

## Developing Germany's Partnerships for Transformation

How can Germany's Energy, Climate, Development and Raw Materials Partnerships become more transformative for a resilient transition to climate neutrality

A decorative graphic on the left side of the page consisting of several overlapping triangles in shades of grey and blue, pointing towards the right.

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## Executive Summary

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In this report, we provide an independent, systematic analysis of the structures, activities, and impacts of Germany's Energy, Climate, Development, and Raw Materials Partnerships (EC-DRPs), with a particular focus on those with countries of the Global South. Based on our analysis, we provide recommendations for the development of Germany's partnerships by answering the central question of this study: how can the ECDRPs be made as impactful as possible and even more transformative to facilitate a resilient transition towards climate neutrality in Germany and its partner countries as they face an accelerating climate crisis, geopolitical challenges, and the imperative for reliable, effective international cooperation?

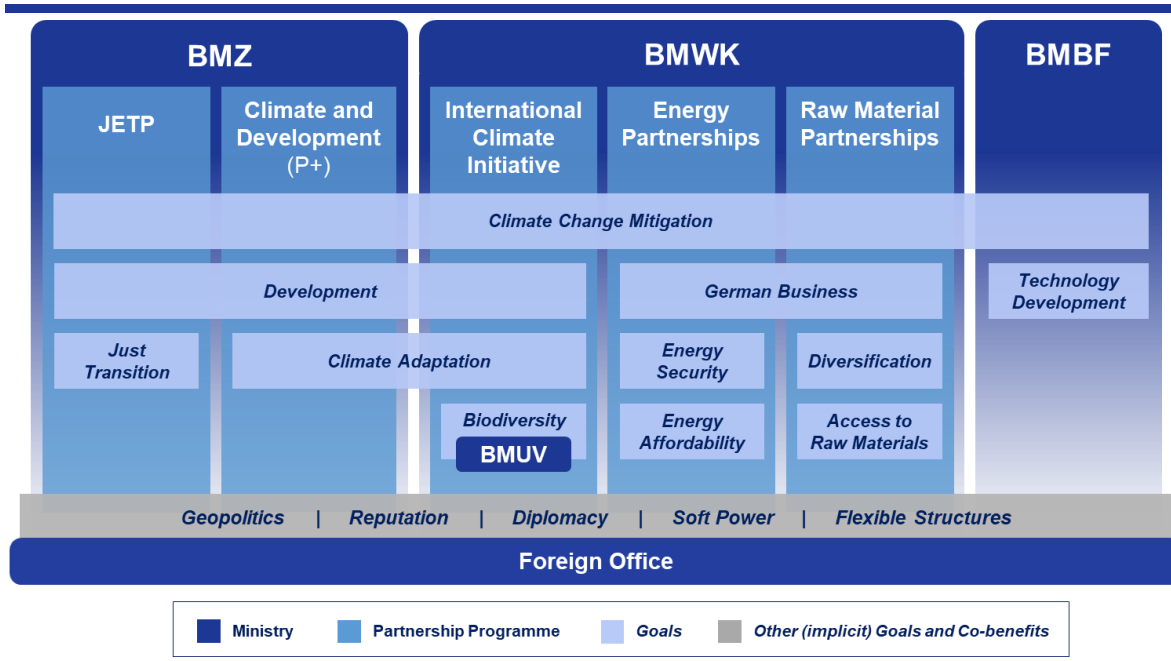
In Chapter 1, we briefly discuss the concept of transformative change used in this study. We define it as: A very rapid, fundamental restructuring of the global economy to avoid triggering tipping points and runaway global warming, resulting in fundamentally different economic, social, and political structures that are durably compatible with climate neutrality. Furthermore, Chapter 1 defines six key global challenges that must be tackled for transformative change to occur, and against which the impact of Germany's ECDRPs can be assessed. They consist of three bottlenecks and three socio-political barriers. The bottlenecks are 1) investments in key fields, such as the energy transition, critical raw materials, low-emission technologies, and adaptation; 2) resilient supply chains for raw materials, and technologies that are critical for the success of the transformation; 3) skills and human capital needed to implement the transition. The socio-political barriers are 1) the (often insufficient) state capacity to conceive and implement transformative change; 2) the societal support and cohesion necessary to pass and maintain ambitious policies; and 3) the limits on the need for enhanced international cooperation in times of multiple geopolitical crises.

In Chapter 1, we also define a set of characteristics that partnerships should fulfil to effectively support transformative change. At a fundamental level, Partnerships for Transformation (PFTs) are meant to effectively contribute to the attainment of the Paris Agreement. In addition, they should support, or at least not hinder, other goals that are necessary preconditions for a socially, ecologically, economically, and thus politically *resilient* transformation, including adaptation, development, energy and raw materials security, biodiversity, as well as all UN sustainable development goals, human rights, and democracy. In order to effectively support transformative change, PFTs should fulfil operational characteristics, such as being anchored in nationally developed transformation plans, and being effectively coordinated among different German ministries and with other donor countries.

In Chapter 2, we discuss the environment in which Germany's ECDRPs operate. A series of macro-trends substantially changed the context in which Germany's partnerships have historically developed: the disruptions in global supply chains and the resulting increased importance of supply security following Russia's war of aggression against Ukraine, among other factors; the emergence of China as a great power; the competition among blocs; the renewables' revolution and the competition over clean technologies and resources; the deepening of EU integration and leadership in some fields, but also in some respects the weakening of the EU's geopolitical role in the world; the fundamental shift in the EU's and Germany's energy import flows. These crises and vulnerabilities have further motivated Germany's new National Security Strategy and call for a climate foreign policy strategy, which will likely also address Germany's ECDRPs. In addition to these international developments, we describe some cornerstones of German politics that have affected the development of its partnership programmes, including changing government coalitions and the reshaping of the portfolios and internal structures of the different ministries.

