity investments and guarantees, which are not or are only partly reported as ODA. Discussions are already taking place within the OECD on ways of reforming the reporting of these instruments, based in part on the Busan outcomes concerning improved private sector engagement in development financing and enhanced transparency.

In the course of shaping the development agenda for the post-2015 period, the need to overhaul the present ODA reporting system is becoming apparent. This system has grown over many decades and has safeguarded development financing. Reforming it will be a major challenge. The aim is to retain the strengths of the ODA approach, rectify its weaknesses and make it responsive to new developments. When redesigning the reporting of financial contributions to development, the focus should be on the financial payments to support the global development goals rather than on the instruments themselves. Contributions from the private sector and civil society should therefore also be included.

Against this background, the German government and the Government of the Netherlands have jointly commissioned two studies on the further development and improvement of the quantitative and qualitative reporting system in a changing development landscape. The two studies, which are now available, provide valuable insights into the current situation, the problems, and the possible ways of reforming the existing system, and will form a very suitable basis for national and international dialogue.

At international level, Germany is therefore taking a leading role in the emerging discussion on designing the new reporting system for donor contributions. In the overall discussion of Beyond ODA, however, it is also clear to the German government that fundamental reforms of the ODA reporting system should only take place after 2015.

### 3.3 More differentiation – new partnerships

*Shifting Wealth* was the title of the OECD’s *Perspectives on Global Development 2010*, and for good reason. Today, the lives of many millions of people are affected by global development, and economic and social mobility are realistic prospects for many people in developing countries. No other group of countries epitomises this change as much as the major emerging economies. However, in the last 10 years, the countries of sub-Saharan Africa have also been experiencing the longest period of growth since the 1960s – and this not only applies to the resource-rich countries, which have weathered the economic and financial crises much better than in earlier periods. However, growth does not automatically mean uniform development. On the contrary, the strong growth in the emerging countries is also leading to greater differentiation between the developing countries and within the countries themselves. Many developing countries will not achieve all the Millennium Development Goals by 2015. Despite all the positive developments, some 1.5 billion people still live in fragile states characterised by a high degree of violence, conflict and unstable political conditions.

The German government has responded to the changing conditions by deploying differentiated strategies, approaches and instruments. In line with the cornerstones of German foreign and security policy and the embedding of these policies in the multilateral framework, the German government, led by the Federal Foreign Office (AA), has redefined its cooperation with the emerging countries and placed it on a new footing. Its *Shaping Globalisation – Expanding Partnerships – Sharing Responsibility strategy*, unveiled in 2012, initiates a partnership with the new players, the aim being to develop innovative policies to address global issues and build alliances for their implementation. The German government intends to use this partnership to maintain and extend the scope, reach, influence and impact of joint global efforts in a multipolar world.
Development cooperation with the major emerging economies has been realigned under this new overarching strategy. It will now be guided by interests to a greater extent, and will predominantly serve the joint protection of global public goods. In the major emerging economies in particular, budgetary resources will be increasingly combined with market funds and provided as market-based loans.

New emphases have been set in traditional development cooperation, especially with the least developed countries (LDCs). German development policy will focus more on results and require countries to take more responsibility for their own development processes, but will also help them to create the conditions for greater country ownership. At the same time, German development policy will endeavour to strengthen civil society and the private sector, and channel a higher volume of private investments into poorer countries.

Differentiated approaches are particularly necessary when dealing with fragile states and countries in conflict. The German government believes it has a responsibility here and consequently defined engagement in fragile states – as an investment in peace – as one of the four key areas of German development policy in 2011. Germany is therefore more engaged than ever in promoting peace and security throughout the world (see Chapter 4.4)

The German government did much to ensure that a differentiated approach was also adopted in the EU’s Agenda for Change. Countries which are able to generate enough own resources will no longer receive bilateral support from the EU; instead, aid to these countries will be channelled through regional and thematic programmes and innovative financial instruments, including a combination of grants and loans (blending). The new Programme on Global Goods and Challenges offers opportunities for countries to cooperate with the European Commission in the following sectors: environment and climate change, sustainable energy, human development, food security/sustainable agriculture, and migration. This support can be complemented by the new EU Partnership Instrument, allowing the financing of measures that might not qualify as ODA and therefore fall outside the framework of conventional development cooperation. Whereas until now, only grant financing was deployed, differentiated aid modalities and funding approaches will be used to a greater extent at the EU level in future.

Germany is also assisting the United Nations to achieve a differentiated approach in its development cooperation. Within the UN, various country classifications are used according to the aid provided, and these classifications are currently being reviewed. The UN is also developing organisation-specific approaches. UNICEF is following the equity approach, for example, with which it is aiming to reach the poorest children, regardless of whether they live in low- or middle-income countries. Allocation issues also feature in discussions about the United Nations Development Programme, and a decision has been adopted to retain the previous allocation levels (up to 91 per cent of the funds for LDCs). However, middle-income countries are demanding the retention of a UNDP presence in their countries.

**DEVELOPMENT COOPERATION WITH INDIVIDUAL EMERGING ECONOMIES**

**Trends and conceptual basis**

Some developing countries have become key players in international politics and the economy. On the one hand, newly industrialising countries and emerging economies possess key features of industrialised countries and, as a result of their geopolitical importance, help to shape global processes, for example within the G20 framework. On the other hand, more than half of the world’s poorest people live in some of these countries, whose gross national incomes still fall far behind those of industrialised countries, hence their classification as developing countries by the OECD. Countries such as Brazil, South Africa and India are increasingly engaged as donors while also receiving development aid.

These major emerging economies are growing rapidly, and the current shift in the global economic centre of gravity eastwards and southwards is described by the OECD as a kind of shift in prosperity. The emerging economies also have great political power in their respective regions, and are using this increasingly on a global scale as well. Key challenges such as global environmental protection and climate change mitigation, peace and security, and the elimination of extreme poverty can only be overcome together with these partners. The development of the G8 to the present-day G20, via the discussion to extend the G8 that has been taking place since the 2007 Heiligendamm summit, is a reflection of the change in global power relations.

These dynamic emerging economies have become global development partners for Germany. The BMZ has therefore developed its Strategy for Development Cooperation with Global Development Partners (2011–2015), which dovetails with and implements the German government’s overarching strategy Shaping Globalisation – Expanding Partnerships – Sharing Responsibility. From a development policy perspective, the current group of global development partners comprises Brazil, India, Indonesia, Mexico and South Africa.
With this core group, development cooperation consists of bilateral projects and programmes in the countries themselves, on the one hand, and international cooperation to shape regional and global development agendas, on the other. Multi-country cooperation also includes other emerging economies of regional and global significance which receive no official bilateral financial or technical support from Germany. The German government will continue to review its policy on cooperation with the global development partners in future in light of their economic performance, their own current perception of their political role, and their development policy relevance, with the strategy Shaping Globalisation – Expanding Partnerships – Sharing Responsibility forming the frame of reference for this process.

Goals and sectors

By working with these countries, Germany aims to create and shape strategic partnerships for sustainable global development, based on mutual responsibility. Three thematic priorities have been agreed here. Firstly, these partnerships should mitigate climate change and protect the environment; secondly, they should promote sustainable economic development; and thirdly, they should help to shape global development agendas. To strengthen political and social stability at national and regional level, Germany also promotes good governance in these countries. Triangular and South-South cooperation arrangements and regional associations are actively promoted on a multi-country basis.

Stakeholders

ODA transparency is essential for all the developing countries recognised by the OECD, and is therefore necessary for the global development partners as well. Since other German federal ministries that provide ODA are very often represented in global development partner countries as well, it is important to improve the effectiveness of Germany’s overall engagement and adapt its content accordingly over time. Greater efforts will be made in future to involve the German private sector in the cooperation with the global development partners, for instance by expanding development partnerships with German companies, mobilising larger volumes of private capital or encouraging the private sector to commit to corporate social responsibility. This kind of cooperation benefits partner countries and participating businesses alike. Civil society plays an important role as well, especially in overcoming poverty and its causes, creating transparent structures and good governance, and promoting self-help. ODA instruments and civil society projects each comprise spheres of intervention in their own right, which complement each other appropriately in cooperation with the global development partners.

Instruments and conditions

Implementing this strategy for cooperation with the global development partners will involve employing the existing array of financial and technical cooperation instruments. The selection and deployment of an instrument will depend in particular on whether cooperation is to take place in one of the global development partner countries itself or globally/regionally with emerging countries in other regions and international forums. In both cases, the instruments will be flexibly aligned to meet the needs of the global development partners and continuously adjusted to ensure an effective partnership.

Financial cooperation with the global development partners will focus on structure-building investment projects plus consultancy for pioneering technologies, and on international technical cooperation. A flexible range of instruments will be available for financing programmes and projects in this area. Development loans, promotional loans and the specific instruments to promote the private sector are proven approaches for cooperation with the global development partners and can be expanded further. The combination of budgetary resources with market funds will be stepped up (“blending”), helping to ensure that scarce budgetary resources are deployed efficiently and providing more grants for poorer countries.

Technical cooperation will support global development partners by promoting knowledge transfer to both people and organisations, supporting networks, creating new partnerships and promoting communities of learning and knowledge. Projects with the global development partners will offer platforms for cooperation with institutions and the private sector, academia and government agencies. This will facilitate a policy and sector dialogue between Germany and the partner countries on many levels. Deployment of the partners’ own funds in technical cooperation will play an increasingly important role in the relationship with these countries.
MULTI-COUNTRY COOPERATION WITH GLOBAL DEVELOPMENT PARTNERS

Multi-country cooperation with the global development partners aims to address global challenges, for example in international associations and in multinational and supranational institutions and forums. Cooperation and coordination at European level are important elements, enabling the EU Member States to speak with one voice and exert greater influence on decision-making.

The German government is pursuing the following approaches in combination with its multilateral and European cooperation:

- Supporting multilateral and European efforts to protect global public goods (intact environment, climate stability, stable financial markets) more effectively in cooperation with the global development partners.
- Actively encouraging multilateral and European actors to align their cooperation with the specific features and characteristics of the global development partners, and to adapt governance structures in the individual organisations accordingly, e.g. in the reform of voting rights at the World Bank.
- Making use of opportunities for dialogue with the global development partners, for example in the World Bank, regional development banks, the G20, the DAC, UN organisations and in international processes.

Cooperation in multilateral organisations

In the UN, the active dialogue with global development partners primarily takes place in the Development Cooperation Forum (DCF) of the United Nations Economic and Social Council (ECOSOC). The participation of the OECD’s Development Assistance Committee (DAC), along with representatives from the UN, partner and donor countries, and non-governmental organisations, makes the DCF an important forum for dialogue with emerging economies. Germany provides constructive support for the UN’s approaches. It is advocating giving greater priority to South-South and triangular cooperation arrangements, for example, and is calling for meaningful indicators to measure their scope and impacts.

With the new Strategy on Development adopted by the OECD Ministerial Council on 24 May 2012, the OECD is opening up to new players, especially emerging economies. Germany did much to drive this new strategic vision, which boosts knowledge sharing and initiates greater coherence in development policy. The German government is also supporting the OECD’s efforts to integrate emerging countries into the organisation more fully on a formal basis. The OECD has intensified its cooperation with Brazil, China, India, Indonesia and South Africa since 2007, and Chile, Mexico and South Korea are already members of the OECD.

The G20 is a key forum for cooperating with emerging economies. Germany was an advocate for permanently establishing the issue of development on the G20 agenda, which was achieved in 2010 with the formation of the G20 Development Working Group and the adoption of the Seoul Development Consensus for Shared Growth with a multi-year action plan. Within the Working Group, Germany has taken the chair on the issues of private investment and employment and has assumed a leading role on inclusive green growth. Germany is also advocating a more integrated approach to the G20 process and improving the links to civil society and international organisations, especially the United Nations.

Cooperation with emerging economies within the G20 framework is also crucial for making advances in food security. Germany is intensively involved in implementing the numerous measures defined in the long-term Action Plan adopted by the G20 Agriculture Ministers in 2011, including cushioning the effects of extreme price volatility on developing countries.

As the largest multilateral development bank, the World Bank plays an extremely important role in the global development and financial architecture. Germany supports the World Bank in its function of setting global standards, e.g. for public financial management, and environmental and social standards. The World Bank’s guidelines are also setting benchmarks for emerging economies in relation to investment and project financing by the public and private sector.

Germany exerted considerable influence in the World Bank’s capital increase and the reform of its voting rights in 2010, which recognised the growing importance of the new global development partners at institutional level. However, along with their stronger voice, the global development partners now have greater responsibility for the World Bank’s agenda and financial capacities. A key task in the coming years is to transfer the joint responsibility from established shareholders such as Germany and the global development partners – not only for financial matters, but also for conceptual and governance issues – to the World Bank’s corporate policy-makers.
G20 Challenge on Inclusive Business Innovation

Germany supports the G20 countries’ development pillar on the issues of private investment and employment through the formulation of strategies to promote inclusive business models. The **G20 Challenge on Inclusive Business Innovation** is a competition for ideas in which innovative and inclusive business models are selected for awards. The 15 companies which win the competition are presented at the G20 summit in Mexico. Together, their projects – in the agribusiness, transport, health, education, information and communication technology, energy, water and retail sectors – reach more than 40 million people at the base of the income pyramid, integrating people as suppliers, producers or customers in formal business cycles.

Membership of the regional development banks also opens up opportunities for access to global development partners and other emerging economies, through their participation in decision-making and supervisory bodies and in the shaping of development policies and programmes. It also facilitates participation in political dialogue with the emerging economies on their region’s economic and social development.

**Bilateral multi-country cooperation: special programmes, instruments and forums**

In cooperation with the implementing organisations and the global development partners, the BMZ has developed the **Global Partnerships** programme to devise formats and instruments for working with these partners on global agenda-setting and implementation. The focus is on individual and institutional capacity building and networking in order to achieve several goals. Multi-country cooperation is to be promoted and the South-South exchange between the global development partners is to be strengthened. Joint strategies and approaches will also be developed, which will be fed into international processes such as the G20. The **Managing Global Governance (MGG)** dialogue programme, administered and funded by the BMZ, forms part of this initiative. The MGG brings young executives from leading emerging economies’ government institutions, research institutes and non-governmental organisations together in Germany and at regional level, in order to discuss global development issues and devise future-oriented ideas and projects on a joint basis.

Triangular cooperation between Bolivia, Mexico and Germany for the reuse and treatment of wastewater

The Andean region suffers from water scarcity as a result of climate change. Within the framework of the **Regional Fund for the Promotion of Triangular Cooperation in Latin America and the Caribbean**, BMZ is supporting three-way cooperation with Mexico and Bolivia on the reuse and treatment of wastewater. The initiative aims to introduce more efficient use of water and set up a water treatment system in Bolivia. Mexico has implemented many successful measures in this field at home, and the BMZ and the Mexican government have each provided 300,000 euros for the project.

In the context of regional policy-making, Germany will support political and economic integration processes that the global development partners play an important role in shaping, for example South Africa with respect to the African Union, or Brazil with respect to the common South American market (MERCOSUR). Germany also invests in these regional organisations within the framework of other regional development cooperation initiatives. Against the background of its own role within the EU, the promotion of regional associations and integration processes is an approach that Germany intends to continue and for which it will increase its support.

At international level, emerging economies/global development partners were successfully included for the first time in the consultations on a new **Global Partnership for Effective Development Co-operation** (the Busan process), enabling them to share their experience and assume more responsibility in this process. The German government actively supports the entire post-Busan process. German development policy is particularly involved in initiatives concerned with South-South and triangular cooperation arrangements and focuses particularly on sharing its experience with three-way cooperation, which is extensive compared with other countries.
4. Sustainable Development: Key Sectors

“The objective of development policy is the sustained fight against poverty and structural deficiencies in the spirit of the UN Millennium Development Goals. [...] We will concentrate on the following key sectors: good governance, education/training, health, rural development, climate protection, environmental protection and resource management as well as economic cooperation (expansion/protection of the private sector, e.g. through PPP, microfinance systems and infrastructure support). [...] In our cooperation with fragile and failing states and countries with poor governance we want to develop concepts that will allow us to support suitable transformation processes in selected countries. Crisis and catastrophe prevention should be planned generally.”

(Coalition Agreement, p. 181–182)

Overcoming poverty and its causes is a core objective of German development policy. According to World Bank estimates, in 2008, the number of people living in extreme poverty had already fallen to 22 per cent of the population in the developing world, which means that extreme poverty was almost halved compared with 1990. Nonetheless, 1.29 billion people are still living in extreme poverty below 1.25 US dollars a day. Around a quarter of them are described as chronically poor – they remain poor over a period of years. Women and girls are more strongly affected by all the dimensions of poverty and undernourishment than men: more than two thirds of the world’s extreme poor are women and girls.

Reducing poverty is also in Germany’s interests. Poverty threatens peace and security, not only in the developing countries but also in neighbouring countries and other regions of the world. A lack of security impedes the fulfillment of individual potential and is an obstacle to social and economic development. Poverty is multi-dimensional and entails various forms of deprivation: hunger, income poverty, lack of access to healthcare and education, social exclusion, a lack of political representation, joblessness and underemployment. The causes of poverty are correspondingly diverse.

In order to overcome the causes of poverty in an effective and sustainable manner and to help protect global public goods such as air, water resources and forests, the German government is focusing its development policy on specific key sectors. It also adopts modern cross-sectoral approaches to development cooperation. For example, in November 2011, the BMZ and the BMU hosted the international Bonn2011 Conference: The Water, Energy and Food Security Nexus – Solutions for the Green Economy, which explored the interlinkages between these three sectors. This Conference was recognised by the international community as an important contribution to the preparatory process for the United Nations Conference on Sustainable Development (Rio+20) in 2012. The German government continues to advocate for the integration of the nexus perspective – which focuses on the interdependencies across sectors – into the global Sustainable Development Goals now in preparation. The aim is to dovetail the post-MDG framework and the Rio+20 outcomes in order to form a single coherent set of goals for the period beyond 2015.
4.1 Combating the causes of poverty – priorities and principles

Over the last four years, the German government has adopted key policy measures to enhance the effectiveness of action to overcome poverty and its causes. Among other things, the German government expressed its clear commitment to the Millennium Development Goals (MDGs) at the 2010 MDG Summit, which strengthened the position of the United Nations and its Member States in worldwide poverty reduction. As the framework for its efforts to reduce poverty through development cooperation, the BMZ adopted a new Cross-Sectoral Strategy on Poverty Reduction: Fighting Poverty More Effectively – Worldwide. This bases the German government’s contributions to overcoming poverty and its causes on three priorities:

→ Investing in people and sustainable structures, so that poor women, men and young people can develop and make use of their own capabilities and gain access to decent work with social protection; in particular, this means:
  — reducing educational deprivation
  — improving health and social security systems
  — expanding basic infrastructure.

→ Supporting and challenging business so that people living in poverty gain access to employment and income; key components are:
  — promoting green and inclusive development and growth
  — creating decent and inclusive jobs, especially for women
  — promoting rural development and food security.

→ Creating and strengthening development-friendly framework conditions so that state structures contribute more effectively to reducing poverty; this includes:
  — promoting the rule of law and constructive relations between state and society
  — strengthening accountability, transparency and policy coherence.

Gender equality, including offering targeted support to women and girls, is an integral element of this Strategy and other sector strategies and policies as well.

Overall, the proportion of ODA funding allocated to measures of particular relevance to poverty reduction, such as education, health and economic development programmes, has increased from around 60 per cent in 2007–2008 to almost 80 per cent today.

Many people with disabilities live in developing countries and are disproportionately affected by poverty. They face many obstacles which make it impossible for them to play a full and equal part in society. With the launch of the Round Table on the Inclusion of People with Disabilities in Development Cooperation, the BMZ has initiated an intensive dialogue with civil society on ways of achieving more systematic inclusion of people with disabilities in development cooperation. The BMZ has also adopted an Action Plan as a framework for mainstreaming their inclusion in development cooperation at all levels and ensuring that proper account is taken of their concerns.

The following sections show how the German government has contributed to poverty reduction and the protection of global public goods in key sectors.
4.2 The bases for a life in dignity

**EDUCATION**

Policies which aim to foster self-determination and individual opportunities invest in education. Education not only empowers the individual; it also builds the capacities of society as a whole. Knowledge is the key to overcoming lack of freedom and is essential for societies to develop independently on the basis of participation. Education also exerts powerful leverage for the attainment of every development goal. Good education actively combats poverty by contributing substantially to the sustainable improvement of a country’s social, economic and political conditions. It improves maternal and child health and promotes gender equality. Education is an investment in sustainable growth and helps to foster values which characterise a liberal society: democracy, human rights, freedom of the media and information, and academic freedom. Education is an important component in stabilising fragile situations. It facilitates innovative cooperation between well-performing governing elites in the partner countries and German development institutions as learning organisations.

Education is therefore a key area of German development cooperation. Over recent years, the conceptual basis for the promotion of education in German development cooperation has been expanded and its objectives and procedures have been redefined in the BMZ’s education strategy, entitled *Ten Objectives for More Education*. For the first time in the 50-year history of German development policy, it now has an education strategy which encompasses all sectors of education – early childhood, primary and secondary education, vocational training, higher education and adult learning. The new strategy also takes account of all forms of education: as well as formal education, German development cooperation promotes non-formal and informal learning opportunities. Formal education is provided by educational institutions, from primary schools to universities and vocational colleges, whereas non-formal learning takes place in the family, the workplace, peer groups, during leisure time and through civic engagement – in other words, in every-day situations which are not generally defined as learning environments. Informal learning can be intentional if the learner deliberately observes, experiments with or replicates other people’s actions.

Participation in knowledge networks and the establishment of research institutions and partnerships also form part of our holistic approach to education. Based on the principle of lifelong learning, the BMZ and its partners have identified ten strategic objectives to make the promotion of education more efficient, effective and visible. They include overcoming educational deprivation, promoting education on a holistic and inclusive basis, thus enabling people with disabilities to benefit from education, improving the quality of and access to basic and secondary education, gender equality in education, utilising private sector potential in education, and inspiring support and engagement for education, as a driver of development, within German society.

The process for the strategy’s development was unique, pointing to a new era of cooperation. The BMZ launched a six-month dialogue process, with conferences, consultations and discussions, in order to collect ideas and contributions from civil society partners, the churches, businesses and academia. There were opportunities for the general public to participate as well.

The BMZ has already started work on implementing some of these objectives, inter alia through various beacon projects on thematic priorities. In primary education, they include the *German BACKUP Initiative – Education in Africa*, which assists African countries, primarily fragile states, to improve their national education strategies.

**Albert Einstein German Academic Refugee Initiative (DAFI)**

The German Federal Foreign Office (AA) is supporting the establishment of Centres of Excellence in order to promote high-quality tertiary education in Africa. A programme designed specifically for recognised refugees is the *Albert Einstein German Academic Refugee Initiative (DAFI)*. The programme – the only one of its kind in the world – is sponsored by the German government, with funding from the German Federal Foreign Office (AA), in partnership with the UN Refugee Agency (UNHCR), and provides scholarships to refugees at universities, colleges and polytechnics in their host countries.
In the vocational education and training sector, vouchers for trainees, as an innovative instrument of demand-oriented financing, are being trialled in Ghana. In the higher education sector, Germany is assisting the African Union to establish a Pan-African University (PAU).

The German government has substantially increased its bilateral ODA funding for education. From a starting point of 68.5 million euros in 2009, government commitments to education will at least double by 2013. The budget to promote education in Africa increased significantly in 2012, to 131 million euros. This puts Germany well on track to exceed its pledge to double funding for education to 137 million euros by 2013.

However, Germany not only intends to provide more development funding for education. It also aims to increase aid effectiveness. The BMZ is therefore currently evaluating the education programmes implemented within the framework of technical cooperation, based on a donor and context analysis. The impacts of education programmes implemented through development cooperation are the subject of intensive discussions with Germany’s partners; the BMZ hosted an international conference on this topic in early December 2012.

Education has remained a priority area of bilateral cooperation with ten of Germany’s partner countries and has recently been agreed with Ethiopia as well. In addition, German development cooperation supports education in almost every partner country, either as an element of projects with other sectoral priorities, such as energy and health, or in regional non-governmental development programmes.

In the vocational training and higher education sectors, there are synergies between the BMZ’s activities and the work being undertaken by other ministries. Efforts have therefore been made to boost the capacities of the EDVANCE initiative, launched in 2008 together with the Federal Ministry of Education and Research (BMBF) in consultation with the Federal Ministry of Economics and Technology (BMWi) and the Federal Foreign Office (AA). This is improving coherence between the many German vocational training providers working in developing countries and emerging economies. Within the EDVANCE framework, the BMBF – in conjunction with the BMZ – commissioned a study on transformation management in order to identify guidelines and criteria for successful transition from development policy-based to private sector-oriented cooperation in vocational training. Among other things, the study explores how development cooperation can pave the way for German training providers to access international markets. EDVANCE has also provided a framework for joint projects with the Federal Foreign Office. For example, a study commissioned by the AA and the BMZ investigates how vocational training programmes, by creating new opportunities, can help to strengthen stabilising factors in fragile settings and prevent potential conflicts. The study is an example of how the Interministerial Guidelines to Enhance the Coherence of Government Policy towards Fragile States are being implemented in the vocational training sector. A round table focusing on the international demand for Training – Made in Germany has also been launched by the German government in order to boost coordination and cooperation among the various ministries’ overseas vocational training initiatives. This forms part of the German government’s response to the significant increase in the number of requests for cooperation that Germany is receiving from all over the world.

The dialogue with civil society and church-based organisations has also been placed on a more systematic footing. The BMZ invites education sector organisations to a dialogue at least twice a year in order to foster an exchange on current education issues and discuss partners’ concerns. In 2012, the BMZ also hosted an initial broad-based large-scale education dialogue with all the key stakeholders from academia, civil society, the political foundations and the churches. An event with a similar format will now be held every year. A more systematic approach will also be adopted towards cooperation with business associations.

Basic financial education and customer protection in Ghana

In its efforts to promote responsible finance in Ghana, Germany is advising the country’s Central Bank on developing a decentralised supervisory framework for the microfinance sector. This includes the development of a National Strategy for Financial Literacy in the Microfinance Sector, with campaigns using radio programmes and road shows to promote awareness of microfinance among rural communities throughout the country. As a result, savings deposits have increased by 50 per cent in some regions and financial security, transparency and consumer protection have improved. In the interests of sustainability, secondary school curricula are being amended and training is being provided for teachers in pilot schools. Germany is also assisting the Central Bank to set up a mechanism to address consumer complaints and thus improve consumer protection.
The German Government’s 14th Development Policy Report

The Ministry is ensuring more regular involvement of its private sector partners. It plans to host a summit for the private sector in 2013. And lastly, the BMZ aims to embed the commitment to education more firmly in society at large, e.g. through interactive media-based consultation processes, in order to encourage participation by the German public.

Expanding multilateral engagement is also important. Germany has increased its commitment to the Global Partnership for Education (GPE), the key multilateral partnership for the achievement of high-quality and inclusive school education worldwide. The German government has increased its financial contributions to the GPE Fund and will provide even more funding in future. The BMZ has also boosted the personnel capacities of the GPE Secretariat in Washington DC with the secondment of a staffer since September 2011. In 2012, Germany hosted the GPE Board of Directors meeting in Berlin. In conjunction with UNESCO – another key multilateral partner – the BMZ provided thematic input and financial support for the Education for All Global Monitoring Report on skills development and arranged its presentation in Germany for the first time. The Report identifies current challenges and opportunities and is an important tool in the promotion of education.

Overall, substantial progress has been achieved in development cooperation in the education sector. However, there are still a great many challenges to overcome if the Education for All (EFA) Goals, adopted by the international community in 2000, are to be achieved: 67 million of the world’s children do not attend school. Almost half of these children live in sub-Saharan Africa. Even now, 796 million adults lack basic literacy skills; two thirds of them are women. Marginalised groups, such as people with disabilities, are often excluded from access to education. The quality of education is often inadequate as well: the lack of well-qualified teachers means that some children and young people cannot read properly even after several years of schooling. High rates of population growth in many developing countries put additional pressure on education systems. The future of the international EFA Goals adopted in 2000 is therefore being discussed in this context and within the framework of the post-MDG debate.

Sustainable Economic Development

A well-functioning economy is the key to development, enabling people to unlock their economic potential and utilise it for the benefit of society. There can be no sustainable development without economic development. Economic growth is essential for poverty reduction and prosperity. However, economic growth must benefit all groups within society and must be ecologically sustainable. Provided this is the case, economic development can establish the material bases for peace and prosperity. Only a competitive, sustainable economy can generate self-sustaining growth. Private enterprises create jobs and incomes for low-income groups and generate tax revenues as the basis for a well-performing public sector.

There are various prerequisites for inclusive and sustainable economic growth. It entails boosting the productivity and innovation of local businesses; private sector investment which creates jobs; promoting corporate social responsibility in developing countries; and increasing local value creation. It is also essential to take particular account of the regions and sectors in which people in poverty live and work, and to create regulatory and incentive systems that promote sustainable production and consumption patterns.

