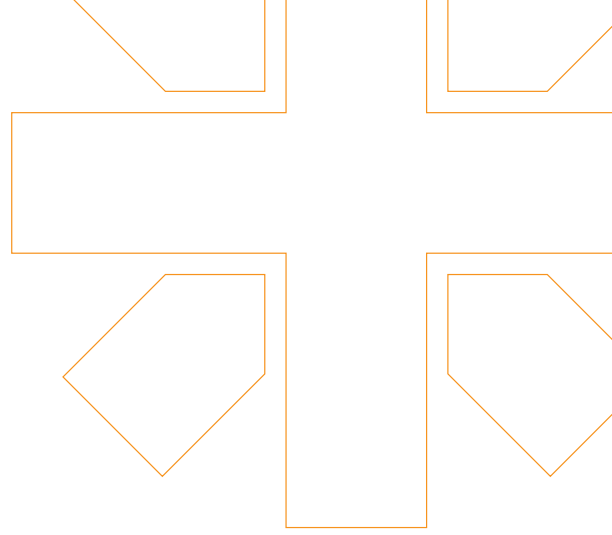




**ACTION FOR
GLOBAL HEALTH**

FULL FUNDING
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**HEALTH FINANCING:
UNPACKING TRENDS IN ODA FOR HEALTH**
GERMANY



German Official Development Assistance (ODA) increased considerably in 2014 and reached a total level of €12 billion. However, Germany's health ODA of only 0.028% of Gross National Income (GNI) in 2013 was poor compared with the European average. This was far from the target of allocating 0.1% of GNI to ODA for health recommended by the World Health Organisation (WHO) Commission on Macroeconomics and Health. Despite recent government announcements in support of total ODA, and a slight increase in German contributions to the Global Fund to Fight AIDS, TB and Malaria, health ODA levels will need to be significantly increased in the coming years.

Germany's governing coalition parties agreed to gradually reduce the partner countries of German development cooperation. This was according to recommendations by the Organisation for Economic Cooperation and Development (OECD)-Development Assistance Committee (DAC) Peer Review. Currently the German Government cooperates with 50 developing countries within commonly agreed country programmes. Other individual countries also receive assistance as part of regional programmes or programmes dealing with specific sectors. These include fighting HIV/AIDS, climate and forest protection and crisis prevention. In regional terms, Africa is the main focus of German development cooperation, with almost half of all partner countries in Sub-Saharan Africa.

The priorities of German development cooperation in the health sector are defined in two places. First is the 2009 'Sektorkonzept Gesundheit in der Deutschen Entwicklungspolitik', and second is the 'Concept of the German Government on Global Health',¹ published by the Ministry of Health in 2013.

In the latter, health is considered as a fundamental human right and a precondition for social, economic and political development and stability. Health can only be guaranteed and improved worldwide with joint global action. As a consequence, strengthening international global health institutions is referred to as one of the priorities of the German Government. Others are health system strengthening, prevention and treatment of HIV/AIDS and other infectious diseases, and strengthening the Sexual and Reproductive Health and Rights (SRHR) of women.

Trends in Total ODA

In terms of volume, Germany is one of the best European ODA performers in 2014 with a total of €12 billion. Even so, relative to its economic capacity it continues to fall behind other aid champions. German ODA as a percentage of GNI only reached 0.41% in 2014, just up from 0.38% in 2013. While this was closer to the average of total DAC countries at 0.42%, Germany still remains far off the international 0.7% of GNI target.

The 14% increase in ODA between 2013 and 2014 in net volume (€1.5 billion) was significant. However, this increase was mainly due to a dramatic increase in bilateral loans (€1 billion) and equity investments (€319 million). Meanwhile, bilateral and multilateral grants together increased by €541 million.

By contrast, there was a negative trend for debt relief in German ODA over the same timeframe. It made up 31% of gross ODA in 2005, while in 2014 it accounted for only 1%. This indicated that debt relief reported as ODA has been largely replaced by loans and equity investments.