In Chapter 3, we provide an analysis of Germany's five main partnership programmes: Energy Partnerships, Climate and Development Partnerships (P+), Just Energy Transition Partnerships, the International Climate Initiative, and Raw Material Partnerships. We also briefly discuss other related activities. The number of partnerships has increased substantially during the last couple of years (see Figure 3 and 4). These partnerships (programmes) are not homogeneous with respect to their objectives, development pathways, modes of operation, financing, and outcomes. Rather, they form a landscape of intersecting initiatives with the overall goal of supporting the attainment of global climate goals along with a variety of other complementary goals. The figure illustrates the similarities and differences in the goals they pursue and the co-benefits they produce for Germany and other countries.

**Figure 7: Goals and co-benefits of Germany's ECDRP programmes**



In Chapter 4, we assess how and to what extent Germany's ECDRPs, considered as a whole, support a resilient transition to climate neutrality. The assessment is underpinned by an analysis of how and to what extent Germany's ECDRPs address the bottlenecks and the socio-political barriers to transformative change identified in Chapter 1. The main finding is that Germany's strong commitment to partnership work has produced a wide range of positive impacts and common goods. These include advancing fundamental global debates, providing technical and financial support, supporting skill development, contributing to capacity development for many states and international cooperation, and, to a certain extent, contributing to closing the investment gap. However, we also point to a series of weaknesses that prevent Germany's ECDRPs from providing an optimal support to the transformation at the necessary speed and scale, including the lack of a coherent strategy with clear goals and priorities, the insufficient coordination between different partnership programmes, the insufficient mobilisation of investments, and the recent deterioration of Germany's climate credibility.

The final section of Chapter 4 addresses other aspects and issues important for assessing Germany's partnership work: The importance of contextual factors, the challenge of partly competing priorities, the coordination and integration of partnership programmes, the financial resources for ECDRP work, local ownership and the alignment with Germany's overall foreign policy and the lack of coordination with the EU.

In Chapter 5, we present our answers to the above-mentioned central question of the study. Our central argument is that Germany should develop its various partnership programmes into a better integrated, more coherent set of *Partnerships for Transformation* (PFTs), based on a strategic approach to make them fit for the challenge of climate neutrality. We do not recommend merging all partnership programmes into one single centralised partnership structure. Rather, we suggest to better integrate the existing parallel, specialised partnership programmes run by different ministries and to extend the partnership landscape with activities in the fields that are currently insufficiently covered, such as raw materials. Furthermore, we develop a **set of recommendations**, that can be summarised as follows:

- ▶ **To be credible, Germany must deliver on its climate targets.** Wherever partnerships entail conditional agreements, Germany should consider extending the conditionality to bilateral German commitments to domestic climate mitigation measures.
- ▶ **Germany must improve the coordination, integration, and governance of partnerships** by clearly defining the goals, tasks, activities, governance structures of each partnership programme; by limiting the number of programmes and of individual partnerships; by establishing a permanent Interministerial Committee and Country Working Groups to coordinate activities; by providing incentives for a closer collaboration among the German ministries and agencies involved.
- ▶ **Germany must strategise and implement PFTs collaboratively with partners** by grounding PFT activities in the partner countries' national transition plans; supporting partners in the development of long-term strategies; involving local organisations in the implementation of partnerships; and developing shared understandings of priorities and measures at the political level.
- ▶ **Germany must maximise synergies and manage trade-offs of different policy goals and fields**, e.g., by analysing synergies and trade-offs in the relevant policy fields, by prioritising strategic goals, and by avoiding counterproductive incentives, e.g., for new fossil fuel infrastructure.
- ▶ **Germany must ensure sufficient and stable resources for Germany's PFTs:** The German government should dedicate sufficient and stable resources to Germany's partnerships and always underpin announcements of multi-year financial volumes by formal commitment appropriations in the German budget. It should adopt guidelines on the number and kind of countries that can be covered by new bilateral and/or plurilateral partnerships, thereby giving priority to the partnerships that show the highest prospects for long-term impact in terms of ambitious climate action.
- ▶ **Germany must align PFTs with EU and other strategic partners**, systematically considering how and under what conditions the goals and measures could be better pursued at EU level or benefit from a stronger alignment, and how donor coordination with key allies can be improved.
- ▶ **Germany must enable investments by using the full toolbox:** While maintaining its successful focus on improving regulatory and financial frameworks, Germany should increase the impact of its partnership work in terms of investments, including a closer coordination with the private sector.

**Germany must refine PFT activities and instruments to support long-term change** by grounding actions in partner's transition plans; investing in state capacity and skills; increase efforts in training and skilling workers; providing support to local organisations; and support the development of local climate expertise.



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## Abbreviations

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AA	Federal Foreign Office (Auswärtiges Amt)
ACT-IP	Accelerating Coal Transition Investment Programme
ADB	Asian Development Bank
AfDB	African Development Bank
BBW	Build Back Better World
BMBF	German Federal Ministry for Education and Research
BMU(V)	German Federal Ministry for the Environment, Nature Conservation Nuclear Safety (the additional V was added in 2021 and means Consumer Protection)
BMVD	German Federal Ministry for Digital and Transport
BMWi	German Federal Ministry for Economic Affairs and Energy (2013-2021)
BMWK	German Federal Ministry for Economic Affairs and Climate Action (since 2021)
BMZ	German Federal Ministry for Economic Cooperation and Development
CDU	Christlich-Demokratische Union (en. Christian Democratic Union)
CFPS	(Germany's upcoming) climate foreign policy strategy
CIF	Climate Investment Fund
CSO	Civil Society Organisations
CSU	Christlich-Soziale Union (en. Christian Social Union)
DFI	Development Financial Institution
DKTI	German Climate and Technology Initiative
ECDRP	(Germany's) Energy, Climate, Development and Raw Material Partnerships
ED	Energy Dialogues
EP	Energy Partnerships
ESG	Environmental, Social and Governance
ETM	Energy Transition Mechanism
FDP	Freie Demokratische Partei (liberals)
GD	General-Directorate (within e German ministry or the European Commission)
GFANZ	Glasgow Financial Alliance for Net Zero
GIZ	German Agency for International Cooperation GmbH
GNI	Gross National Income
H <sub>2</sub>	Hydrogen
IEA	International Energy Agency
IKI	International Climate Initiative
IPG	International Partners Group
IRENA	International Renewable Energy Agency
JETP	Just Energy Transition Partnership
JET-IP	Just Energy Transition Investment Plan
KfW	Kreditanstalt für Wiederaufbau (German state-owned development bank)
MDB	Multilateral Development Bank
MSP	Mineral Security Partnership
ODA	Official Development Assistance
PFT	Partnerships for Transformation
PCC	Presidential Climate Commission
PCFTT	Presidential Climate Finance Task Team
PGII	Partnership for Global Infrastructure and Investment
PP	Partnership Programme
P+	Bilateral partnerships, part of BMZ's Climate and Development Partnerships
REDD	Reducing Emissions from Deforestation and forest Degradation
RDB	Regional Development Bank
RMS	Raw Material Strategy
SPD	Sozialdemokratische Partei Deutschlands (German Social Democratic Party)
TP	Transformation Partnerships
UNFCC	United Nations Framework Convention on Climate Change
WBG	World Bank Group
WTO	World Trade Organisation