The establishment of market structures, the promotion of stable economic frameworks and the development of sound and inclusive financial systems are key prerequisites for poverty reduction and prosperity, along with support for private sector engagement and leveraging of private investment.
Integrated Mineral Resource Initiative (IMRI) in Mongolia

Resource-rich Mongolia did not have the policy conditions in place to translate the extractive industry boom into sustainable growth and jobs. The Integrated Mineral Resource Initiative (IMRI) has three components: good economic governance in the raw materials sector, capacity development for sustainable economic policy, and the promotion of cooperation in the minerals sector. IMRI brings together three German federal ministries – the Federal Ministry for Economic Development and Cooperation (BMZ), the Federal Ministry of Economics and Technology (BMWi) and the Federal Foreign Office (AA) – and is making a significant contribution to inclusive and sustainable economic growth in Mongolia. Closer links between the German and Mongolian economies with a view to promoting sustainable development in Mongolia is a key element of the initiative. The Agreement between the Government of the Federal Republic of Germany and the Government of Mongolia on cooperation in the fields of raw materials, industry and technology, signed in the presence of Chancellor Angela Merkel, specifically mentions measures adopted within the framework of German-Mongolian development cooperation in this context.

Mineral certification in Rwanda

In response to an initiative adopted by the G8 countries at the Heiligendamm Summit in 2007, the BMWi and the BMZ are funding a pilot project on certification of mineral trading chains in Rwanda in order to foster transparent, fair and sustainable mineral production in conflicted-affected regions. Verification of the origin and trading volumes of tantalum, tin and tungsten ore concentrates is the most important element of the project. The scheme also aims to foster compliance with minimum environmental and social standards in the extractive industries. The project will run for 18 months, with the BMWi and the BMZ each covering 50 per cent of the costs, totalling 500,000 euros.

By promoting dialogue between business representatives and government institutions at national, regional, local and sectoral level, the BMZ is assisting private industry in Germany’s partner countries to articulate its interests and help shape reform processes. Through its development cooperation, Germany is also assisting government institutions to improve the economic policy frameworks in these countries.

In many partner countries, structural reforms are needed in order to develop or increase the economy’s competitive advantages. Germany is therefore working with its partners to develop national innovation systems in which the private sector, public institutions, academia, producers and consumers work together to utilise the potential for innovation as a means of stimulating growth and sustainable development.

Trade is an important driver of economic development as it contributes to more efficient resource allocation, economies of scale, reduction of production costs, and technology and knowledge transfer. Trade can thus contribute to inclusive growth, the creation of new and competitive jobs in the export sector and hence to the reduction of absolute poverty. There is particular development potential in regional economic and political integration. Countries with small domestic markets, in particular, can benefit by shifting their focus to regional markets. This opens up new sales opportunities and increases regional value added through the division of labour. Many developing countries have recognised the potential of regional integration and are members of regional economic communities, some of which have set far-reaching economic and political goals.

In this situation, and in the course of the WTO Doha Development Round, trade-related development policy has gained in political significance since 2001, the key phrase being Aid for Trade (AfT). At the start of the negotiations, the developing countries had pointed out that their interests had not been considered to an adequate extent during the previous liberalisation round, and called for assistance with trade-related activities. In the subsequent international debate, a common understanding emerged that AfT should assist developing countries to derive the maximum possible benefit from the world trade system. In this context, trade is seen as a tool for development, but it is also increasingly recognised that trade liberalisation does not automatically lead to more trade or, specifically, to sustainable development and poverty reduction. Instead, various conditions need to be in place, including adequate capacities and knowledge to utilise the opportunities afforded by trade and minimise risks. Trade liberalisation must therefore be accompanied by other economic policy reforms. Trade-related development policy can facilitate and support these reform processes.
Trade-related development policy aims to support partner countries’ integration into regional and international trade systems in order to utilise trade as “help for self-help” more effectively in the interests of sustainable development. To that end, AfT aims:

- to build partners’ capacities to participate in trade negotiations and formulate policy on a general basis
- to build their capacities to implement trade agreements and economic policies
- to improve their opportunities to trade through enhanced export and supply capacities in the private sector
- in the agricultural sector, to improve productivity, resource efficiency, product diversification, competitiveness, quality, and social and environmental standards, and thus generate value added.

The transition to a green economy offers various groups of countries and stakeholders great potential for economic development and poverty reduction. In advance of the Rio+20 Conference in 2012, the German government lobbied successfully within the European Union and the United Nations for this potential to be utilised more fully for poverty reduction in future. This can only be achieved by creating appropriate frameworks, promoting product and process innovation, developing value chains with a focus on the sustainable management of natural and genetic resources, and utilising biodiversity’s potential for generating value added. Through its development cooperation, Germany is therefore assisting its partners to establish incentive schemes for business investment in resource efficiency and environmental management and is supporting the development of inclusive and sustainable business models.

The targeted promotion of a green economy based on private sector engagement can also create jobs and support the attainment of environmental goals such as climate change mitigation and waste avoidance. Environmental services for companies, particularly renewable energies, have the potential to become growth industries with substantial positive employment effects in many countries. Germany will do more to unlock this growth potential, for example by assisting its partner countries to target environmentally relevant sectors for development.

In financial system development, Germany can look back on a long tradition of cooperation with the private sector. By promoting stable and inclusive financial systems in its partner countries, Germany aims to improve access to financial services for poor but economically active groups and thus increase their economic scope. Over the years, Germany has become one of the world’s largest investors in microfinance. The German government has expanded this leading role and increased quality, e.g. via the Access to Insurance Initiative, which aims to enhance regulatory capacity in the insurance sector, and via Germany’s engagement for responsible governance in the financial sector. Germany is increasingly leveraging private funds for financial system development, e.g. via microfinance investment funds.

Furthermore, the German government was a firm advocate for the establishment of the G20 Global Partnership for Financial Inclusion, which involves not only the G20 members but also multilateral institutions, the private sector and civil society organisations. Here, improving access to financial services for micro, small and medium-sized enterprises (MSMEs) in Germany’s partner countries is a particular priority, as MSMEs create jobs and make an important contribution to development.

Through its development policy, the German government is increasingly assisting its partner countries to create conditions which safeguard transparency and stability and curb poor financial management. It also supports the financial sector’s voluntary commitments to responsible lending and effective consumer protection. Building financial capability/literacy is another starting point for promoting stability and sustainable responsible governance in the financial sector. The German government utilises the Responsible Finance Forum, initiated by the BMZ, to advocate for good practice in the financial sector.

However, recent developments in the global economy have demonstrated once again that Germany must continue to work intensively to improve developing and emerging countries’ responsiveness to economic crises. The impacts of highly volatile food prices on the general public in developing countries must also be cushioned with better risk protection tools.

In recent years, the German government has supported the development of inclusive economic structures, with a focus on decent and productive jobs. Since the start of the democratic transition in the Middle East and North Africa (MENA region), employment has become a key challenge in many partner countries, with particular resonance for young people. In future, the German government will therefore focus its development cooperation more strongly on creating positive direct and indirect stimuli for jobs and incomes, especially for women. The experience gained in recent decades shows that the pro-poor impact of growth depends primarily on the number and nature of the jobs created. This means that the potential to create jobs and reduce poverty
over the medium term is a key criterion in the selection of the sectors for promotion in the context of private sector development programmes. German development cooperation programmes will also focus more strongly on integrating the informal productive sector into the formal economy. As the informal sector comprises a substantial proportion of the economy and employs large numbers of people, development cooperation must address informal businesses as a target group.

In order to facilitate the transition to the formal economy, increase productivity and improve employment conditions in the informal sector, the German government will continue its efforts to devise programmes and solutions for this sector. It will also help to dismantle existing obstacles in the labour market so that people with disabilities can make an active contribution to economic development.

**RURAL DEVELOPMENT, AGRICULTURE AND FOOD SECURITY**

Rural areas are key to development, poverty reduction and food security. Agriculture can be a major driver in overcoming poverty and hunger. The majority of the world’s poor and hungry people live in rural areas. Rural-urban drift, overexploitation of natural resources and violent conflicts have taken on worrying dimensions in many places. Climate change poses an additional challenge. At the same time, rural areas in developing countries offer great potential, which has been overlooked for many years. As well as food, timber, cotton, vegetable oils and other raw materials are produced here. Rural areas play an important part in the conservation of biodiversity and climate protection. Now it is time to put rural areas back at the top of the development policy agenda.

Drawing a line under the years of neglect of this issue, the German government has therefore made rural development and food security a development policy priority since the start of the legislative term. In an intensive dialogue with policy-makers, civil society, academia and businesses, a new strategic framework has been developed, comprising two new development policy strategies: **Rural Development and Its Contribution to Food Security** and **Promoting Sustainable Agriculture**. The BMZ has set up a Food Security Task Force to pool and coordinate the various development policy instruments and actors of relevance to rural development and food security, in order to provide effective assistance to people affected by hunger and to minimise the risk of future disasters.

This new development policy priority is reflected in Germany’s substantially increased financial engagement. At the G8 Summit in 2009, Chancellor Angela Merkel pledged 2.1 billion euros from Germany for the **L’Aquila Food Security Initiative** for the period 2010 to 2012. Germany has honoured this pledge in full and has provided an average of 700 million euros a year via the BMZ – an increase of around 200 million euros for this sector compared with 2008. Around 45 per cent of the funding for rural development goes to African countries. In addition, the BMELV utilises bilateral funding on a targeted basis to support agricultural projects with a focus on the right to food, training and appropriate technologies. Having substantially increased its engagement, Germany is now one of the world’s largest donors to food security and rural development.

However, funding alone is not enough. The German government deploys the financial resources in such a way that they have maximum impact by leveraging much larger amounts of private investment. Rural development means revitalising rural regions as a whole. With that aim in mind, German development cooperation supports education and training, access to energy, water resources and appropriate financial services, sustainable management of natural resources, good governance, and a well-performing administration which grants people secure land rights and fosters individual initiative.

Germany also aims to ensure that these key issues feature on the international agenda. Germany was a firm advocate for the endorsement, by the Committee on World Food Security, of the **Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security** and is working intensively towards their implementation worldwide. In the G8 L’Aquila Food Security Initiative, Germany has taken the lead on managing for development results and, in the G8’s **New Alliance for Food Security and Nutrition**, has worked for a focus on sustainable and responsible investment by local and international businesses. At the G20 level, the German government is involved in the implementation of the **Action Plan on Food Price Volatility and Agriculture**. Among other things, Germany is participating in the development of the Platform for Agricultural Risk Management (PARM), the Agricultural Market Information System (AMIS) and research partnerships which aim to achieve sustainable increases in production. The many years of support for the international research centres belonging to the **Consultative Group on International Agricultural Research (CGIAR)** have yielded an abundance of basic research findings and appropriate innovations to support global food security. In this context, the **GlobE – Global Food Security funding measure** within
the German government’s National Research Strategy Bio-Economy 2030 framework programme is making an important contribution, through applied research, to sustainable African agriculture. The BMBF and BMZ thus create synergies between the various German government instruments which aim to promote agricultural research for the benefit of developing countries.

Official development cooperation can merely provide impetus, however. The success achieved in cooperation with other partners is an incentive for the German government to focus more strongly on businesses, academia and civil society in its continued promotion of agriculture, with a view to working together to create synergies and thus foster global development. This approach is attracting considerable resonance, with new models of cooperation emerging, such as the German Food Partnership, which is being established by the BMZ in conjunction with German companies and complements the BMELV’s joint projects with German agri-businesses. Through these partnerships, the German government advises stakeholder companies from the agrichemical, plant breeding and food industries on the opportunities available for effective development engagement.

Germany has set itself a clear agenda to promote rural development and combat hunger. The Ten-point Programme for Rural Development and Food Security, adopted by the BMZ in January 2012, identifies present and future priorities for German development policy in this sector.
2012 GLOBAL HUNGER INDEX BY SEVERITY

Note: For the 2012 GHI, data on the proportion of undernourished are for 2006 – 2008, data on child underweight are for the latest year in the period 2005 – 2010 for which data are available, and data on child mortality are for 2010. GHI scores were not calculated for countries for which data were not available and for certain countries with very small populations.

The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the International Food Policy Research Institute (IFPRI), Welthungerhilfe, or Concern Worldwide.
Ten-point Programme for Rural Development and Food Security

➔ The BMZ is aiming to eliminate EU agricultural export subsidies.
Together with the BMELV, it is working for the complete elimination of the EU’s agricultural export subsidies as part of the reform of EU agricultural policy because these subsidies are harmful for agricultural development in Germany’s partner countries.

➔ German development policy alleviates hunger and helps to prevent future famines.
The BMZ is putting the cooperation with international organisations in this field on a new basis and is dovetailing recovery efforts with its programmes for longer-term rural development, social protection, agricultural development, disaster preparedness, health, and food security.

➔ The BMZ is mainstreaming food security in its bilateral cooperation.
It is explicitly focusing all its efforts on implementing the human right to food and strengthening resilience. The BMZ will be developing new, broad-based food security projects and making them an integral part of the recovery and bilateral development cooperation programmes. In this context, efforts to reduce undernutrition and malnutrition in children and mothers in particular are a very effective investment in the future.

➔ The BMZ is helping to eradicate poverty and hunger by supporting education, women’s empowerment, and social protection.
By providing targeted support for education and training, women’s empowerment, and social protection, help is being provided for previously disadvantaged and excluded people to tap their potential.

➔ Germany is supporting the development of private sector initiative and value chains in rural regions.
The BMZ will strengthen rural development, above all, by helping to create an environment that is conducive to investment. In particular, it will support activities and investments that give smallholders access to markets, training, and financial services. The BMZ considers fair trade an important aspect when it comes to enhancing smallholders’ market access and will support this concept accordingly.

➔ The BMZ is supporting fair and secure access to land.
Increased support is being provided for the partner countries in developing and implementing national land policies, land use planning and land registration efforts. Through an initiative for more information and transparency, German development policy will help reduce irresponsible and speculative land acquisition (“land grabbing”) and encourage sustainable investment in agriculture.

➔ Development cooperation is helping to address land degradation.
In the context of the UN Conference on Sustainable Development (Rio+20), the BMZ will further develop the global initiative on the economics of global land degradation that Germany has launched, and will use it as a basis for introducing targeted actions against land degradation, both bilaterally and internationally.

➔ The BMZ is supporting improved post-harvest management.
A targeted initiative is intended to improve public awareness of the significance of food losses. The BMZ will take action to demonstrate the great practical benefits of reducing post-harvest and value chain losses.
Germany is linking the findings of agricultural research more closely to agricultural practice in the partner countries. The BMZ will enhance the implementation of the findings of agricultural research in the partner countries’ agricultural practice. Funding and advisory capacity from bilateral agricultural development projects will be used for this purpose in a targeted manner.

German development policy is helping to cushion price shocks and is encouraging responsible financial market investment in agricultural resources. Together with other donors, the BMZ will undertake a set of actions to assist the partner countries to protect themselves from the negative consequences of price shocks. The BMZ is encouraging responsible investment in agriculture. Germany is supporting international efforts to make agricultural markets fully functional again.

HEALTH AND SOCIAL PROTECTION

Health

Health is a human right and a fundamental prerequisite for development. The Millennium Development Goals (MDGs) will not be achieved without further progress on health. Health system development, with a focus on policy-making, personnel and financial capacity building in this key sector, is therefore a strategic objective of German development policy. In this context, the successful intensive cooperation with civil society and the private sector will be continued.

Health is defined in the Coalition Agreement as a key sector of development policy. German development policy focuses particularly on strengthening health systems in the partner countries and on deploying cross-sectoral strategies. Commitments to health and population policy have increased to around 700 million euros a year and account for around 10 per cent of the BMZ budget. More partner country ownership is essential in this sector.

German development policy is working to build inclusive, pro-poor health system capacities in rural regions and is facilitating access to high-quality healthcare for women from low-income groups. Integrated measures to promote child and maternal health and combat HIV/AIDS are particular priorities for the German government. Measures which focus on sexual and reproductive health and rights and self-determined family planning contribute to sustainable development and reduce population growth. Civil society and the private sector are key partners in this context. The German government attaches particular importance to the rights of people with disabilities and their inclusive access to health and social security.

Germany is fulfilling its international commitments. To support the implementation of the G8 Muskoka Initiative, the German government is providing a further 400 million euros for maternal and child health programmes for 2011–2015. The BMZ Initiative on Rights-based Family Planning and Maternal Health, launched in 2011, is making a contribution here.

Germany has strong partners and allies in the fight against child mortality. Together with the Bill & Melinda Gates Foundation, the BMZ has stepped up its engagement in the GAVI Alliance, which increases access to immunisation.

Programme on Sexual Health and Human Rights (PROSAD) in Burkina Faso

PROSAD works with local communities, civil society and public service providers to inform women and young people about, and assist them to exercise, their rights. Girls’ access to education is being improved and advisory services for young people on sexual and reproductive health are being established. PROSAD is also improving family planning services and protection from sexual violence, forced and child marriage and female genital mutilation (FGM). The programme has achieved a fourfold increase in the use of modern family planning methods in the partner regions.
In this way, Germany is helping to improve the lives of children in poor countries by ensuring that they are vaccinated against preventable diseases. School health programmes in Africa and Asia, such as Fit for School, show the level of success that can be achieved with a cross-sectoral strategy at the interface between education, water/sanitation, hygiene and health.

The Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) is an outstanding example of close, coordinated and trustful cooperation between civil society, the private sector and governments. The German government has played a key role in assisting the Fund to substantially increase its effectiveness, combat corruption and enhance its sustainability, and the reform process is now progressing well. Since autumn 2012, the Federal Republic of Germany has had its own seat on the GFATM's Board.

With the conferences on Health Systems Financing – Key to Universal Coverage in 2010 and Health.Right.Now! in 2011, organised in conjunction with the Federal Ministry of Health (BMG), the BMZ has increased the transparency and visibility of its work on health system financing and HIV/AIDS prevention and treatment, both nationally and internationally. On the occasion of the International AIDS Conference in July 2012, the BMZ published its new position paper, entitled Germany’s Contribution to a Sustainable HIV Response, making its HIV/AIDS response fit for the future.

The series of annual International Dialogues on Population and Sustainable Development, which also involve civil society and the private sector, has continued with great success; one example is the anniversary event, the 10th International Dialogue on Population Dynamics in the 21st Century – Transforming Challenges into Opportunities, in Berlin in autumn 2012.

With its research funding concept Neglected and poverty-related diseases, unveiled in May 2011, the Federal Ministry of Education and Research (BMBF) is combating these diseases by providing financial support for product development partnerships (PDPs) – international non-profit organisations that aim to develop prevention methods, drugs or diagnostic agents/equipment to fight poverty-related diseases. This is intended to address the lack of financial incentives for the pharmaceutical industry to invest in the development of drugs, prevention methods or diagnostic procedures for these diseases. The support for PDPs is complemented on an interdepartmental basis by the BMZ’s contributions to the Global Health Investment Fund (GHIF). The Fund provides financing to advance the development and market launch of drugs, vaccines, diagnostics and family planning products in a novel approach designed to improve the health of low-income groups in developing countries.

### Social protection systems

Around 80 per cent of the world’s workers currently have little or no social protection. This applies particularly to informal sector employees. Working within the International Labour Organization (ILO), the German government, represented by the Federal Ministry of Labour and Social Affairs (BMAS), has been a longstanding advocate for basic systems of social protection, the aim being to enable developing and emerging countries to introduce this type of system themselves.

The ILO, which has 185 Member States, is the lead institution for international labour and social standard-setting. However, the existing ILO social protection standards are often not implemented in developing countries, due to the very high levels of performance required. Furthermore, these standards do not apply to the informal sector.

The ILO initiative for a Social Protection Floor is a response to this situation and now enjoys broad international support. Both the United Nations and the G20 are prominent supporters of the initiative, which is also backed by the German government. The adoption of the Social Protection Floors Recommendation at the General Conference of the International Labour Organization in 2012 was a milestone in this context.

The BMZ is currently supporting programmes which aim to build social security systems and thus increase social protection in more than 20 countries.
ACCESS TO ENERGY

Around the world, 1.3 billion people lack access to electricity; 2.7 billion people rely on biomass, such as fuelwood, charcoal and agricultural waste, for cooking and heating. This energy poverty has dramatic impacts on quality of life, health, education, income generation and employment opportunities.

Achieving international and national energy access targets requires concerted efforts by policy-makers, the private sector and society. It also requires a paradigm shift away from a purely sectoral approach. Integrated strategies based on a nexus perspective, linking energy, water and food security issues, are essential. This is the starting point for the German government’s policies to promote inclusion and combat energy poverty on a sustainable basis.

Energy has become an increasingly important issue in German development cooperation in recent years. Germany is now the world’s largest bilateral donor in the energy sector. In the BMZ’s new Development Policy Strategy, energy is defined as one of five key areas for future-proof development. The BMZ currently supports bilateral energy projects in more than 60 partner countries.

In this context, German development cooperation pursues a holistic approach which endeavours to meet the energy needs of all user groups – households, businesses, and public and social institutions. Germany works with all the relevant stakeholders, such as government institutions, the private and financial sectors, energy supply companies, associations and civil society. As well as the official implementing organisations, private companies and the German non-governmental organisations make significant contributions. In its projects and programmes to improve energy access, the German government attaches great importance to measurable results and effective monitoring.

The United Nations General Assembly designated the year 2012 as the International Year of Sustainable Energy for All, in order to encourage governments and the private sector to do more to promote access to modern energy services and sustainable energy technologies. It was against this backdrop that United Nations Secretary-General Ban Ki-moon launched the Sustainable Energy for All initiative. It defines three goals for 2030: ensure universal access to a modern energy supply, double the rate of improvement in energy efficiency, and double the share of renewable energy in the global energy mix. This last goal is currently being modelled by the International Renewable Energy Agency (IRENA) in the Renewable Energy Roadmap (REMAP) 2030.

The German government is making a significant contribution to the attainment of these goals. It is supporting its partner countries’ efforts to facilitate access to sustainable energy for an additional 100 million people up to 2030. To that end, it will double its current ODA spending on renewable energy and energy efficiency to 3.6 billion euros annually by 2030 and will intensify its commitment to combating energy poverty, especially in the poor countries, where particular efforts are needed to build sustainable energy systems. The German government also supports the development of the IRENA Roadmap to Double the Renewable Energy Share by 2030. This focus on renewable energies and energy efficiency is expected to yield significant positive climate impacts.

Access to sustainable energy

Energy poverty is particularly severe in sparsely populated rural areas, where it is by no means uncommon for less than 5 per cent of the population to have access to electricity. Connection to the grid is generally very expensive in remote areas. However, even in urban areas, energy suppliers – despite rising investment in distribution networks – often
The German Government’s 14th Development Policy Report

The German Government’s 14th Development Policy Report cannot keep pace with strong population growth and soaring demand. Many countries simply do not produce enough electricity to meet the growing demand from companies and the urban middle class. For these reasons, it is important to invest in low-carbon energy production, the efficient use of electricity, and grid expansion. Decentralised solutions, such as stand-alone grids or off-grid systems, must be supported at the same time.

The traditional and generally inefficient use of biomass such as fuelwood and charcoal for cooking and heating causes serious damage to health and the environment and worsens the problem of deforestation. The smoke causes respiratory diseases and eye infections, especially in women and children. Due to growing resource scarcity, women and children have to walk increasingly long distances to collect enough wood to meet households’ daily cooking and heating energy needs. As modern fuels such as liquefied gas and electricity are unaffordable for most people, more widespread use of improved energy-efficient cookstoves has a key role to play.

A good supply of heating energy is essential for households, businesses and public and social amenities. Existing forests must be managed sustainably and new trees planted.

Germany is responding to these challenges in various ways:

Germany is a driving force behind the European Union Energy Initiative (EUEI), a joint commitment by EU Member States and the European Commission whose aim is to contribute to providing the energy access that is necessary for the developing countries’ achievement of the Millennium Development Goals.

The Africa-EU Energy Partnership (AEEP), which Germany co-chairs and has been a major force in shaping, aims to give an additional 100 million people in Africa access to sustainable energy services by 2020. Another aim is to expand systems for the generation of energy from renewable resources in Africa.

The BMZ supports the Global Alliance for Clean Cookstoves, an initiative led by the UN Foundation which promotes large-scale adoption of clean and safe household cooking solutions. The Alliance has set a goal of enabling an additional 100 million homes to adopt clean and efficient stoves and fuels by 2020.

Germany, the Netherlands, Norway and, since 2012, the United Kingdom and Australia support Energising Development (EnDev), which aims to give 11 million people in developing countries sustainable access to modern energy services by 2015. By 2012, more than 8.5 million people, mainly in rural areas, had gained access to electricity and clean cooking technologies under the EnDev programme. EnDev’s proven efficiency and cost-effectiveness have awakened interest from other donor countries, notably Switzerland.

The aim of improving access to sustainable energy worldwide is closely linked to promotion of energy efficiency and renewable energies in the partner countries.

Renewable energies and energy efficiency

In the last three years, the German government has initiated three major global processes aimed at supporting the transition from conventional energy production to renewable energies. Germany was a driving force behind the founding of the International Renewable Energy Agency (IRENA) in Bonn in 2009. With analyses, advisory and networking activities, IRENA assists its members, now numbering more than 100 countries, to create an environment that is conducive to the expansion of renewable energy, particularly in rural areas.

The measures undertaken within the framework of the Africa-EU Energy Partnership (AEEP) aim to build 10,000 MW of new hydropower facilities, at least 5,000 MW of wind power capacity, and 500 MW of all forms of solar energy capacity in Africa by 2020.

With the German Climate Technology Initiative (DKTI), the German government aims to disseminate innovative mitigation technologies in developing countries and emerging economies. With total funding of 597 million euros, it makes

The Solar World Cup 2014 project in Brazil

The BMZ is assisting Brazil to increase the renewables share and improve energy efficiency in its national power supply. In addition to wind and small-scale hydropower, solar is an ideal energy source in Brazil. The project, launched in 2009, will also make use of the 2014 World Cup championship, which will be hosted by Brazil, in order to promote renewable energies. With support from Germany, the project will equip the Mineirão and Mineirinho stadiums in Belo Horizonte, where World Cup matches will take place, with rooftop photovoltaic systems. Solar power produced by the project will be fed into the grid.
an important contribution to promoting more widespread use of modern renewable energy and energy efficiency technologies.

Efficiency measures in the energy sector are regarded as the most effective way of reducing greenhouse gas emissions and energy costs. Electricity which is not needed does not have to be generated or imported at high cost. This is important, since many developing countries are dependent on resource and electricity imports which absorb very large amounts of foreign exchange. There is still considerable potential to save energy in many developing countries and emerging economies.

Germany is working with 35 partner countries in order to harness this efficiency potential. Its 130 projects and programmes assist partner countries to create an enabling environment for energy efficiency, e.g. with funding schemes, regulations such as energy efficiency standards, and campaigns. Experience with many of these programmes has shown that involving the private sector has beneficial effects and that broad-scale distribution channels should be utilised. Many developing countries do not have sufficient public funding available to make the necessary investments in energy efficiency. Through its development cooperation, Germany is therefore increasingly leveraging private capital to fund energy projects.

**ACCESS TO WATER AND SANITATION**

Water is the fundamental prerequisite for a life in dignity. It is our most vital nutrient. It is needed as drinking water and is essential for food and energy production. World population growth and prosperity are driving up the demand for water, energy and food, resulting in growing pressure on water resources. This in turn could potentially put water, energy and food security at risk. These intersectoral dependencies, known as the water-energy-food security nexus, should receive more attention in future.

One of the targets of the Millennium Development Goals adopted by the international community in 2000 is to halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation. A great deal of progress has been made here: since 1990, some 1.6 billion people have gained access to safe drinking water. Nonetheless, the world still faces major challenges. Even now, nearly 800 million people worldwide lack access to clean water and 2.5 billion – more than one third of the world’s population – live without adequate sanitation.

Germany is one of the three largest bilateral donors in the water and sanitation sector and makes an important contribution to realising the human right to water and sanitation. Germany has almost doubled its commitments in the water sector, from 361 million euros in 2005 to an annual average of 653 million euros (2008–2010). Water is a priority area of German development cooperation in 27 countries, mainly in sub-Saharan Africa, North Africa and the Middle East. Germany’s development projects in this sector are currently benefiting around 80 million people worldwide.

Germany is assisting its partner countries to implement reforms in the water sector. It focuses particularly on advisory services and capacity building for ministries, specialised agencies and utility companies and on financial support for infrastructural measures.

**A more inclusive approach**

Realising the right to water and sanitation: Through its development cooperation, Germany is making a visible and
Realising the human right to water and sanitation in Kenya

Germany is assisting Kenya to develop a water sector which fulfils the human right to water and sanitation. To that end, various human rights-based minimum standards have been developed, based on maximum physical distance to the nearest water source: it should not take more than 30 minutes in urban areas to collect water, and the distance to be covered in rural areas should not be more than two kilometres. Basic access is defined as 20 litres per person per day. Progressive tariffs for larger consumers support low-cost social tariffs for smaller consumers (cross-subsidisation), making Kenya’s water pricing system socially inclusive. The German government also supports the provision of low-cost, safe and affordable drinking water for low-income informal settlements. By mid 2012, the Water Services Trust Fund had improved the water supply for one million people in low-income urban areas and for 400,000 residents of six towns in western Kenya. A Kenyan fund set up for this purpose, with contributions from Germany and other donors, gives water utilities access to financial resources to extend these infrastructural services to low-income groups.

effective contribution to realising the human right to water and sanitation for everyone. Low-income groups, such as slum dwellers, are at the heart of its human rights-based approach. Germany expects the state to play an effective, committed and supervisory role in extending coverage to all sections of society, regardless of whether the public sector or private companies are responsible for providing a water supply. In accordance with human rights standards, access to water and sanitation must be affordable, within reach and of adequate quality.

