

4 **OECD (Hg.): DAC Peer Review Germany, Paris 2006.**

5 (www.oecd.org/dataoecd/54/0/36058447.pdf + dt. Version: www.oecd.org/dataoecd/10/22/36770168.pdf)
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8 (p. 13) *A movement in favour of poorer countries but need for greater strategic selectivity*
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10 Germany has never stated a preference in favor of specific groups of countries. Germany admits
11 that poorest countries need donors' full support but also considers co-operation with economically
12 more advanced countries as vital for achieving the MDGs since 50% of the world's poor live in China
13 and India alone. In shaping its approach to economically more advanced countries (the "anchor
14 countries"), most of which have access to international capital markets to finance their development
15 needs, Germany intends to engage in strategic partnerships with these countries including the greater
16 use of market funds in place of budgetary resources. Historically there has been a strong focus of
17 Germany on middle-income countries, which received more than 50% of bilateral funds until the early
18 2000s. Least developed and other low income countries now account for more than 50% of bilateral
19 ODA (partly due to the increasing importance of debt relief).

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21 (14)

22 To increase the strategic focus of bilateral co-operation, BMZ emphasises action in some
23 80 co-operation countries and in each of them on a limited number of areas. Distinction is made
24 between "priority partner countries", where BMZ intends to focus on up to three priority areas and
25 "partner countries", where co-operation is limited to one priority area. The optimal number of
26 co-operation countries remains an open question in light of Germany's commitment to greater aid
27 effectiveness and more efficient aid delivery modes based on a better division of labour among donors.
28 BMZ is now reviewing a possible set of criteria to better take into account emerging challenges of aid
29 effectiveness. In reviewing its list of co-operation countries, BMZ should also take into account the
30 appropriate mix of countries and instruments as well as the delivery capacity required to enable
31 Germany to contribute effectively to poverty reduction and achieving the MDGs.

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33 (24)

34 ***Anchor countries: a new approach to co-operation with economically more advanced developing***
35 ***countries***

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37 The German development policy does not include an explicit preference in favour of specific
38 groups of countries nor regions. Historically there has been a strong focus of German aid on middle
39 income countries with five countries typically being the top recipients of German ODA: China, India,
40 Indonesia, Egypt and Turkey. Germany does not intend to focus only on the poorest countries
41 although it admits that poorest countries need donors' full support. However, a trend in favour of low
42 income countries is emerging, partly due to the increasing importance of debt relief.
43 Germany considers co-operation with economically more advanced countries as vital in the
44 perspective of achieving the MDGs - 50% the world's poor live in China and India alone, and these

45 two countries represent also a major challenge for the protection of global environment and
 46 management of natural resources. BMZ (2004a) has identified a specific group of countries, the
 47 so-called “**anchor countries**”¹, as key partners for achieving the objective of global poverty reduction,
 48 peace building and an equitable globalisation process. Due to their economic weight and political
 49 influence, anchor countries play a growing role in shaping international politics in their respective
 50 regions and increasingly on a global scale. BMZ intends to adapt its co-operation with these countries

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 52 (25)

53 according to their changing role in the context of globalisation and to focus on fostering social
 54 cohesion, protecting global public goods (particularly in the area of natural resources and renewable
 55 energies) and strengthening good governance and regional security.

56 As many of these countries have access to international capital markets, Germany plans to make
 57 greater use of innovative financing instruments under which official budget funds are replaced by, or
 58 supplemented with market funds (composite or mixed financing). Financial co-operation should focus
 59 on projects that help break new technological ground while the role of technical co-operation should
 60 be seen as a knowledge broker. The German government intends to boost partnerships with these
 61 countries by linking development co-operation with initiatives in other policy areas such as
 62 economics, research, technology, consumer protection and the environment. The interesting vision
 63 about future co-operation with anchor countries remains to be translated into strategic and
 64 programming principles.

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 66 (30)

67 ***Geographical distribution***

68 In 1998, BMZ decided to increase the strategic focus of its bilateral co-operation by
 69 concentrating on a smaller number of co-operation countries and in each of them on fewer areas with
 70 the aim to improve the efficiency and effectiveness of development co-operation. The list of
 71 co-operation countries established at that time reduced the number of countries from 120 to about 70.
 72 The distinction between “**priority partner**” and “**partner**” countries does not influence the level of
 73 funding but has implications in terms of the co-operation intensity and the programming modalities. In
 74 priority partner countries, BMZ intends to deploy the full range of German development co-operation
 75 instruments and to focus on up to three “priority areas” while co-operation in partner countries is
 76 limited to one priority area. ...