## Introduction: Partnerships for Transformation?

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Germany has committed to achieving climate neutrality by 2045. More than 140 countries have announced or are considering net-zero targets by around 2050.<sup>1</sup> However, the implementation gap remains substantial both within Germany and globally. The world is not on track to reach its Paris Agreement target of keeping global warming well below 2°C, preferably below 1.5°C. Reaching this goal requires a very rapid, fundamental transformation of the global economy to avoid triggering tipping points and runaway global warming. Despite significant progress in some areas, global action still falls short of the needed transformative change.

After the Paris Agreement in 2015, a series of fundamental economic, technological, climatic, and (geo)political developments have deeply changed the German, European, and global scene. While some of these developments are helpful, for example the decreasing cost of solar and wind power, others complicate the transition towards climate neutrality, such as Russia's war of aggression against Ukraine, the great power competition between China and the US, and the disruption of global supply chains following the COVID-19 pandemic. These developments have highlighted the need for innovative and effective forms of global cooperation.

Bilateral and plurilateral partnerships between industrialised countries and countries of the Global South have emerged as a promising instrument for climate cooperation that can facilitate climate finance and support climate action. They are bottom-up initiatives that complement the UNFCCC regime, which relies on constant cooperation and ratcheting-up of commitments, as well as other forms of multilateral cooperation.

Building on its long tradition of climate and development projects within its official development assistance, Germany has pursued bilateral and plurilateral partnerships in the areas of climate and energy since 2006. Since then, it has entered more than 50 energy, climate, development, and raw materials partnerships (ECDRP).<sup>2</sup> In June 2023, the German government adopted its National Security Strategy where it expresses its clear commitment to partnerships for global climate protection, announcing its intention "to renew and expand its cooperative partnerships for tackling the climate crisis"<sup>3</sup> within its upcoming Climate Foreign Policy Strategy (CFPS). The CFPS is a major opportunity to develop and improve Germany's partnerships and make them fit for the challenge of climate neutrality.

The central question of this report is: *How can Germany's ECDRPs be made as impactful as possible and more transformative for a resilient transition towards climate neutrality in Germany and its partner countries?* Starting with Germany's CFPS and its implementation, we suggest a strategic development of Germany's ECDRPs into a coherent set of Partnerships for Transformation. Our analysis and recommendations draw on interviews and workshops with experts and insiders from Germany and the Global South as well as documents, grey literature, and other available data. More detailed information on this is provided in the annex.

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<sup>1</sup> Climate Action Tracker: Net zero target evaluations: <https://climateactiontracker.org/global/cat-net-zero-target-evaluations/>

<sup>2</sup> This paper focuses on Germany's ECDRPs with countries of the Global South. In this paper, partnerships are broadly defined as the bilateral and plurilateral partnerships between Germany (or a group of donors) and a partner country that are developed outside existing multi-lateral frameworks (such as UNFCCC or WTO) and go beyond normal diplomatic relationships and standard Official Development Assistance (ODA) arrangements. A partnership will also have a wider scope, some degree of formalisation, and a longer-term, structured focus than is usually found in one-off or ad-hoc projects.

<sup>3</sup> Federal Government (2023): Integrated Security for Germany: National Security Strategy, p.66. See also, at p 64: "(...) climate and transformation partnerships are key to finding equitable solutions that are tailored to specific countries." Available at: <https://www.nationalesicherheitsstrategie.de/en.html>.

# 1 The challenges of climate neutrality

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## Transformative change – how is it defined in this study?

Despite valuable progress in various areas, global climate action is far from sufficient to keep the Paris climate targets within reach.<sup>4</sup> Achieving global climate neutrality requires a net reduction of greenhouse gas emissions to zero, according to the principle of common but differentiated responsibilities, i.e., by 2050 at the latest in the Global North, shortly thereafter in the Global South.<sup>5</sup>

Pursuing these goals requires a very **rapid, fundamental restructuring of the global economy** to avoid triggering tipping points and runaway global warming. In other words, it requires transformative change leading to fundamentally different economic, social, and political structures **durably compatible with climate neutrality**. This structural transformation implies a shift in production and consumption patterns including a profound change in **industrial and economic policy** as well as a **more balanced distribution of wealth and income** among and within countries.<sup>6</sup>

This study does not aim at discussing the entire transformation agenda. Rather, it analyses Germany's energy, climate, development, and raw materials partnerships with the objective of making them more effective and transformative in order to achieve climate neutrality. For many countries of the Global South, this necessarily includes improving their access to energy and finding new roles in global supply chains. When considering their direct and indirect impact, we will mainly focus on GHG emissions reductions in three main areas:

- ▶ The structural transformation of the energy sector – including all energy-consuming sub-sectors, such as industry, transport, and buildings (both in Germany and in the partner countries);
- ▶ The sustainable and globally fair development of the value chains for raw materials critical for such transformation, such as the ones for renewable energy generation and electric mobility; and
- ▶ The overall development of the partner countries.