Enhancing effectiveness in sub-Saharan Africa: The BMZ has pledged to create better and sustainable access to drinking water and sanitation for 30 million people in sub-Saharan Africa – the priority region for German development cooperation in the water sector, but which is unlikely to achieve the relevant MDG targets – by 2015, including at least five million people who will gain improved access to sanitation services. A check-list for improved effectiveness in the water and sanitation sector in sub-Saharan Africa is utilised in this context. The criteria aim to ensure that development programmes focus to a greater extent on alleviating poverty, make more intensive use of decentralised supply systems such as water kiosks, and place greater emphasis on sanitation and hygiene.

Working for appropriate global access targets: Within the framework of its development cooperation, Germany is advising the World Health Organization (WHO) and UNICEF on the reform of their Joint Monitoring Programme for Water Supply and Sanitation. The BMZ hosted a first consultation in Berlin in May 2011 to identify global targets for drinking water and sanitation after 2015.

Maximising health impacts – improving sanitation

Even now, 2.5 billion people lack access to adequate sanitation. This lack of access to decent toilet facilities spreads disease, causes economic losses and has adverse impacts on education and the environment. For positive health effects to be achieved, not only is a physical infrastructure required: the general public must also adopt safe hygiene practices. Germany has been engaged in development cooperation in the sanitation sector for many years and promotes closed-loop sanitation solutions. It also supports the Sustainable Sanitation Alliance. More than 50 per cent of German development funding for the water sector goes to wastewater management. The aim is to implement basic sanitation and hygiene education programmes more systematically in future. In 2011, Germany set up a Sanitation Task Force in order to support broader-scale implementation of decentralised inclusive solutions. Germany’s strategies for development cooperation with Kenya point the way forward here.

Building water industry capacities

Well-performing water and wastewater management companies play a key role in providing the general public with a safe water supply and good sanitation. Public and private sector water companies must be self-sustaining and economically efficient so that they can cover their operating costs and invest in the development and expansion of infrastructure while also maintaining a pro-poor, socially inclusive tariff structure. In many cases, however, water companies fail to meet these criteria. Furthermore, in many countries, responsibilities are split between different authorities, making it more difficult to provide an efficient service. The advisory services provided within the framework of German development cooperation therefore aim to build a well-performing water and wastewater management industry which meets the public’s needs. In Uganda, for example, urban dwellers’
access to a clean water supply has increased from around 30 per cent to almost 70 per cent within a decade, largely as a result of the contributions made through German development cooperation, with around 904,000 people gaining access to clean water between 2008 and early 2012 as a result of the German programmes.

More effectiveness through partnerships

Cooperation with other water sector donors, such as the Australian Government’s overseas aid programme AusAID and organisations such as the Bill & Melinda Gates Foundation, helps to improve the coordination and effectiveness of development interventions and should be expanded further.

By cooperating with the private sector and academia, the BMZ is able to tap into additional expertise and thus enhance its aid effectiveness. It is important to build on the positive experience gained, for example, with the German company VAG-Armaturen in reducing water losses. The German Water Partnership – a network which aims to strengthen the German water industry and research in international markets – is utilised as a platform in this context. The Water Stewardship Initiative was launched during the Bonn 2011 Nexus Conference in late 2011. Developed with input from German development cooperation, it builds on the private sector’s long-term interest in water availability and creates innovative partnerships between government, business and civil society for improved long-term safeguarding of water resources.

Sustainable use of water resources with a focus on climate change

Access to water depends, fundamentally, on water being available in sufficient quantity and quality. Agriculture is by far the largest consumer of water worldwide. German development cooperation therefore aims to promote more efficient and sustainable water use in agriculture. Germany intends to step up its engagement for sustainable water and land management as a contribution to boosting resilience to drought, enhancing food security and promoting economic development. However, it is not only the agricultural sector which needs to improve the efficiency of its water use and focus to a greater extent on sustainable production; the same applies to the energy industry and private enterprise, in order to safeguard the supply of goods and services for a growing world population and increase prosperity. The BMZ has therefore launched a dialogue platform (agriwaterpedia) for all categories of water users. It aims to promote more efficient water use and reduce water pollution, support the expansion of wastewater treatment and management, and facilitate transboundary cooperation. The impacts of climate change, such as more frequent extreme weather events – heavy rainfall, floods and droughts – are intensifying the pressure on water resources and creating additional challenges for water resources management. Transboundary water resources management therefore has an increasingly important role to play: inter-country cooperation on the management of often scarce water resources can reduce tension and promote regional integration. This is demonstrated by the Berlin Process launched in 2008, which brings together five Central Asian countries in political dialogue on the management of water resources. The continuation of the Berlin Process was reaffirmed in March 2012 at a conference hosted by the German Federal Foreign Office and attended by the Central Asian countries’ foreign and water ministers and key donors.

In cooperation with developing countries and emerging economies, the German Federal Ministry of Education and Research (BMBF) supports joint research projects on Integrated Water Resources Management (IWRM). The projects develop IWRM strategies for selected model regions in order to safeguard the long-term availability of adequate good-quality water resources at the local level and facilitate the exchange of experience with other regions.
4.3 Promoting human rights and democracy

In order to overcome the causes of poverty, people in developing countries must be empowered to create a better future for themselves by their own efforts. Human rights, the rule of law, democracy and good governance are important levers for structural poverty reduction and are therefore the principles guiding the BMZ’s Development Policy Strategy. The German government demands compliance with, and promotes, these principles. In order to provide effective support for development processes in the partner countries, German development cooperation is based on the following: pro-poor and sustainable policies; respect for, protection and fulfilment of all human rights; democracy and the rule of law; efficiency and transparency of the state; and a cooperative stance within the international community. Partner governments’ development orientation and hence their political will to undertake reforms are crucial for successful development cooperation.

HUMAN RIGHTS

Respect for, protection and fulfilment of all human rights form the overarching framework for development policy that is aimed at the strategic promotion of the rights of women, children and young people, people with disabilities, indigenous peoples, and other marginalised social groups. A key objective of German development policy is to empower people to assert their rights and live self-determined lives.

In 2011, the BMZ – for the first time – adopted a binding Strategy on Human Rights in German Development Policy. It serves as a model of best practice at the European and international level, and its implementation is followed with great interest. The Strategy underlines the importance of realising civil and political rights, but also economic, social and cultural rights, in the interests of sustainable development.

Germany expects partner governments to honour their human rights commitments and supports their realisation. The BMZ is increasingly addressing the issue of progress on human rights, and any problems that may arise, in the political dialogue with its partners. It is also working to bring human rights principles such as non-discrimination, equality, political participation, transparency and accountability more systematically into the policy dialogue with partner countries. When human rights violations have occurred, the German government has, in some instances, suspended its aid disbursements to partner governments. In general, conditional-ity – in other words, incentivising reforms through development policy – is applied in a targeted way so that it impacts on those responsible for human rights violations, not the affected population. In places where it is no longer possible to engage in development cooperation with government partners, cooperation with non-governmental organisations, political foundations and the churches is intensified in order to improve living conditions and protect human rights defenders. The civil society organisations in the partner countries and in Germany play a key role in this context.

The BMZ commissions projects which specifically aim to strengthen human rights, but it also mainstreams human rights as a cross-cutting issue in all sectors and priority areas of development cooperation. An increasing number of development programmes in the food security, water, health and education sectors are now applying a human rights-based approach. An example of a specific human rights project is the support provided for political and social reforms in North Africa via a programme to promote human rights dialogue and education in Tunisia and Egypt. The aim is to build the relevant government institutions’ capacities to protect human rights and improve networking.

In order to implement the Strategy on Human Rights in German Development Policy, human rights impact assessments (HRIAs) have been introduced for all official bilateral development programmes, which means that for the first time, a systematic assessment of human rights risks and impacts

Promoting human rights in Burkina Faso

In Burkina Faso, the BMZ is assisting the National Committee on Child Trafficking and the Ministry of Social Action to develop and implement information and awareness-raising campaigns on the issue of child rights. The measures include the development of local action plans in conjunction with the public authorities, the establishment of local social institutions, support for schools and vocational training through the provision of grants, and the requisite infrastructural development at the local level. A Children’s Fund assists young people to identify alternative sources of income and supports business start-ups by poor families. In all, 1,200 grants have been provided and 250 places in education facilities with boarding homes und 330 training places have been created.
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2012 Women of Europe Award goes to Bosnian lawyer Jasmina Prpić

In September 2012, Gudrun Kopp, Parliamentary State Secretary to the Federal Minister for Economic Cooperation and Development, honoured Jasmina Prpić, the winner of the 2012 Women of Europe Award – Germany and founder of Women Lawyers without Borders, for her longstanding engagement in defence of women’s rights. Jasmina Prpić first came to Germany as a refugee. She worked for medica mondiale, assisting survivors of sexual violence to seek justice at the International Criminal Tribunal for the former Yugoslavia in The Hague. In her laudatory speech at Munich’s Palace of Justice, Gudrun Kopp said: “Women’s rights are inalienable human rights. Jasmina Prpić was willing to take action and, by founding Women Lawyers without Borders, created a new organisation dedicated to abolishing all forms of inequality and discrimination against women.” The association is now also providing advice and assisting women in Tunisia, Libya and Egypt to assert their rights and claim equality.

must be carried out for all new projects and programmes initiated by the BMZ. By sending out this clear signal, the BMZ aims to ensure that development projects help to make human rights a reality and have no adverse consequences for the general public or specific marginalised groups. The BMZ is also working to improve the way in which human rights issues are addressed in evaluation processes. Drawing on experience gained by other donors, the BMZ is also considering the possibility of setting up a human rights complaints mechanism for German development cooperation.

The BMZ’s Human Rights Strategy is supplemented and enhanced by guidelines for the promotion of the rights of specific marginalised groups. The BMZ Position Paper: Young people in German development policy – a contribution to the implementation of the rights of children and youth, published in October 2011, is meant to be used to help identify, appraise, plan, implement and evaluate development projects of relevance to young people. There are plans to finalise a position paper on ending female genital mutilation (FGM), the revision of the Gender Equality Strategy and a position paper on the worldwide promotion of the rights of indigenous peoples in 2013. Promoting gender equality and women’s rights in the partner countries is a particularly important issue in German development policy, as is advocating for the human rights of lesbian, gay, bisexual, transgender and intersex people (LGBTI). Political dialogue and civil society capacity building, including the provision of support for human rights defenders, are important instruments in this context.

The dismantling of access barriers and measures to realise the rights of marginalised or discriminated groups are further challenges. The BMZ is therefore continuing to develop the new guidelines on the rights of young people, indigenous peoples, women and people with disabilities and is supporting their implementation. The BMZ’s Action Plan for the Inclusion of Persons with Disabilities in Development Cooperation (2013–2015) is complementary to the Human Rights Strategy. In accordance with the provisions of the UN Convention on the Rights of Persons with Disabilities, the Action Plan aims to mainstream the inclusion of people with disabilities in development cooperation at all levels. German development cooperation is successfully advising governments in several partner countries on ways of systematically improving access to social services for people with disabilities (Indonesia) or on implementing the UN Convention on the Rights of Persons with Disabilities (Bangladesh). It also supports self-advocacy organisations for people with disabilities in selected partner countries. In order to make a sustainable contribution to mitigating the poverty risk faced by people with disabilities, inclusive approaches are increasingly being promoted on a cross-sectoral basis, with more opportunities for people with disabilities to participate in vocational training and employment initiatives.

As the political developments in Africa and the Middle East have shown, development policy must react flexibly and appropriately to progress in the fields of democracy and human rights and must be able to support new reform movements and civil society actors. Within its development policy framework, the German government will therefore step up its support for specific programmes to assist key human rights advocates in the partner countries, particularly national human rights commissions.

At European level, the German government is working for better implementation of a human rights-based approach in EU development cooperation. Human rights principles and standards are key criteria for the granting of aid, particularly budget support, by the EU. There should be more conditionality, i.e. incentivisation of reforms, for countries making significant progress on democracy and the rule of law (“more for more”). Another important issue for German development policy is the further development of the European Instrument for Democracy and Human Rights (EIDHR), which provides support for civil society organisations working in
the fields of human rights and democratic reform. Germany is a firm advocate, in the Council, for national human rights institutions to be recognised as eligible for funding and for a human rights-based approach to be enshrined in the new regulation now in preparation.

The German government supports the further development and implementation of the international legal frameworks for corporate social responsibility (CSR). The OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, endorsed by the Human Rights Council in June 2011, are particularly significant in this context.

Germany was a firm advocate for the endorsement, by the Committee on World Food Security, of the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security and is working in various ways towards their implementation; this includes acknowledgement that customary lands have social, cultural and environmental value to indigenous peoples and recognition of their customary tenure systems.

As part of the review and update of the World Bank Safeguard Policies, the German government will advocate for the adoption of more stringent human rights standards, with a particular focus on free, prior and informed consent (FPIC) of indigenous peoples in decision-making processes on matters directly affecting them or their lands.

**GOOD GOVERNANCE**

The BMZ Strategy Promotion of Good Governance in German Development Policy, adopted in 2009, provides the basis for German development cooperation and defines the principles and standards applicable in this sector.

Through its development policy, the German government promotes good governance in numerous fields of action, deploying a broad mix of instruments. It works with government institutions such as parliaments, ministries and local authorities, and with civil society organisations and the media. In order to improve the efficiency of public administration, the German government provides training and professional development for managers and experts, as well as policy advice and funding for measures aimed at establishing efficient and durable institutions at the decentralised and local level.

Good governance and human rights are key themes which are mainstreamed across all sectors of development cooperation, such as water and education. The aim is to strengthen partner countries’ ownership of good governance and build their capacities to help people live in dignity and freedom, taking responsibility for their country’s development. In order to provide ongoing support and promote the partner countries’ development, the BMZ attaches great importance to continuous long-term policy dialogue and to creating conducive legal and institutional frameworks. It therefore provides advice and support to state and society simultaneously, in order to promote diversity of opinion on key decision-making processes and foster political participation.

Construcive relations between state and society are a core element here. The fundamental principle guiding action in this context is that local realities, rather than blueprints, should be taken as the starting point.

Germany has agreed to make democracy, civil society and governance a priority area of cooperation with 28 partner countries, making it the second most frequent priority area of bilateral cooperation.

The BMZ, together with relevant actors from the state, civil society and the private sector, has developed a new anti-corruption strategy. Given the complexity of the issues, a multidisciplinary approach involving state and non-governmental actors is required that goes beyond the traditional approaches to development cooperation pursued so far at country level. The BMZ’s new anti-corruption strategy is based on the $3 \times 3 = 9$ formula.

It calls on the three sets of actors – the state, civil society and the private sector – to get involved in the fight against corruption, and encompasses three levels of anti-corruption that form a holistic approach:

$\rightarrow$ supporting anti-corruption reforms in partner countries,

$\rightarrow$ compliance and risk management,

$\rightarrow$ supporting and implementing international commitments.

Together with transparency initiatives such as Transparency International and the Extractive Industries Transparency Initiative (EITI), the German government and its partners are actively involved in efforts to combat corruption. Via the EITI, Germany is working to ensure that all over the world, revenues from the extractive industries are disclosed and utilised responsibly. In Germany’s partner countries, EITI is working to improve the performance and quality of public administration and ensure equitable access to public goods and services for all social groups. Through its participation
in the International Aid Transparency Initiative (IATI), the German government also aims to increase transparency in its development cooperation and promote accountability in the use of development funding in its partner countries.

Developing countries are losing very substantial amounts of money to tax evasion and avoidance. These own resources could be spent on establishing efficient administrative structures and implementing poverty reduction programmes. The International Tax Compact (ITC) was established in order to improve this situation. It promotes cooperation between governments, the private sector and civil society. The ITC works with the International Monetary Fund (IMF) and the OECD to promote tax transparency and establish binding principles pertaining to the mobilisation of domestic revenues.

Good governance and the realisation of human rights are cross-cutting themes in all priority areas of bilateral development cooperation. A key goal is to intensify the dialogue on governance issues and actively promote good governance in all sectors. A comprehensive understanding of good governance therefore looks beyond the actions of central government and encompasses decentralisation and good local governance, as well as relations between the state and non-governmental actors. It deals with the way in which decisions are made within a state and policies are framed and implemented.

The BMZ is reviewing its development policy tools and procedures in terms of their contribution to this process. The Ministry is developing realistic and workable criteria for the adoption of anti-corruption and integrity as shared legal commitments, and for participation and transparency to be integrated into policy steering and dialogue, programme planning, and the official implementing organisations’ monitoring and reporting procedures.

In this context, conditional on compliance with specific minimum standards, the German government utilises budget support, combined with political dialogue and results-based payment mechanisms, as a means of influencing partner countries’ governance performance and respect for human rights. It is important to improve mutual accountability between partners and donors and ensure wide-ranging public involvement in political processes, in order to promote the legitimacy of government action. Strengthening governments’ transparency and accountability to their own citizens is a key factor in this context. Good governance is also a topic in development cooperation in the higher education sector: the Public Policy and Good Governance (PPGG) programme, which is funded by the German Federal Foreign Office (AA), is supporting future leaders from Africa, Latin America, South Asia, South-East Asia and the Middle East who want to promote democracy and social justice in their home countries.

**POLITICAL PARTICIPATION**

Through its development policy, the German government promotes political participation and constructive relations between state and society, with a focus on three areas:

- strengthening civil society,
- improving the state’s performance capacities,
- creating conducive legal and institutional frameworks.

In 2010, the BMZ – for the first time – adopted a strategy paper defining its approach for promoting constructive state-society relations, which it is now implementing in order to strengthen civil society involvement in political processes.

Through its development cooperation, Germany assists civil society actors to articulate their interests and express them effectively in political negotiation and decision-making processes. This often takes place at local level where the thresholds for participation are relatively low and direct negotiation processes between citizens and local politicians can take place. German development cooperation promotes the legal safeguarding of rights of participation, the establishment of appropriate participation processes and the implementation of complaints and control mechanisms such as ombudsmen’s offices.

For example, the BMZ is assisting the Bolivian government to increase the efficiency, transparency and responsiveness of public administration. Through its advisory work for the Constituent Assembly, German development cooperation has helped state actors to drive forward the process of state reform in a cooperative manner with the participation of civil society. At the same time, Germany is supporting civil society organisations in their efforts to uphold the rights of marginalised groups. Advice provided to organisations helps them to put forward sound arguments when representing their interests in negotiation and decision-making processes.

In Cameroon, German development cooperation supports civil society organisations in tracking public budgets. As public funds were being invested in the construction of schools, the civil society organisations, together with the students and parents concerned, came across significant irregularities: for example, numerous planned school buildings had never been built and construction materials
had not been utilised for their agreed purpose. The public relations work carried out by the non-governmental organisations increased pressure on the government to ensure greater transparency and accountability.

Through its development cooperation, Germany assists policy-makers and staff of the public administration to shape decision-making processes in such a way that civil society at national and decentralised level can participate actively and constructively, e.g. by institutionalising participation mechanisms such as round tables and dialogue platforms. In these forums, representatives of the state and society exchange views and negotiate their interests and expectations.

Important actors of non-governmental development cooperation, in this context, are the political foundations, the central church bodies and private agencies whose measures are aimed primarily at strengthening popular participation at local level.

**WOMEN’S RIGHTS, EQUALITY AND GENDER MAINSTREAMING**

**Equality as a human right and key to development**

Gender equality is a human right. The principle that no one should suffer discrimination on the grounds of their gender is enshrined in numerous international conventions, notably the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). The third of the Millennium Development Goals (MDG 3) is dedicated to the promotion of gender equality and women's empowerment.

Gender equality is not only a development objective in its own right. It is also a key factor for economic growth and poverty reduction. The outcome document for the 2010 MDG Summit emphasises that investing in women and girls has positive development effects. This was reaffirmed, with an array of evidence, by the World Bank's *2012 World Development Report on Gender Equality and Development*.

**Gender equality: progress and challenges**

The promotion of gender equality is both a precondition for, and a key characteristic of, good governance. To date, 187 countries have ratified CEDAW and, by doing so, have undertaken to adopt appropriate national laws and policies and take action to achieve gender equality. However, the reality for women in many of Germany’s partner countries is very different: women still suffer massive discrimination in many areas of life. A critical review shows that although progress has been made in some sectors over recent years, patriarchal norms and structures are still obstructing access to education, healthcare, decent work, land tenure and social and political participation for many women and girls, in violation of their fundamental human rights.

- More girls and young women are gaining access to education worldwide. However, there are still some regions, notably sub-Saharan Africa and South Asia, where fewer girls go to school than boys.
- Every year, more than 350,000 women around the world die from causes related to frequent and often unwanted pregnancy and lack of proper medical care during childbirth.
- In many countries, women are paid less for doing the same work as men; they are also more likely to work in precarious employment conditions.
- Women are excluded from decision-making in families and often have no say in how the income that they have earned is spent.
- Worldwide, only around 19 per cent of all Members of national parliaments are women, and only 18 per cent of all ministerial posts are held by women.

**Women’s empowerment and gender mainstreaming — the dual approach**

With the 2001 *Gender Equality Strategy and the Development Policy Action Plan on Gender 2009–2012*, the BMZ is committed to providing even more targeted support for its partner countries’ implementation of international, regional and national agreements and strategies promoting gender equality. German development policy pursues a dual-track approach which is internationally recognised and is coherent with the EU’s Gender Equality Strategy. The dual-track approach combines women-specific approaches that are necessary in order to compensate for actual gender-specific disadvantages and discrimination and help women assert and exercise their rights (empowerment), and the systematic and coherent integration of the gender perspective in all development policies and fields of action (gender mainstreaming). The aim is to take gender issues into account in the planning, formulation and implementation of all development policies and strategies. This requires the institutional embedding of the gender perspective in policy processes within the BMZ and its implementing organisations.
Priority areas of work on gender equality and gender mainstreaming

Numerous projects in Germany’s partner countries promote women’s rights and gender equality; examples are the projects which support women’s integration into the labour market in the MENA region and the reforms of family law in Morocco and Indonesia.

Based on Germany’s many years of experience in promoting equality in development cooperation, its development policies and strategies are continuously evolving. Innovative approaches are embraced, with an increasing focus on gender-sensitive results-based monitoring. The BMZ actively supports the implementation of the outcome document adopted at the Fourth High Level Forum on Aid Effectiveness in Busan (Busan HLF), in which states commit to accelerate and deepen efforts to collect, disseminate, harmonise and make full use of data disaggregated by sex and integrate targets for gender equality and women’s empowerment in accountability mechanisms.

Furthermore, the BMZ analyses the gender dimensions of current development topics and formulates relevant policies on the basis of gender mainstreaming. The Development Policy Action Plan on Gender 2009–2012 identifies a need for action in four thematic areas: economic empowerment, women in armed conflicts and their role in conflict management; gender-specific challenges and responses to climate change; and sexual and reproductive health and rights. Innovative approaches have been initiated in these priority areas in recent years and the results have been integrated into German development activities. One example is a pilot project to improve cooperation between women and men in climate-related disaster risk management in Pakistan.

In order to utilise the potential afforded by a gender perspective effectively, policy coherence is key. The BMZ is actively involved in the Interministerial Working Group set up to coordinate action to implement UN Security Council Resolution 1325 on women and peace and security. On 19 December 2012, the German Cabinet approved an Action Plan on the Implementation of United Nations Security Council Resolution 1325. The German Government’s first-ever action plan in this area covers the period 2013–2016 and aims to provide a comprehensive and coherent approach to the implementation of Resolution 1325 and its follow-up resolutions. This approach takes into account both civilian and military aspects and ensures that the activities of all relevant stakeholders are well coordinated. The National Action Plan’s measures address the four priority areas identified in Resolution 1325: the role of women in crisis prevention, their participation in conflict management, the effective protection of women from abuse and human rights violations, and their role in post-conflict reconstruction, adding to these two further priority areas: mission preparation and criminal prosecution. The BMZ will, increasingly, contribute to action on these priorities.

As a major shareholder in multilateral organisations, Germany advocates for coherence at the international level as well, e.g. in the ongoing dialogue with other bilateral donors in the OECD DAC Network on Gender Equality (DAC GENDERNET). The German government was also involved in preparing the EU Plan of Action on Gender Equality and Women’s Empowerment in Development 2010–2015. There is coherence between the EU Plan of Action and the BMZ’s Development Policy Action Plan on Gender. In its Education Strategy 2010–2013, the BMZ is committed to educating girls and women as a way of improving their position within society in the long term, contributing to the reduction of maternal and infant mortality and fostering sustainable economic growth.
4.4 Engagement in fragile states: an investment in peace

Breaking the vicious cycle of poverty, fragility and conflict

More than 1.5 billion of the world’s people live in fragile and conflict-affected countries. The people in these countries are more than twice as likely to be undernourished and 50 per cent more likely to live below the poverty line than people in non-fragile developing countries. Children of primary school age are three times as likely to be out of school in fragile and conflict-affected states as those in other developing countries. Government institutions are often unable to provide citizen security or deliver basic social services.

Governments in fragile countries generally have very little legitimacy, corruption is often widespread, and human rights abuses and violence pervade every-day life. None of these countries will achieve the Millennium Development Goals by 2015.

Germany wants to help these countries escape the vicious cycle of poverty, fragility and violence. The German government has therefore defined engagement in fragile states as an investment in peace and a key area of German development policy. The aim is to address the causes of conflict, consolidate state structures, and build the capacities of state and society to resolve conflicts peacefully, thus creating an environment that is conducive to peaceful development. This also benefits people in Germany, as armed conflicts and crime do not stop at national borders.

Coherent action at national and international level

Fragility cannot be mitigated with development policy instruments alone. For that reason, the cooperation between the relevant German ministries at national level has been intensified. In September 2012, the German government adopted Interministerial Guidelines to Enhance the Coherence of Government Policy towards Fragile States. They define the shared objectives and guiding principles for Germany’s engagement and map out procedures to be followed in crisis situations. For example, the Sudan Task Force, convened in 2010, was able to pool the expertise of all the relevant ministries in a joint approach to crisis prevention prior to South Sudan’s gaining its independence. To ensure that shared approaches can be implemented successfully, the BMZ is working towards the provision of joint training for staff from various ministries. Together with the Federal Ministry of Defence (BMVg), the BMZ has developed and piloted a training module on civil-military cooperation in fragile

Violence is the main constraint to meeting the MDGs

Incidence ratio as compared to countries that are not affected by violence

A child in a fragile or conflict-affected state is twice as likely to be undernourished as a child in another developing country – and nearly three times as likely to be out of primary school.

Sources: World Bank 2010; WDR team calculations based on Gates and others 2010.
The German Government’s 14th Development Policy Report

Development cooperation with Sierra Leone

In Sierra Leone, German development cooperation focuses on private sector development, the aim being to promote local economic cycles and, above all, create jobs for young people. High youth unemployment is seen as one of the greatest threats to peace and stability in this still fragile country. There is close linkage between the programmes undertaken within the framework of technical and financial cooperation, with a focus on income generation opportunities and targeted development of infrastructure to create jobs in rural regions. The programmes have been recognised by the international community on various occasions, e.g. by the United Nations Peacebuilding Commission, and in conjunction with Sierra Leone’s national development strategy, are contributing to peacebuilding, crisis prevention and poverty reduction.

One example is the expansion of the local cocoa value chain in the eastern part of the country. The border region with Liberia was particularly affected by the civil war. As part of the Growth for Peace Consolidation Programme implemented within the framework of financial cooperation, the National Commission for Social Action has established several cocoa processing centres and improved the infrastructure linking them to local markets. Around 600 people have found employment in the cocoa processing centres. The Employment Promotion Programme implemented within the framework of technical cooperation is assisting cocoa farmers to improve their cultivation methods and the care of their cocoa trees. Another component of the programme provides targeted support for people affected by the civil war. Young people who were displaced during the civil war or forced to work in the diamond mines are assisted to return to their home villages and reintegrate into the community. Since January 2009, these reintegration activities have enabled more than 7,500 young people to return to their home villages and make a fresh start.

Germany advocates for a better response to fragile states at the international level as well. Germany and France are the co-chairs of the Working Group on Fragile and Conflict-Affected States (FCSs) established by the International Development Association (IDA), which is part of the World Bank, and are firm advocates, in this context, of a stronger focus on results. The BMZ also followed the preparation of the World Development Report 2011: Conflict, Security and Development with close attention. The report recommends that greater priority be given to citizen security, justice and jobs in order to break the vicious cycle of conflict and poverty. The BMZ also actively participates in the OECD’s International Network on Conflict and Fragility (INCAF). Its work programme currently focuses on the dissemination and implementation of the Principles for Good International Engagement in Fragile States and Situations and on developing a financing and aid architecture to fill the gaps in international engagement in post-conflict settings.

The governments of the fragile states themselves must also do more to ensure the success of development investment.

In 2008, a large number of these governments established the g7+ group of fragile states. In the International Dialogue on Peacebuilding and Statebuilding, these fragile states, together with the donor countries, agreed on the basic principles which should apply to their cooperation. The BMZ made a significant contribution to this process. It also contributed to the adoption of the New Deal for Engagement in Fragile States at the Busan HLF in 2011. This underscores the importance of country ownership by fragile states and can be regarded as the key reference for donors and partner countries in future. Since 2005, the German government has also advocated for a leading role for the United Nations Peacebuilding Commission (PCB), which bridges the gap between peacekeeping and development cooperation. While serving as a non-permanent member of the UN Security Council (2011–2012), Germany focused particularly on strengthening the role of the PCB and its cooperation with the Security Council.

