

# The Reality of Aid 2012

**A critical analysis of the German  
Federal Government's development policy**

**Where is development policy heading?**

**The search for new concepts  
and alliances.**

**Summary**

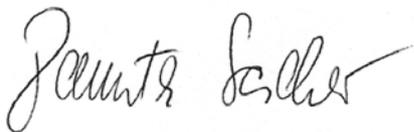
This year Welthungerhilfe and terre des hommes Germany are publishing their 20th report on “The Reality of Aid.” This report, which has appeared yearly since 1993, is a critical analysis of the German Federal Government’s development policy.

This year’s report is the first to be released in two parts. Since the publication can be seen as an OECD-DAC shadow report on the officially declared version of German development policy, the analysis presented in this part of the report, which addresses the **qualitative aspects** of German official development assistance, was moved closer to the publication of the DAC figures in April of 2012. The analysis of the **quantitative aspects** will appear in a separate part of the report in connection with the adoption of the Federal budget in the autumn of 2012.

In its contents, the present report can also be seen as a continuation of last year’s, which addressed the effects of German development policy. The “Busan Partnership for Effective Development Cooperation,” established by the 4th High Level Forum on Aid Effectiveness, integrated emerging countries like China and India for the first time and also, to a greater extent than previously, the private sector. Hence an overview and analysis of the Federal Government’s new development policy concepts – proceeding from the question “Where is development policy headed?” – are the focus of this year’s report. Development policy realignments, efforts to build up partnerships and the setting of national and international priorities are outlined and evaluated.

From the report’s main conclusions come development policy recommendations for the Federal Government – particularly regarding the UN Conference on Sustainable Development that will take place in Rio de Janeiro in June of this year. These recommendations include a discussion about alternative ways of measuring the wellbeing and progress, which up to now have been measured chiefly by the growth of the gross domestic product.

Bonn / Osnabrück, March 2012



Danuta Sacher  
Executive Director  
terre des hommes Germany



Dr. Wolfgang Jamann  
General Secretary  
Chairman of Welthungerhilfe

The current English summary contains the highlights of this year’s German report at a glance, as well as the conclusions and political recommendations of terre des hommes and Welthungerhilfe.

## At a glance

- **Altered frame conditions of development aid policies.** A series of economic, social and ecological “megatrends” is strongly influencing the worldwide struggle against poverty and hunger. These include, among other things:
  - profound shifts in the economic and political relationships among the nations
  - the increasing (economic) differentiation of the countries of the South
  - growing social disparities within many countries
  - more serious environmental risks
- **Search for new development concepts.** At first, the discussions about the realignment of development policies resulting from the altered global conditions took place on government level in the classic donor organizations. Already in 2007, the Development Assistance Committee (DAC) of the OECD set up a Reflection Group, with the task of formulating proposals about the future of the Western alliance of donors. Later, similar discussions began at EU level. As part of the 4th High Level Forum on Aid Effectiveness and of the G20 work group for development, countries of the South were increasingly included in the deliberations. With the early debates over the United Nation’s post-2015 development agenda, these discussions are now reaching a global level. They will gain more momentum from the UN Conference on Sustainable Development (“Rio+20”), which will take place in June 2012.
- **Ambivalent assessment of the “Busan Partnership.”** What made the 4th High Level Forum on Aid Effectiveness remarkable was the fact that its concluding document was supported for the first time by the so-called “new donors,” such as China, India and Brazil - but only on a voluntary basis. Still, the “Busan Partnership” represents a transformation of North-South relations, reflecting the new geopolitical realities. Yet unlike in the Paris Declaration, the governments did not link the general statements of intent to concrete goals, indicators and timelines. This should be remedied by June 2012.
- **Conceptual reorientation of German development policies.** The German Federal Ministry for Economic Cooperation and Development (BMZ) has reacted to the global economic power shifts and the increasing differentiation between the emerging and the developing countries with its own concept for cooperation with the so-called “global development partners.” The BMZ concept includes Brazil, India, Indonesia, Mexico and South Africa as part of the core group. Strategic areas where action is required are climate and environment, economic development and the creation of a global development agenda. An interdepartmental concept on how to intensify political cooperation with the new “policy shapers” completes the realignment.