We will also consider possible impacts of Germany's ECDRP on other emitting sectors (such as LULUCF), on resilience, and on climate adaptation, as well as on other key aspects of sustainable development like economic prosperity, social cohesion, health, education, human rights, biodiversity, avoidance of toxic pollution etc. Given the strong interdependence between these issues, they cannot be solved in isolation. We will consider impacts regardless of whether they materialise in the partner countries, in Germany or elsewhere.

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<sup>4</sup> UNEP Emission Gap Report 2022. <https://www.unep.org/resources/emissions-gap-report-2022>. On the urgency to strengthen mitigation policies, see: MCC, That's how fast the Carbon Clock is ticking, <https://www.mcc-berlin.net/en/research/co2-budget.html> and University of Leeds: [An Unprecedented Rate of Global Warming – Greenhouse Gas Emissions at “An All-Time High”](#).

<sup>5</sup> We use the terms countries of the Global South and developing countries interchangeably. We are aware that terms like Global North and Global South, developed and developing, or emerging are not precise and partly controversial. In the Annex, we explain in more detail what countries we focus on and what we mean with the term Global South.

<sup>6</sup> For a definition of transformative change, see IPCC, 2022, Climate Change 2022 – Mitigation of Climate Change (AR 6 WG III), full report p. 1383. <https://www.ipcc.ch/report/ar6/wg3/> and the sources cited therein. According to the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), transformative change means “a system-wide change that requires more than technological change through consideration of social and economic factors that, with technology, can bring about rapid change at scale”, see <https://ipbes.net/node/42054>.

## Key global bottlenecks and barriers to transformative change

There are numerous barriers to transformative change that vary according to geography, political system, level of economic development, and other factors. Among these, we focus on three key *global bottlenecks* – temporal or absolute scarcities in key inputs for the transformation – as well as three socio-political **barriers** that must be tackled for transformative change to materialise.

### Bottlenecks – absolute or temporal scarcities in key resources

- ▶ **Investments** in the energy transition, critical raw materials, low-emission technologies, adaptation, and resilience are far from sufficient. This climate investment gap is most acute in the Global South, where it is exacerbated by the looming debt crisis and by increasing borrowing costs.<sup>7</sup> The latest IPCC report estimates that annual mitigation investments in developing countries must increase by a factor of four to seven between 2020 to 2030 to limit warming below 2°C, while investments in developed countries “only” need to increase by a factor three to five.<sup>8</sup> While industrialised countries might achieve the USD 100bn annual goal for the first time in 2023, it still falls short of delivering the USD 1 trillion in annual external finance that would be necessary until 2030 (i.e., finance not from local sources).<sup>9</sup>
- ▶ **Raw materials:** Batteries, solar panels, wind turbines, semi-conductors, and other critical technologies of the energy transition all require the extraction, and processing of a number of specific raw materials. For some of them, the supply chains entail bottlenecks and/or geopolitical vulnerabilities. Overcoming – or at least mitigating – them is critical for achieving climate neutrality rapidly and at scale. Next to improving material efficiency, recycling, and circularity<sup>10</sup>, it is imperative to expand supply in the areas of mining, refining, and processing of selected critical raw materials – and to reduce the economic and geopolitical risks associated with concentrated supply chains and bottlenecks.
- ▶ **Skills and human capital:** The transformation to climate neutrality requires not only investments and new technologies, but also people to deliver, produce, install, repair, and operate them. Offshore wind parks, heat pumps, or building retrofits all require skilled workers, engineers, planners, and public bodies well equipped to support and regulate them. The shortage of skilled labour both in the Global North and South – a global skill gap – is a key bottleneck for the transformation, bringing with it a greater need for training and reskilling workers.<sup>11</sup>

### Socio-political barriers to the transformation

- ▶ **State capacity:** The ability of governments and public bodies to design and implement ambitious – in some cases necessarily disruptive – climate, energy, industrial,

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<sup>7</sup> Financial Times (2022): Debt burden traps global south in a vicious circle. Available at: <https://www.ft.com/content/f4b04f39-8b9d-463d-8e95-ebb0d1514e21>. See also: UNCTAD (2022): Tackling debt and climate challenges in tandem: A policy agenda - UNCTAD Policy Brief No. 104. Available at: <https://unctad.org/publication/tackling-debt-and-climate-challenges-tandem-policy-agenda>

<sup>8</sup> IPCC, Climate Change 2022 – Mitigation of Climate Change (AR 6 WG III), Technical Summary, p. 134

<sup>9</sup> See OECD (2022): Aggregate Trends of Climate Finance Provided and Mobilised by Developed Countries in 2013-2020, Climate Finance and the USD 100 Billion Goal, OECD Publishing, Paris, <https://doi.org/10.1787/d28f963c-en>; Vera Songwe, Nicholas Stern, Amar Battacharya (2022): Finance for climate action: scaling up investment for climate and development <https://www.lse.ac.uk/granthaminstitute/publication/finance-for-climate-action-scaling-up-investment-for-climate-and-development/>

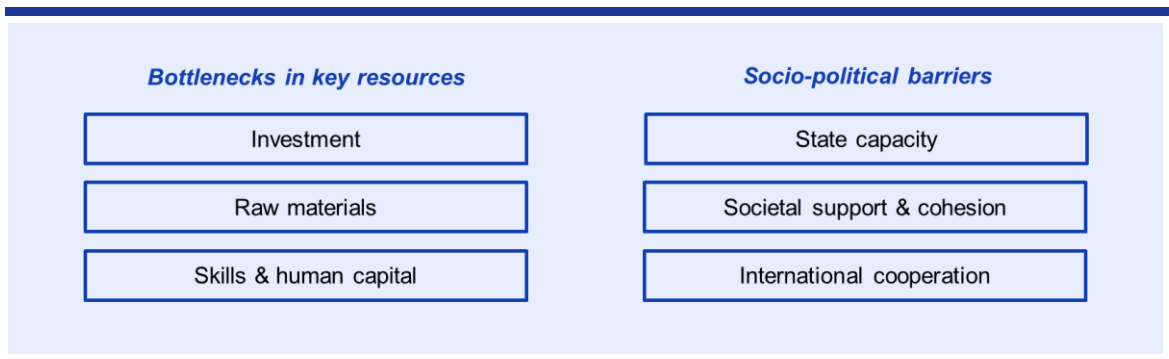
<sup>10</sup> Circularity entails various measures, including longer use, reuse, modularity, and recycling.