Germany will continue to share its experience of engagement in fragile states at the international level in order to improve multilateral coordination of crisis prevention and support for fragile states. The German government will continue to work towards this goal in the relevant institutions of the United Nations, the European Union, the OECD and the World Bank in the coming years.
Deploying development resources in fragile countries on a targeted basis for more peace and security

Germany now has the third largest number of fragile states as its development partners, after France and the United Kingdom. This clearly demonstrates Germany’s strong commitment to the people living in fragile states. German development cooperation with these countries increasingly focuses on crisis prevention, conflict transformation and peacebuilding. In this context, development and security policy go hand in hand. In the Democratic Republic of the Congo, Sierra Leone and Liberia, Germany has established employment programmes to support the reconstruction of social and economic infrastructure. This offers young people prospects for the future and the opportunity to contribute to their country’s recovery.

By hosting the International Afghanistan Conference in Bonn in 2011, the German government confirmed that reconstructing and stabilising Afghanistan remains a high priority. This is also reflected in the BMZ’s development campaign in Afghanistan (250 million euros annually) and the Federal Foreign Office’s Stability Pact for Afghanistan (180 million euros annually), with which the German government has virtually doubled its funding for the civilian reconstruction of Afghanistan to an amount of up to 430 million euros annually for the period 2010 to 2013. The German government has utilised these resources in order to improve the performance of the government, civil society and the private sector. The purpose of splitting the resources into two tranches was to create additional incentives for the Afghan government to achieve measurable progress in key reform areas, especially in governance, the fight against corruption, and women’s economic and political participation. The German government will continue to provide development assistance for civilian reconstruction in Afghanistan on the basis of partnership following the withdrawal of most of the international forces in 2014. The German government has also intensified its commitment to development in Pakistan. This mainly benefits communities living in the marginalised regions along the border with Afghanistan, which are particularly affected by conflict.

The German government’s response to the Arab Spring was swift and supportive. Together, the Federal Foreign Office and BMZ are supporting the reform movements’ engagement for freedom and political reform in these countries through transformation partnerships. The BMZ has set up and endowed three development funds to promote democracy, education and economic development in North Africa and the Middle East.

Provincial Development Funds in Afghanistan

In northern Afghanistan, the German government has established several Provincial Development Funds (PDFs) for the three north-eastern provinces Badakhshan, Takhar and Kunduz within the framework of civil-military cooperation. The BMZ, the AA and the Federal Ministry of Defence (BMVg) provided the financial resources for these funds and decided on the selection of new projects together with the Afghan partners. Under the 2012 programme, 671 projects with a total funding volume of 11.9 million euros were implemented, focusing on infrastructure, basic social services such as education and health, and agricultural development. Local people living in communities with a PDF-funded project undergo training and are paid to implement the project, often as part of cash-for-work programmes. The projects aim to boost incomes and improve food security, stability and living conditions for the poorest social groups. More than two million people had benefited from PDF projects by the end of 2011.

As well as the governments of the partner countries, non-governmental organisations, political foundations and church-based development agencies play a key role as partners for German development cooperation in the fields of crisis prevention, conflict management and peacebuilding. Many German civil society organisations have built up many years of experience in this field. Their involvement is particularly important in situations in which official development cooperation is impossible due to political sensitivities. The BMZ and the implementing organisations, non-governmental agencies and academics therefore established the Working Group on Peace and Development (FriEnt). In 2011, FriEnt celebrated its 10th anniversary with a programme of events for experts working in the field of crisis prevention and conflict management. FriEnt’s task is to mainstream the concept of peacebuilding more effectively in all areas of development cooperation, working intensively on thematic and country-specific priorities, initiating joint learning processes and sharing expertise among the various institutions. The Civil Peace Service (CPS) was established in 1999 as a mechanism for the deployment of experts. Its remit differs from those of conventional development agencies in that it focuses specifically on the field of peacebuilding, crisis prevention and conflict management. The CPS is a model of cooperation between governmental and non-governmental agencies. It is constituted as an association of state-approved development services,
comprising GIZ and seven non-governmental organisations. Ten years after its establishment, the CPS underwent an independent review in 2010. The results of this evaluation form the basis for the adoption of a new strategic, target-oriented direction in its work. This reform is to be implemented by mid 2013.

In the field of peace and security, the BMZ works closely with the academic community. Various research projects are currently under way, focusing on methods and mechanisms for the integration of environmental and resource-oriented conflict management and cooperation and better support for stabilisation and democratisation processes in fragile states.

4.5 Towards sustainable, low-carbon development

At a time of climate change and progressive biodiversity loss, sustainable development has become one of the greatest challenges facing humankind. It is the people living in developing countries who suffer most from the impacts of global warming and the declining adaptive capacities of weakened ecosystems, whether these manifest as droughts in Kenya, melting glaciers in Nepal, floods in Pakistan or hurricanes in the Caribbean. At the same time, climate change will increasingly dominate the international agenda and could potentially jeopardise peace and stability worldwide, as the UN Security Council noted in July 2011 during its German Presidency. This is reason enough to address climate change from a foreign and development policy perspective as well. Sustainable development policies are increasingly focusing on the linkage between poverty, the environment and the economy. The German government aims to decouple inclusive economic growth from resource consumption and protect the ability of ecosystems to provide services, also as the basis for economic activity.

Twenty years after the first Rio Summit, the United Nations Conference on Sustainable Development (Rio+20), which
took place in Rio de Janeiro in June 2012, reviewed progress to date and identified a new multilateral package of measures to advance action on Rio+20’s three core themes: the global transition to a green economy in the context of sustainable development and poverty eradication, the reform of the institutional framework, particularly the UN system, to improve global governance in the context of the environment and sustainable development, and a consensus on Sustainable Development Goals (SDGs). The SDGs should be global, universally applicable goals which integrate all three dimensions of sustainable development – environmental, economic and social. The German government has made an active contribution to these processes and will continue to participate in specific implementation measures in cooperation with the partner countries of German development cooperation. Germany is one of the world’s most active pioneers in sustainability and climate policy, and its strong performance in this field is reflected in its development policy as well.

As regards the green economy, there is a growing awareness, in the industrialised and developing countries alike, of the economic, social and environmental costs of an unsustainable economy. Economic growth, in its present form, is reaching its limits. Global energy and resource consumption is soaring, while forests are shrinking, drinking water is becoming scarce, and ecosystems are vanishing along with their flora and fauna. It is becoming increasingly clear that “business as usual” is no longer an option that the international community can afford. The consequences of such an approach would be overexploitation of natural resources, biodiversity loss, pollution and climate change, leading to social conflicts and a decline in human and economic development. What is needed is inclusive economic development in order to lift people in developing countries all over the world out of poverty. For this to be achieved, we need an economy which performs well in all dimensions of sustainability – it must protect the environment, safeguard social justice and be politically viable. Above all, resource efficiency will pay off in economic terms as well. A study commissioned by the British government (Stern Review on the Economics of Climate Change) showed that unabated climate change could reduce prosperity, measured in terms of per capita consumption, by as much as 20 per cent by 2050.
A green economy can offer opportunities for every country, but does not provide a blueprint. Through its development cooperation, Germany assists its partner countries to harness their potential to transform their economies in accordance with their needs and strengths, to build their capacities in the field of resource efficiency or certification, to devise incentive schemes for green economic activities, and to ensure that their national policies are coherent from an environmental perspective.

Sustainable development relies on a shared commitment from government, the private sector and civil society. The German government is investing in development partnerships in which private companies, the official implementing organisations and civil society cooperate as equals in the planning and financing of projects. This encourages the transfer of know-how and modern technologies to developing countries.

**CLIMATE CHANGE MITIGATION AND ADAPTATION WITH INNOVATIONS FROM GERMANY**

The BMZ has systematically expanded its commitment to climate change mitigation and adaptation over recent years, doubling its funding from 700 million euros in 2008 to 1.4 billion euros in 2012. In addition to the BMZ’s contributions to the financing of global climate action, 120 million euros are available annually from the BMU’s International Climate Initiative (ICI), launched in 2008. This makes Germany the world’s second largest donor in climate finance for developing countries.

Development policy in the climate sector focuses particularly on climate change mitigation and adaptation and the conservation and sustainable management of forests. In its development policy, Germany aims to harness its own potential for innovation. There is strong demand for German expertise, particularly on renewable energies and climate change adaptation, from the developing countries, partly due to Germany’s outstanding international reputation in the climate policy field. Together with partners from German industry, academia, non-governmental organisations, the churches, foundations and local authorities, the German government has initiated forward-looking alliances to promote low-carbon development.

**Promoting sustainable mobility**

The BMU supports various sustainable mobility projects, e.g. via its International Climate Initiative (ICI). The TRANSfer – Towards climate-friendly transport technologies and measures project supports decision-makers in developing countries in the preparation and implementation of Nationally Appropriate Mitigation Actions (NAMAs) in the transport sector. At national level, the project currently cooperates closely with South Africa, Colombia and Indonesia on the implementation and trialling of NAMAs. These include measures to improve local public transport, fleet renewal programmes for commercial vehicles, rail transport projects and, in the case of Indonesia, climate-related measures in national aviation. The BMU also supports a transport project in Beijing as a pilot scheme for other Chinese megacities. The Transport Demand Management (TDM) project focuses on environmental and climate protection by reducing emissions in the transport sector. On behalf of the BMU, the Electro-Mobility and Climate Protection project is also being implemented in China. Advice is provided for the Chinese authorities on ways of achieving significant reductions in the emission of climate-damaging gases and air pollution and increasing resource efficiency through electro-mobility. The BMU is also supporting a project in India which develops and disseminates transport action plans at the national level and low-carbon mobility plans at city level, based on fuel efficiency, transport infrastructure, public transport and low-carbon incentive schemes.

**Development policy in the technology sector: driving global climate action**

At the Climate Conferences in Copenhagen (2009) and Cancún (2010), the world’s governments reached agreement on the goal of holding global warming below 2°C. However, global emissions are still rising. Current mitigation targets are not sufficiently ambitious to curb global warming. At the Climate Conference in Durban in 2011, it was therefore agreed that a new global climate agreement should be negotiated by 2015. Unlike the Kyoto Protocol, the agreement would establish the same binding commitments for all participating counties and would thus apply to all the major emitters, including the USA and the emerging economies. These decisions were affirmed and elaborated at the 18th session of the Conference of the Parties to the UNFCCC (COP 18) in Doha, which opened the Doha Climate Gateway.
The roadmap for negotiations on a new global climate agreement has thus been established. In this context, cooperation – also in the development context – is increasingly seen as the key to encouraging the developing countries and emerging economies to accept a more ambitious global climate regime. The development of verifiable measures for climate change mitigation and adaptation in the developing and transition countries helps to build these countries’ trust, which is necessary for more intensive climate policy measures based on firm commitments. This approach relies on a combination of practical action and negotiation. For that reason, Germany and its EU partners were firm advocates, in Durban, for the adoption of a plan for enhanced mitigation alongside the mandate for negotiations, in order to increase countries’ climate change mitigation activities until a formal agreement enters into force. The earlier and the more ambitious the action by industrial and developing countries, the narrower the ambition gap in the adoption of urgent and necessary measures to prevent dangerous climate change.

With the BMZ’s climate-related development policy, the German government is making an important contribution to ensuring that alongside the industrialised nations, the developing countries and emerging economies can also adopt their own climate targets. Development cooperation in the renewable energy sector has been expanded to around 50 countries. Cooperation on mitigation technologies benefits the global climate, the partner countries and Germany itself. The partner countries benefit from access to renewable energies as a basis for a secure energy supply, and Germany benefits because German companies can utilise the links established through development cooperation to gain easier access to new markets. Above all, however, the climate benefits, because emerging economies and developing countries which have gained positive experience with climate technologies are more likely to be willing to adopt ambitious targets in the international climate process. Two initiatives exemplify Germany’s climate-related development policy:

Between 2008 and 2011, the low-interest loans, amounting to around five billion euros, made available through the Initiative for Climate and Environmental Protection for climate-related investment in developing countries resulted in approximately 10 million tonnes of avoided carbon dioxide (CO₂) emissions per year.

The German Climate Technology Initiative (DKTI) launched by the BMZ and the BMU in 2011 is an innovative mechanism for the diffusion of mitigation technologies in developing countries and emerging economies. In an intensive dialogue with German industry, technology partnerships are established to support climate change mitigation in developing countries with rapidly rising emissions. Via the Initiative, the German government supports projects focusing on renewable energies, smart electricity grids, climate-friendly mobility and waste prevention – sectors in which German companies have a strong position in global markets.

Through its preventive climate diplomacy, the German government helps to analyse and mitigate the impacts of global warming as a driver of conflict. With resources from the German government’s Energy and Climate Fund, the Climate and Security programme was therefore launched to ensure that this topic features on the agenda in international forums (United Nations, EU, regional organisations) and to define preventive measures in response to emerging climate-related security issues. With targeted policy communications, the programme – with support from Germany’s missions abroad – also encourages the key countries to engage in ambitious climate policy and adopt a constructive position in the UNFCCC climate process. In addition, Germany’s missions abroad support the coordination of measures adopted by the various government departments and by civil society organisations in the partner countries.

Adaptation to the impacts of unavoidable climate change

Despite all the efforts to reduce emissions, early adaptation to climate change is essential for every country if catastrophic impacts are to be avoided. In the field of climate change adaptation, Germany has focused its efforts on the
poorest and most vulnerable developing countries, with more than half the funding for adaptation programmes from the Special Energy and Climate Fund going to African countries. It is used to finance specific adaptation measures, such as the introduction of drought-tolerant seed and flood protection schemes. Above all, however, institutional capacity building is provided for the partner countries so that they can mainstream climate protection in their water and natural resources management, rural development, disaster preparedness and food security policies.

The German government has also stepped up its cooperation with the private sector in the field of adaptation, e.g. in developing insurance policies to provide security against weather-related risks for small farmers. Here, the aim is to ensure that these farmers do not lose their livelihoods as a result of drought or floods. In Ethiopia, for example, the BMELV is promoting cooperation between the Ethiopian Institute of Biodiversity (EIB) and the Research Federation of German Private Plant Breeders, with a focus on the conservation and evaluation of plant genetic resources, plant breeding and research. These are key technologies in the response to climate change and the world population’s growing demand for resources.

Since 2008, a sum of 120 million euros has been available annually in the BMU budget for use by the International Climate Initiative (ICI), which funds climate projects in developing and transition countries. These countries require financial assistance from the industrialised nations in order to undertake the reform processes necessary for the transition to low-carbon, climate-friendly growth. The ICI is a key element of Germany’s contribution to the fast start financing of climate-related measures in the period 2010–2012. As the international component of Germany’s energy system transformation, it is complemented by the additional resources available from the Special Energy and Climate Fund, a new source of funding launched by the German government in 2011. Between the ICI’s establishment in 2008 and December 2012, more than 350 projects and programmes with funding totalling more than 1.1 billion euros were approved. Additional resources from the agencies implementing the projects and funding from other public and private sector sources bring the total volume disbursed for ICI projects to more than 3.1 billion euros.

In line with the commitments made by the industrialised countries at the UN Climate Change Conference in Copenhagen, international climate funding from public and private sources will progressively increase to 2020. The development of verifiable measures for climate change mitigation and adaptation in the developing and transition countries helps to build these countries’ trust, which is necessary for more intensive climate policy measures based on firm commitments. This approach is based on practical action and negotiation. Key fields of action in this context are:

- policy advice: technical and political dialogue processes with partner countries on national climate strategies
- finance: identification of opportunities for international climate financing
- mitigation: support for projects focusing on low emissions strategies, national mitigation measures, and transparency
- adaptation: ecosystems, insurance schemes
- REDD+: measures to develop the REDD+ mechanism.
proportion of the revenue from emissions trading into interna-
tional climate protection. Around 500 million euros of this 
funding was made available by the BMZ and BMU in 2011 
alone. A similar level of funding has been pledged for 2012.

The BMZ and the BMU work together very closely on fast 
start climate finance and the Energy and Climate Fund, with 
the two ministries agreeing, in 2011, to engage in close stra-
tegic cooperation on climate finance. This includes regular 
consultations on priority areas of activity in the partner 
countries.

Germany also provides reliable contributions for multilateral 
climate funds. The German government has contributed 550 
million euros to the Climate Investment Funds established by 
the G8 countries under the auspices of the World Bank. Ger-
many is also a major donor to the Global Environment Facili-
ty (GEF): its commitments for the 2010–2014 programming 
period amount to Euro 347 million, an increase of more than 
60 per cent.

CONSERVING THE ENVIRONMENT AND 
NATURAL RESOURCES

People, the economy and society rely on the resources pro-
vided by the natural environment and the landscape and 
are heavily dependent on Nature’s storehouse. Biodiversity, 
natural resources and environmental services are particularly 
important for low-income groups, whose livelihoods – e.g. 
subsistence farming – are more likely to depend directly on 
them. Furthermore, these groups often lack the financial and 
technological capacities to adapt to changing conditions.

What is certain, in this context, is that poverty is both a cause 
and an effect of environmental degradation. The conserva-
tion and sustainable management of natural resources and 
biological diversity are therefore prerequisites for sustain-
able development and poverty reduction.

The conservation of biological diversity is not only about 
protecting species diversity. It encompasses genetic and spe-
cies diversity and the Earth’s diverse ecosystems, which pro-
vide essential services such as clean water, a stable climate, 
food, and raw materials for pharmaceuticals. Biodiversity 
offers great potential for innovation. Forests are not only 
the livelihood base for more than 1.6 billion people, many of 
whom live in extreme poverty. They also provide essential 
resources, protect soils and water, and offer shelter to hu-
man communities. They bind substantial amounts of carbon 
dioxide and thus play a crucial role in protecting the climate.

At present, however, humankind is exploiting the natural 
environment at a faster rate than it can regenerate. Habitats 
are being destroyed, resulting in the irrevocable loss of more 
and more species and ecosystems and the services they pro-
vide. Deforestation accounts for one fifth of all anthropogen-
ic greenhouse gas emissions. It is also becoming increasingly 
apparent that the loss of biodiversity has tangible economic 
impacts, and can also affect international relations, for ex-
ample between countries of origin and recipient countries 
of illegal wildlife products. For that reason, the conservation 
of biodiversity and species protection must be considered in 
foreign policy processes as well.

“Conserving biodiversity is as important as protecting the 
climate.” This statement by Chancellor Angela Merkel is 
backed up by practical action: Germany provided an addi-
tional 500 million euros for the conservation of forests and 
other ecosystems worldwide in the period from 2009 to 2012, 
and from 2013, will make 500 million euros per year avail-
able for this purpose. The BMZ has significantly increased its 
commitments in this sector – from 159 million euros in 2008 
to 370 million euros in 2012. The Energy and Climate Fund 
lunched by the German government in 2011 is a further 
source of finance for activities to conserve biological diver-
sity as a new dimension to the BMU’s International Climate 
Initiative (ICI). The BMU has virtually doubled its commit-
ment, from 50 million euros in 2008 to more than 94 million 
euros in 2012. Priority regions for Germany in this context 
are Latin America, Africa and South-East Asia. The BMZ will 
mainstream biodiversity and forest conservation in its bilat-
eral cooperation to an even greater extent than before and,

Peru: Securing protected areas with indigenous communities

A project financed by the International Climate Initiative 
(ICI) in the Peruvian Amazon is dedicated to the 
protection and sustainable use of the 616,000-hectare 
communal reserve El Sira as well as its buffer zone 
of 1.1 million hectares. Together with the state-run 
protected area authority and associations of indigenous 
communities, the project is improving the management 
of the protected area. In the buffer zone, the project is 
helping to prepare management plans for the sustain-
able use, processing and marketing of wood, natural 
rubber and other forest products, which secures an 
alternative source of income for the population. For 
example, more than 24 village communities are already 
producing natural rubber and wood in this way, thereby 
protecting over 80,000 hectares of forest in the buffer 
zone.
together with the BMU, will take rigorous action to fulfil the Chancellor’s pledge. Its activities are guided, inter alia, by the CBD Strategic Plan for Biodiversity 2011–2020 and the Nagoya Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization.

Through its development policy, Germany promotes sustainable conservation and management strategies as a contribution to protecting natural life support systems and reducing poverty. This includes effective action to combat poaching and measures to increase the involvement of local communities in the management of protected areas. In addition to the protection and sustainable management of natural resources, German development cooperation combines biodiversity conservation with measures in other sectors: agriculture, water, energy and climate. The involvement of potential polluter sectors, such as agriculture and industry, and the development of sustainable production strategies help to mitigate conflicts among users. The economic value of ecosystem services is also taken into account in political and economic decision-making. A study commissioned by the BMU, The Economics of Ecosystems and Biodiversity, provides the basis for developing and implementing numerous successful strategies for the mainstreaming of biodiversity in development planning all over the world. Germany also supports Wealth Accounting and the Valuation of Ecosystem Services (WAVES), a global World Bank-led partnership which promotes sustainable development by ensuring that natural resources and ecosystem services are mainstreamed in development planning and national economic accounts. The aim is to introduce environmental factors, alongside GDP, as a benchmark of progress and prosperity.

The BMZ also assists its partner countries to implement the Nagoya Protocol. Fair and equitable sharing of benefits arising from the utilisation of genetic resources, together with legally secure access to the potential for innovation that the natural environment affords, creates incentives for the conservation of natural life support systems. Germany is collaborating with other donors on these issues in the international ABS Capacity Development Initiative.

In addition to sustainable forest management, Germany has substantially increased its commitment to reducing greenhouse emissions from deforestation. Germany is one of the largest donors for the development of the REDD mechanism. REDD stands for “Reducing Emissions from Deforestation and Forest Degradation” and denotes a scheme of performance-based payments for measurable and verifiable emission reductions in forests. Experience gained in the forest-rich areas of Brazil, Indonesia and the Congo Basin is now being developed further with other countries and regions through bilateral development programmes. The German government supports REDD+ as an economic alternative to destructive land use practices and aims to put in place the necessary institutional and political framework for the conservation of forests and their ecosystem services, in order to avoid deforestation and forest degradation, improve sustainable forest management and enhance forest carbon stocks, for instance by rehabilitating forests and undertaking reforestation.

In the deployment of the financial resources available from the Special Energy and Climate Fund, amounting to 505 million euros for 2011, REDD+ and ecosystem-based adaptation to climate change are priorities for German development policy.

The German government also supports a verifiable and credible system of carbon monitoring as a climate protection and forest conservation mechanism. On this basis, new incentive schemes are being established which will provide performance-based payments in return for verified emission reductions. Transparent REDD financing, improved donor coordination and joint REDD standards are intended to leverage additional funding for the conservation and sustainable management of forests. At multilateral level, Germany is one of the co-initiators of the most important REDD pilot initiative, the Forest Carbon Partnership Facility.
(FCPF) administered by the World Bank, and is its largest donor, with contributions amounting to more than 140 million euros, including 130 million from the BMZ. Germany is also developing bilateral funding mechanisms such as the global REDD "Early Movers" programme, which has received 44 million euros in funding since 2011. By linking strategies for the conservation and sustainable management of biodiversity with minimum standards (biodiversity safeguards), the aim is to protect other key functions of forests as diverse habitats over the long term.

The German government has substantially expanded its cooperation with civil society on biodiversity and forest conservation. The BMZ is engaged in an intensive dialogue with civil society in order to support more effective mainstreaming of these topics from a development policy perspective across society. In 2011, it provided German non-governmental organisations with 15.5 million euros for biodiversity and forest conservation projects.
5. Cooperation in the Regions – Strategies and Outcomes

In the Coalition Agreement, the German government places particular emphasis on bilateral development cooperation, in other words, on direct cooperation with a partner country or region. Between 2009 and 2011, an average of 2.5 billion euros per annum was made available for this purpose under the two major budget lines official bilateral financial cooperation and bilateral technical cooperation. Bilateral cooperation is designed to complement European and multilateral development assistance, helping to shape these policy areas and absorbing elements from them. It is a conduit for German values and interests, and stands for quality, independence and reliability. This is appreciated by all the developing countries with which Germany cooperates. Bilateral German development policy also creates significant added value, which, not least, helps to safeguard the German public’s support for development cooperation. It is delivered by effective implementing organisations with many decades of experience, whose expertise and know-how are deployed to mutual benefit.

The German government has sharpened the focus of its official bilateral development cooperation with the various developing regions in recent years, both in relation to the priorities and the type of cooperation. New strategy papers for the German government’s cooperation with Africa, Latin America and Asia identify specific challenges and opportunities and create a clear profile for Germany’s engagement in the various regions.

Overall, the German government is investing massively in regional cooperation. On transboundary environmental and infrastructural issues, this is challenging but nonetheless essential. For example, the progress made in Africa on peace and security, regional water resources management, energy and environmental protection was supported by Germany through its development cooperation. Regional economic integration is another significant field of activity. Cooperation with the private sector, which relies on this integration, is extremely important in this context.

Nowadays, however, bilateral development cooperation can no longer focus on the governmental level alone. In regions such as Latin America and Africa, development cooperation has supported progress towards more democracy, and civil society has gained in significance. Today, the state is no longer the preferred employer everywhere: instead, a burgeoning private sector offers new career opportunities for better-educated young people and is creating a positive development dynamic. Public accountability and a functioning rule-of-law system are gaining in significance for development cooperation, and this has led to cooperation with a diverse range of new players. Nonetheless, building governance capacities and institutional structures in the partner countries remains an important task, enabling them to manage and utilise change for their own development processes. Development cooperation has therefore adapted so that it boosts investment in, and supports more effective deployment of, these capacities.

This is reflected in the cooperation with the individual regions. As before, Africa receives around 50 per cent of the funding for financial and technical cooperation. Asia is still home to the majority of the world’s poorest people and continues to be an important focus of German development cooperation in diverse ways – not only as a recipient but also, and increasingly, as a partner for other regions. The great importance attached to the civilian component of assistance to Afghanistan and neighbouring countries

![Bilateral and multilateral ODA by continent (2010) in million euros (net) 1](image-url)

1) Net = following subtraction of repayments and proceeds from the sale of DEG shareholdings.

Definitions: bilateral = German bilateral ODA; multilateral = German share of ODA contributed by multilateral donors (source: OECD/DAC).

Bilateral ODA also includes debt relief and services provided in Germany, mainly tuition fees for students from developing countries.
can easily be discerned from the budgetary resources allocated by Germany for this region annually. Unfortunately, it is often overshadowed by the headlines about military conflicts. Some donors are withdrawing from Latin America, but the German government remains engaged in this region, which has a particularly important role to play in safeguarding global public goods. Due to their status as neighbouring regions, South-Eastern Europe, North Africa and the Middle East continue to be particularly significant, although it is the EU which has made a larger financial contribution here. Germany has particularly good access to these regions and also to the Caucasus, and can therefore achieve many positive outcomes with relatively limited resources.

Official bilateral development cooperation should not be viewed in isolation from other forms of cooperation. Achieving stronger linkage between bilateral, EU and multilateral cooperation is one of the German government’s stated objectives. In the context of European development cooperation, Germany, as the EU’s largest donor, has a responsibility to fully integrate its bilateral positions into policy at the EU level as well. Germany is increasingly utilising its bilateral cooperation as a basis for joint activities with other donors, e.g. through three-way (triangular) cooperation with third countries, via cofinancing and parallel financing, and through delegated cooperation. The latter denotes programmes and projects in which planning and management, policy dialogue and key elements of the administration of project funds and service delivery are delegated to another donor. Germany is engaged in this form of cooperation with the Netherlands and Canada, for example.

### 5.1 Sub-Saharan Africa

**CONTEXT**

Africa is a continent undergoing tremendous political, economic and social change. Strong economic growth, regional and pan-African integration processes and an increasingly active civil society are key indicators of this change. Germany views Africa as a continent of opportunity and as an increasingly self-confident partner. Through its development policy, the German government supports this new dynamic in Africa and strengthens its ownership of its political and economic development processes.

Africa – particularly sub-Saharan Africa – is, and will remain, a particular focus of attention in German development cooperation. Between 2004 and 2012, German financial commitments for bilateral development cooperation with Africa increased almost threefold, from 420 million euros to 1.1 billion euros, and now amount to around 50 per cent of total regional budgets. The major share of the funds (95 per cent) has gone to sub-Saharan African countries, and the aim is to maintain this high level of funding. An important basis for cooperation is the German government’s Strategy for Africa, adopted in June 2011, which covers all the key areas: peace and security; good governance, rule of law, democracy and human rights; economic development; climate change and the environment; energy and raw materials; sustainable development; and education and research. Germany’s Africa policy is based on a realistic assessment of the continent. It is grounded in universal values and is interest-led, and is oriented towards our partners’ policies and systems. In this way, it helps to make a partnership of equals between Germany and Africa a reality. Not least, the Strategy facilitates coordinated action by the German government and enhances the visibility and effectiveness of Germany’s contribution in line with the commitments undertaken by Germany at the major development conferences in Paris, Accra and Busan. At European level, the Joint Africa-EU Strategy (JAES) provides the frame of reference for a pan-African agenda.