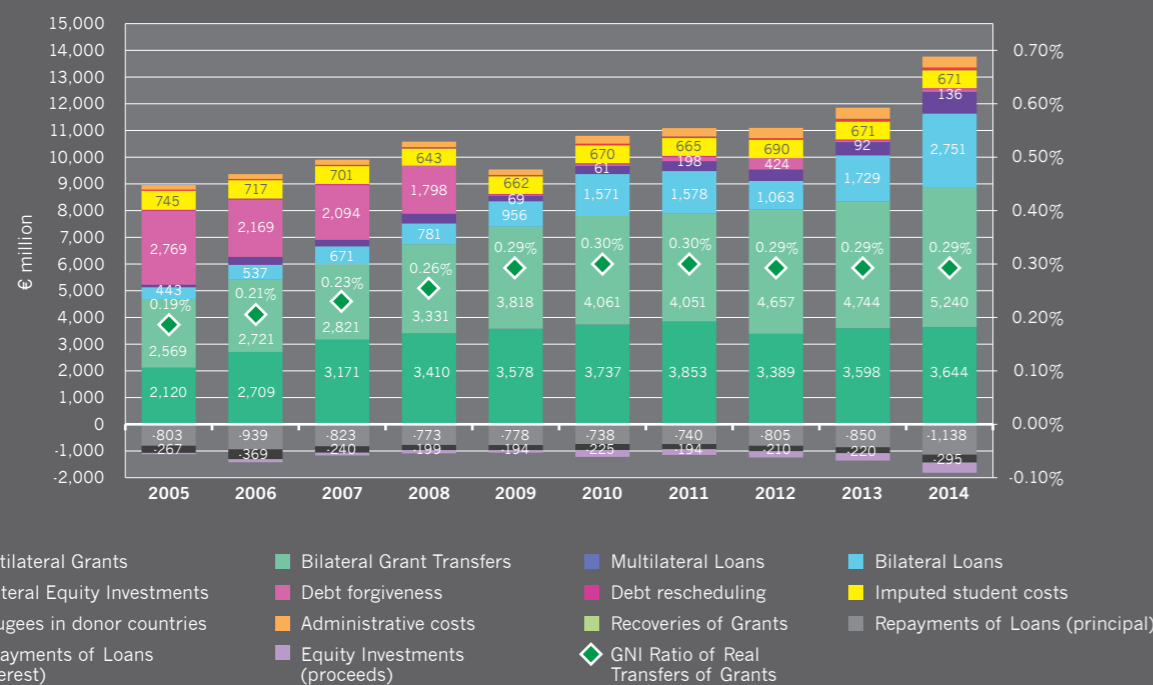
The share of ODA grant transfers as a percentage of GNI did not increase but remained stable at 0.29% in 2014 (see Figure 1). This is due to a growing amount of repayments on former loans (principal and interest) and proceeds from equity investments - together amounting to €468 million - which had to be deducted from rising ODA figures. At the same time, German GNI rose significantly.

Moreover, three-quarters (74%) of German gross ODA was channelled bilaterally in 2014, while multilateral ODA accounted for only one quarter (26%) of ODA. The multilateral share has steadily decreased since 2009, when it still accounted for 37% of total ODA.

In 2014, at €2.8 billion, loans accounted for a large share (20%) of Germany's gross ODA, compared with €1.7 billion in 2013 when they were worth 15% of gross ODA. Overall, in 2014, the volume of ODA loans was six times higher than in 2005 (€443 million or 5% of gross ODA). There was a similar increase in ODA equity investments, albeit at smaller total levels. These accounted for €814 million in 2014 (6% of gross ODA), up from €494 million in 2013 (4%). This was eight times higher in volume than 2005, when they represented only 1% of gross ODA.

€12 billion
total ODA in 2014

FIGURE 1: GERMANY - COMPONENT OF OECD-ACCEPTED ODA AND RATIO OF REAL GRANT TRANSFERS IN RELATION TO GNI, 2005-14, IN EURO MILLIONS



Graph based on the most up-to-date preliminary data available as provided by the OECD.

Note: Preliminary data for 2014.

TERMINOLOGY

Total ODA: ODA reported by Member States to the OECD-DAC;

Real ODA: Aid transfers after deducting debt relief, imputed costs* for students from developing countries, costs for refugees in donor countries and administrative costs, but crucially including loans;

Real grant ODA: The aid actually transferred after deducting loans;

Health ODA real transfers: An estimation of health ODA based on a project-by-project review of multilateral and bilateral assistance (including general budget support - GBS);

Health ODA in the form of grants: Health ODA real transfers, excluding loans [hereafter referred to as health grants].