● **Increased coherence regarding human rights in German development policy announced.** The BMZ has made its own concept of human rights a binding model of German development cooperation. Its intention is to subject all governmental aid projects to a “human-rights inspection” – in other words, a human-rights risk assessment. Yet all debates regarding coherence remain ineffective if there is no coherence with other policy areas that have human rights implications. Along with binding BMZ guidelines that are linked to clear criteria and a strengthening of the BMZ’s internal human-rights competencies, there also needs to be more interdepartmental cooperation in order to ensure an overall coherence in human rights policy in all of the German Government’s external activities.

● **Increased coupling of ODA with repayable loans at market conditions.** Since the change of government, there has been a noticeable trend to increase the use of ODA-eligible loans at market conditions in order to finance development. The amount of this interest-subsidized mixed-credit financing rose more than threefold, from 332 million euros in 2008 to 1,155 million euros in 2010. However, the coupling of the public aid monies to market funds carries with it the danger of a flash-in-the-pan effect: Although it raises the ODA quota in the short term, the repayments of the market-fund loans over the coming years are calculated as a negative ODA and reduce the ODA share accordingly. In addition, these funds will mainly assist the economically stronger developing countries; for the most part, the poorest nations will receive nothing.

● **Coherent Federal Government development policy concept still needed.** The German Government still lacks a consistent overall concept to achieve the goal of establishing development policy as global structural policy. The reorientation towards bilateral development cooperation and the overemphasis on aid cooperation with German companies send out the wrong signals. In addition, Germany’s development policies face a fundamental dilemma: On the one hand, the spectrum of still-to-be-solved problems – from growing social disparities to climate change to the effects of the global economic and financial crisis – is immense, while, on the other hand, the scope and mandate of Germany’s development policy are strictly limited. In other words, there is an ever-decreasing correspondence between the need for action by the BMZ and its capacity for action. The answer must lie in a substantial upgrading of German development policy.

## Conclusions and policy recommendations

The changes in the geopolitical balance of power and the unresolved social, economic and environmental crises have an unquestionable effect on development policy. If the latter fails to find answers to the new global challenges, it runs the risk of steadily losing in importance. The influence of development policy on the development of Southern nations has always been limited. Today, the increasing economic interdependence, the instability of the global financial markets and the effects of global climate change only make this more obvious. They show that the policies of the economic, financial, agricultural and environmental ministries, including energy policy, can have far more influence on the development of the Southern countries than development policy alone.

The significance of the classic (Western) development policy will be further qualified by the growing number of new actors involved in development cooperation ("new donors"). The inadequate increase (actually, in some European countries, the massive decrease) in ODA amplifies this loss in importance. Finally, the self-imposed limits on the number of partner countries decreases the scope of development policy. By reducing the number of partner countries to 50 from the total of approximately 130 Southern countries, German development policy leaves the leadership for cooperation with the other countries in the hands of the economic, financial or foreign ministry. In this way, Germany's development policy runs the risk of falling into the niche from which the current Federal Development Minister actually wished to "free" it.

As a result, there is a strong need for a strengthened and future-oriented policy towards the countries of the South. Within the Federal Government, this policy should act as the guardian and guarantor of political coherence regarding the interests of development. The policy would be responsible for Germany's fulfilling its obligations in implementing internationally agreed-upon rights - from the right to development, to political and civil rights, to economic, social and cultural human rights

and finally to universal women's and children's rights. In addition, a sustainable development policy could help ensure that the proposed "great transformation" to a sustainable and environmentally friendly economy and way of life comes not at the cost of poor Southern countries but for their benefit.

The Federal Development Ministry shares the general opinion that the "development landscape" has changed fundamentally and that development policy therefore cannot remain as it was. With the establishment of an "innovation committee," the numerous consultation processes connected to its 50-year celebration and the release of the new development policy concept, the ministry demonstrated a praiseworthy openness towards civil society and science. The sector concepts and position papers published over the past 12 months - for example, on the subjects of human rights, rural development and education - contain numerous aspects that are judged positively by *terre des hommes* and *Welthungerhilfe*.