Based on the needs of the partner countries, German development programmes support good governance, peace and security, sustainable economic development, the protection of the environment and natural resources, education, health, and aspects of water and energy services. Education is a cross-cutting topic in German development cooperation and is promoted in all sectors. Within the framework of international agricultural policy, too, education and training are key components of project commitment in the region. Climate change mitigation and adaptation are integral elements of development cooperation, as climate change has the potential to jeopardise and even reverse development progress in Africa. In each partner country, Germany concentrates on no more than three thematic priority areas. Germany plays an outstanding role within the donor environment and is often one of the largest bilateral donors in the countries with which it cooperates, e.g. in the water sector and good governance.
THE GERMAN GOVERNMENT’S 14TH DEVELOPMENT POLICY REPORT

Africa Initiative

The Africa Initiative was launched by the BMZ in 2012. The aim of the initiative is to boost civic engagement in Germany and Africa and to convey a more nuanced and modern image of African societies to the public in both Africa and Germany. Under the three-year initiative, a wide range of activities will be carried out in Germany and various countries in Africa in the following areas: art, culture and the media; sport and civil society; schools and vocational training; early childhood education; informal education; tertiary education; and the private sector.

FOSTERING REGIONAL INTEGRATION

Regional cooperation and integration promote peace and economic growth. Sub-Saharan Africa comprises 54 states, including 19 with a population of less than five million and 15 with no access to the sea. These figures are clear indicators of the need for more regional integration. In addition to the bilateral assistance provided to individual countries, German development cooperation is therefore engaged at the regional and pan-African levels, with the African Union (AU) and various African regional organisations playing a key role in this context. In the energy, water and environmental sectors, transboundary approaches often offer the most viable and sustainable solutions and are often the most effective way of utilising Germany’s comparative advantages for mutual benefit. As Germany is a driver of European integration, its assistance here is greatly appreciated by its African partners.

Good Governance

Good governance – in other words, responsible governance – is an important prerequisite for sustainable development, better living standards, respect for human rights, and lasting peace and security. Germany therefore has a particularly strong commitment to this area of activity. In 2009–2010, Germany allocated 430 million euros in ODA funding for good governance in sub-Saharan Africa. As requested by its African partners and in accordance with international agreements, such as the G8 action plans, Germany focuses primarily on good governance in public finance systems and the extractive industries, and on supporting decentralisation reforms, in which civil society plays a key role. Bilateral cooperation with partner countries is enhanced by inter-country initiatives and the promotion of governance reforms via the African Union and at regional level.

Looking ahead

— The adoption of the new Human Rights in Development Policy Strategy has underlined the importance of human rights as a guiding principle for German development policy. As well as promoting specific human rights institutions, the programmes and projects implemented in the field of good governance now focus more strongly on respect for, and protection and fulfilment, of human rights. In the context of public finances, for example, the key issue is how tax systems and public budgets should be developed in order to ensure respect for civil, political, economic, social and cultural rights, and how countries can integrate human rights into their policy agendas and actions.

— Supporting relevant African Union institutions, such as the Pan-African Parliament, the African Court on Human and Peoples’ Rights and the African Commission on Human and Peoples’ Rights, is a key element of regional cooperation.

Good financial governance in Ghana

Through its development cooperation, Germany is assisting Ghana to improve the management of its public finances, increase the number of registered taxpayers and boost its tax revenue. By November 2011, the number of taxpayers had risen by 26.7 per cent compared with the baseline year (2008). Tax revenue has increased by more than 70 per cent compared with 2009. This has greatly improved the Ghanaian government’s capacities to generate its own financial resources. More funds are now available to implement Ghana’s national development strategies, benefiting the population as a whole. Partly as a result of these developments, the people of Ghana are now demanding more transparency and accountability in the use of government revenue.
PEACE AND SECURITY

Peace and security are fundamental prerequisites for sustainable development. As a contribution to peace and security in Africa, German development policy is assisting the African Union and various regional organisations to build an **African Peace and Security Architecture (APSA)**. Based on conflict early warning systems and mediation mechanisms, the aim is to ensure that potential conflicts are detected and defused at an early stage. Germany is also helping to strengthen the civilian component of the African Standby Force (ASF) with a personnel database and training for civilian specialists. Particular efforts are being made to strengthen women’s role in peacebuilding. The AU’s engagement in Darfur, Somalia and Kenya provides examples of how the AU and other regional organisations are already assuming responsibility and actively intervening in crisis regions. In 2009–2010, Germany allocated around 150 million euros in peace and security funding for regional organisations and sub-Saharan African countries in order, for example, to build the capacities of the APSA and to support reconstruction and peacebuilding in post-conflict countries, such as the Democratic Republic of the Congo. Germany thus contributes to political stability and peaceful development on Europe’s neighbour continent. As a neutral partner, Germany enjoys a high level of trust in this sensitive policy area.

→ **South Africa: Violence prevention through urban upgrading in Cape Town’s largest township**

In Khayelitsha, Cape Town’s largest township, the BMZ is supporting violence prevention through urban upgrading in order to improve public security and living and housing conditions. Around 80,000 residents are directly benefiting from the measures, which include the installation of new street lighting, the creation of new parks, playgrounds and sports facilities, construction and operation of childcare facilities, neighbourhood patrols, and new combined residential/commercial buildings. The project focuses especially on reclaiming “ownership” of public spaces for society. Since 2005, murder and property crime have noticeably decreased. The project is a model of best practice for other South African townships and has received several international awards. In all, the BMZ has contributed 15.5 million euros to the total costs of the project, which amount to around 50.5 million euros. The rest of the funding was provided by the South African government and the City of Cape Town.

→ **African Union: Peace and security**

**Conflict early warning**: Support for the African Union’s Continental Early Warning System.

**Mediation**: Support for the development of professional capacities for preventive and peace mediation within the African Union and regional organisations.

**African Standby Force**: Support for the civilian component of the AU’s African Standby Force (ASF), whose civilian specialists have made valuable contributions to stabilising the region, for example in Sudan (UNAMID) and Somalia (AMISOM).

→ **A conflict early warning system for the Intergovernmental Authority on Development (IGAD) in East Africa**

One example of a successful conflict mitigation system is the Conflict Early Warning and Response Mechanism (CEWARN) established by the East African regional organisation IGAD with German support. CEWARN has its own Rapid Response Fund, providing the resources needed to defuse conflicts. Conflict mediation, collection of information about violent conflicts, reparations and the organisation of cross-border community activities have built trust between hostile village communities and reduced the conflict potential in the border area between Kenya, Uganda, Ethiopia and Djibouti.

**Looking ahead**

→ Germany will continue to support peace and security cooperation between the AU, regional organisations and conflict countries, by strengthening the technical and institutional capacities of the AU and various regional organisations. Together with the African Union, Germany will expand its development cooperation with post-conflict countries, inter alia by revitalising cross-border trade through economic integration.

→ By the end of 2013, Germany will have established a system to monitor the outcomes and impacts of its regional support for peace and security in order to facilitate political governance in this sector.
SUSTAINABLE ECONOMIC DEVELOPMENT

Sustainable economic development is the basis for reducing poverty and mitigating conflicts. The people of sub-Saharan African need employment and incomes more than anything else. German development cooperation pursues these overarching goals via inclusive growth strategies to increase private investment and business activity. Germany is one of the main donors for sustainable economic development in sub-Saharan Africa, with contributions amounting to around 250 million euros. Its bilateral cooperation with, currently, 22 countries in sub-Saharan Africa in the field of sustainable economic development is complemented by activities at the transnational level and the promotion of regional economic communities. The focus is on improving the conditions for private sector engagement, including vocational training, financial sector development, promotion of agriculture and regional economic integration. Germany has a wide range of economic and financial policy instruments at its disposal and serves as a model of best practice in this context.

→ Development of cashew value chains

In several African countries, the BMZ is assisting small farmers and the cashew processing industry to develop cashew value chains. With this support, in just 30 months, 200,000 small farmers have increased their average incomes by more than 50 euros a month and 3,100 jobs have been created. Another example is Germany’s commitment to developing microfinance systems in Africa. To date, this has given 1.5 million households and small businesses access to savings and credit facilities and other financial services.

Looking ahead

→ Increasing output and productivity in agriculture is extremely important for economic development and food security. Germany participates in the New Alliance for Food Security and Nutrition, launched at the G8 Summit in Camp David in 2012. It aims to create environments conducive to investment in African agriculture and increase private sector engagement, linking in with other G8 commitments and the African countries’ own endeavours. The goal is to lift 50 million Africans out of poverty within 10 years. In future, the BMZ will increase its commitment to agricultural training for smallholder farmers, especially young people, at the regional and national levels. The BMZ will maintain its commitment to agricultural financing and its support for regional food security initiatives in arid regions such as the Horn of Africa. The German Federal Ministry of Food, Agriculture and Consumer Protection (BMELV) will share its expertise in projects implemented in conjunction with the private sector and will promote sector partnerships, thus building the capacities of farmers in the partner countries.

The German government remains committed to creating more conducive conditions for private enterprise in Africa, by providing bilateral advice and promoting regional economic integration. Not least, Germany provides substantial support for the Investment Climate Facility for Africa (ICF), which operates in accordance with private sector principles and funds projects which aim to improve the investment climate and boost employment in Africa.

WATER

Clean water is essential for social and economic development. It is needed as drinking water, and is a vital resource for agriculture and industrial development. The water sector is therefore a priority area of German development cooperation, with a particular focus on access to water and sanitation and the sustainable management of water resources. In 2009–2010, Germany provided around 240 million euros for the water sector in sub-Saharan Africa, making it the world’s second largest bilateral donor in this sector. Bilateral cooperation with, currently, 24 sub-Saharan African countries is complemented by the German government’s collaboration with river basin organisations, such as the Nile Basin Initiative, and the African Ministers’ Council on Water (AMCOW). German development cooperation focuses on supporting policy-level reforms of the water sector. It is also engaged in infrastructural development in order to improve access to water and sanitation, especially in low-income districts of small and medium-sized towns, and supports processes to establish or develop viable and efficient institutions, regulations and tariff structures in the water sector. Germany has many years of experience in developing appropriate water supply systems, which it utilises to good effect.
Water kiosks in Zambia

In Zambia, the BMZ is supporting water sector development in order to provide residents of low-income areas with access to safe drinking water and adequate sanitation. The programme has established a network of water kiosks – outlets through which formal water providers deliver safe and reliable water at affordable prices to residents of low-income areas. As a result of the programme, around half a million people in urban low-income areas have gained access to a sustainable low-cost water supply since 2004. The aim is to provide a total of 2.85 million people – almost the entire population of low-income areas in Zambia – with access to affordable water by 2015.

Joint research on Integrated Water Resources Management (IWRM) in Namibia and South Africa

In order to develop the concept of Integrated Water Resources Management (IWRM), the German Federal Ministry of Education and Research (BMBF) has, for some years, supported joint research projects in Namibia’s Cuvelai-Etosha Basin on the border with Angola (CuveWaters) and in Middle Olifants in South Africa.

Looking ahead

- In order to realise the human right to water and sanitation, the German government has pledged to create better and sustainable access to drinking water and sanitation for a total of 30 million people in sub-Saharan Africa by 2015, including five million people who will gain access to basic sanitation services.
- In order to increase positive health impacts in the water sector, there will be a stronger focus, in future, on hygiene programmes and improved access to basic sanitation, e.g. in Benin.

Energy

Africa is still the continent with the lowest percentage of people with access to energy and electricity. Energy poverty impedes progress on poverty reduction and sustainable economic development. And yet Africa has vast potential to develop its renewable energies, for it has an abundant supply of solar, wind, hydro and geothermal energy. Germany is the second largest bilateral donor in the African energy sector and supports the development of a sustainable, reliable, low-carbon energy supply and better energy efficiency. To that end, around 70 programmes are currently being implemented in the energy sector in 22 partner countries in sub-Saharan Africa and at regional and pan-African level. The volume of ODA commitments amounts to around 250 million euros (2009–2010). In the international dialogue, too, Germany is a firm advocate for sustainable energy, e.g. within the framework of the Africa-EU Energy Partnership (AEEP) and in the Sustainable Energy for All initiative launched by the United Nations. The aim is to work with partners in sub-Saharan Africa to provide more people with energy access, and to develop sustainable, low-carbon energy supply systems and well-functioning regional electricity markets. As a leader in the use of renewable energies, Germany not only serves as a model; it also has substantial technical expertise at its disposal, which is greatly appreciated by partner countries.

Energy access in Senegal

In Senegal, the BMZ provided input and support for the development of legislation, which has now been adopted, to promote renewable energies. Together with the Senegalese Agency for Rural Electrification, German development cooperation is making a substantial contribution to the provision of an electricity supply for rural regions, based on solar and wind energy. Since 2008, four private providers have installed solar energy systems in 210 villages. The reach of rural electrification is now being extended through the provision of funding for larger rural energy concessions and smaller village-based solutions, the aim being to reach tens of thousands of households in the next phase of the project. A further priority is to promote sustainable biomass use for cooking, accompanied by the distribution of energy-efficient stoves.
Promotion of carbon market projects in Southern Africa

The Clean Development Mechanism (CDM) enables private actors to participate in the financing of low-carbon energy projects; essential investment and technology transfer for Southern Africa are also initiated. This region is currently underrepresented in the CDM due to the existence of political, economic and regulatory barriers. However, there is significant project potential, especially in the renewable energies and energy efficiency sectors, e.g. cooking stoves. Furthermore, allowances from the Least Developed Countries (LDCs) will continue to qualify for the EU Emissions Trading System (EU ETS) until 2020.

The German Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) is therefore working to overcome these barriers. Among other things, the BMU cooperates with banks in Southern Africa in order to raise their awareness of climate-relevant projects and supports various beacon projects in order to enhance their bankability.

Looking ahead

— The German government aims to make a substantial contribution to achieving the target set by the Africa-EU Energy Partnership (AEEP) of doubling the capacity of cross-border electricity interconnections, both within Africa and between Africa and Europe, by 2020.

— Since 2009, Germany has provided a total of 78 million euros under a regional energy programme for the Great Lakes region, in order to assist Burundi, Rwanda and the Democratic Republic of the Congo to improve their energy supply systems. In order to increase access to low-carbon sources of energy, Germany is making financial contributions to the Rusizi hydropower scheme and three transmission lines. Germany’s goal is to become Africa’s leading partner for renewable energies and energy efficiency. Energy is now a priority area of German development cooperation with every region in Africa. Together with the African Union, the German government aims to help achieve a breakthrough for geothermal energy in East Africa. In West and Central Africa, the German government is keen to work with regional partners to develop an effective cross-border energy market. In Germany’s cooperation with Southern Africa, the priority is to utilise renewable energies in order to alleviate power shortages.

ENVIRONMENT AND NATURAL RESOURCE PROTECTION

Protecting the environment and natural resources is a key area of German development cooperation due to their significance as the natural bases of human life. The protection of ecosystems and natural resources is enshrined in international environmental and development goals and in international conventions on climate change, biodiversity, combating desertification, and forest conservation. Environmental policy and the protection and sustainable use of natural resources have been agreed as a priority area of bilateral development cooperation with seven partner countries in sub-Saharan Africa. Two regional priorities have been agreed with the Southern African Development Community (SADC) and the Central Africa Forests Commission (COMIFAC). Here too, Germany is one of the main bilateral donors, with ODA commitments amounting to at least 80 million euros in 2009–2010. The overarching aim is the environmentally sensitive use of resources so that long-term economic growth goes hand in hand with social justice and ecological sustainability. With this aim in mind, German development cooperation focuses on the protection and management of natural resources in partner countries’ protected areas and marginal zones, and on sustainable resource management in land use systems. Ecosystem-based climate change mitigation and adaptation are integrated into development activities.

Kavango Zambezi Transfrontier Conservation Area (KAZA-TFCA)

Through financial cooperation, the BMZ is supporting the development of the world’s largest nature reserve, which consists of areas belonging to Angola, Botswana, Namibia, Zambia and Zimbabwe. The aim is to improve the sustainable management of transfrontier natural resources and infrastructure in the protected areas. Besides focusing on wildlife conservation, a priority is to increase the prosperity of the 1.2 million people living in these areas and to create new income-generating opportunities in tourism.
Environmental research partnerships with UNU-FLORES and UNU-EHS

The German Federal Ministry of Education and Research (BMBF) and Dresden University of Technology have supported the United Nations University Institute for Integrated Management of Material Fluxes and of Resources (UNU-FLORES) and the United Nations University Institute for Environment and Human Security (UNU-EHS) since 2010. Both institutes are engaged in research and promote solutions to urgent problems relating to the environment and sustainable resource management in developing countries, particularly in Africa.

Ethiopia: Conservation and sustainable use of the remaining cloud forests

Kafa Biosphere Reserve, located in the region of origin of the highland coffee Coffea arabica, includes some of the last remaining montane cloud forests in Ethiopia. A project funded by the International Climate Initiative (ICI) and implemented by the German Nature and Biodiversity Conservation Union (NABU) supports the protection and sustainable use of the cloud forests. It focuses primarily on local communities: currently, around 790 local people are organised in forest user groups, which have received training and are involved in the management of four tracts of forest with a total area of 2,170 hectares. Sustainably managed community plantations provide local communities with a renewable supply of fast-growing trees for fuelwood production, in order to reduce the pressure on natural forests. To reduce fuelwood consumption, around 5,500 locally produced energy-efficient stoves have been distributed in the project area. The project partners have also set up 53 tree nurseries, are expanding the infrastructure for ecotourism, and building the capacities of the Biosphere Reserve administration by providing funding and training for rangers. Kafa was designated a UNESCO Biosphere Reserve in 2010.

Looking ahead

- The German government intends to assist the institutions involved in the Comprehensive Africa Agriculture Development Programme (CAADP) to plan measures for adapting African agriculture to the impacts of climate change. The Sahel Adaptation Facility is already implementing measures to support climate change adaptation in West Africa.

- The German government is stepping up its activities to protect biodiversity and promote sustainable forest management in the Congo Basin, and is supporting the development of transboundary reserves in West Africa.

- Due to Africa’s key role in the provision of climate-relevant public goods, climate should be mainstreamed in Germany’s development cooperation with Africa. A significant proportion of the regional budget for Africa is therefore dedicated to supporting fulfilment of international climate and biodiversity commitments.

EDUCATION

Even today, not enough people in Africa can read and write, and many lack adequate vocational skills and qualifications. Education is therefore one of the priority areas of German development cooperation with Africa. It focuses particularly on primary education, but also covers vocational training, higher education and research. Well-performing education and knowledge systems help to safeguard sustainable social and economic development. Education has been agreed as a priority area of bilateral cooperation with five countries in Africa: Malawi, Mozambique, Angola, Ethiopia and Togo. In addition, the BMZ supports education programmes in a further 35 partner countries in the region. Germany plans to double its funding for education in Africa by 2013 against the baseline year 2009 and is likely to exceed this goal. Germany's ODA commitments for the education sector in the countries of sub-Saharan Africa amounted to a good 360 million euros for 2009–2010. Under financial cooperation, German funding goes primarily towards infrastructure-related activities, e.g. construction, conversion, refurbishment and equipping of educational facilities. Germany also supports a number of pilot projects concerned with innovative financing mechanisms for the education sector. Under technical cooperation, the promotion of education in sub-Saharan Africa takes the form of policy-related, organisational and technical advice, either for the education system as a whole or addressing specific thematic areas.
Developing an efficient administration for education in Mozambique

Improving the administration of the education system, especially at decentralised level, is essential for the attainment of Mozambique’s education goals. German technical cooperation has supported the development of training modules, focusing on planning, monitoring and evaluation, which are used as a Ministry of Education training tool for the local education authorities across the country. Improved education planning and management have a positive impact on the number of pupils completing school: this has increased nationwide from 34 per cent in 2005 to 49 per cent in 2010. In the priority provinces for German development cooperation, the figure has risen as high as 79.3 per cent – well above the national average.

Centres of Excellence at universities in Ghana, DR Congo, Tanzania, Namibia and South Africa

With the establishment of Centres of Excellence – of which there are five at present – at leading African universities (Ghana, DR Congo, Tanzania, Namibia and South Africa), modern educational capacities with supraregional influence are being created in sub-Saharan Africa. The Centres aim to improve the educational quality and relevance of African universities in selected disciplines, expand their research capacity, and promote networking among African universities and research institutions and their links with German partners. The German Federal Foreign Office (AA) is providing annual funding of 2.5 million euros for the programme.

Looking ahead

— In partnership with the African Union, the German government is supporting the development of the Pan-African University (PAU). Five regional Centres of Excellence are being created so that African academics and students of exceptional talent have access to elite institutions in Africa.

— In the humanities and social sciences, Germany is promoting the development of a Centre of Excellence on West African integration. Working with key partners such as the Economic Community of West African States (ECOWAS), the Centre will help to develop strategies to address as yet unresolved regional integration issues in West Africa.

In South Africa, German development policy is supporting the provision of vocational training for renewable energy and climate-related professions.

HEALTH

The combination of major health risks, such as poverty, malnutrition and infectious diseases, and inadequate health systems greatly increases morbidity and reduces life expectancy, especially among children and mothers. Mindful of the health-related Millennium Development Goals (MDGs) and Africa’s own goals for the health sector, the German government has intensified its cooperation with Africa and is fulfilling its international commitments in this area. In 2009–2010, bilateral projects and programmes were therefore implemented in 26 sub-Saharan African countries, with total ODA funding of more than 280 million euros. Health has been agreed as a priority area of cooperation with six of these countries. In addition, Germany provides around 220 million euros annually to Africa as part of its multilateral commitment to health. The aim is to establish a comprehensive, needs-based healthcare system which is fairly financed and accessible to all. Realising the human right to health and reducing gender inequalities are guiding principles in this context. Within this priority area, German development cooperation focuses on strengthening health systems, including health financing, on sexual and reproductive health, including HIV/AIDS prevention, and on human resources and the provision of basic and advanced training for health personnel.

Reforming the health system in Tanzania

The BMZ is supporting the health reforms in Tanzania by providing policy advice and financial contributions in order to counteract chronic underfinancing and the severe shortage of adequately qualified personnel in the health sector. Together with other donors, it is promoting the development of a universal, solidarity-based health system. Germany plays a leading role in coordinating the various donor contributions. Over many years of efforts to improve the general health status of the Tanzanian population, notable successes have been achieved. For example, child mortality has fallen by almost 6 per cent since 2002, and the number of births attended by skilled health personnel has increased by 5 per cent since 2004. More health workers have obtained professional qualifications and the skills shortage has been reduced by 5 per cent since 2008.
Looking ahead

— In South Africa, the German government aims to contribute to the goal of reducing new HIV infections by 50 per cent by 2016. Among other things, the BMZ is building the capacities of local AIDS committees, establishing mobile counselling and testing centres and supporting youth organisations’ prevention and advice programmes.

— In a pilot project in Malawi, the BMZ is using results-based financing (RBF), with demand- and supply-side elements, in a maternal and child health initiative in cooperation with Norway. There are plans to widen the scope of the project to include technical cooperation in future, with a focus on information and monitoring systems, quality assurance and public finance, thereby making an even greater contribution to achieving MDGs 4 and 5 (reduce child mortality and improve maternal health).

5.2 Latin America

Context

The Latin American and Caribbean countries have experienced politically diverse but generally positive development in recent years. By successfully liberalising their markets and adopting economic and social policy measures, many countries in the region have achieved economic growth, increased their employment rates and noticeably reduced poverty. In countries where the state intervenes far more actively in the economy, such as Argentina, Ecuador and Brazil, public investment, social programmes and social reforms have helped to reduce poverty.

Despite this progress, 174 million people – almost one third of the population – still live in poverty. Income and wealth disparities in Latin America are greater than anywhere else in the world. Social inequality in the region has worsened due to continuing income concentration and, in many countries, undermines social cohesion, often triggering protests and unrest. Poverty mainly affects social groups which are already disadvantaged, such as indigenous communities, women, the elderly, and children and young people.

A great many Latin American countries now have democratic constitutions and are committed to democracy. Rule-of-law principles such as the separation of powers and respect for human rights are formally upheld by governments in the majority of countries. Nonetheless, a number of countries still fall a long way short of what is required to implement democratic rule-of-law principles. Inefficient public institutions and corruption are rife in many countries, making it difficult for the public, especially disadvantaged groups, to assert their rights, and obstructing equitable access to public amenities such as education, health services, water and energy. Organised crime and a high level of violence pose major challenges to societies, particularly in Central America.

In countries with a high poverty rate, the extractive industries and commodity exports are still the main drivers of growth. Even now, much of the economic activity in these countries takes place in the informal sector due to a lack of employment opportunities in the formal economy. In the emerging countries, however, the growth model has diversified to some extent. Alongside countries such as Mexico, whose globally competitive industry and strong export orientation act as drivers of growth, there are countries such as Brazil, Chile and Colombia whose industries and public investment form the basis for self-sustaining domestic demand, increasing prosperity and reducing these countries’ exposure to developments in the world markets.

Some countries in the region have gained a worldwide reputation as attractive locations for investment, whereas others suffer from a shortage of skilled workers, inadequate infrastructure, excessive bureaucracy and corruption, all of which are impediments to foreign investment.

An urban middle class is increasingly emerging in Latin America and the Caribbean and is demanding good-quality healthcare, a well-performing education system, gender equality, and civil rights. In some countries, however, social solidarity and a willingness to make appropriate contributions towards the welfare of society as a whole are still weak, and this is reflected in inequitable tax systems and an inadequate flow of revenue into government coffers.

In some countries, the indigenous population continues to suffer discrimination and lacks adequate opportunities for social participation. In many areas, an absence of corporate social responsibility (CSR), notably in the mining sector, agriculture and forestry, is the trigger for sometimes violent
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social conflicts. This has a detrimental effect on valuable natural resources and on indigenous communities’ habitats.

There is substantial potential to develop Latin America’s natural resources. It is one of the world’s largest tropical forest regions and is notable for its rich biodiversity. However, the exploitation of natural resources and continuous economic and population growth pose a threat to its ecosystems, which are of fundamental importance within the region and beyond. The major emerging economies in Latin America are increasingly contributing to climate change with their carbon emissions from industry and deforestation. Central America and the Andean countries in particular are already severely impacted by climate change in the form of droughts, melting of the glaciers, hurricanes, floods and mudslides. As a result of these problems, there is a growing awareness of, and commitment to, forest conservation and the protection of natural resources.

The diversity of the developments taking place in the various countries in the region poses major challenges in terms of the direction that development cooperation should take in the medium to long term.

While cooperation with the majority of partner countries is still based on well-established development policy approaches, the cooperation with emerging countries, such as Brazil and Mexico, requires new paradigms. The German government is working with these global development partners to establish and actively shape a strategic partnership for sustainable development worldwide. This applies especially to environmental and climate protection, the work on shaping a global development agenda, and sustainable economic development.

**GOOD GOVERNANCE**

With human rights protection as its guiding principle, Germany supports the following areas of activity in the good governance sector: the rule of law and institutions of democratic oversight, legal and judicial reform, political and social participation, decentralisation of structures/local governance, and civil society. Good financial governance, adequate own resources through higher tax ratios, socially equitable budgetary and tax policies, anti-corruption measures, programmes to prevent crises and violence, conflict management and peacebuilding are other thematic areas. In Bolivia, for example, it has been possible to remove local authorities’ public spending bottleneck, with a 76 million euro increase in investment by 126 municipalities since 2008. In Colombia, German development cooperation has reached around 185,000 people, mainly from poor social groups; here, the aim is to promote peaceful conflict management and prevent violence, with a focus on social and community infrastructure projects. In Central America, Germany is involved in implementing the Regional Security Strategy with a comprehensive programme aimed at preventing youth violence. And in Peru, the tax revenues of the semi-autonomous revenue authorities have increased by more than 300 per cent.

**ENVIRONMENTAL AND CLIMATE PROTECTION**

In the field of environmental and climate protection, conserving biodiversity and protecting and sustainably managing natural resources, such as water and forests, renewable energies and energy efficiency, adaptation to climate change and environmental protection in industry are the key fields of cooperation. Under the International Climate Initiative, the German government is funding numerous measures to reduce emissions from deforestation and forest degradation (REDD+). For example, Germany is advising the Peruvian government on the establishment of a national REDD+ system and is supporting Brazil’s efforts to protect the last remaining Atlantic coastal forest (Mata Atlântica) in Rio Plátano Biosphere Reserve in Honduras, the annual deforestation rate was reduced to 0.25 per cent in 2006–2011, compared with 0.66 per cent in 2000–2005. In Ecuador, the area of protected forest was increased by 65,000 hectares under the national forest programme (“Socio Bosque”). Over the last three years, some 280,000 Bolivians have gained
access to a drinking water supply or sanitation through programmes supported by Germany. The development of more than 10 biogas plants in Costa Rica is helping to save around 11 million litres of heavy fuel oil annually, reducing emissions of climate-damaging methane and avoiding 520,000 tonnes of CO₂ emissions.

→ **Support for the development of a national REDD+ system, Peru**

Germany is supporting the Peruvian government in setting up a national REDD register which will make it possible to integrate the numerous sub-national REDD projects into a cohesive national policy. The project will also produce six sub-national reference scenarios and develop a monitoring, reporting and verification (MRV) system so that deforestation and forest expansion can be recorded uniformly in future. Additionally, the project will set up a national fund to finance feasibility studies, reference scenarios and MRV protocols. In the medium term, the project will enable transfer payments to be made to the mainly poor communities in rural areas close to forests, in order to promote local economic and social development.