*An imputed cost is a cost that has occurred but is not initially shown or reported as a separate cost.

Trends in ODA for Health

In its coalition agreement, the current German Government includes health as one of the thematic priorities of its development cooperation policy and a basis for sustainable development. However, health ODA figures do not confirm that this has been implemented in practice (see Figure 2). Furthermore, they indicate that Germany's health ODA performance is poor compared with the European average. It is far from reaching the 0.1% of GNI to ODA for health target recommended by the WHO Commission on Macroeconomics and Health.

Germany's share of health ODA in relation to total ODA real transfers fell from 9.6% in 2012 to 9.0% in 2013. Net ODA contributions for health accounted for €824 million in 2013, corresponding to only 0.029% of GNI. There has been a slight increase in volume compared to 2012 levels, when health ODA amounted to €800 million. This is mainly due to an increase in contributions to the EU institutions (€22 million) and in equity investments (€28 million). However, this is partially offset by a decrease in bilateral loans to €9 million, and to regional development funds, which are down to €7 billion.

Although health ODA in the form of grants rose from €782 million in 2012 to €793 million in 2013 (see Figure 2), the grants as a percentage of GNI decreased slightly from 0.029% to 0.028% (due to increased GNI levels). Moreover, German health ODA grants, in volume and as a percentage of GNI, remained below the peak level reached in 2011 (€846 million and 0.032% of GNI).

While in general, ODA provided as loans has increased, this is not the case for health ODA, where the bilateral net loans went down from €19 million in 2012 to €3 million in 2013. By contrast, equity investments in the health sector accounted for €28 million in 2013, while they were nil in 2011 and 2012.

Composition and Distribution of Health ODA

Contrary to the composition of total ODA, the bulk of German health ODA (almost two-thirds) was multilateral in 2013. Multilateral institutions received 60% (€494 million) of German health ODA, mainly through the Global Fund (€204 million), the EU institutions (€168 million) and the World Bank (€52 million).

Germany is the fourth biggest donor of the Global Fund. But its contribution has not increased in the past few years and has stayed stable since 2008, accounting for €200 million in 2013. Since September 2012, Germany has held a seat on the Global Fund Executive Board.

Even though the contribution to Gavi, the Vaccine Alliance more than doubled from 2010 to 2013 (from €4 million to €10 million), the German share was relatively low. Figures reported by Gavi² are slightly higher. This is due to the fact they also include specified German bilateral projects implemented in cooperation with Gavi. These total €17 million in support of the national immunisation programme in Tanzania.

The German contribution to the WHO has not increased since 2007 and even experienced a small decrease. Levels over the past three years are constant and there was a small contribution of €22 million in 2013.

In 2013, bilateral health ODA grants accounted for €296 million and were distributed among projects in 88 countries. A further €3.5 million in bilateral health ODA in the form of grants was delivered through General Budget Support (GBS). Bilateral loans accounted for €31 million (mainly in Asia), while equity investments amounted to €28 million (primarily in India).

The main recipient countries of gross bilateral health ODA in 2013 were: Nigeria (€36 million), where German health support almost tripled compared with 2012; China (€29 million), of which €21 million was in the form of loans; Tanzania (€27 million), with a significant decrease compared with 2012; Bangladesh (€22 million); India (€21 million), of which €19 million was in the form of loans; as well as Pakistan, Afghanistan and Kenya (€18 million each). Of these countries, only Tanzania, Pakistan and Kenya are defined as priority countries for German cooperation in the health sector.³