However, the Federal Government still lacks a consistent general concept that assures that development policy will be formulated as a "global structural policy." The reorientation towards bilateral development cooperation, the outsourcing of large segments of emergency and transitional aid to the foreign office and the overemphasis on development cooperation with German companies sent out the wrong signals. Efforts to finance development cooperation increasingly "on credit," through the coupling with repayable loans at market conditions, raise the indebtedness of the respective beneficiaries and mask the risk that the development cooperation will be transferred to those cooperation partners who are capable of making (re-)payments - at the expense of the poorest countries.

(German) development policy faces a fundamental dilemma: On the one hand there is an immense spectrum of unresolved problems, from the growing social disparities to climate change to the effects of the global economic and financial crisis;

on the other is the strictly limited scope and mandate of development policy. In other words, the BMZ's need for action and its capacity for action correspond less and less.

The current international discussions and negotiation processes related to the implementation of the Busan resolutions, the Rio+20 Conference on Sustainable Development and the future of the Millennium Development Goals (MDGs) after 2015 also offer German development policy an opportunity (and necessity) for a conceptual and institutional restructuring. This is because the decisions about a new worldwide development partnership, global sustainability objectives and the post-2015 development agenda cannot be made at the international level only; they also must be reflected in the structures and strategies of German development policy. In this connection, Welthungerhilfe and terre des hommes believe the following steps are necessary in order for German policy to be restructured to help ensure a globally sustainable development. These steps refer to the precepts and principles, the goals and indicators, the institutions as well as the quality and quantity of development cooperation.

### 1. Strengthen rights-based approach to development policy

In international agreements and declarations, the Federal Government has recognized a series of principles that should form the normative basis of its international cooperation. Up to now, however, it has failed to consistently conduct its political actions according to these principles. All too often, the importance of the development policy is judged by expediency and subordinated to short-term economic self-interests. However, the right to development, as well as economic, social and cultural human rights and the principles of international cooperation – all of which were already established in the Rio Declaration of 1992 – are not political commodities but must be respected invariably and implemented consistently.



The Federal Government should confirm economic, social and cultural human rights and the related state obligations as the basis for its overall policies. In addition, it should make the “Rio principles” a clear benchmark for its political decisions. These include: 1.) the principle of **common but differentiated responsibilities**, which imposes financial obligations on nations according to their contribution to global environmental pollution and their economic capabilities; 2.) the **polluter-pays principle**, which obliges those responsible for ecological, economic and social damages to bear the associated costs; 3.) the **precautionary principle**, which commits governments and other entities to institute measures against technologies that could cause serious damage to people and the environment. At the Rio+20 conference, the Federal Government should counteract any attempts to weaken these principles.

The Parliament should adopt a resolution on development policy comparable to the “European consensus,” confirming that human rights and the principles of international cooperation are basic values of German politics.

### 2. Adopt a coherent development concept for the entire Federal Government and incorporate it institutionally

The principle of “policy coherence in the interest of development” runs the risk of degenerating into a platitude if it is not filled with specific contents. Hence Welthungerhilfe and terre des hommes also support the requirement of the DAC Peer Review 2010 that calls for a policy principle statement by the Federal Government urging development policy coherence and a coherence agenda with clear priorities, which would define cross-departmental strategic goals and implementation steps.

Generally speaking, the BMZ's concept regarding human rights in German development policy is a good step in this direction, in that it declares human rights to be a mandatory guiding principle of politics. This concept should, however, be given a tangible form in order to ensure that human rights take precedence in the case of conflicts of interest with other policy areas, such as trade, agriculture, economics or security.