→ **Forest conservation: Mata Atlântica, Brazil**

Since 2008, the International Climate Initiative (ICI) has supported the protection of the remaining Atlantic coastal forests in Brazil (Mata Atlântica). Vast tracts of these forests have been destroyed to make way for settlements and economic development. Despite the species loss that this has caused, Mata Atlântica still ranks as one of the world’s most species-rich habitats, and the forests also store significant amounts of carbon. The Mata Atlântica’s ecosystems provide vital environmental services for local people and are especially important for their drinking water supply. Germany’s contribution focuses on the protection, sustainable use and restoration of the Mata Atlântica as a globally significant carbon sink with climate-relevant biodiversity. It includes measures to expand the national network of protected areas, to preserve and restore forest cover, to establish a climate and biodiversity monitoring system, and to develop the capacities of public and private environmental institutions.

→ **Río Plátano UNESCO Biosphere Reserve, Honduras**

The programme “Promotion of Sustainable Use of Natural Resources and Local Economic Development in Honduras” supports community development in Río Plátano Biosphere Reserve in eastern Honduras. Appropriate cultivation techniques, quality standards and certification systems for organic coffee, cocoa and wood products have been introduced. Despite a drop in world market prices for coffee, the revenue from the cultivated areas has increased by 25 per cent over the last three years. The Land Use Planning and Environmental Protection Project in Río Plátano (PROTEP), implemented within the framework of financial cooperation, assists communities with the regularisation of land property and land use rights based on the establishment of a cadastral system. PROTEP is also investing in productive nature and environmental conservation measures, the aim being to protect the natural resources in the Biosphere Reserve and promote the sustainable management of these resources.

→ **Development partnerships in the water sector in Peru**

Development partnerships with technology companies from Germany are improving the drinking water supply in Peru through knowledge and technology transfer. Water supply pressure management systems adjust the water pressure according to demand. This minimises wear and tear on water pipes, reduces water losses and increases the security of supply for the general public. Using modern measuring devices, leaks in the water pipes can be detected and expertly repaired. The introduction of these new technologies has reduced water losses by as much as 20 per cent, thus increasing the efficiency of resource use and ensuring a more reliable drinking water supply for the public.
SUSTAINABLE ECONOMIC DEVELOPMENT

The BMZ supports sustainable economic development through better framework conditions, implementation of standards for the green economy, the provision of financial services, particularly for small and medium-sized enterprises, and education and vocational training for young people.

Education and the private sector as cross-cutting issues

Education and the private sector are cross-cutting issues in Germany’s cooperation with the region. The aim is to generate more momentum for development through the provision of technical training and private sector participation. Long-term cooperation in the education sector with almost all the countries on the continent will assist Latin America to make more use of the potential that education has to offer for development and overcome inequalities in access to education. In Colombia, for example, the government has recognised that promoting education is an important instrument in combating poverty and drug-related crime, and Germany is assisting with grants and by promoting scientific and technical cooperation. Bilateral cooperation also encompasses development research: in Brazil, for example, Germany supports numerous research projects in the environmental and health sectors and in the biosciences.

Cooperation with regional organisations

In its cooperation with regional organisations, too, the German government utilises development policy as a means of shaping the dialogue on relevant issues and making its contribution in the environmental, climate and good governance sectors. In order to drive the issue of climate protection in Latin America and the Caribbean, the German government engages in cooperation via the Sustainable Energy and Climate Change Initiative (SECCI) within the framework of its strategic partnership with the Inter-American Development Bank (IDB). The IDB has adopted an ambitious Climate Change Strategy which includes a specific annual lending target for climate change, renewable energy and environmental sustainability of 25 per cent. There is also a strategic partnership with the UN Economic Commission for Latin America and the Caribbean (ECLAC), and close cooperation with relevant regional organisations, such as the Organization of American States (OAS), the Amazon Cooperation Treaty Organization (ACTO) and regional bodies, e.g. the indigenous organisation Fondo Indígena, the Inter-American Center of Tax Administrations (CIAT) and the Organization of Latin American and Caribbean Supreme Audit Institu-

Global development partners

Cooperation with global development partners Brazil and Mexico aims to protect the environment and the climate as global public goods. At the same time, these countries are assuming responsibility for finding solutions to global challenges at the international level, for example in the international climate negotiations. They also play an important role as models of good practice within their region. Germany and its partners are engaged in triangular cooperation in order to share the experience gained through bilateral cooperation, e.g. in waste/wastewater management, environmental technology and metrology, with other interested countries. Supporting the establishment of partner countries’ own development agencies, such as Agencia Mexicana de Cooperación Internacional para el Desarrollo (AMEXCID) in Mexico, is a further element of the global development partnerships.

Since 2009, the German government has allocated a total of 2.3 billion euros for development cooperation with Latin America and the Caribbean. Cooperation is guided by partner countries’ own priorities and is based on the expectation that these countries will assume a high degree of ownership and make increasing financial contributions of their own.
5.3 Asia

CONTEXT

One of Asia’s most striking characteristics is its great diversity, and particularly its significant economic, political and social disparities. The gap between rich and poor is widening, not only within but also between the Asian countries. Some countries, such as Nepal and Tajikistan, have been unable to share in the region’s growing prosperity; others, such as Laos, Cambodia and Bangladesh, have only done so to a limited extent. International development cooperation with Myanmar will resume in the near future following its recent reforms. Germany is not engaged in bilateral development cooperation with North Korea, however, due to the repressive nature of that country’s regime. And after more than 30 years of armed conflict, Afghanistan – despite all the efforts being made – is still one of the poorest and least developed countries in the world.

Due to their population size, growing economic weight and increasing political influence as G20 members, and as emerging economies and global development partners, India and Indonesia are playing an increasingly important role in addressing regional and global development issues. However, these countries also face major challenges. They include overcoming the social and regional inequalities which are an outcome of rapid economic development, protecting their natural resources and, in India’s case, reducing widespread poverty. The emerging economies’ further development will be crucial in determining whether the Millennium Development Goals are achieved and, in particular, whether the global climate can be protected on a sustainable basis.

The conflict in Afghanistan has implications far beyond the national level and has the potential to spill over into the wider region. Traumatised people, fragile state structures, a weak infrastructure, political power struggles and a difficult security situation in some parts of the country, corruption and lawlessness are major challenges for the international community, which is supporting the country’s peaceful development through military and civilian engagement. In 2010, the German government virtually doubled its contribution to an amount of up to 430 million euros a year. At the International Afghanistan Conference in Tokyo in July 2012, Germany pledged to sustain its civilian assistance at its current financial level beyond 2014. Due to its size and geographical position, demographic development and significance in the Muslim world, Pakistan also plays an important role and has major influence on regional stability.

Asia has achieved great success in lifting people out of poverty. Between 1990 and 2009, the number of people living in extreme poverty – in other words, surviving on less than 1.25 US dollars a day – fell from 1.5 billion to 871 million people, despite population growth of 800 million. The greatest progress has been made in China and Viet Nam. The achievements in East and South-East Asia contrast sharply with the still substantial challenges in South Asia, however. With 800 million people below the poverty line, including 450 million people who are classed as living in extreme poverty, India is the country with the largest number of poor people in the world.

There are considerable differences in progress towards the other Millennium Development Goals as well: major advances can be observed on school enrolment rates, tuberculosis (TB), and the establishment of protected areas for biodiversity conservation. With regard to equal access to education and to clean drinking water, too, the region is well on track, even in countries with difficult starting conditions, such as Afghanistan, where school enrolment increased from one million children in 2001 to seven million children in 2007.

However, there are still problems in some areas, particularly infant and child mortality, maternal health, gender equality, HIV/AIDS, primary school completion rates, and access to sanitation. Major regional disparities also exist in relation to the impact of poverty reduction programmes.

Compared with other regions of the world, Asia is closer, overall, to achieving the Millennium Development Goals than sub-Saharan Africa but its progress lags behind that of Latin America and the Caribbean.

Germany wishes to fulfil its responsibility and deepen the partnership with the region and its people in order to address shared challenges. Germany is therefore engaged in various forms of cooperation on an ongoing basis under the EU Strategy for Central Asia and, bilaterally, under the German government’s Strategy for the Internationalisation of Science and Research. The BMBF’s research cooperation programmes assist interested institutions at national, regional and Central Asian level to expand their knowledge base through partnership-based cooperation.
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**Priority Areas of German Development Cooperation**

German development cooperation in Asia focuses on sustainable and inclusive economic development, education, ecologically sustainable development, good governance and health. These are key areas in overcoming the disparities within and between countries in Asia, which is essential, and for sustainable and inclusive development – one of the Asian partner countries’ stated objectives.

**Sustainable Economic Development**

By promoting sustainable and inclusive economic development, Germany aims to boost the economic dynamism of its partner countries as a driver of poverty reduction. Informal sector participation is extremely important in this context, for in most partner countries, it provides income and employment for 50–80 per cent of the population, especially women.

With German support, four microfinance institutions (MFIs) in Tajikistan have provided credit facilities totalling 4.2 million euros for 7,500 customers in rural areas. In Kyrgyzstan, Germany has facilitated access to credit facilities for 40 SMEs, safeguarding jobs for 7,000 workers and creating new employment. With advice from Germany, a **Single Window for Foreign Trade** has been established; this facilitates centralised electronic processing of the authorisations, permits, certifications or approval required to carry out import and export operations, and has reduced the number of documents required for trade by 41 per cent. In Tajikistan, Germany is providing funds for the upgrading of the Nurek hydropower plant, which produces around 70 per cent of the country’s electricity.

A beacon project in the field of sustainable economic development is the **Integrated Mineral Resource Initiative (IMRI)** in Mongolia. It brings together three German implementing organisations (GIZ, the Federal Institute for Geosciences and Natural Resources [BGR] and the Physikalisch-Technische Bundesanstalt [National Metrology Institute – PTB]) in a partnership with the private sector. Its purpose is to assist the Mongolian government in improving the institutional and economic policy conditions for sustainable resource management. This project illustrates the win-win scenario created by more intensive cooperation between the private sector and policy-makers.

**Rural Development and Food Security in Afghanistan: Roses, Not Poppies**

Development cooperation with Afghanistan shows that promoting rural development and food security not only combats hunger but also contributes to peace and security. A total of 76 million euros has been provided to create alternatives to drug cultivation. As a result of a project in the mountainous highlands of Nangarhar in eastern Afghanistan, roses, not poppies, are now being grown. With German support, the rose blooms are distilled to make rose essence, a luxury product which sells for up to 5,500 euros per litre on the international markets. The farmers receive 60 per cent of the selling price of the oil, providing them with a steady income and a viable alternative to cultivating drugs. Around 670 families are now growing roses instead of poppies.

**Education and Research**

In Asia, German development cooperation pursues a wide-ranging approach and supports all sectors of education. In Afghanistan, Germany is promoting primary education, vocational training and tertiary education. In Myanmar, the government is keen to improve the quality of academic education, so the German government provides various forms of support; for example, it deploys lecturers and lectors, is expanding its scholarship programmes, and provides postgraduate programmes in development-related disciplines for graduate-level managers and technical experts via the German Academic Exchange Service (DAAD). Vocational training also forms part of the bilateral development portfolio. In many other Asian countries, too, vocational training has an important role to play as a pillar of sustainable economic development.

In 2009, more than half of all German ODA funds earmarked for vocational education and training went to Asia. The BMBF’s funding programme “**Partnerships for Sustainable Solutions in Developing Countries**” aims to develop new cooperative approaches together with partners from developing countries and in this way to foster the establishment of national competence centres. These centres also help to build stable structures for cooperation with partners in developing countries. In 2012, three global challenges – health and medicine; climate, energy and food production; and information and communication technologies – were agreed as the thematic focus of the initiative. The German government also cooperates with Central...
Asian partners in the scientific, research and education sectors. Here, in addition to the bi-regional policy dialogue platforms established as part of the EU-funded IncoNET EECA and IncoNet CA/SC projects involving Germany and all the Central Asian countries, bilateral research cooperation is greatly enhanced by technical and institutional exchange in a multilateral context.

Furthermore, in the frame of the EU-funded IncoNet EECA project, a White Paper on Opportunities and Challenges in View of Enhancing the EU Cooperation with Eastern Europe, Central Asia, and South Caucasus in Science, Research, and Innovation was published in 2012. Co-authored by Germany, it contains recommendations for stakeholders and short-term implementation scenarios for further bi-regional cooperation.

In 2011, Germany assisted 22 technical and vocational education and training (TVET) institutes in five pilot provinces in Indonesia to devise their own school development plans. These consist of comprehensive measures to enhance school management and ensure the long-term quality of teaching and learning. The priorities and goals set out in the school development plans will support the TVET institutes’ strategic development and facilitate partnerships with local enterprises.

Establishing a basic infrastructure in Myanmar in cooperation with Malteser International

Since 2009, the BMZ has supported Malteser International’s work to establish an improved basic infrastructure in the coastal areas of Rakhine State in Myanmar, with a particular focus on integrated disaster preparedness. The region is at great risk from disasters caused by weather extremes, with severe cyclones, storms, flooding and rising sea levels. With support from the BMZ, Malteser International has built eight schools and nine new local health centres; a further 10 schools have been renovated. All the buildings are constructed to withstand storms and floods and have a drinking water supply and sanitation so that they can provide shelter for local communities for up to two weeks in a disaster situation. Local paths have been upgraded, and link surrounding villages with the evacuation centres. In order to provide a safe drinking water supply for the region, Malteser International has also repaired numerous drinking water ponds and shallow wells and has built rainwater collection systems. More than 170,000 people are benefiting from the measures.

ECOLOGICALLY SUSTAINABLE DEVELOPMENT

In Asia, one of the greatest challenges is to ensure that economic growth is ecologically sustainable. The global development partners in Asia are already producing a substantial – and continuously growing – share of global greenhouse gas emissions. The German government therefore intends to focus development cooperation with partner countries in Asia more strongly on mitigating climate change. In particular, India and Indonesia, as development partners, will be supported in fulfilling their global responsibility towards the climate.

Asia is strongly impacted by climate change, with extreme weather events, floods and droughts occurring more frequently. According to a study published in 2010, Afghanistan, Bangladesh, India, Nepal and Pakistan are most at risk from climate change: the Climate Change Vulnerability Index puts them at the top of the list of 170 countries. Through its development cooperation, the German government therefore assists its partner countries in Asia to initiate and implement the requisite measures for adaptation to climate change.

Other goals are better energy efficiency, the conservation of biodiversity and forests, and the sustainable management of scarce natural resources. In Afghanistan, renewable energy projects are a further area of cooperation. In May 2012, a renewable energy project in northern Afghanistan was one of five international projects to win a coveted Ashden Award, which recognises projects that promote renewable energy solutions.

The German Federal Ministry of Education and Research (BMBF) has long been engaged in sustainable development research in Uzbekistan, notably with the pilot project “The economic and ecological restructuring of land and water use in the Khorezm region, Uzbekistan”, which it supported from 2001 to 2011. Policy and management recommendations, academic and institutional capacity building in the region and, not least, a large number of academic publications are among the most important outcomes of this project. Many of the scientific and technological innovations developed within the project framework can be applied directly by farmers and public authorities without major external financial or political support; one example is the establishment of forest islands, with local tree species, on marginal land with increased salinity. As a result of the BMBF’s longstanding engagement in the region, a strong partnership has developed between Urgench State University in Uzbekistan and the Center for Development Research (ZEF) at the University of Bonn. As a future-oriented outcome of this partnership, the UNESCO Chair on Education for Sustainable Development was established in 2011 as one of 15 Chairs initiated and
hosted by UNESCO worldwide, and the first in Central Asia. It will be supported for a five-year period and is integrated into the Faculty of Biological Sciences at Urgench State University. The BMBF provided financial support for the equipping of a laboratory for GIS, remote sensing and soil analysis.

The BMBF also assists with institutional capacity building for research organisations such as the Central Asian Institute for Applied Geosciences (ZAIAG) in Bishkek, Kyrgyzstan, which was founded and is supported by the Potsdam-based GFZ German Research Centre for Geosciences. The BMBF also provided support for the German-Kazakh University (DKU) until 2008 within the framework of the “Study Opportunities at German Universities Abroad” programme in conjunction with the German Federal Foreign Office (AA).

→ Forest conservation in Viet Nam

The BMZ is providing intensive support for the conservation and sustainable utilisation of forests in Viet Nam. More than 70,000 households have participated in the project so far. The aim is to have restored a total of 125 hectares of forest cover by the time the project ends. This is to be achieved with plantations and natural regeneration. Furthermore, smallholder farmers in remote and disadvantaged areas have been able to generate around one million euros in the form of interest earnings. The project has focused particularly on increasing participation by marginalised ethnic groups and women: 25 per cent of participants in management courses for the wood processing industry were women. The Quang Binh project has created new opportunities for private investment and has reduced poverty by 4.5 per cent.

→ Bangladesh’s Climate Change Strategy and Action Plan

Bangladesh was one of the first countries in the world to adopt a Climate Change Strategy and Action Plan, which was developed by the Ministry of Environment and Forestry (MoEF). International donors are providing substantial funding for the implementation of the Action Plan; this funding is supplemented to good effect by resources provided by the government of Bangladesh. The Ministry of Environment and Forestry requested the German government to assist with professional and technical capacity building, with a particular focus on financial governance and the management of resources from the national and international climate funds. The project will run for six years, and the German contribution will amount to around four million euros.

→ Viet Nam: Using coastal forests to adapt to the effects of climate change

The International Climate Initiative (ICI) is funding a project which aims to enhance the protection afforded by the coastal forests in Viet Nam against the effects of climate change through the sustainable use of natural resources and conservation of biological diversity. The project is advising the provincial governments and training their employees so that they can prepare and implement land use plans geared to climate change, with a special focus on mangroves. Furthermore, the topics of biodiversity and adaptation to climate change are being incorporated into the planning and administrative procedures for coastal zone management in the provinces. So far, 200 hectares of destroyed mangroves have been reforested using previously native species, and near-natural habitats have been restored. At the same time, the project is supporting alternative sources of income for local smallholders. Education programmes in schools and campaigns such as Clean Green Day, which attract considerable media interest, raise public awareness of climate change.

GOOD GOVERNANCE

Corruption, a lack of transparency and inefficient government structures are impeding development in many Asian countries. Through its development cooperation, the German government therefore supports reform programmes which aim to promote transparency and strengthen the rule of law, combat corruption, improve governance and administrative capacities, and enforce the state’s monopoly of force.

Good governance is a cross-cutting theme of German development cooperation in Asia. Through its development policy in Asia, the German government has intensified the dialogue on the realisation of human rights and appropriate policy frameworks, both in discussions with the governments and through its projects and programmes, and has acted as a strong advocate for change. Improving governance, especially at the sub-national level, is a key field of action for German development cooperation in many Asian countries. The aim is to build public trust in the performance of the public authorities at provincial, district and municipal level and increase acceptance of these institutions as providers of general interest services and as non-discriminatory decision-making bodies.
HEALTH

There are still major deficits in the health sector in Asia. For example, Bangladesh still has a very high maternal mortality rate due to the fact despite some progress, only 24 per cent of all births are attended by medical professionals. The poverty-induced spread of infectious diseases such as HIV/AIDS and tuberculosis is assuming alarming proportions, particularly in Central Asia. Reducing mother and child mortality and controlling infectious diseases are therefore priority objectives in Germany’s development cooperation with Asia.

Germany is the largest bilateral donor in the health sector in Central Asia, and contributes to programmes to provide maternal and child health services and emergency health care, fight tuberculosis, and strengthen health systems in three partner countries. In Kyrgyzstan, Germany and other donors are supporting the national health sector reform programme through basket funding. To date, 50 hospitals have been equipped with modern medical technology for maternal and child health, and training has been provided so that women can give birth safely and newborns receive appropriate care. Furthermore, 34 HIV testing laboratories have been equipped across the country; this was accompanied by staff training, with the result that by 2011, around 4,500 cases of HIV had been detected by the laboratories, enabling the persons concerned to commence treatment at an early stage.

In the Philippines, Germany is assisting the Department of Education to implement its Fit for School programme, which began as a response to Filipino children’s alarming state of health, with the aim of reducing the number of school days missed due to illness. The programme currently reaches 1.5 million children in more than 20 provinces. It is notable for its high degree of local ownership: the costs, amounting to just 0.40 euros per child per year, are borne by the local authorities. An evaluation of the programme showed that after only one year, the number of school days missed due to illness had dropped by 27 per cent, 20 per cent fewer children were underweight, serious worm disorders had halved and the number of cases of new dental caries was more than one third lower than in control groups. At the Global South-South Development Expo in 2009, the World Bank, UNDP and WHO cited the Fit for School programme as the most innovative approach in the field of health. The scheme has now been rolled out to other South-East Asian countries.

GLOBAL DEVELOPMENT PARTNERS

Asia offers opportunities, unmatched by any other region of the world, for Germany to engage in wide-ranging cooperation with vibrant emerging economies, such as India and Indonesia, and generate positive synergies for the region as a whole. Development cooperation with emerging economies is increasingly acting as a catalyst for action in other interdepartmental policy areas as well.

Germany regards its cooperation with the global development partners as a strategic partnership based around mutual interests. Above all, the aim is to identify shared solutions to global development issues. In its development cooperation with India and Indonesia, Germany will in future focus more strongly on programmes which serve as models of best practice and achieve the greatest possible structural impact. Furthermore, the range of instruments deployed in German development cooperation with Indonesia should be adapted to meet new and specific needs and should be developed further on this basis. Three-way (triangular) cooperation also has a role to play here. In relations with China, since traditional development cooperation ended in 2009, the BMZ has gradually passed the baton to other ministries. The development policy dialogue with this global player is continuing with the aim of making a joint contribution to solving regional and global development issues (through dialogue structures, triangular cooperation arrangements, etc.). The shift of emphasis will be reflected in the way in which the German government represents Germany’s interests in future.

Photovoltaic power plant in Maharashtra, India

The BMZ is providing 250 million euros in low-interest loans for the construction of what is, at present, the world’s largest photovoltaic power plant, located in the Indian state of Maharashtra. The funding is provided within the framework of financial cooperation. The project contributes to the expansion of India’s energy supply and, at the same time, supports its transition towards more solar energy use. In India, more than 400 million people still lack access to electricity. This is a beacon project in the energy sector – a priority area of development cooperation between Germany and India – and an outstanding example of the German government’s global structural, resource and climate policies.
REGIONAL COOPERATION

In the context of regional cooperation, the German government focuses on transboundary environmental and climate protection and on promoting regional integration.

Economic integration and trade make an important contribution to sustainable economic development in Asia. This potential can be utilised through further economic integration and the expansion of intraregional trade. The founding of the ASEAN-China Free Trade Area (ACFTA) and, by 2015, the ASEAN Economic Community (AEC) are important milestones in this process. The German government supports the Asian countries’ endeavours to reach these milestones, for example in the field of competition policy, in order to ensure that the structurally weaker countries are not left behind.

Germany also participates intensively in the work of the international organisations in Asia. As a member of the World Bank, the Asian Development Bank and the United Nations and its agencies, it influences policy, makes financial contributions and collaborates on the implementation of national strategies, projects and programmes. The BMZ has signed a cooperation agreement with the Asian Development Bank which goes beyond the cofinancing of individual programmes and aims to establish a strategic partnership.

5.4 North Africa and Middle East

CONTEXT

Due to its global political significance and geographical proximity to Europe, the Middle East and North Africa (MENA) is an important region for German development policy. The high rate of population growth – which averaged 1.7 per cent in 2010, for example – is a major challenge to regional development. One of the consequences is rising unemployment, particularly among young people. Teenagers and young adults account for up to 70 per cent of the region’s population. Their demands for democratic participation etc. during the protests in early 2011 brought political change to North Africa (the Arab Spring).

Even before the Arab Spring, however, there was considerable conflict potential in the region. In parallel to the major conflicts in Israel, the Palestinian territories, Iraq and Syria, instability is a problem affecting development throughout the region. Many states have to contend with overt or latent conflicts, e.g. over minority rights and self-determination for individual groups.

A further cause of conflict, both within and between countries, is the controversial issue of access to water, oil and natural gas. As one of the world’s water-poorest regions, the Middle East and North Africa is characterised by low and irregular rainfall and a high evaporation rate. The scarce water resources are already over-exploited, as a result of which the groundwater table has dropped across the region. In some countries, the water resources are no longer sufficient to meet the needs of the population, agriculture and industry.

PRIORITY AREAS OF GERMAN DEVELOPMENT COOPERATION

Germany has maintained a trustful partnership with the countries in the MENA region for many years. Germany is engaged in development cooperation with 11 countries in the region, with annual ODA commitments averaging around 400 million euros, making Germany the second largest bilateral donor in this region after the USA.

Based on the international division of labour in accordance with the Paris Declaration, and in line with partner countries’ needs, Germany focuses on four sectors, i.e. water, energy, education, and sustainable economic development, in which it has outstanding expertise and many years of experience in the region.
WATER

In all the region's countries, water and energy consumption is subsidised by the state, which encourages people to waste these scarce resources. Due to its technical expertise in the water and wastewater treatment sector and its successes in protecting the environment, Germany is a welcome bilateral partner in the water sector for the – mainly municipal – operators and for installation manufacturers with export experience. German development cooperation in this sector is based on the principle of Integrated Water Resources Management (IWRM). In the years 2008–2011 alone, German financial cooperation provided around 552 million euros for water supply and wastewater disposal systems in the Middle East and North Africa.

→  Jordan: Water, electricity and biogas

Jordan is one of the world’s water-poorest countries. The German government’s cooperation with Jordan, which began several decades ago, therefore focuses on the water sector. At present, the BMZ is supporting a programme for the treatment of wastewater for use in agricultural irrigation, the aim being to increase yields and ease the pressure on natural water resources. The water flows downhill from the treatment plants to the fields. This difference in altitude has made it possible to build a small hydroelectric plant, which generates power for up to 10,000 households. In addition, the sewage slurry will be used to produce biogas. The project is a good example of the nexus perspective and shows that multiple impacts can be achieved. It forms part of the Jordanian government’s Integrated Water Resources Management (IWRM) programme.

→  Integrated Water Resource Management in the Lower Jordan Valley

Since 2006, the Federal Ministry of Education and Research (BMBF) has supported the trilateral SMART research project for Integrated Water Resources Management (IWRM) in the Lower Jordan Valley, which involves partners from Jordan, the Palestinian territories and Israel. Key outcomes of the project were incorporated into Jordan’s National Water Strategy 2008–2022, preparing the way for decentralised system solutions for the water sector at political level.

ENERGY

Energy demand is increasing at a time when fossil resources are dwindling. Energy shortages are becoming a serious obstacle to economic development in many countries. Due to rising oil prices, the use of renewable energies is becoming more relevant from an economic as well as from an environmental perspective. Germany is therefore promoting sustainable energy policies, based on energy efficiency and the use of renewable resources, in its partner countries.

Along Egypt’s Red Sea coast, wind speeds of 8–10 metres per second make the Gulf of El Zayt an ideal location for wind farms. This will be the site for a 200 MW wind farm – the largest in Africa – which is being developed in cooperation with European partners. The total investment costs are estimated at 340 million euros, with 192 million euros coming from the German government. The use of wind-generated electricity has the potential to avoid around 400,000 tonnes of carbon dioxide (CO2) annually while providing a sustainable power supply that is sufficient to cover the annual electricity requirements of almost 700,000 Egyptians.

Within the framework of its external energy policy, the German government provided around 6 million euros for solar thermal power plant projects in the MENA region in 2009–2012.

→  Morocco: leading the way on renewables

Morocco is leading the way on renewable energy use in North Africa. Under the Moroccan Solar Plan, the country aims to generate 42 per cent of its electricity from renewable sources by 2020 as a contribution to climate protection and national energy security. Morocco plans to develop solar thermal power plants with a total capacity of 2 GW at five sites. Under the German Climate Technology Initiative (DKTI) in Morocco, the BMZ and BMU approved a low-interest loan of 324 million euros in 2012, as well as a further 12 million euros for personnel, materials and equipment.
EDUCATION

Compared with other countries around the world, most countries in the MENA region have been relatively successful in achieving the quantitative targets set for education under the Millennium Development Goals. However, the education systems in North Africa and the Middle East have major quality deficiencies. Teaching methods and content are outdated, teachers are under-qualified and underpaid, and education facilities, equipment and learning materials are inadequate. A good example of Germany’s engagement is the support that it provides for various sectors of the education system in the Palestinian territories. Through its development cooperation, Germany is a leading player in the implementation of a sector-wide approach (SWAp) here, and has made financial contributions totalling 45 million euros to date. In accordance with the Palestinian education sector strategy, the project funding has been invested in primary and secondary education, mainly school-building, teacher training and administrative reforms, under a joint financing arrangement with Norway, Ireland and Finland. Germany – in close cooperation with the EU and Switzerland – is also supporting the development of the Palestinian vocational training and employment system in order to create stronger linkage between education and the labour market and open up new job prospects for young people.

SUSTAINABLE ECONOMIC DEVELOPMENT

Creating jobs and attracting foreign investment are key economic priorities for the region. In parallel to comprehensive reforms of the education systems, it is essential to boost competitiveness through diversification and the deconcentration of economic power in order to achieve these objectives. Germany’s bilateral contributions are aligned to the EU’s association agreements and consist of economic policy advice to governments, aimed at supporting the transition to a market economy, as well as measures to promote the private sector through business associations and chambers of commerce and to improve SME access to credit facilities. One example is the SANAD Fund, which gives micro, small and medium-sized enterprises better access to financing.