<sup>11</sup> Vivid Economics (2021): Skills for the Low Carbon Transition. <https://www.sustainablefinance.hsbc.com/-/media/gbm/sustainable/attachments/green-skills.pdf>

transportation, and other public policies is critical to the transformation to climate neutrality. This includes not only the capacity of states to effectively design, enforce, and monitor policies, rules, and regulations<sup>12</sup>, but also their ability to mobilise support for climate policy and effectively contain the opposition of vested interests pushing for a continuation of high emission practices.<sup>13</sup>

- ▶ **Social support and cohesion** are prerequisites for transformative change. This is one reason why democracy and open civic spaces can be success factors for a rapid transformation. Social support is necessary to pass and maintain ambitious climate policies across all political systems. Social cohesion is necessary to ensure that society can absorb and accept the unavoidable impacts, including on fossil fuel jobs, on the landscape, and on certain consumption patterns of the wealthier part of the world's population over a longer period of time. It also implies the need to ensure that the transformation is just. If society – or powerful parts thereof – resist, the transformation will be slowed down or fail. Social support and cohesion are therefore key levers for accelerating the transformation.
- ▶ Enhanced **international cooperation** is an essential enabler and precondition for successful climate mitigation, especially in poorer nations. Its crucial importance goes far beyond international climate negotiations: Each of the five barriers mentioned above can be overcome more quickly, more efficiently or even solely through improved international cooperation. For energy importers such as Germany to achieve climate neutrality, for example, massive investments in cross-border energy flows from renewables are necessary. In order to make these investments at the required pace, increased cooperation is needed in the fields of, among others, finance, infrastructure planning, standards and certification, raw materials, as well as social support and cohesion. Unfortunately, international cooperation at global level is threatened by a series of macro-trends discussed below.

**Figure 1: Key challenges Germany's ECRDPs must tackle**



Overcoming or mitigating the socio-political barriers is an important enabling factor to resolve or mitigate the bottlenecks. For example, if social support for the energy transition or the capacity of many states to effectively plan and implement the transformation of their energy infrastructure are not improved, investors will hold back on investing in renewable energy projects.

<sup>12</sup> Jonas Meckling et al. (2022): Why nations lead or lag in energy transitions, Science. <https://www.science.org/doi/abs/10.1126/science.adc9973>; <https://onlinelibrary.wiley.com/doi/abs/10.1111/gove.12338>;

<sup>13</sup> Jonas Meckling, Jonas Nahm (2021): Strategic state capacity: How states counter opposition to climate policy. Comparative Political Studies. <https://journals.sagepub.com/doi/10.1177/00104140211024308>

## What should Partnerships for Transformation strive for?

While this list of bottlenecks and barriers is not exhaustive, we argue that resolving each of them is necessary for the transformation to climate neutrality. We argue that – to support transformative change – partnerships, should contribute to reducing or mitigating one or more of them. In Chapter 4, we use these bottlenecks and barriers to assess how and to what extent Germany's current ECDRP landscape contributes to transformative change. The bottlenecks and barriers also serve as a reference point for our recommendations on how to develop Germany's ECDRPs into a more coherent set of Partnerships for Transformation.

At a fundamental level, Partnerships for Transformation (PFT) should effectively contribute to the achievement of the goals formulated in the Paris Agreement. Thus, they should support partner countries in successfully transitioning to development pathways that are compatible with climate neutrality.

Additionally, they should support – or at least not hinder – other goals that are necessary pre-conditions for a socially, ecologically, economically, and thus politically *resilient* transformation. These goals include adapting to the unavoidable impacts of climate change, supporting the economic and social development of low- and middle-income countries, a just energy transition, the affordability and security of energy supply, preserving biodiversity, the supply security of the raw materials needed for the transformation, as well as all UN sustainable development goals, human rights, and democracy. Although we recognise the importance of all these goals and take them into account, our assessment of the transformative impact of the German ECDRP focuses mainly on climate mitigation.

In addition, we believe there are several operational characteristics that partnerships should fulfil to effectively support transformative change. Partnerships should:

- ▶ be strategic and anchored in nationally developed transformation plans.
- ▶ be locally driven, i.e., the strategic decision on and implementation of activities is to be made jointly with partners.
- ▶ be flexible and adapt to changing circumstances to outlast crises and political change.
- ▶ be effectively coordinated among different German ministries and agencies and with partner ministries and agencies.
- ▶ be effectively coordinated with other donor countries, especially Germany's key allies.
- ▶ be well coordinated with other EU member states and aligned with the EU's strategic objectives and activities.
- ▶ combine both government-to-government cooperation with track II diplomacy, supporting local CSOs, think-tanks, and engaging business.
- ▶ implement and foster a political dialogue on equal terms.

Several of these features were also mentioned by experts and insiders during our interviews and workshops. Text box 1 summarises the main outcomes of the workshop with Global South experts.

Bilateral and plurilateral partnerships can play an important role in addressing all these challenges and goals – but partnerships alone are insufficient. While this study focuses on partnerships as a promising form of climate cooperation, we must acknowledge that they typically cannot do more than what is politically viable – i.e. where the two (or more) parties involved find common ground. They must therefore be part of an implementation strategy for multilateral processes, be aligned with domestic climate action and development strategies, and measures

led by the private sector. Finally, partnerships operate in a dynamic political environment. The last few years in particular have been marked by geopolitical conflict, global economic shocks, and general uncertainty. Effective partnerships must address and navigate the macro-trends described in the following chapter.

### **Box 1: Results from the workshop with experts from Global South countries**

The following points are *our* summary of the main discussion points from a workshop with experts from Global South countries that we organised in June 2023. Many of these points are taken up throughout this report.