The commitment to a coherent policy for sustainable development that is based on human rights must also be reflected in Germany's positions towards the new development strategies of the OECD and the EU, as well as in the structures of the Federal Government and the German Bundestag. Up to now, the BMZ has not had the mandate to ensure interdepartmental coherence. The same applies conversely to the Bundestag's Committee on Economic Cooperation and Development (AWZ). In addition, both the Council for Sustainable Development and the Parliamentary Advisory Council on Sustainable Development, which was already established in 2004, have not yet taken on controlling or directing functions. Their mandates are mainly limited to monitoring the Federal Government's national sustainability strategy and making recommendations.



The Federal Government should immediately adopt a strategy to implement the principle of political coherence in the interest of sustainable development, a principle that would be binding for all departments. This strategy should ensure that all policy areas are aligned with the model of an environmentally sound and socially just development and that their decisions are continually tested for their effects on human rights and development. The "human rights MOT" provided by the BMZ is certainly commendable. However, it should not remain limited to development policy but should be applied to all policy areas, making it a matter for decision at their management levels. Specific criteria and procedures for such a human rights MOT should be developed in close cooperation with civil society organizations. The related idea of creating a complaints mechanism is a good one, and should be implemented as quickly as possible.

In order to adopt and monitor an interdepartmental coherence agenda, the mandate of the BMZ should be expanded accordingly and the existing "Inter-ministerial Council on International Cooperation," which the BMZ directs, should be upgraded and refined.

In general, the goal of making foreign and development policy "of one piece" is to be welcomed, although it is important that it does not lead to a weakening of the BMZ. In sensibly combining humanitarian aid and develop-



>>> ment-oriented emergency and transitional aid, a closer integration with middle and long-term development cooperation must therefore be achieved.

The coherence principle does not apply just to the executive level. Therefore, after the next elections, the German Bundestag should determine the necessary steps to upgrade the AWZ to a "coherence committee" and to expand its mandate accordingly.

At the EU level, the German Government should support the proposal of the European Parliament for a "permanent rapporteur for political coherence in the interest of development." At the same time, it should work to ensure that the obligation for a coherent sustainability policy based on human rights also be reflected in the EU's new development strategy.

### 3. Actively support the search for alternative indicators of progress and global development goals

Given the ecological limits of our planet, development concepts that result in increased consumption of resources and CO<sub>2</sub> emissions are not sustainable. In the fight against poverty and hunger, gauges that concentrate on measuring the growth of production of goods and services while ignoring the informal economy, as well as gender and distribution issues, are also insufficient. This is why the criticism of gross national income (GNI) growth as the dominant indicator of prosperity and progress is gaining adherents.

At all levels, search procedures have been introduced to establish alternative prosperity measures as well as resource-efficient and climate-friendly development models. In this connection, the work of the Bundestag's Enquête Commission on "Growth, Prosperity, Quality of Life," which aims to develop a holistic indicator for prosperity and progress by the end of the 2013 legislative period, should be supported. It must also address political, gender-specific and human rights questions in a comprehensive manner.

The restructuring of German development policy also requires new development goals that would better reflect global changes and challenges than

do the existing MDGs, with their limited focus. Against this background, proposals for global “Sustainable Development Goals” deserve strong support. They certainly have the potential to overcome the weaknesses of the current MDGs. Welthungerhilfe and terre des hommes also see in them an opportunity to bring together the previously parallel discourses about sustainable development and its indicators, on the one hand, and poverty reduction and MDGs on the other.



At the Rio+20 summit, the Federal Government should actively commit to ensuring that a consultation process is begun at the UN level that leads to the establishment by 2015 of meaningful measures and indices regarding prosperity, well being and social progress. In so doing, various initiatives and experiences on the country level (e.g., the happiness index in Bhutan and the Buen Vivir approaches in Bolivia and Ecuador) should be taken into account. In terms of time and content, the procedure should be coupled with the debates over the future of MDGs and new global sustainability goals.