In addition to its work in the four priority areas of cooperation, the German government supports numerous development projects and programmes which are tailored to the region’s changing political conditions.

THE ARAB SPRING – A NEW FRAMEWORK FOR COOPERATION

The uprisings which began in 2011 have transformed the region’s political landscape. Nonetheless, there is considerable variation in the situation in the individual countries. During this phase of political transition, Germany’s bilateral development cooperation provides a measure of continuity in that it continues to focus its activities on strengthening key areas of service provision for poor demographic groups. With its long-term projects and programmes in the four priority areas of cooperation – water, sustainable economic development, education and renewable energies – the German government is making significant contributions which indirectly support the transition process and help to strengthen democratic structures. However, Germany has also responded directly to the new opportunities and challenges that are emerging, e.g. by offering transformation partnerships to support countries’ democratic transition. A total of 100 million euros was provided for these transformation partnerships during the years 2012–2013, mainly to support projects which help to stabilise democratisation processes, e.g. through advice on constitutional development and judicial cooperation. Education programmes, youth employment schemes and SME promotion, especially in disadvantaged areas, also help to stabilise the region, build civic awareness and contribute to the development of a democratic political culture.

→ Lebanon: Round table discussions on vocational training

In Lebanon, the regional chambers of commerce have been inviting state vocational colleges and businesses to round table discussions for the first time. Together with the colleges, the chambers are developing a new strategy for the delivery of training with a practical focus. Through stakeholder dialogue, a system tailored to Lebanon’s needs has been developed, modelled on Germany’s dual system. At the same time, the national teacher training institution is deploying experienced practitioners from companies to train teachers. In all, 180 vocational college teachers have successfully completed the new courses.
The protest movements and the ensuing changes of government have created new priorities for the region: these include youth training and employment, civil society participation and gender equality. In these priority areas, Germany responded quickly to the new situation and has utilised the scope created by the uprisings. All its projects and programmes in Egypt and Tunisia have been reviewed in order to determine whether there is potential to apply new approaches, the aim being to ensure that existing programmes support the popular will for more democracy and social and economic stability. As a general principle, civil society in these transition countries will in future be involved more fully than before in planning, implementation and monitoring, and appropriate consideration will be given to its potential role in projects and programmes. There will also be a stronger focus on vocational training and employment in future.

In the short to medium term, governance-related topics will be integrated more systematically into current projects and programmes. The transition projects launched by the German Federal Foreign Office (AA) and the Governance Fund set up by the BMZ in 2012 aim to promote and develop democratic structures. Transparency, gender, decentralisation and dialogue with civil society are important cross-cutting topics in this context.

The uprisings have also created various immediate needs. In order to cushion adverse social impacts and provide targeted support for the reform movements, the BMZ launched immediate measures in addition to its ongoing cooperation in the above priority areas. In addition to the funding from the German Federal Foreign Office (AA), the BMZ provided 56 million euros for immediate measures relating to democracy, employment and the economy. Soon after the uprisings, the BMZ set up various funds for these sectors in order to respond even more quickly and flexibly to the individual countries’ immediate needs. So far, these funds have mainly been deployed within the framework of development cooperation with Tunisia and Egypt and, to a lesser extent, the other MENA countries.

With the funds provided by the German Federal Foreign Office to support democratic transition and the BMZ’s Fund for Democracy and Structural and Regulatory Policy Advice, substantial financial resources are now available for political foundations, church-based aid organisations and Deutsche Welle Academy (DW Akademie) to support civil society. Relevant activities began in early 2012. In 2011 and 2012, Deutsche Welle Academy provided training in election reporting for radio journalists and taught bloggers the basic techniques of online journalism. The Friedrich Naumann Foundation brought Tunisia’s business elite together with ministers and international experts in order discuss ways out of the economic crisis. The Friedrich Ebert Foundation advised the transitional government in Tunisia on electoral law and constitutional issues. The aim of these activities is to strengthen reformers in state and society and promote social dialogue. These projects thus make an important development policy contribution to peaceful democratic transition in the MENA region.

The eight-million-euro Open Regional Fund for Youth Training and Employment Promotion in the MENA Region (ORF) and various projects supported by transition funding from the German Federal Foreign Office (AA) are designed to combat the high youth unemployment in the region. The ORF offers young people opportunities to launch their own business initiatives. One of the measures relies on cooperation with the private sector and offers traineeships to graduates. A total of 80 companies have already committed to create 1,174 new jobs. Another initiative promotes business start-ups in niche markets by assisting young entrepreneurs to draw up a business plan, equipping them with basic management skills and supporting the start-up. A further measure identifies employment potential in the green economy; this is based on the recognition that from a macroeconomic perspective, innovative technologies are a more important driver of employment than the traditional industries. The environmental and climate sectors are growth industries and can help to improve living standards in the Middle East and North Africa.

The SANAD Fund for MSME is an economic fund which aims to improve micro, small and medium enterprises’ access to financing. SANAD has received 42 million euros in start-up capital from the German government and a further 10 million euros from the European Commission. SANAD was launched in August 2011, and has already approved a number of credit applications and initiated disbursements. The target countries, initially, are Egypt, Jordan, Lebanon and Tunisia.

In cooperation with the Federal Ministry of Economics and Technology (BMWi), and with funding from the German Federal Foreign Office (AA) and the BMZ, a pool of advisors has been established in order to support the restoration of stability, growth and employment in Egypt and Tunisia. Experienced civil servants are available to advise the Egyptian and Tunisian governments and administrations on a short-term basis. The aim is to support reform and accelerate sustainable economic growth and employment.
5.5 South-Eastern and Eastern Europe/South Caucasus

CONTEXT

Most of the states in South-Eastern and Eastern Europe and the South Caucasus formed part of the Soviet Union and Yugoslavia and had socialist systems. Since the start of the 1990s, they have undergone radical political, social and economic transformation and consolidation processes.

The South-East European countries – Albania, Bosnia and Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia, Montenegro and Serbia – are part of Europe, also in a political sense, and in line with the objective endorsed by the European Council in 2003, have the clear prospect of future EU membership. Bulgaria, Slovenia and Romania were also among the German government’s partners for development cooperation until they joined the European Union. Development cooperation with Croatia is being phased out in advance of its accession to the EU, scheduled for 2013.

Ukraine and the Republic of Moldova, in Eastern Europe, are geographically part of Europe and are keen to develop closer links with the EU. Both countries are beneficiaries of the European Neighbourhood Policy (ENP). Belarus is an exception; it has an authoritarian government and is politically isolated to a large extent. It does not currently receive support from the BMZ.

The three countries in the South Caucasus – Armenia, Azerbaijan and Georgia – have also shifted their focus towards Europe since gaining their independence from the USSR in 1991. All three countries are members of the Council of Europe, with Georgia joining in 1999 and Armenia and Azerbaijan in 2001, and have been involved in the European Neighbourhood Policy (ENP) since 2004. They have received support from Germany, within the framework of its development policy, since gaining their independence. The Caucasus Initiative was launched in 2001 as the mechanism for the German government’s efforts to foster regional cooperation in the South Caucasus.

SUSTAINABLE ECONOMIC DEVELOPMENT

Germany is assisting its partner countries to develop their economies on a sustainable basis, the aim being to strengthen and consolidate stable market economies. German development policy focuses especially on promoting private industry and micro, small and medium-sized enterprises and on developing local financial systems. It also implements advisory programmes to improve the investment climate and competition policy.

In view of the effects of the financial and euro crisis, it is particularly important to support measures which aim to stabilise local financial systems in the EU’s neighbour countries. The establishment of deposit insurance funds in Armenia, Azerbaijan, Kosovo and Serbia within the framework of financial cooperation plays a key role in this context. These funds protect small depositors from the loss of their savings. They therefore increase public confidence, maintaining the savings rate at a higher level during crises by reducing the risk that savers will abruptly withdraw their savings, which could potentially paralyse the local financial sector. Following the scheme’s introduction, the number of protected savings accounts in Serbia increased from 10.3 million in 2009 to 11.4 million in 2011, while in Armenia, the number has risen from 300,000 in 2005 to more than one million accounts in a population of just three million. Higher, more sustained and longer-term deposits within the national banking system also improve banks’ refinancing structure.

PRIORITY AREAS OF GERMAN DEVELOPMENT COOPERATION

The German government has been supporting the transition to democracy, the rule of law, a market economy and sustainable development in the countries of South-Eastern and Eastern Europe and the South Caucasus since the early 1990s.
and provide a more stable environment for lending to micro, small and medium-sized enterprises, which in turn boosts investment.

As a result of the expert advice provided within the framework of technical cooperation, the competition authority in Armenia is now able to regulate competition in the water industry effectively and successfully challenge the monopsony position of a producer operating in the petrol market. The number of violations of competition rules detected has increased from 25 in 2009 to 200 in 2011. This was accompanied by a noticeable increase in the total volume of penalties imposed, from 20,000 euros in 2009 to 702,000 euros in 2011.

In the province of Chernivtsi in western Ukraine, the establishment of a network of fruit industry companies has done much to stimulate regional exports. Fruit production is now the driver of the local agricultural sector.

In Bosnia and Herzegovina, organised participation and attendance at trade fairs has been supported by Germany. Coupled with other marketing activities by the automotive industry, agriculture, the garment industry and tourism, this has generated additional export contracts amounting to eight million euros.

**Loans for jobs and modernisation of homes**

The European Fund for Southeast Europe (EFSE), a micro investment fund set up at the initiative of the BMZ and KfW in 2005, has become one of German development policy’s beacon projects in South-Eastern, Eastern Europe and the South Caucasus. By serving the financing needs of micro, small and medium-sized enterprises, the Fund plays a key role in promoting employment and fostering economic growth. Since its inception, the EFSE has financed a total of around 310,000 loans for an aggregate value of 1.9 billion euros via its qualified partner lending institutions (as at March 2012). More than 105,000 clients are benefiting from an EFSE loan, with an average loan amount of around 5,600 euros. 75 per cent of the loans went to micro and small businesses, with 4 per cent of these loans going to companies in rural regions. The remaining 25 per cent were granted to private households to enable them to modernise their homes. An independent impact assessment carried out in 2007 attests to the positive employment effects of EFSE lending: 70 per cent of refinanced companies said that the loan had been crucial in creating new jobs. In all, the EFSE has helped to create and secure 315,000 jobs – 116,000 of them between October 2009 and March 2012 alone.

**ENVIRONMENT, ENERGY EFFICIENCY**

In many countries in South-Eastern Europe and the South Caucasus, the environment has been under pressure for decades. Nature conservation and energy efficiency have been neglected. The South Caucasus in particular has rich biodiversity. German development cooperation in the environmental sector therefore aims to protect the unique flora and fauna and natural resources through the designation and promotion of protected areas and by strengthening the general public’s environmental awareness. In the energy sector, its efforts focus on modernising electricity and heat networks based on renewable energies, particularly hydropower.

Through its financial cooperation with Serbia, the German government has, for more than 10 years, supported a programme to upgrade the distance heating supply. During Phase III of the project, which concluded in 2011, a sustainable improvement in the supply of heating energy was achieved for 147,000 residents in six towns. The progressive introduction of consumption-related tariffs has created financial incentives for energy efficiency.

As part of the modernisation of the Vorotan hydropower plant in Armenia, around 40 per cent of the total installed hydropower capacity has been upgraded, securing 18 per cent of the country’s total electricity supply. The reliable and efficient operation of this major electricity plant makes a substantial contribution to economic growth and improved living conditions. As a non-fossil source of electricity, it also contributes to climate change mitigation and the protection of natural resources.

With German support, Georgia is participating in the Black Sea Energy Association. Georgia exports electricity to Turkey; this surplus power is the result of seasonal overcapacity and the connection of additional hydropower plants to the grid. This has made it possible for both countries to postpone or even cancel the development of additional sites for fossil power plants. Based on Turkey’s current energy mix, there is potential to save an estimated one million tonnes of carbon dioxide (CO₂) annually. The construction of an additional transmission line between the power generation centres in Georgia will greatly increase supply security for more than four million Georgians whose homes are connected to the grid, and will reduce the number of system-wide power outages to almost zero.

With its support for Prespa Transboundary Biosphere Reserve between Albania and the former Yugoslav Republic of Macedonia, the German government has contributed,
through its development cooperation, to the conservation and sustainable development of the neighbouring Prespa National Park (27,750 ha) in Albania and Galicica National Park (22,750 ha) in Macedonia.

Biodiversity conservation is the best-known field of regional cooperation in the South Caucasus and has the highest media profile. Germany is the largest donor to this sector. The establishment of transboundary protected areas involving the three countries – Armenia, Azerbaijan and Georgia – has a particularly important role to play in this context. The Regional Environmental Centre for the Caucasus (RECC) – the only regional organisation in the South Caucasus supported by all three partner governments – is growing in significance as a partner in this context. The shared long-term vision for the conservation of the protected areas and the national biodiversity strategies and action plans form the political framework for this cooperation. In the biodiversity-related area of development cooperation, Georgia and Azerbaijan have already produced and implemented management plans for protected areas covering approximately 50,000 hectares.

**DEMOCRACY, LEGAL AND JUDICIAL REFORM, MUNICIPAL DEVELOPMENT**

Democracy, legal and judicial reform and municipal development are priority areas of cooperation. Here, the German government’s activities focus on promoting an independent judiciary and appropriate legal frameworks. It advises on the development of legal norms and supports efforts to bring the legal and judicial systems into line with international and European standards. In the field of municipal development, large-scale investment programmes have been launched to improve the water supply and wastewater disposal systems and other local services. German development cooperation also supports the establishment of transparent and efficient administrations that are responsive to citizens’ needs. Other measures aim to improve financial governance.

In Albania, Germany has supported decentralisation in the water sector, with the transfer of 55 out of a total of 58 utilities to the local authorities. The water regulatory authority has developed a standardised customer contract and rolled it out nationwide, with the result that the rights and responsibilities of the water utilities and their customers are now transparent and legally enforceable. On this basis, it has been possible to improve the water supply for more than one million people.

In the Republic of Moldova, development plans for the sustainable management of water resources have been drawn up, with the participation of local citizens, businesses and administrations, in two districts with 190,000 residents. For three districts with more than 160,000 residents in total, an integrated regional waste management system has been developed for the first time.

> **Building trust: citizens’ offices**

In Lugansk province in eastern Ukraine, the BMZ is assisting five partner municipalities to set up citizens’ offices, with a focus on the necessary structural adaptation of buildings, the redesigning of administrative roles, and staff training. In all, 828,000 local citizens are benefitting from a better service, and this is reflected in their level of satisfaction with the advice provided, which has increased from 50 per cent in 2010 to 88 per cent in 2011. Four other municipalities opened citizens’ offices in 2012. In Georgia, 50 per cent of the population has obtained access to better services via 20 citizens’ offices in recent years. The time taken to deal with matters raised by local residents has been halved. A full 85 per cent of people are now more satisfied and feel that they are receiving competent advice, with the result that trust and confidence in transparent local governance are steadily increasing.

In Georgia, electronic public procurement has now been introduced nationwide with support from Germany. This reform has increased the number of tenders from 2,000 in a paper-based system to 33,000 electronic submissions a year.

In Serbia, administrative procedures at the municipal level have been simplified by local economic development offices in nine municipalities. The deadline for the issuing of building permits has decreased in some cases from 30 days to one day. Since 2007, fiscal decentralisation has increased the amount of revenue accruing to local authorities from primary sources (e.g. local taxes, charges) by 19 per cent and revenue from land tax by 32 per cent.

In 2011, rules of procedure and a reporting system were introduced for the first time for the Budget and Finance Committee of the Assembly of Kosovo. This facilitates the division of labour, with the result that the 2012 budget negotiations were more structured and comprehensive than before.

With German support, the provision of advanced training for judges in Armenia, Azerbaijan and Georgia has done
much to improve quality in the administration of justice and has strengthened the role of the judiciary in these countries’ system of governance, which is based on the separation of powers. In 2011, training was provided for more than 900 judicial personnel.

**Conflict management, peace and stability in the Western Balkans and the Republic of Moldova**

At the German government’s initiative, the Stability Pact for South Eastern Europe was launched in 1999 as the international community’s mechanism to identify long-term, comprehensive and pro-active solutions to the problems facing the region after the conflicts of the 1990s. Germany provided personnel capacities and substantial funding, amounting to more than 1.5 billion euros, over subsequent years. In 2008, the Stability Pact was dissolved and was succeeded by the Regional Cooperation Council (RCC). Based in Sarajevo, the aim of the RCC is to ensure that the region takes greater ownership of its own affairs. As with the Stability Pact, the RCC’s work is guided by a commitment to long-term stabilisation of the region. The international community expects Germany to continue to fulfil its responsibilities in this regard.

Since 2008, the German Federal Foreign Office (AA) has therefore provided direct funding, primarily for projects which focus on democratisation, human rights, security and disarmament. For ease of identification, it continues to be known as “Stability Pact funding”.

**EDUCATION AND RESEARCH**

The promotion of scientific cooperation with the USSR’s successor states continues to be governed by the Scientific and Technological Cooperation (STC) Agreement concluded with the Soviet Union in 1987. The BMBF is engaged in this area and has launched a funding programme “Partnerships for Sustainable Solutions to Problems in Emerging and Developing Countries – Research for Development” in order to promote new partnerships between German institutions and counterparts in Central Asia and the South Caucasus.

At the multilateral level, Germany engages in technical and institutional capacity building in the Republic of Moldova and the South Caucasus countries through its participation in bi-regional platforms for research policy dialogue, notably the EU-funded IncoNET EECA and Black Sea ERA.NET projects; other partners include the Republic of Moldova, Armenia, Azerbaijan and Georgia.

In South-Eastern Europe, Germany is supporting the Western Balkan countries’ progress towards EU membership, inter alia through its participation in the EU-funded WBC-INCO.NET, SEE-ERA.NET and SEE-ERA.NET PLUS projects and in the **Steering Platform on Research for the Western Balkan countries**, set up in 2006. The purpose of this bi-regional platform is to facilitate research policy dialogue between the European Commission, the EU Member States, the associated countries, and the countries of the Western Balkans.

Many developments in recent decades, particularly the globalisation of the world economy, have impacted positively on the developing and, above all, the emerging countries. Their economies have become more dynamic and poverty has decreased. If trade, financial and information flows continue to intensify, this will create additional development prospects for many people. The developing countries and emerging economies are expected to account for more than 50 per cent of global growth in the coming decades.

At the same time, it is also likely that global challenges will become even more complex, more interdependent and, to some extent, more extreme over the coming years and decades, particularly for the developing countries. These challenges include demographic change, the competition for finite resources such as raw materials, energy, water and land, climate change, political transition and, not least, economic and financial crises. The capacity to achieve international consensus and engage in cooperation will determine whether risks can be mitigated or avoided.

6.1 Future challenges

PROTECTING NATURAL RESOURCES:

Sustainable economic development is closely linked to access to increasingly scarce natural resources. The level of demand for these finite resources will depend on economic growth, population dynamics and changing consumption and production patterns. The growing middle class plays a significant role, especially in emerging economies. According to forecasts, by mid-century, a further three billion people could join the middle class, thereby boosting consumption. The contrast between available resources, on the one hand, and growing demand, on the other, is already stark, as the following figures show:

**Land, soil, food**
- In order to satisfy global consumption patterns and global demand for food, cereal production will need to rise by 40 per cent by 2050; meat production will need to increase by a full 50 per cent – in other words, double – by the same date.
- Since 1960, around 30 per cent of the world’s agricultural land has become degraded. Every year, 10 million hectares of agricultural land are destroyed.
- If the consumption of natural resources (water, land, soil and biodiversity) continues at its present rate, by 2035, humankind would in theory need two planets to provide sufficient resources to meet the global demand for food and energy.

**Water**
- Global demand for water will increase by 35–60 per cent by 2025 compared with the year 2000, and could double by 2050.
- Without more efficient water use, global water demand for agriculture, households and industry will be 40 per cent higher in 2030 than the amount currently available. If efficiency in the water sector continues to increase at the present rate, only 20 per cent of this gap between supply and demand will be closed by 2030. Water shortages can quickly become a source of transnational tensions and conflicts.

**Energy**
- Global energy demand is set to increase by 40 per cent by 2030 compared with the 2010 baseline; electricity consumption is likely to rise by a full 70 per cent.

**The water-energy-food security nexus**
- “Nexus” is the term used to describe the relationship between water consumption in energy generation, e.g. hydropower, and the extraction of raw materials, energy consumption in water extraction, and the consumption of both energy and water in agriculture.
- The interrelationships between these three sectors are apparent in the world’s expanding cities with their high level of natural resource consumption. The situation is likely to worsen: the United Nations predicts that by 2050, two thirds of the world population – around six billion people – will live in cities.
— A further example is the increase in the cultivation of energy crops, which are now grown on approximately 1–2 per cent (approximately 30 million hectares) of the world’s agricultural land. Although these crops may help to mitigate climate change, this must not lead to the displacement of food crops or to more intense competition for access to water resources in agriculture. Policy-makers must take action here and improve the sustainability criteria for biofuels at international level.

**Resources**

— According to the United Nations, global consumption of natural resources could triple to 140 billion tonnes a year by 2050. The United Nations Environment Programme (UNEP) warns that the scarcity of key resources such as oil, copper and gold is dramatically increasing. What’s more, the extraction of these resources requires ever-increasing inputs of fossil fuels and water.

In view of these major challenges, the German government must in future align its development policy consistently to the principles of sustainable and inclusive global economic growth and sustainable development. Transregional and cross-sectoral strategies and solutions are becoming ever more important. The green economy, coupled with a reappraisal of present consumption patterns, particularly in the industrial countries, is essential for sustainable development. This was recently reaffirmed at Rio+20.

**REDUCE GREENHOUSE GAS EMISSIONS, PROMOTE ADAPTATION TO CLIMATE CHANGE:**

Climate change is one of the greatest challenges facing us today. The industrialised and developing countries’ shared goal is to limit global warming to a maximum of 2 °C. Climate change is already altering, in some cases fundamentally, the conditions for sustainable development. In the poorest countries in particular, this could jeopardise development progress, lead to social tensions and worsen poverty. The international community must therefore intensify its commitment to protecting the climate and make accelerated progress on mitigating climate change by reducing greenhouse gas emissions. Without a clear shift towards low-carbon development, it will be impossible to comply with the 2 °C global warming guard rail agreed in the international climate negotiations. Effective mitigation measures are indispensable as a basis for adaptation to climate change, especially for people in regions which are particularly at risk from its impacts. Adaptation should be coupled with a new development perspective: climate-related risks should be identified at an early stage and planning should take account of new information and local conditions.

Agriculture and water resources management have a key role to play in this context. If a low-carbon development pathway is to be pursued, economic growth must be decoupled from greenhouse gas emissions through efficient and sustainable resource use and the expansion of renewable energies. With consistent climate policies, developing countries can also make a contribution to protecting the climate. This will benefit their economies as well, for climate action at the local level supports sustainable development, reduces pollution and cuts input costs.

**BUILDING PEACE, SUPPORTING FRAGILE STATES:**

The development gap between fragile states and countries with stable governance is steadily widening – not least in their progress towards the Millennium Development Goals (MDGs). The conflicts affecting these countries are often rooted in a lack of development opportunities. Experience has shown that long-term security is not possible without development and, conversely, that there can be no development without security. However, crises do not only have political and economic causes. They can also be triggered by natural disasters. High susceptibility to natural disasters means high conflict potential. Poor governance also worsens a country’s social and structural problems. In addition, there are the problems affecting aid orphans – countries neglected by donors – and failed states, which cannot be assisted effectively via conventional development cooperation. International development cooperation should support these neglected countries by coordinating their aid and counteracting the growing fragmentation of aid organisations in international development cooperation.

**SHAPING URBANISATION:**

Rapid urbanisation has already changed the world dramatically. In the 1960s, around one billion people – a third of the world’s population – lived in cities (Africa: 18 per cent; Asia: 21 per cent). Today, the figure is 3.6 billion – almost half the global population. In Africa and Asia, urban dwellers will account for 50 and 57 per cent respectively of the total population by 2030. By 2050, around six billion people will live in cities, many of them in megacities with populations exceeding 10 million. The major cities will increasingly operate as independent players in the international arena. Providing adequate food, health services and employment for the growing urban population, managing the urban environment and expanding the infrastructure will require completely new policy strategies which are obviously still in
their infancy at present. Social cohesion and political participation must be facilitated if conurbations are to evolve into cities and city dwellers are to exercise their civic rights.

**REASONS FOR INEQUALITY, MANAGING DEMOGRAPHIC CHANGE:**

Poverty has decreased worldwide in recent years. At the same time, globalisation has resulted in increasingly inequitable distribution of income, resources and opportunities. This trend can be observed not only in many developing countries and emerging economies, but also in a number of industrial countries. It is exacerbated by a disparity in population growth trends. Population growth is particularly high in the Least Developed Countries (LDCs), whereas populations are decreasing in many industrialised countries. Population age structures have also changed dramatically, not only in the industrialised countries but also in emerging economies such as China. Overall, there are growing disparities between countries. There is a risk that poor countries will become decoupled from growth and development processes. Poverty is also changing: the majority of the poor no longer live in the Least Developed Countries (LDCs) but in middle-income countries (MICs). Nonetheless, people’s prospects of lifting themselves out of poverty are much lower in poor countries than in the emerging economies. In order to promote stability, both within countries and internationally, it is important to prevent any further widening of the gap between rich and poor, and also to ensure that the emerging economies do not slip back as a result of social tensions, but achieve permanent and sustainable growth and development.

**EMPLOYMENT OPPORTUNITIES FOR YOUNG PEOPLE:**

In many countries, young people cannot access employment or training despite economic growth. In the Middle East and North Africa (MENA) region, more than a quarter of young adults are currently jobless. The majority who are in work endure precarious employment conditions in the informal sector. This situation affects almost all Africa’s young people. What’s more, over the next 10 years, a further 120 million highly motivated young people will enter the African labour market – in which, currently, only 28 per cent of employed persons work in the formal sector. By 2035, Africa’s workforce is expected to be larger than China’s or India’s. Due to their poor employment prospects, however, many of these – often well-educated – young people are denied access to development, which increases the risk of internal conflicts. The challenge of providing more and better employment can only be mastered with a strategy which focuses specifically on creating jobs and incomes. This requires not only adequate state education but also targeted support for vocational training with more private sector involvement.

**MANAGING MIGRATION:**

Migration has major impacts on global development. At present, limited-term and repeat / circular migration is increasing, as is migration between developing countries (south-south migration). Integration of markets, new communication technologies and affordable travel will facilitate transboundary migration. Migration is associated with development risks, such as an outflow of skilled workers, but it also creates development opportunities. For example, the remittances sent to developing countries by migrants are three times higher than global ODA. Returning migrants transfer knowledge and how to their home countries and stimulate development. Harnessing this potential is a challenge which can only be mastered in close cooperation with partner countries.

**STRENGTHENING INTERNATIONAL COOPERATION, IMPROVING GLOBAL KNOWLEDGE MANAGEMENT:**

In order to master global challenges, it is essential to develop a shared understanding of problems and deepen international cooperation. However, this is a major challenge in itself. The developing countries have increasingly divergent interests: the issues of greatest concern to the poorest countries and fragile states differ from those occupying the attention of middle-income countries (MICs). In the MICs, economic growth is being achieved, but without any narrowing of social inequalities. Major emerging economies, for their part, must master specific challenges, such as the conservation of the environment and resources. The industrialised countries have always pursued diverse interests as well. With the differentiation of interests, new polarisation processes can be discerned. Although some societies are benefiting from the power shifts and are achieving economic growth, there is also criticism – which must be taken seriously – and in some cases outright rejection of Western growth and development models. Intensive knowledge exchange can do much to support the development of solutions to global challenges, accelerate the consensus-forming process and foster collective action. New media and technologies can facilitate more intensive knowledge exchange and offer a unique opportunity to share knowledge with demographic groups and regions of the world which previously had very little access to development-relevant information.
6.2 Future-oriented development policy: responding to global challenges

In light of these major global challenges, the long-term goal must be development that is based on inclusive and sustainable models of growth and a cohesive global society. This was the path mapped out at the United Nations Conference on Sustainable Development (Rio+20) in 2012. This means developing and implementing shared goals, building on the Millennium Declaration, the Millennium Development Goals and a future-oriented, comprehensive post-2015 development agenda which is supported by all the world’s countries. From Germany’s perspective, coordination at the European level is of key importance. If the EU speaks with one voice at the international level, its opportunities to shape policy and exert influence will greatly increase.

The German government makes a substantial contribution to joint responses to global challenges. The following roles and actions can be defined for future-oriented development policy in the medium term:

1. DEVELOPMENT POLICY REDUCES POVERTY:

Overcoming poverty and its causes through sustainable development remains the core objective of German development policy. The fundamental principle which applies, however, is that external support, in whatever form, can only make a limited contribution. The partner countries must take responsibility for their own development processes. This is the key to success. A core task for development policy, now and in future, is to complement these measures with a view to reducing ongoing poverty in all its dimensions. This takes place through bilateral and multilateral development cooperation, targeted support for action by civil society, and the shaping of an appropriate international framework. Knowledge sharing and education have an important role to play in this context. Through its development cooperation, the German government will continue and intensify its efforts to reduce poverty in the poorest countries and fragile states. With its new Strategy for Africa, the German government is focusing its development policy even more strongly on Africa, so that countries on our neighbour continent are able to utilise their numerous and hitherto untapped development opportunities more fully. At the same time, middle-income countries (MICs) must also implement policies and deploy instruments which aim to ameliorate poverty, above all by stabilising the positive growth and development path now embarked upon. Development policy can provide countries with strategic support and thus help to overcome social inequalities, for example by advising on appropriate policies for social protection and inclusion.