#### **Transformative change**

1. Partners must speak a common “language” and should work towards the same understanding of transformative change and how it can be best achieved. Experts stressed that transformative change must benefit the poor and bring developmental benefits.
2. There must be a pragmatic and effective monitoring of the partnership’s impacts to improve learning and effectiveness.

#### **Transformative investments**

3. Experts stressed the need for flexible and context-relevant financing modes that are tailored to the transformative impacts and needs of the partner country.
4. Financing of partnerships and its activities must be designed for the long term.

#### **Local implementation**

5. Some experts criticised that “cooperation on equal terms” is not always reflected in the practical implementation of partnerships and in the attitudes of some representatives from the Global North.
6. Local civil society organisations should be involved as associated implementing agencies in partnerships.

#### **Mutual learning**

7. Mutual learning should be a central principle of partnerships. The framing should more frequently include questions such as “How can we help Germany reach its NDC? What can Germany learn from us?”
8. Experts saw more potential for strengthening peer-to-peer learning between partners in the Global South. Partnerships could play an increasingly prominent role here, possibly building on Germany’s “triangular cooperation” with developing countries.

#### **Coordination**

9. The donor coordination generally, and the coordination among EU countries more specifically, must be improved to avoid overstressing the coordinative capacity of partner countries and maximise the impact of partnerships between North and South countries.
10. Germany’s partnerships should consider regional initiatives and assess where they can best support existing regional government-to-government platforms on specific issues such as those between Amazonian countries.

## 2 Operative environment for Germany's ECDRPs

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In this chapter, we discuss the conditions that shape the environment in which Germany's ECDRPs operate. In the first section, we outline nine international macro-trends that have recently changed the context in which the landscape of Germany's partnerships has historically developed. These crises and perceived vulnerabilities have also motivated the new National Security Strategy and calls for a climate foreign policy strategy<sup>14</sup>, which will probably also address Germany's ECDRPs. In the second section, we describe and discuss the German political environment, including changing government coalitions and the reshaping of the portfolios and internal structures of different ministries.

### A changing world calls for reconsidering Germany's partnerships

In 2020, the COVID-19 pandemic exposed the vulnerabilities of globalised supply chains, while simultaneously exacerbating poverty, inequality, and fragile political systems. In 2021, a series of unprecedented climate disasters in various continents made "climate catastrophe" a more widely accepted framing, now seen as something that is immediate and directly impacting the daily life of millions of people. While climate disasters continued, they were displaced from the European headlines by Russia's invasion of Ukraine, which brought energy prices, energy security, geopolitical tensions, and military security to the top of the agenda in Germany, Europe, and, to a lesser extent, globally. These crises gave rise to several macro-trends, factors that prompt reconsidering Germany's existing partnerships model.

These trends have substantially modified the context in which Germany's ECDRP landscape has evolved historically and in which they are currently operating. Not all trends have arisen abruptly during the last few years. Some have gradually emerged and were magnified by the recent crises. Furthermore, most of the factors will not be unfamiliar to practitioners of Germany's ECDRP and we acknowledge that they are already working towards coping with them in their partnerships. However, taking stock of the new situation is a necessary starting point in developing new ideas on how to make Germany's partnership landscape more impactful and transformative in dealing with the rising challenges and opportunities.

These **nine macro-trends** will inform the final section of the paper, where we will discuss the key strategic choices in the development of Germany's partnerships.

- ▶ The **importance of energy and raw materials supply security** has increased largely as a result of the geopolitical shocks, especially – but not exclusively – in Europe. Although the energy policy goals triad (sustainability, affordability, security) has not lost its validity, many countries and stakeholders are now placing a higher priority on energy security than in previous decades. While some countries are doubling down on renewables to improve energy security, others prioritise new fossil supplies, creating the risk of carbon lock-in. These shifts change Germany's external relationships and impact its ECDRPs with several countries.
- ▶ Renewables are rapidly transforming global energy markets, policies, and visions. In most places, solar and wind have become the cheapest energy sources. Despite

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<sup>14</sup> On Germany's climate foreign policy, see also Kahlen et al. (2023): Climate Audit of German Foreign Diplomacy. New Climate Institute. Available at: <https://newclimate.org/resources/publications/climate-audit-of-german-foreign-policy>; and Flachsland et al. (2023): Eckpunkte zur Entwicklung einer Klimaaußenpolitikstrategie Deutschlands. Kopernikus-Projekt Ariadne, Potsdam. Available at: <https://doi.org/10.48485/pik.2023.007>

persisting barriers, the vision of energy systems based on renewables is now widely accepted by mainstream policy makers, investors, and leaders almost all over the world. The **renewables revolution** is a fundamental game changer: Renewable resources will co-determine the location of industries and value chains. Cross-border energy flows will shift from fossil fuels to energy carriers based on renewables. The position and the interests of (potential) supplier and transit countries have changed. Putting renewables on the agenda was originally a key objective of Germany's energy partnerships. Now that this task has largely been accomplished, we need to shift our focus towards the strategic challenges and opportunities that the renewable energy revolution brings to the different regions.

- ▶ **China has emerged as a great power.** China's economic, industrial, and political ascent has fundamentally altered the global balance of power with implications for the liberal international order and its institutions. China has become more assertive on the global stage, actively vying for influence in the Global South through strategies such as the Belt and Road Initiative, while also seeking influence in the Global North. Having become an industrial superpower, most clean energy and technology value chains are now dependent on China, with potentially strong implications for global transformation.
- ▶ **Competition over clean technologies and resources** is intensifying, both between China and "the West"<sup>15</sup>, and within the "West". China controls a growing share of technologies critical for decarbonisation. In response, the US is following a tougher line on Beijing, with export bans on key technologies, such as semiconductors. The US has also adopted a historic climate package, that is causing tensions with (trade) partners, especially the EU and China, over its industrial policy approach. Overall, competition over critical raw materials, technologies, as well as manufacturing capacities has grown, increasing the potential for conflict. This conflict also spills over into international cooperation, as the economic blocks become more confrontational, while also competing for influence in the Global South.
- ▶ Many developing countries and emerging economies pursue strategies of **non-alignment** in the **emergent great power competition** between the West and Russia as well as the West and China. This non-alignment can be seen with regards to sanctions against Russia and arms deliveries to Ukraine. But it can also be seen in reactions to the US' stance on China.<sup>16</sup>
- ▶ The **disruptions to global supply chains** caused by the COVID-19 pandemic and the fallout of Russia's war of aggression have exposed vulnerabilities in global supply chains. The resulting shocks show the tensions between efficiency and resilience. On one hand, harnessing the efficiencies of globalised production and trade reduces costs, including those of the transition to climate neutrality. On the other hand, the **vulnerability of global supply chains** triggers a debate around reshoring and deglobalisation – heightened by concerns about the increasing competition between political and economic blocks. This has implications for the security of supply of strategic resources, including energy sources, critical raw materials, and technologies essential to the energy transition.
- ▶ There have been strong signals pointing towards a **deepening of EU integration and leadership**. Since the signing of the Paris Agreement in 2015, the EU has not only