Both at the Rio+20 summit and in international discussions about the post-2015 development agenda, the German Government should also campaign for a UN agreement by 2015 over a new set of global development goals. This procedure should be joined by a wide variety of civil society organizations. .and lead to an agreement in principle about future goals in time for the “MDG Summit” in 2013. These goals should be valid in all countries of the world. At the same time, their sub-goals and indicators should be manageable and allow for enough flexibility to take into account the economic, environmental and social situations of the individual countries. It is of central importance that these goals do not fall short of the existing human rights obligations and the development goals agreed upon at the world conferences of the 1990s; rather they should build upon those obligations and goals.

In its work, the Bundestag’s Enquête Commission on “Growth, Prosperity, Quality of Life” should take into account not only these international discussions but also political and human rights aspects and the viewpoints of civil society organizations from the South.

#### 4. Strengthen democratic global governance for sustainability

So far, there is no universal body on a global level where the environmental, social and economic challenges of the world can be discussed collectively. The UN Commission on Sustainable Development (CSD) could have taken on such a function after the Rio conference in 1992, but it received neither the mandate nor the necessary political instruments to do so from the world’s governments. Given their shortcomings and the persistent governance gap at the interface between global economic, social and environmental policy, Welthungerhilfe and terre des hommes support proposals to upgrade the CSD to a Council for Sustainable Development, modeled on the UN Human Rights Council. Because of its basis in the universal membership of the United Nations and its guarantees of broad-based participation rights for civil society organizations, such a council would have a substantially higher legitimacy than, for example, the G20’s working group on development.

Future generations have little to say when it comes to the current policy. A long-term goal must be to recognize the interests and requirements of future generations in the form of legally guaranteed entitlements. One important step in this direction would be the establishment of ombudsmen to protect the rights of future generations. Their task would be to keep informed about relevant themes and problems in connection with the rights of future generations, to hear complaints, to bring to court contested cases as the representatives of those generations and to review political decisions that might cause heavy and irreversible damage to them.



At the Rio+20 summit, the Federal Government should actively seek to ensure that the CSD in its current form be dissolved and replaced by a Sustainable Development Council, which, as a subsidiary body of the UN, would report directly to the UN General Assembly. The UN Human Rights Council, which arose in 2006 from the Human Rights Commission of the ECOSOC, can serve as a model for this reform. The German Federal Government should work to ensure that the new Council receive a broad mandate and sufficient funds to meet the needs of political coherence, coordination and management in the interests



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of a future-oriented development. At the same time, the new global partnership for effective development cooperation must be closely connected to the Council, in order to avoid a duplication of work and the creation of parallel structures.

In order to guarantee the enforcement of future generations' rights within the practice of politics, the Federal Government should attempt to ensure that ombudsmen, as quasi lawyers for the next generations, are hired at the international, national and municipal level. At the Rio+20 Summit, it should support the demand to establish an ombudsman position at the global level under the auspices of the United Nations. At the same time, the German government should commit itself to introducing appropriate steps for the federal level within a clearly defined time frame. In addition, it should work towards the establishment of such positions at the EU level as well as at the municipal level within Germany itself.

### 5. Increase the quality of development cooperation: effective embellishment of the Busan Partnership

The 4th High Level Forum on Aid Effectiveness at Busan made progress in incorporating civil society and the "new donors," especially China, India and Brazil. In order to do so, however, different premises had to be accepted for "North-South" versus "South-South" cooperation. Whether Busan marked a turning point in international development cooperation or not remains to be seen. Of central importance will be the question of whether the governments can agree on a set of specific targets, indicators and timelines by June 2012, as was the case with the Paris Declaration. In this context, it will depend primarily on the design of the new Global Partnership for Effective Development Cooperation. It must guarantee broad participation rights for civil society organizations and overcome the political dominance of traditional donor countries.

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The Federal Government should work towards supplementing the Busan Partnership by June 2012 with an agreement on measurable goals, indicators and timelines. This agreement should contain targets for increasing democratic responsibility and encouraging a development-friendly environment, as well as for strengthening programme-oriented joint financing, eliminating tied aid and increasing the planning reliability of the partner countries through multi-year commitments.