2. DEVELOPMENT POLICY WILL HELP TO PROMOTE MODERN AND SUSTAINABLE MODELS OF GROWTH:

Poverty can only be reduced on a lasting basis if development is based on inclusive and ecologically sustainable economic growth. In its development policy, the German government must therefore continue to implement programmes aimed at achieving sustainable economic development in order to promote modern growth pathways which benefit as much of the population as possible in the developing countries. In low-income countries (LICs) in particular, it is essential to promote stable economic policy frameworks in order to integrate these economies more fully into world trade and develop a sound and inclusive financial system. Within the group of middle-income countries (MICs) and emerging economies, it is important to mitigate the negative effects of rapid economic development, with a particular focus on global public goods. Corporate social responsibility (CSR) has a key role to play in this context and must be promoted more vigorously in future. At the same time, development policy must promote innovative private sector engagement in the partner countries, for example by strengthening innovation systems and appropriate frameworks. Inclusive business models at the base of the income pyramid have a key role to play here. German companies, especially those with specific expertise in developing sustainable (green) technologies and smart production processes, should be involved more fully in future.

3. DEVELOPMENT POLICY SAFEGUARDS GLOBAL PUBLIC GOODS:

Development policy will help to safeguard regional and global public goods. A key challenge for the international community is to agree on ways of addressing the most urgent problems relating to the provision of regional and global public goods, shared responsibility and obligations for their conservation. This is evident in current international processes such as the WTO negotiations, the international climate process and the
follow-up to the United Nations Conference on Environment and Development, as well as in relation to transparency and control of the international arms trade. The German government contributes to these consultation processes on an ongoing basis, drawing attention, in this context, to its own development policy objectives, which are based on a commitment to sustainable development. At the same time, the German government is increasingly cooperating with global development partners and middle-income countries (MICs) on issues relating to global public goods in the environment, resource and climate sectors. Furthermore, Germany makes an important contribution to safeguarding peace, security and democracy and to crisis prevention and management, especially in fragile regions. The German government’s development policy must therefore be dovetailed with foreign and security policy, as set out in its Interministerial Guidelines to Enhance the Coherence of Government Policy towards Fragile States. At bilateral level, German development policy can provide more support for its partner countries’ efforts to safeguard global public goods. There is also potential for the German government to intensify its efforts, together with partner countries, to safeguard global public goods within the framework of European development cooperation and in the multilateral organisations.

4. POLICY COHERENCE FOR DEVELOPMENT:

Growing global issue linkage and the impacts of various international policy fields on developing countries and emerging economies make coherence in German government policy for sustainable global development an even more urgent necessity. At national level, more efficient coordination of ODA funding has now been achieved, establishing a good basis for policy coherence for development. However, timely consideration of the development policy implications of decisions taken in other policy areas continues to be a challenge at all levels – national, EU and international. Development policy should aim to create synergies between various policy fields with a view to promoting sustainable global development. The successful dovetailing of German foreign, security and development policy in fragile states is a good example of how synergies can be created. The same applies to the abolition of EU agricultural export subsidies, which Germany is working towards within the framework of its agricultural and development policy.

5. DEVELOPMENT POLICY PROMOTES DIALOGUE AND KNOWLEDGE EXCHANGE AND SUPPORTS DONOR COORDINATION:

The importance of new public and private sector donors will continue to increase and will have implications for aid effectiveness. The quality and effectiveness of international cooperation will also depend on the degree of cooperation between established and new players. Possible fragmentation of development policy must be avoided in this context. Openness to new approaches and shared learning in the interests of a “quality competition” can facilitate agreement on shared goals, principles and procedures. The new development partnership agreed in Busan is an appropriate international platform for this dialogue and is open to all players. Through its development policy, Germany helped to structure this partnership and define priorities. In future, it will work to establish effectiveness and a focus on results as fundamental principles for international cooperation, and will support their implementation. This must be accompanied by new forms of knowledge sharing, such as the knowledge platforms established by the World Bank and the OECD. New media and technologies also offer a unique opportunity to share knowledge with demographic groups and regions of the world which previously had very little access to development-relevant information. In Germany, too, the dialogue about global issues is gaining in significance. Development education can make the linkages between global challenges, partner countries’ development and Germany’s interest in sustainable global development even more visible, and should stimulate ideas for tackling the challenges ahead. Civil society, the German states (Länder) and the municipalities are important partners in this context and their endeavours should continue to be supported.

Against this background, German development policy will continue its bilateral and multilateral engagement and will develop it further. Topics such as inclusive and sustainable growth, job creation, urbanisation, migration, peace and security, democracy, climate and resource conservation will continue to gain in significance in the context of efforts to achieve the overarching goals of poverty reduction and sustainable global development. More innovative approaches are therefore required, with a particular focus on new sources of funding, also from the private sector. In view of the changed stakeholder landscape, it is also important to adapt traditional donor-recipient paradigms to the new realities and pursue a differentiated approach in cooperation with partner countries.
Many of the challenges and tasks outlined above are the subject of discussions at the international level, such as those relating to the further development of the Millennium Declaration and the definition of a new and comprehensive set of sustainable development goals beyond 2015. The German government is actively engaged in these global processes, its aim being to agree shared objectives with all players and thus set a course for a common future.
### Annex: Development Cooperation in Figures

**DAC List of ODA Recipients (Developing Countries and Regions)**

*(Effective for reporting on 2011, 2012 and 2013 flows)*

<table>
<thead>
<tr>
<th>EUROPE</th>
<th>AFRICA</th>
<th>AMERICA</th>
<th>ASIA</th>
<th>OCEANIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>(north of the Sahara)</td>
<td>North and Central America</td>
<td>Middle East</td>
<td>Cook Islands</td>
</tr>
<tr>
<td>Belarus</td>
<td>Algeria</td>
<td>Anguilla</td>
<td>Iran</td>
<td>Fiji</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>Egypt</td>
<td>Antigua and Barbuda</td>
<td>Iraq</td>
<td>Kiribati</td>
</tr>
<tr>
<td>Kosovo¹</td>
<td>Libya</td>
<td>Belize</td>
<td>Jordan</td>
<td>Marshall Islands</td>
</tr>
<tr>
<td>Macedonia</td>
<td>Morocco</td>
<td>Costa Rica</td>
<td>Lebanon</td>
<td>Federated States of Micronesia</td>
</tr>
<tr>
<td>Republic of Moldova</td>
<td>Tunisia</td>
<td>Cuba</td>
<td>Palestinian territories</td>
<td>Nauru</td>
</tr>
<tr>
<td>Montenegro</td>
<td></td>
<td>Dominica</td>
<td>Syria</td>
<td>Niue</td>
</tr>
<tr>
<td>Serbia¹</td>
<td></td>
<td>Dominican Republic</td>
<td>Yemen</td>
<td>Palau</td>
</tr>
<tr>
<td>Turkey</td>
<td></td>
<td>El Salvador</td>
<td></td>
<td>Papua New Guinea</td>
</tr>
<tr>
<td>Ukraine</td>
<td></td>
<td>Grenada</td>
<td></td>
<td>Samoa</td>
</tr>
</tbody>
</table>

*This is without prejudice to the status of Kosovo under international law.*

**Source:** OECD/DAC
The regional focus of development policy: country concentration

In order to increase the efficiency and effectiveness of development cooperation, and in light of the Coalition Agreement, which, in the context of the European and international division of labour, envisages a reduction in the number of partner countries in Germany’s bilateral development cooperation (ODA), a decision was taken to limit the number of partner countries with full bilateral country programmes to just 50 (58 at the start of the legislative term). A further concentration was also recommended in the DAC Peer Review of Germany in 2010.

The BMZ therefore reviewed the list of countries engaged in bilateral development cooperation with Germany, based on the criteria defined in the Coalition Agreement:

- Governance performance and general conditions in the partner country (including sources of risk)
- Poverty and need
- Division of labour, significance of Germany’s contribution, other donors’ commitments, and
- German interests (including strategic partnerships and global environmental goods).

Other important criteria such as the human rights situation, relevance to global public goods, particular treatment for fragile and post-conflict countries, and aspects of the EU’s division of labour were also considered in the decision-making process.

In partner countries with bilateral country programmes, the full range of ODA instruments can in principle be deployed, with cooperation focusing on no more than three priority areas.

At the same time, as also envisaged in the Coalition Agreement, Germany should continue to respond flexibly to the increasing differentiation among the partner countries and has therefore retained the option of focused regional or thematic cooperation with a limited number of countries (currently 29). This cooperation is limited in principle to one priority area. Here too, ODA instruments can be deployed.

In the cooperation with yet other partner countries, non-ODA instruments can also be deployed, e.g. by church-based development organisations, political foundations or other private agencies. Emergency and transitional aid, which is based on need, continues to be an available option, as is participation in human capacity development measures, e.g. training programmes.

Country concentration is intended to fulfil the strategic objective of aligning development policy to the various challenges facing different categories of developing countries. This is reflected in the criteria applied. Although the number of partner countries with a bilateral country programme has been reduced, there is an increasing focus on LDCs/LICs, as also recommended in the DAC Peer Review. The differentiation is also reflected in the type of cooperation. The BMZ Strategy for Development Cooperation with Global Development Partners, which dovetails with the German government’s overarching strategy Shaping Globalisation – Expanding Partnerships – Sharing Responsibility (February 2012), is the new basis for Germany’s development cooperation with five countries: Brazil, India, Indonesia, Mexico and South Africa.

The new list of countries has been agreed with the Federal Foreign Office (AA) and other ministries.

As at January 2012; updated in May 2012 following the decision to include Myanmar as a partner country.
### German bilateral development cooperation

<table>
<thead>
<tr>
<th>Region</th>
<th>Partner countries with focused bilateral country programmes (up to three priority areas, 50 partner countries)</th>
<th>Partner countries with regional/thematic programmes (one priority area, 29 partner countries)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Asia</strong></td>
<td>Afghanistan Bangladesh Cambodia India Indonesia Kyrgyzstan Laos Mongolia Nepal Pakistan Tajikistan Uzbekistan Viet Nam</td>
<td>Myanmar Philippines Sri Lanka Timor-Leste Multi-country cooperation with Central Asia¹</td>
</tr>
<tr>
<td><strong>South-Eastern Europe / Caucasus</strong></td>
<td>Albania Kosovo Serbia Ukraine</td>
<td>Bosnia and Herzegovina Caucasus Initiative (Armenia, Azerbaijan, Georgia) Moldova</td>
</tr>
<tr>
<td><strong>Latin America and the Caribbean</strong></td>
<td>Bolivia Brazil Colombia Ecuador Guatemala Honduras Mexico Peru</td>
<td>Caribbean Programme (Cuba, Dominican Republic, Haiti) Costa Rica El Salvador Nicaragua Paraguay</td>
</tr>
<tr>
<td><strong>Middle East</strong></td>
<td>Palestinian territories Yemen</td>
<td>Jordan Yemen</td>
</tr>
<tr>
<td><strong>Africa</strong></td>
<td>Benin Burkina Faso Burundi Cameroon Congo (Democratic Republic) Egypt Ethiopia Ghana Kenya Mali Mauritania Morocco Mozambique Namibia Niger Rwanda South Africa South Sudan Tanzania Togo Uganda Zambia</td>
<td>Algeria Fragile States in West Africa programme (Côte d'Ivoire, Guinea, Liberia, Sierra Leone) Madagascar Nigeria Senegal Tunisia</td>
</tr>
</tbody>
</table>

¹ including Kazakhstan and Turkmenistan
Comparison of Donors (2011) and percentage change 2010¹ to 2011 in USD million

<table>
<thead>
<tr>
<th>DAC donors</th>
<th>2011</th>
<th>2010</th>
<th>Change 2010 to 2011</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>By amount of ODA, 2011</td>
<td>Net ODA</td>
<td>ODA/GNI ² in %</td>
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<tr>
<td>Total DAC</td>
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<td>USA</td>
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<td>Germany</td>
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<td>Japan</td>
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<td>Luxembourg</td>
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</table>

² Taking account of both inflationary and exchange rate movements

¹ Gross National Income

Source: OECD/DAC
Development of German ODA/GNI ratio, 1990-2011

ODA/GNI ratio: Official Development Assistance as a percentage of Gross National Income
Bilateral ODA by continent (2010) in Euro 1,000 \(^1\), \(^2\)
As at 19.07.2011

<table>
<thead>
<tr>
<th>Continent</th>
<th>Total ODA (gross)</th>
<th>Total ODA (net)</th>
<th>BMZ's total commitments (gross)</th>
<th>Financial cooperation (gross)</th>
<th>Financial cooperation (net)</th>
<th>Loans (including loans funded through the capital markets), shareholdings</th>
<th>Gross disbursements</th>
<th>Repayments/proceeds from sales(^3), (^4)</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>C. 4, 9, 16-21</td>
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<td>C. 4, 9, 16-17</td>
<td>C. 6, 7</td>
<td>C. 6-8</td>
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<td>Oceania</td>
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<td>2,927</td>
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</tr>
</tbody>
</table>

\(^{1}\) Differences compared with other publications are due to the table’s specific format.  
\(^{2}\) Deviations from the OECD database are due to the Central Emergency Response Fund’s switch from bilateral to multilateral reporting.  
\(^{3}\) Repayments = repayments of loans and counter-entries for relief on capital claims within the framework of financial cooperation. Proceeds of sales = proceeds from the sale of DEG shareholdings.  
\(^{4}\) Including other ministries.  
\(^{5}\) Including around 94 per cent for tuition fees for students from developing countries who are studying in Germany.  
\(^{6}\) No figure available.
### Technical cooperation – departmental budget 23

<table>
<thead>
<tr>
<th>BMZ/TC commitments C. 10-15</th>
<th>Technical cooperation (GTZ, etc.)</th>
<th>Technical cooperation (InWEnt, DED, CIM, etc.)</th>
<th>Support for churches’ development projects</th>
<th>Support for NGOs’ development projects</th>
<th>Support for administrative costs (BMZ)</th>
<th>Development-oriented emergency and transitional aid (BMZ)</th>
<th>Other ministries (gross)</th>
<th>Federal states (Länder)</th>
<th>Debt relief and rescheduling</th>
<th>Aid to refugees in Germany</th>
</tr>
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<tbody>
<tr>
<td>9</td>
<td>10</td>
<td>11</td>
<td>12</td>
<td>13</td>
<td>14</td>
<td>15</td>
<td>16</td>
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<td>9,575</td>
<td>6,802</td>
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<td>1,118</td>
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<td>104,862</td>
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<td>59,275</td>
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<td>2,158</td>
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<td>159</td>
<td>210</td>
<td>–</td>
<td>–</td>
<td>30,478</td>
<td>443,205</td>
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<td>443,205</td>
<td>240,239</td>
<td>80,935</td>
<td>62,991</td>
<td>34,629</td>
<td>19,062</td>
<td>5,349</td>
<td>–</td>
<td>51,768</td>
<td>97,388</td>
<td>80,841</td>
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<td>245,456</td>
<td>90,916</td>
<td>41,778</td>
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<td>22,262</td>
<td>3,562</td>
<td>–</td>
<td>22,917</td>
<td>117,294</td>
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<td>549,712</td>
<td>320,348</td>
<td>82,863</td>
<td>59,710</td>
<td>45,719</td>
<td>28,697</td>
<td>12,375</td>
<td>–</td>
<td>45,851</td>
<td>509,164</td>
<td>386,471</td>
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<tr>
<td>2,927</td>
<td>1,308</td>
<td>12</td>
<td>1,608</td>
<td>–</td>
<td>–</td>
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<td>96</td>
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</tbody>
</table>

The German Government’s 14th Development Policy Report
## Net German ODA\(^1\), (2008-2010), Euro million

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009(^2)</th>
<th>2010(^3)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Official Development Assistance</strong></td>
<td><strong>9,692.9</strong></td>
<td><strong>8,674.1</strong></td>
<td><strong>9,803.9</strong></td>
</tr>
<tr>
<td><strong>1. Bilateral</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants</td>
<td><strong>6,283.2</strong></td>
<td><strong>5,096.1</strong></td>
<td><strong>6,081.8</strong></td>
</tr>
<tr>
<td>– Technical cooperation</td>
<td><strong>2,902.7</strong></td>
<td><strong>3,243.2</strong></td>
<td><strong>3,378.3</strong></td>
</tr>
<tr>
<td>– Grants through financial cooperation(^4)</td>
<td><strong>790.9</strong></td>
<td><strong>906.2</strong></td>
<td><strong>1,029.2</strong></td>
</tr>
<tr>
<td>– Development-oriented food aid</td>
<td><strong>35.4</strong></td>
<td><strong>47.2</strong></td>
<td><strong>35.4</strong></td>
</tr>
<tr>
<td>– Emergency relief, aid to refugees (Federal Foreign Office/BMZ)</td>
<td><strong>210.0</strong></td>
<td><strong>265.2</strong></td>
<td><strong>259.0</strong></td>
</tr>
<tr>
<td>– Debt relief</td>
<td><strong>2,280.7</strong></td>
<td><strong>102.2</strong></td>
<td><strong>124.5</strong></td>
</tr>
<tr>
<td>– Administrative costs</td>
<td><strong>205.9</strong></td>
<td><strong>206.4</strong></td>
<td><strong>290.8</strong></td>
</tr>
<tr>
<td>– Other</td>
<td><strong>85.9</strong></td>
<td><strong>74.3</strong></td>
<td><strong>105.0</strong></td>
</tr>
<tr>
<td>Loans/shareholdings</td>
<td><strong>-228.4</strong></td>
<td><strong>251.4</strong></td>
<td><strong>859.7</strong></td>
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<tr>
<td><strong>2. Multilateral</strong></td>
<td><strong>3,409.8</strong></td>
<td><strong>3,578.0</strong></td>
<td><strong>3,722.1</strong></td>
</tr>
<tr>
<td>Grants, payments to capital and fund shareholdings</td>
<td><strong>3,409.8</strong></td>
<td><strong>3,578.0</strong></td>
<td><strong>3,722.1</strong></td>
</tr>
<tr>
<td>– United Nations</td>
<td><strong>204.6</strong></td>
<td><strong>257.1</strong></td>
<td><strong>265.1</strong></td>
</tr>
<tr>
<td>– European Union (EDF, EU budget)</td>
<td><strong>1,950.0</strong></td>
<td><strong>2,076.0</strong></td>
<td><strong>2,209.1</strong></td>
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<td>– World Bank Group</td>
<td><strong>787.4</strong></td>
<td><strong>739.4</strong></td>
<td><strong>575.9</strong></td>
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<tr>
<td>– Regional development banks</td>
<td><strong>187.2</strong></td>
<td><strong>199.7</strong></td>
<td><strong>225.9</strong></td>
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<td>– Other</td>
<td><strong>280.5</strong></td>
<td><strong>305.7</strong></td>
<td><strong>446.0</strong></td>
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<tr>
<td><strong>ODA as a proportion of GNI(^5) in %</strong></td>
<td><strong>0.38</strong></td>
<td><strong>0.35</strong></td>
<td><strong>0.39</strong></td>
</tr>
<tr>
<td><strong>GNI in Euro billion</strong></td>
<td><strong>2,531.9</strong></td>
<td><strong>2,444.0</strong></td>
<td><strong>2,535.3</strong></td>
</tr>
</tbody>
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\(^1\) Net = following subtraction of repayments and proceeds from the sale of DEG shareholdings.

\(^2\) May deviate from the data in the OECD database.

\(^3\) Deviations from the OECD database are due to the Central Emergency Response Fund’s switch from bilateral to multilateral reporting.

\(^4\) Differences compared with other publications are due to the table’s specific format.

\(^5\) Gross National Income.
Breakdown into bilateral and multilateral ODA (1990-2010) \(^1\), \(^2\)

\(^1\) Figures for 2009 may deviate from the data contained in the OECD database.

\(^2\) Figures for the reporting year 2010 may deviate from the data contained in the OECD database, due to the Central Emergency Response Fund’s switch from bilateral to multilateral reporting.
Distribution of gross¹) bilateral ODA commitments by major purposes, 2007-2010, in Euro million

<table>
<thead>
<tr>
<th>Purpose</th>
<th>2008</th>
<th>2009 ¹⁾</th>
<th>2010 ¹⁾</th>
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</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>7,656.2</td>
<td>6,003.1</td>
<td>7,139.6</td>
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<tr>
<td>SECTOR-ALLOCABLE ODA</td>
<td>4,797.9</td>
<td>5,208.9</td>
<td>6,210.9</td>
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<tr>
<td>Social infrastructure and services</td>
<td>2,724.9</td>
<td>2,954.5</td>
<td>3,249.8</td>
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<tr>
<td>Education</td>
<td>1,147.9</td>
<td>1,229.4</td>
<td>1,269.2</td>
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<tr>
<td>Health</td>
<td>189.1</td>
<td>166.2</td>
<td>239.7</td>
</tr>
<tr>
<td>Population policies/programmes and reproductive health</td>
<td>92.1</td>
<td>138.7</td>
<td>119.1</td>
</tr>
<tr>
<td>Water and sanitation/Waste management/disposal</td>
<td>400.5</td>
<td>409.5</td>
<td>449.4</td>
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<tr>
<td>Government and civil society</td>
<td>795.5</td>
<td>897.5</td>
<td>1,068.2</td>
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<tr>
<td>Other social infrastructure and services</td>
<td>99.9</td>
<td>113.2</td>
<td>104.2</td>
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<tr>
<td>Economic infrastructure and services</td>
<td>1,129.5</td>
<td>1,314.7</td>
<td>1,927.2</td>
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<tr>
<td>Transport and storage</td>
<td>217.5</td>
<td>118.2</td>
<td>134.3</td>
</tr>
<tr>
<td>Communications</td>
<td>8.6</td>
<td>9.0</td>
<td>20.6</td>
</tr>
<tr>
<td>Energy generation and supply</td>
<td>396.6</td>
<td>523.1</td>
<td>1,044.3</td>
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<tr>
<td>Banking and financial services</td>
<td>365.5</td>
<td>528.7</td>
<td>547.3</td>
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<tr>
<td>Business and other services</td>
<td>141.3</td>
<td>135.6</td>
<td>180.7</td>
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<tr>
<td>Production sectors</td>
<td>355.7</td>
<td>321.1</td>
<td>353.1</td>
</tr>
<tr>
<td>Agriculture, forestry and fishing</td>
<td>175.7</td>
<td>208.7</td>
<td>253.7</td>
</tr>
<tr>
<td>Industry, mineral resources and mining, construction</td>
<td>149.8</td>
<td>75.9</td>
<td>67.2</td>
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<tr>
<td>Trade policy and regulations, trade-related adjustment, tourism⁴⁾</td>
<td>30.2</td>
<td>36.6</td>
<td>32.2</td>
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<td>Multi-sector/Cross-cutting</td>
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<td>618.6</td>
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<td>177.8</td>
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<td>Other multisector</td>
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<td>OTHER ODA</td>
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<td>Commodity aid and general programme assistance</td>
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<td>Developmental food aid/Food security assistance</td>
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<td>47.2</td>
<td>35.4</td>
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<tr>
<td>Other commodity assistance</td>
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<tr>
<td>Action relating to debt</td>
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<td>163.7</td>
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<td>Humanitarian aid</td>
<td>210.0</td>
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<td>259.0</td>
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<td>Other</td>
<td>291.8</td>
<td>275.2</td>
<td>395.4</td>
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<td>Administrative costs of donors</td>
<td>205.9</td>
<td>206.4</td>
<td>290.8</td>
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<tr>
<td>Support for non-governmental organisations⁵⁾</td>
<td>–</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Refugees in donor countries</td>
<td>50.9</td>
<td>50.0</td>
<td>61.3</td>
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<tr>
<td>Unallocated/unspecified</td>
<td>35.0</td>
<td>18.8</td>
<td>43.2</td>
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</table>

¹) Gross = without subtracting repayments and proceeds from the sale of DEG shareholdings.
²) May deviate from the data contained in the OECD database.
³) On account of the different formats used, may deviate from the data contained in the OECD database. This may also be due to the Central Emergency Response Fund’s switch from bilateral to multilateral reporting.
⁴) Including trade-related adjustment since 2008.
⁵) No longer included in the purpose code since 2010.

- No figure available.
## Sources of funding for bilateral and multilateral ODA in 2010, Euro million

<table>
<thead>
<tr>
<th>Source of funding</th>
<th>2010&lt;sup&gt;1)&lt;/sup&gt;</th>
<th>subdivision into</th>
<th>Total</th>
<th>in %</th>
<th>bilateral</th>
<th>multilateral</th>
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<td>3,679.8</td>
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<td>Federal Government Commissioner for Culture and the Media (BKM)</td>
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<td>Federal Ministry of Family Affairs, Senior Citizens, Women and Youth (BMFSFJ)</td>
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<td>German Bundestag</td>
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<td>Federal Ministry of Transport, Building and Urban Development (BMVBS)</td>
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<td>Länder (federal states)</td>
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<tr>
<td>Federal property (debt relief and rescheduling)</td>
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<td></td>
<td>1.7</td>
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<td>Market funds</td>
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<td>DEG</td>
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<td></td>
<td>3.1</td>
<td></td>
<td>307.4</td>
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<td>Other</td>
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<td></td>
<td>0.6</td>
<td></td>
<td>61.3</td>
<td>–</td>
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<tr>
<td>Repayments/sales proceeds&lt;sup&gt;2)&lt;/sup&gt;</td>
<td>-1,057.8</td>
<td></td>
<td>-10.8</td>
<td></td>
<td>-1,057.8</td>
<td>–</td>
</tr>
<tr>
<td>of which</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU)</td>
<td>-0.3</td>
<td></td>
<td>0.0</td>
<td></td>
<td>-0.3</td>
<td>–</td>
</tr>
</tbody>
</table>

<sup>1</sup> Deviations from the OECD database are due to the Central Emergency Response Fund’s switch from bilateral to multilateral reporting.

<sup>2</sup> Repayments = repayments of loans and counter-entries for relief on capital claims within the framework of financial cooperation. Proceeds of sales = proceeds from the sale of DEG shareholdings.

– No figure available.
German development cooperation: facts and figures

The following information and statistics can be accessed on the BMZ website (German version)

Background information and definitions
Guidelines “What is ODA?” / Leitfaden “Was ist ODA?” (PDF/45 KB)
DAC List of ODA Recipients for reporting years 2009-2010 / DAC-Länderliste Berichtsjahre 2009 – 2010 (PDF/40 KB)
DAC List of ODA Recipients for reporting years 2011-2013 / DAC-Länderliste Berichtsjahre 2011 – 2013 (PDF/130 KB)
DAC List of International Organisations / DAC-Liste der Internationalen Organisationen (English, PDF/483 KB)
Official DAC exchange rates / Offizieller DAC-Umrechnungskurs (PDF/84 KB)
List of CRS Purpose Codes taking effect in 2012 reporting on 2011 flows / Förderbereichsschlüssel (CRS-Codes) ab Berichtsjahr 2011 (PDF/2 MB)

Comparison of Donors
Comparison of Donors 2011 – provisional figures / Geber im Vergleich 2011 – vorläufige Werte (PDF/27 KB)

Germany’s ODA commitments
Breakdown into bilateral and multilateral ODA, 1990-2010 / Entwicklung der Anteile bi- und multilateraler ODA 1990 – 2010 (PDF/40 KB)
German ODA to multilateral organisations and the EU, 2006-2010 / Deutsche ODA an multilateralen Organisationen und EU 2006 – 2010 (PDF/57 KB)
Sources of funding for bilateral and multilateral ODA, 2009-2010 / Mittelherkunft der bi- und multilateralen ODA 2009 – 2010 (PDF/49 KB)
Bilateral and multilateral net ODA by country, 2006-2010 / Bi- und multilateraler Netto-ODA nach Ländern 2006 – 2010 (PDF/63 KB)
Bilateral and multilateral ODA to Least Developed Countries (LDC), 2006-2010 / Bi- und multilateraler Netto-ODA an Least Developed Countries (LDC) 2006 – 2010 (PDF/37 KB)
Bilateral ODA by instrument and country, in detail (2010) / Bilaterale ODA nach Instrumenten und Ländern 2010 im Detail (PDF/73 KB)
Bilateral ODA: ranking 2010 / Bilaterale ODA-Rangliste 2010 (PDF/49 KB)
Distribution of gross bilateral ODA commitments by major purposes, 2007-2010 / Bilaterale Brutto-ODA nach Förderbereichen 2007 – 2010 (PDF/54 KB)
German federal states’ ODA commitments, 2005-2010 / ODA-Leistungen der Bundesländer 2005 – 2010 (PDF/49 KB)
German federal states’ ODA commitments, 2010 (diagram) / ODA-Leistungen der Bundesländer 2010 (Diagramm/PDF/46 KB)

Non-governmental organisations
Non-governmental organisations’ commitments to developing countries from own resources, 2006-2010 / Leistungen von Nichtregierungsorganisationen aus Eigenmitteln an Entwicklungsländer 2006 – 2010 (PDF/54 KB)

Link to statistics on the BMZ website:
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