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<sup>15</sup> For the sake of brevity, we use this definition for a bloc of countries that are currently in many but not all fields aligned, including the NATO countries as well as Australia, New Zealand, Japan, and South Korea. Aware that there are significant frictions also within this bloc, e.g., including within the EU and between the EU and the USA, and within NATO.

<sup>16</sup> One may think of India, Brazil under Lula, Indonesia, but also the stance of many African countries.



withstood the centrifugal forces unleashed by a series of major crises ranging from Brexit to the COVID-19 pandemic and Russia's war of aggression against Ukraine – it has also responded in a largely unified manner. These very crises led to stronger integration policies, including the Recovery and Resiliency Facility and other elements of the NextGenerationEU programme. Germany's support for these measures signalled a turning point in its EU integration policy. At the same time, the **EU is reinforcing its climate policy leadership** as it adopts the core elements of its Fit for 55 policy package, the EU REPower plan, and the EU Green Deal.

- ▶ However, the **EU's geopolitical role in the world has weakened in some respects**. With little or no imports from Russian oil and gas pipelines, the EU faces higher energy costs for a longer period of time, jeopardising the competitiveness of its industry and putting a strain on other sectors and on households. The EU has suddenly become more reliant on energy imports from other countries, which also comes at a geopolitical cost. Moreover, the war highlights the relative military fragmentation of the EU compared to the superpowers USA and China.
- ▶ The **fundamental shift in Germany's and Europe's energy import flows** implies a reshaping of (geo)political equilibria. Following the political failure and the partial physical destruction of Nord Stream, Germany finds itself in a tougher position. Its<sup>17</sup> attempt to become the gatekeeper between Russia's gas and the rest of Europe is over. Germany's unilateralist pursuit of the project has always been perceived critically, not only by Ukraine but also by most other EU member states, especially those whose geopolitical position was directly jeopardised by it. Germany's future energy imports will either come by ship, which generally makes them more expensive, or via cables and/or pipelines. Except for Norway's relevant but limited resources, the imports via cable/and or pipelines must come from or transit through other EU countries, such as Spain and France; Italy and Austria; or Greece/Turkey and several other countries. It might therefore be worthwhile for Germany to consider if and how it can better coordinate and align its ECDRPs with these countries – and with the EU as a whole.

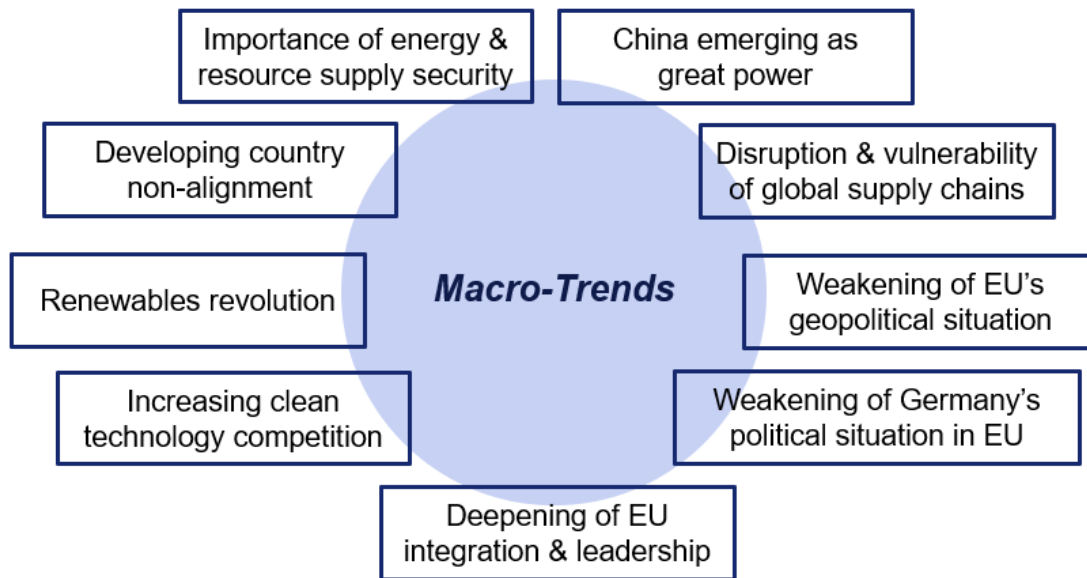
All these macro-trends complicate the transformation to climate neutrality. But they also present an opportunity. In the coming years, Germany could consolidate its historical climate policy leadership<sup>18</sup> if it makes rapid progress towards achieving its own 2030 climate targets and if it succeeds in rethinking its ECDRPs in a way that more effectively supports the transformative change needed at the global level.

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<sup>17</sup> It must be noted that the Green party had always vocally opposed Nord Stream I and II, for geopolitical and climate policy reasons. It is a strange twist of history that Nord Stream exploded politically and then literally for the Green Minister for Foreign Affairs, Annalena Baerbock, and of the Green Minister for Economic Affairs and Climate Action, Robert Habeck, shortly after they took office. From the point of view of other countries, it is nevertheless a fair assessment that Germany as a whole had pursued Nord Stream, since it had been supported by a series of previous government coalitions, including members of the current government.