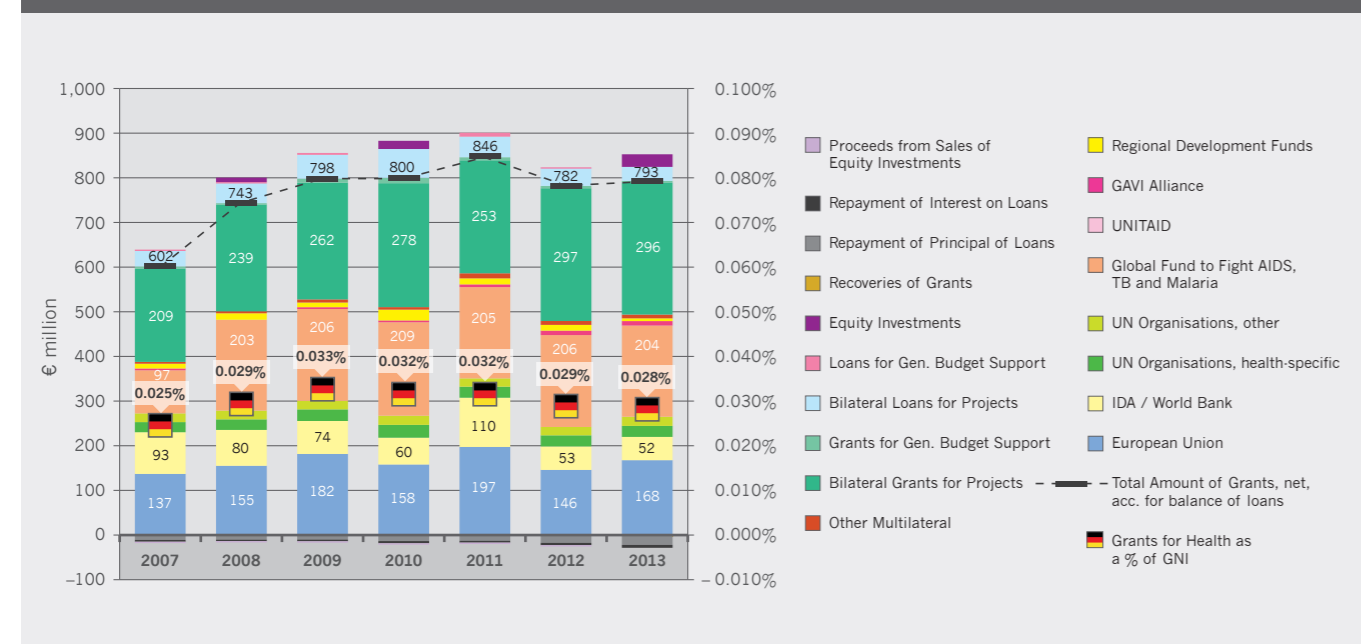
Health priorities of the Ministry for Economic Cooperation and Development (BMZ) include health systems strengthening, prevention and treatment of HIV/AIDS and other infectious diseases, and strengthening women's SRHR.⁴

Disbursements of bilateral health ODA in 2013 were mainly in line with policy priorities. These went to health sector programmes (€164 million), projects for reproductive health (€61 million), and immunisation (€57 million). However, there was a notable decrease in contributions to the HIV/AIDS response, from €43 million in 2013 compared with €56 million in 2012.

With 42% of all disbursements, the bulk of health ODA in 2013 went to Sub-Saharan Africa, with a slight decrease compared with 45% in 2012. South and Central Asia (27%) was the second biggest recipient region and witnessed a significant increase of 8% compared to 2012 levels.

Least Developed Countries (LDCs) and Low-Income Countries (LICs) together received 42% of bilateral health ODA in 2013, down from 48% in 2012. This was followed by Lower-Middle-Income Countries (LMICs) with a share of 31%, a substantial increase of 11% from the previous year. The share allocated to Upper-Middle-Income Countries (UMICs) decreased slightly from 15% to 12%.

FIGURE 2: GERMANY - MAIN COMPONENTS OF ODA FOR HEALTH AND ODA GRANTS IN RELATION TO GNI, 2007-2013, IN EURO MILLIONS



Multilateral institutions received

60%

(€494 million) of German health ODA in 2013

Outlook

The German Government announced the greatest increase in the history of the budget for BMZ, the so-called 'Einzelplan 23' (€7.4 billion total budget for 2016) on March 18, 2015. However, Germany still remains far behind the 0.7% of GNI target. Even with an increase of €1.3 billion for ODA from 2016 to 2019, the ODA to GNI ratio will increase only slightly, due to an increasing GNI. Thus, it will reach a total of €8.3 billion for the period 2016-2019. The Minister of Finance announced that ODA is expected to be consolidated at 0.4%.⁵

Health was stated as one of the priorities of the German Government at the G7 Summit in Germany in June 2015. During an Ebola mission of the Ministers of Health and Economic Cooperation and Development, an additional €200 million was announced in support of strengthening health systems in Africa.⁶

There are expectations that the German Government will prioritise health politically on the G7 and Sustainable Development Goal (SDG) agendas, as well as economically in the context of the Financing for Development Conference in this crucial year for the SDG agenda.