When it comes to the design of the Global Partnership for Effective Development Cooperation, the Federal Government should have as its goals full participation rights for civil society organizations and close ties between the new mechanism and the United Nations. Only then can the new Global Partnership become a forum for all development actors, a forum not dominated by the interests of Western donors.

In order to transfer the principles of the Busan Partnership to German development cooperation, the Federal Government should immediately adopt its own implementation plan. The cooperation with the private sector should also be subject to these principles, in particular when it comes to partner orientation and transparency.

### 6. Increase the quantity of development cooperation: finally take ODA commitments seriously

For years, Welthungerhilfe and terre des hommes have challenged the Federal Government to fulfill its obligations under the phased ODA plan of the European Union. These required ODA increases of at least two billion euros per year. The Federal Government has committed itself verbally to fulfilling its ODA obligations, but stubbornly refuses to submit a timetable. On the contrary: Its commitment to achieve the 0.7 percent target blatantly contradicts its medium-term financial planning. Rather than raising the BMZ budget, the Federal Government is currently planning to cut it by 2015 to a sum that is 368.6 million euros less than the 2011 budget. Closing the growing ODA gap by coupling BMZ funds to loans at market conditions cannot substitute for the necessary increase in the development budget. Against this background,

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terre des hommes and Welthungerhilfe welcomed the initiative offered by a cross party- group in the Bundestag for a “development policy consensus.” However, the fact that this consensus among the majority of the members has not yet led to a corresponding decision by the Bundestag calls into question the credibility of this initiative. The necessary funds could be raised, e.g., by introducing a tax on financial transactions, which, as part of the broad civil society coalition “tax against poverty,” also would serve to finance development policy aims.



Welthungerhilfe and terre des hommes call on the German Government, while drafting its federal budget for 2013, to implement as a minimum requirement of the “development policy consensus” supported by the majority of Bundestag members an increase of at least 1.2 billion euros in funds for development cooperation and humanitarian aid.

In addition, the Federal Government should increase the share of proceeds from emissions trading, which is used for climate protection and adjustment measures in developing countries, to at least 50 percent.

Finally, as a first step for the countries of the euro zone, the Federal Government should actively accelerate the introduction of a financial-transaction tax and ensure that at least 50 percent of the proceeds are used for development and climate-protection purposes.

In international discussions about targets for the public financing of development after 2015, the German Government should view the obligations that were derived from the human rights covenants and universally valid principles of the Rio Declaration of 1992 as a normative basis of operation, and should work towards establishing a fair system of burden-sharing and financial compensation among all countries of the world.



The Reality of Aid 2012  
20th report 2012 – Part I

Where is development policy heading?  
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**Publishers:**

Welthungerhilfe e.V.  
terre des hommes Deutschland e.V.

**Editing:** Birgit Dederichs-Bain,  
Wolf-Christian Ramm

**Authors:** Jens Martens, Dr. Klaus Schilder,  
Global Policy Forum Europe

**Design:** MediaCompany –  
Agentur für Kommunikation GmbH

**Printing:** Das Druckhaus Brümmer, Bonn  
1. Auflage 2.500, April 2012

**Submission deadline:** 15. März 2012  
Diese Broschüre wurde auf  
100 % Recycling-Papier gedruckt

ISBN 978-3-941553-14-9

WHH-Lager-Nr. 460-3023/3  
terre des hommes Bestell-Nr.: 302.1273.20

**Welthungerhilfe**

Friedrich-Ebert-Straße 1  
53172 Bonn

Tel.: 02 28 / 22 88-0

Fax: 02 28 / 22 88-333

E-Mail: [info@welthungerhilfe.de](mailto:info@welthungerhilfe.de)

Internet: [www.welthungerhilfe.de](http://www.welthungerhilfe.de)

**terre des hommes Deutschland e.V.**

Hilfe für Kinder in Not  
Ruppenkampstraße 11 a  
49084 Osnabrück

Tel.: 05 41 / 71 01-0

Fax: 05 41 / 70 72 33

E-Mail: [info@tdh.de](mailto:info@tdh.de)

Internet: [www.tdh.de](http://www.tdh.de)

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