

Germany ODA Budget Profile

Budget4Change

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1. Budget Process

Cash expenditures are limited to a twelve-month period and generally lapse at end-year. The fiscal year begins on 1st January. The Federal Ministry of Finance is required by law to scrutinise the estimates received from departments, amend them and prepare a draft budget [BHO, s. 28(1)]. Departmental budgets are very detailed and contain revenues, expenditures, and authorisations for future commitments. Once prepared, the Federal Ministry of Finance transmits the draft budget to the Federal Chancellery, for approval in Cabinet. After submission to parliament, the Budget committee of the *Bundestag* plays an important role. The budget committee deals with all budget-related matters with no formal input from other committees. Sectoral committees may make recommendations, but the budget committee does not have to follow them. By convention, the chair of the Budget Committee is filled by a member from the opposition. Although parliament has the right to change or even dismiss the draft budget it in fact does not make major changes to the draft budget.

Each year government submits a **five-year financial plan** to the legislative bodies together with the budgetary proposal. This plan is a document of the government. It is not legally binding. Whereas it is discussed in parliament, it is not voted upon and needs not be adopted. There are no pre-budget reports in Germany

Budget Timeline

- January through March, the line ministries draft their budgetary request at working level.
- In the first half of March, the Ministers hand in their budgetary requests.
- March through May the Finance Ministry discusses the budget requests at working level (up to heads of department)
- In May medium term estimation of the economic outlook and next year's tax income
- Late May/early June: "Chefgespräche": Top-level negotiations between Minister of Finance and some Ministers. The Chancellor might mediate.
- Late June/early July: Cabinet adopts draft budget (including departmental budgets) and the annual update of the five-year financial plan.
- Simultaneous introduction of draft budget to both chambers [GG, Art. 110(3)]: no later than the first week of the *Bundestag's* session following 1st September
- First stage in the *Bundesrat*. It must state its position within six weeks [GG, Art. 110(3)].
- First reading in the *Bundestag* – usually in September, when the Federal Minister of Finance gives his/her budget speech and outlines the government's fiscal policy strategy.
- Budget committee of the *Bundestag* examines budget proposals, prepares a report, and proposes amendments if necessary.
- Second reading in the *Bundestag*. Budget committee's findings presented, plenary session debate on departmental budgets, with separate decisions on each.
- Third reading in the *Bundestag*. Vote on the budget as a whole.
- *Bundestag* resolution transmitted to *Bundesrat* [GG, Art. 77(1)].
- Vote on amendments proposed by the Mediation Committee.

2 | Key documents and links

- Second stage in the *Bundesrat*. *Bundesrat* may enter objection [GG, Art. 77(3)]. This can be rejected by the *Bundestag* with the required majority [GG, Art. 77(4)].
- Budget statute signed into law by the Federal President
- Publication in the Federal Law Gazette.
- **Fiscal year starts January 1.**

2. Key documents and links

There are three sources for the budget each with its own timing and serving different purposes. Once the federal government has submitted its proposal to the Bundestag, it is published on their website.

e. g. for FY 08: <http://dip21.bundestag.de/dip21/btd/16/060/1606000.pdf>

After the Federal President has signed the budget into law, it is published in the Federal Law Gazette

e. g. for FY 08: <http://frei.bundesgesetzblatt.de/index.php?teil=I&jahr=2007&nr=70>

Once the Federal Law Gazette has published the budgetary law, it is made available in a clearly structured way with some technical explanations by the Ministry of Finance:

e. g.. FY 2008: <http://www.bundesfinanzministerium.de/bundeshaushalt2008/html/index.html>

Bundeshaushaltsplan 2005 (FY 2005)

<http://www.bundesfinanzministerium.de/bundeshaushalt2005/index.html>

Bundeshaushaltsplan 2004 (FY 2004)

<http://www.bundesfinanzministerium.de/bundeshaushalt2004/index.html>

Medium-term financial plan, published by Ministry of Finance. Finanzplan 2004-2008

http://www.bundesfinanzministerium.de/lang_de/DE/Service/Downloads/Abt_II/der_finanzplan_des_bundes_2004_2008,templateId=raw,property=publicationFile.pdf

Note: There are no pre-budget reports

Development Aid in the budget

Germany's development aid budget is organised around the Bundesministerium für wirtschaftliche Zusammenarbeit (BMZ). Funds managed by BMZ are regulated by different procedures. A budget line introduced in 2005 on "development oriented emergency and transitional aid" has increased Germany's ability to have a broader and more flexible humanitarian response. Humanitarian aid managed by the Federal Foreign Office focuses on emergency response. Detailed funding principles are not spelled out. Projects are limited to short-term funding and ideally should be completed within a 6 month period.