Concerning the Global Fund, Germany announced a €45 million increase for 2014, but this looks set to be cut in 2015.

When Germany hosted the Gavi Replenishment Conference in January 2015, Chancellor Merkel announced a contribution of €600 million for the next five years and even went beyond the pledge made in December 2014 of contributing €500 million until 2020.⁷

It is impossible to discuss the post-2015 agenda without first considering the financial aspect. There has been substantial improvement regarding the achievement of the health-related MDGs. But there is still a long way to go to complete the 'unfinished business of the MDGs', especially MDGs 4 and 5.

For example, as part of the G8 Muskoka Initiative⁸ commitments, Germany's BMZ launched the so-called 'Initiative for Self-Determined Family Planning' in 2011. This is supposed to be completed this year. However, no further announcement has been made about its continuation. Similarly, nothing has been said about programmes to improve Maternal, Newborn, Child and Adolescent Health (MNCAH) and SRHR beyond Gavi.

In her keynote speech at the recent World Health Assembly in May 2015, Chancellor Merkel pointed out the importance of strengthening and reforming the WHO and building more efficient structures. This should go hand-in-hand with a significantly increased contribution to make the WHO more functional.



Increased prevention and control measures have led to a reduction in malaria mortality rates by 47 percent globally since 2000.

Key Recommendations

- * Germany should present a clear and binding timeframe to fulfil its commitments to contribute 0.7% of GNI to ODA as part of its fair share in financing the post-2015 agenda. It should also commit to a schedule on health financing at the Financing for Development Conference in Addis Ababa. This is especially with regard to the health-related SDGs, including the achievement of Universal Health Coverage. Additionally it should commit to reach the target of 0.1% of GNI for health ODA as recommended by the WHO Commission on Macroeconomics and Health. In this sense, Germany should lead by example at the G7 Summit and commit to an increase in health ODA.
- * German increases in total ODA should not be to the detriment of increases in real grant transfers in order to ensure that allocated resources address the most fundamental needs, especially in health.
- * Germany should pursue its role as Global Fund Board Member to play a constructive part in the Global Fund policy debates and set an example by increasing its contribution substantially at the forthcoming 5th Replenishment Conference. German NGOs working on health urge to double its contribution to the Global Fund and thus increase it to €400 million per year. This has to be in line with a general increase of health ODA.
- * Germany should continue to play a constructive role in WHO policy debates and increase its financial contribution dramatically in order to strengthen the organisation's role as an independent, international, responsive global health coordinating mechanism.
- * With regard to funding for the improvement of Maternal, Newborn, Child and Adolescent Health (MNCAH), including SRHR, Germany should go beyond contributions to Gavi and make strong new commitments to end preventable maternal, newborn, child and adolescent deaths by 2030.

1 http://www.bmg.bund.de/fileadmin/dateien/Publikationen/Gesundheit/Broschueren/Globale_Gesundheitspolitik-Konzept_der_Bundesregierung.pdf

2 <http://www.gavi.org/funding/donor-profiles/germany/>

3 http://health.bmz.de/where_we_work/countries/index.html

4 <http://www.bmz.de/de/mediathek/publikationen/reihen/strategiepapiere/Konzepte183.pdf>

5 http://www.bundesfinanzministerium.de/Content/DE/Pressemitteilungen/Finanzpolitik/2014/03/2014-03-12-PM8-bundeshaushalt-anl3.pdf?__blob=publicationFile&v=2
http://www.bmz.de/de/zentrales_downloadarchiv/Presse/grafische_Darstellung_der_Finanzplanung_bis_2019.pdf

6 http://www.bmz.de/de/presse/aktuelleMeldungen/2015/april/150410_pm_023_Deutschland-steht-Westafrika-bei-der-Ueberwindung-der-Ebola-Krise-zur-Seite/index.html

7 <http://www.bmz.de/g7/de/Gavi/Der-deutsche-Beitrag/index.html>

8 http://mnch.international.gc.ca/en/topics/leadership-muskoka_initiative.html

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