77 In 2003, priority partner countries and partner countries received respectively about 73% and
 78 19% of total bilateral allocable ODA. This indicates a high degree of concentration. However, the
 79 remaining 8% of bilateral allocable ODA was dispersed to more than 60 countries: this includes
 80 important amounts of debt relief (notably to the Democratic Republic of Congo) and of humanitarian

¹ Anchor countries, most of which are currently “co-operation countries” of German development co-operation, include: Argentina, Brazil, China, Egypt, India, Indonesia, Iran, Mexico, Nigeria, Pakistan, Russia, Saudi Arabia, South Africa, Thailand and Turkey.

81 assistance (e.g. Iraq and Sudan) which by nature cannot be restricted to co-operation countries.
 82 According to their most recent annual reports, KfW and GTZ, the two main implementing agencies,
 83 were still active in 113 and 131 countries respectively. ...
 84 Furthermore, the optimal number of co-operation countries remains an open question in light of
 85 BMZ's limited field capacity (Chapter 5) and the need for more efficient aid delivery modes based on
 86 a better division of labour among donors. The list of co-operation countries (Table 2) has not been
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 88 (31)
 89 revised extensively since the last DAC Peer Review and actually has got longer (84 countries) when
 90 transformation countries (namely countries from southern, central and eastern Europe and from the
 91 former Soviet Union) are added, most of them ODA-eligible. BMZ has also identified a series of
 92 potential partner countries where no - or only limited - development co-operation is possible at
 93 present. In addition, the concept of anchor countries (Chapter 1) could prevent BMZ from reducing its
 94 geographic spread since most of these countries are important co-operation countries. BMZ has started
 95 a process of revising the country list in view of emerging aid effectiveness challenges and a more
 96 efficient division of labour among donors.
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Table 2. Co-operation countries of German development co-operation

"Priority partner" countries	"Partner" countries
Europe	
Turkey (until 2007-08)	
North Africa and Middle East	
Egypt , Morocco, Palestinian Territories, Yemen	Algeria, Jordan, Syria, Tunisia
Sub-Saharan Africa	
Benin, Burkina Faso, Cameroon, Ethiopia, Ghana, Kenya, Malawi, Mali, Mozambique, Namibia, Rwanda, Senegal, South Africa , Tanzania, Uganda, Zambia	Burundi, Chad, Cote d'Ivoire, Eritrea, Guinea, Lesotho, Madagascar, Mauritania, Niger, Nigeria
<i>Potential co-operation countries: Angola, Congo (DR), Sierra Leone, Sudan, Togo, Zimbabwe</i>	
Asia	
Afghanistan, Bangladesh, Cambodia, China , India , Indonesia , Nepal, Pakistan , Philippines, Vietnam	Laos, Mongolia, Sri Lanka, Thailand , Timor Leste
<i>Potential co-operation countries: Iran, Myanmar</i>	
Latin America	
Bolivia, El Salvador, Honduras, Nicaragua, Peru	Brazil , Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, Guatemala, Mexico , Paraguay
<i>Potential co-operation country: Haiti</i>	
Central and Eastern Europe + New Independent States of Former Soviet Union	
Georgia	Armenia, Azerbaijan, Kazakhstan, Kyrgyz Republic, Tajikistan, Uzbekistan
<i>Special status: *Belarus, *Russia, *Ukraine</i>	
Southern Europe (Stability Pact)	
Albania, Bosnia Herzegovina, Macedonia	Serbia (incl. Kosovo) & Montenegro, *Bulgaria (2006), Croatia (2009), *Romania (2006)
<i>Special status: Moldova</i>	

*not ODA eligible⁸

Note: **Anchor countries** are highlighted in bold (and include in addition: Argentina and Saudi Arabia).

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 99 (32)
 100 Given Germany's long-standing tradition of co-operation with middle-income countries and its emer-
 101 ging vision on anchor countries (s. Chapter 1), BMZ should continue the current process of assessing
 102 the level of support, areas of intervention, and mix of instruments and modalities that are needed to
 103 promote the MDGs in such countries. As part of the current discussion on anchor countries, Germany
 104 intends to reduce the amount of grants and to replace official budget resources by market funds as
 105 many of them now have better access to private capital markets for financing their development.