The budgets of the Ministries are spelled out in the so-called 'Einzelpläne'. BMZ's budget is the "Einzelplan 23". These very detailed documents on the BMZ's spending are published as annexes to

the budgetary law and can also be found under the website addresses mentioned above. Annual budgets are available up to FY2008, and back to 2002.¹

For each year there is also an aggregate estimate of development spending over the next 5 years. The most recent such estimate is for 2004-2008.²

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3. Availability of forward ODA budgeting

A multi-year framework for the BMZ aid budget is in place and broken down by countries and by sector. Country strategies, a system requirement for partner countries, are generally valid for three to five years. They are binding for financial and technical cooperation agencies (KfW, GTZ, INWENT, DED and CIM) and serve as guidance for other agencies. In addition allocation targets are set to meet Germany's international sectoral commitments (e.g. education, HIV/AIDS).

Germany negotiates aid levels with partner countries and informs them of multi-year commitment plans with regard to financial and technical co-operation projects and programmes. Commitments are made up to three years ahead.

4. Departmental budgets

4.1 Principal development agency

Germany's main agency for development co-operation is the Federal Ministry for Economic Co-operation and Development (BMZ).

The BMZ budget for bilateral co-operation is in turn allocated to KfW (financial co-operation), GTZ (technical co-operation) and other implementing agencies in the field of technical cooperation such as INWENT, DED and CIM. In addition, funds are channelled through non-governmental organisations, including churches and political foundations.

Organisationally, BMZ is sub-divided into 4 "Directorates General":

Directorate-General 1 (made up of 14 divisions) is responsible for general administrative tasks and also, among other things, for cooperation with civil society forces such as NGOs, churches and political foundations, for cooperation with the private sector, for civil society engagement and for development education. The division for evaluation and auditing reports directly to the head of this Directorate-General.

¹ e.g. 2004: <http://www.bundesfinanzministerium.de/bundeshaushalt2005/pdf/epl23.pdf>; 2005:

<http://www.bundesfinanzministerium.de/bundeshaushalt2004/pdf/epl23.pdf>

²http://www.bundesfinanzministerium.de/lang_de/DE/Service/Downloads/Abt_II/der_finanzplan_des_bundes_2004_2008,templateId=raw,property=publicationFile.pdf

4 | Departmental budgets

Directorate-General 2 (made up of 11 divisions) is responsible for development cooperation with countries and regions in Asia and Latin America, for the topics of good governance and human rights, for general policy issues and for organising bilateral development cooperation – for example, the coordination and integration of all development policy measures and the management and monitoring of the projects and programmes in the individual countries.

Directorate-General 3 (made up of 13 divisions) is responsible for development cooperation with countries and regions in Africa and for global and sector-based tasks. These tasks include, for example, the Millennium Development Goals, education, climate protection, water, rural development, health, and resource use.

Directorate-General 4 (made up of 11 divisions) is responsible for development cooperation with South Eastern Europe and the Southern Caucasus, with the Middle East, and with Afghanistan and Pakistan, and also for the topics of peace and security, emergency and transitional aid, European and multilateral development policy, and globalisation and trade.

For a breakdown of the most recent budget of BMZ, see appendix A.

4.2 Other departments / ministries

The breakdown of German ODA across the various agencies / ministries is given below:

Germany - sources of ODA 2004 - 2008										
Ministry / Agency	2004		2005		2006		2007		2008	
	Million EUR	% of total	Million EUR	% of total	Million EUR	% of total	Million EUR	% of total	Million EUR	% of total
Federal Ministry of Economic Cooperation and Development	4,321	59.9%	3,505	37.6%	4,252	44.3%	4,838	48.4%	5,218	47.2%
Federal Ministry of Foreign Affairs	233	3.2%	278	3.0%	345	3.6%	360	3.6%	636	5.7%
Federal Ministry for the Environment, Nature Conservation and Nuclear	15	0.2%	16	0.2%	17	0.2%	16	0.2%	82	0.7%
Federal Ministry of Education and Research	34	0.5%	45	0.5%	44	0.5%	52	0.5%	59	0.5%
Federal Government Commissioner of Culture and the Media	-	0.0%	49	0.5%	73	0.8%	46	0.5%	56	0.5%
Federal Ministry of Food, Agriculture and Consumer Protection	31	0.4%	28	0.3%	27	0.3%	25	0.3%	26	0.2%
Federal Ministry of Health	27	0.4%	20	0.2%	22	0.2%	22	0.2%	23	0.2%
Federal Ministry of Economics and Technology (BMWl)	14	0.2%	6	0.1%	6	0.1%	7	0.1%	19	0.2%
Federal Ministry of Defence	10	0.1%	13	0.1%	27	0.3%	9	0.1%	8	0.1%
Federal Ministry of Labour and Social Affairs (BMAS)	-	0.0%	-	0.0%	3	0.0%	3	0.0%	6	0.1%
Federal Ministry of Finance	1	0.0%	1	0.0%	27	0.3%	16	0.2%	5	0.0%
Federal Ministry of the Interior	11	0.1%	9	0.1%	8	0.1%	8	0.1%	5	0.0%
Federal Ministry for Family Affairs, Senior Citizen, Women and Youth	1	0.0%	4	0.0%	2	0.0%	2	0.0%	3	0.0%
Federal Ministry of Justice	0	0.0%	1	0.0%	1	0.0%	2	0.0%	2	0.0%
Federal Ministry of Transport, Building	0	0.0%	0	0.0%	0	0.0%	1	0.0%	0	0.0%
German Parliament	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
ODA-eligible share of EU budget	967	13.4%	1,157	12.4%	1,088	11.3%	1,122	11.2%	1,202	10.9%
federal states	660	9.2%	783	8.4%	764	8.0%	746	7.5%	688	6.2%
Federal funds	673	9.3%	3,176	34.0%	2,417	25.2%	2,187	21.9%	2,281	20.6%
Market funds	167	2.3%	127	1.4%	160	1.7%	280	2.8%	332	3.0%
DEG - Deutsche Investitions- und Entwicklungsgesellschaft	-	0.0%	-	0.0%	-	0.0%	246	2.5%	365	3.3%
Other	44	0.6%	111	1.2%	317	3.3%	10	0.1%	51	0.5%
Total	7,209	100.0%	9,329	100.0%	9,600	100.0%	9,998	100.0%	11,066	100.0%

Finance Ministry

The Federal Finance ministry is responsible for paying Germany's share of EC budget contributions. The part of these contributions that is counted as multilateral ODA means that the finance ministry is responsible for approximately 11% of Germany's total ODA. (This is shown as a separate line in the above table, rather than as part of the Finance Ministry's contribution to ODA).

HERMES (Export Credit Guarantee Agency)

The private firm generally known as Euler Hermes administers the German export credit guarantee scheme on behalf of the government. This entity is credited with the majority of German ODA-eligible debt relief and has thus accounted for approximately one-quarter of Germany's bilateral ODA over the past three years.

KfW

KfW is the Germany's principal implementing agency for ODA-eligible financial co-operation. KfW operations largely service the specific implementation needs of BMZ development policy. In 2006 and 2007 grants made up roughly 50% of KfW's disbursements, with the other half being a combination of new ODA-eligible loans and debt write-offs. In 2008, however, no grant funding (other than debt forgiveness) was reported by KfW and its share of German bilateral ODA fell from an average of 17% to 8%.

Federal States (Länder)

The federal states make a significant contribution to German aid disbursements, accounting for approximately 11% of bilateral ODA over the period 2006-08.

Most of the ODA from the 16 Länder is composed of imputed student costs. The other budgetary resources allocated to development co-operation by Länder amounted to less than 10% of their total ODA contribution.

Federal Ministry of Foreign Affairs

In 2008 the Federal Ministry of Foreign Affairs contributed EUR 636 million or 6% of Germany's ODA. This is consistent with other years, with the foreign ministry typically accounting for 5-6% of German ODA in any given year.

DEG (German Investment & Development Company)

DEG's main activity is to provide long-term investment capital for private enterprises in developing countries at market conditions.

It is the most important actor in Germany's ODA-eligible public-private partnership (PPP) scheme, with its activities accounting for more than 80% of Germany's overall PPP portfolio.

Over the years 2006-08, DEG accounted for around 4% of Germany's bilateral ODA.

Other Federal Ministries

The following other federal ministries have all contributed to Germany's total ODA in recent years:

- Federal Ministry for the Environment, Nature Conservation and Nuclear Safety
- Federal Ministry of Education and Research
- Federal Government Commissioner of Culture and the Media
- Federal Ministry of Food, Agriculture and Consumer Protection
- Federal Ministry of Health
- Federal Ministry of Economics and Technology (BMWi)
- Federal Ministry of Defence
- Federal Ministry of Labour and Social Affairs (BMAS)
- Federal Ministry of the Interior
- Federal Ministry for Family Affairs, Senior Citizen, Women and Youth
- Federal Ministry of Justice
- Federal Ministry of Transport, Building and Urban Development

The total amount disbursed by these ministries accounts for around 2.5% of German bilateral ODA.

Appendix A – BMZ Budget Analysis

Budget Category	Million EUR	
United Nations and International Institutions	311	
Bilateral official development cooperation	3,041	
Special measures	35	
Civil society and business groups and institutions	669	
Ministry	77	
Food security and global environmental protection	236	
European Development Fund	875	
Regional banks	191	
World Bank / IMF	636	
TOTAL	6,070	