<sup>18</sup> Germany's credibility as a climate leader has recently come under scrutiny for a number of reasons. The German push for new gas supplies has been perceived as inconsistent with its pledge to stop all new public finance for fossil fuel projects and its insistence for other countries to do the same. In the EU, the German government has not always been supportive of the Fit for 55 agenda and has stalled progress on several occasions – recently in a very visible way regarding the phase-out of internal combustion vehicles by 2035. Domestically, the transport and buildings sectors are clearly not on track to climate neutrality. At the same time, Germany is pursuing an ambitious climate reform agenda in its industry and energy sectors. Moreover, it is developing a climate foreign policy strategy aimed at taking a more affirmative and coherent stance on climate in the future.

**Figure 2: Macro-trends affecting the operation of Germany's ECDRP**



## Development of German politics and institutions

The evolution of German politics and its institutions influences the environment in which Germany's ECDRPs operate. These, as we discuss in this section, evolve dynamically along with changes in the political context. While partnership programmes may outlast a particular government coalition, changes in power can substantially affect the work of the German ministerial offices and external agencies involved in their implementation, as well as of the civil servants and stakeholders from civil society and business in the partner countries.

Germany established its first two energy partnerships (India, China) under the first Merkel government (Merkel I, a centrist coalition CDU/CSU-SPD, 2005-2009) on the initiative of the Federal Ministry for Environment (BMU). In that time, BMU was responsible for climate policy as well as renewables deployment, while the rest of the energy policy portfolio was the responsibility of the Ministry for Economy (BMWi). This institutional framework had been established during the Schröder governments (SPD-Green Party<sup>19</sup>, 1998-2005) and remained unchanged until 2013. One rationale for this arrangement was that, in 1998-2005, the Green Party was in charge of the BMU and wanted to implement renewable policies in close coordination with climate policy. Moreover, at that time, many considered renewables to be a small niche that should be encouraged for environmental and climate policy reasons, but one that had little impact on energy policy as a whole.

With Germany's growing renewable energy industry, promoting renewables abroad became a topic of broad consensus within German politics and which was also supported by a significant proportion of the Christian Democrats. Under the Merkel I government, the same BMU General-Directorate (GD) that initiated the first energy partnerships together with the BMZ also played a key role in pushing for the adoption of the first EU Renewable Energy Directive and in establishment of the International Renewable Energy Agency (IRENA). The BMU thus entered new fields that were intertwined with those traditionally covered by the German Federal Ministry for

<sup>19</sup> Official German party name: Bündnis 90 / Die Grünen („Alliance 90 / The Greens). For the sake of brevity, this paper uses the term "Green Party".

Economic Cooperation and Development (BMZ). However, the large budgets remained with the BMZ, while the work of the energy partnerships consisted mainly of political and technical dialogue formats (see below).

Under Merkel II (2009-2013, a coalition of CDU/CSU and FDP), the BMWi launched its raw material partnership programme (Mongolia, Kazakhstan, Chile). Meanwhile, the BMU, now headed by a minister from the CDU/CSU, launched new energy partnerships with Morocco, Tunisia, Türkiye, and South Africa. The Federal Foreign Office (AA) started its own energy partnership with Angola.

Under Merkel III (CDU/CSU-SPD, 2013-2017), the renewables portfolio was moved from BMU to BMWi, which was renamed to “Ministry for Economic Affairs and Energy”, as it was now clear that renewables were becoming a crucial part of the energy sector. At the same time, this change implied that a substantial number of policy officers enthusiastic about renewables and the energy transition joined the traditionally more conservative BMWi, including the unit that had launched the energy partnership programme (EP).

The first federal government coalition agreement that mentioned the energy partnerships was the one of the Merkel IV government (CDU/CSU-SPD, 2018-2021). The agreement stated the intention of expanding the EP<sup>20</sup>. In the eight years of the Merkel III and IV governments, the BMWi started one new raw material partnership and massively expanded its EP, with almost twenty new energy partnerships.<sup>21</sup> This period also saw a strong mainstreaming of the climate and energy transition in the thinking and actions of the AA, resulting, among others, in the establishment of the Global Hydrogen Diplomacy programme.

At the same time, the issue of climate had gained importance in Germany's development cooperation. Germany's Official Development Aid (ODA) is a key channel for the distribution of climate finance and compliance with international commitments in this area. In 2010, Germany's BMZ contributed around €1.1 billion in bilateral climate finance, including to REDD+, through its ODA. This figure increased to €1.43 billion in 2014 and €4.4 billion in 2020. In addition, Germany and the BMZ have significantly increased their contributions to multilateral climate finance such as the Green Climate Fund. While in the past, adaptation and mitigation have been roughly similar in volume in the BMZ's bilateral work, the focus has recently shifted to mitigation, which now has larger budgets. In addition, Germany provides different concessional financing instruments through the KfW. In 2021, Germany contributed 5.43 billion in climate finance contributions and an additional €2.59 billion in concessional finance (development or promotional loans, investments, credit lines) through the KfW.

The institutional setting around the ECRDPs changed significantly under the current “traffic light” coalition (SPD-Green Party-FDP, since 2021). The Green Party took over the portfolios most relevant for the ECRDPs. The Green Party co-leader duo took over key ministries, whose portfolios expanded significantly in the process. Annalena Baerbock is now Minister for Foreign Affairs, and her ministry took over the responsibility for international climate diplomacy. The other Green party leader, Robert Habeck, is Minister for Economic Affairs and Climate Action. Accordingly, the former BMWi took over the responsibility for the entire domestic climate policy portfolio, including the German participation in EU climate policy, as well as for the International Climate Initiative (see below), and it changed its name (now BMWK). Consequently, the Ministry for Environment, which had played a key role in establishing the first partnerships, is no longer responsible for them. The Ministry for Economic Cooperation and Development is now

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<sup>20</sup> Koalitionsvertrag zwischen CDU, CSU und SPD 19. Legislaturperiode. [https://www.bundestag.de/resource/blob/543200/9f9f21a92a618c77aa330f00ed21e308/kw49\\_koalition\\_koalitionsvertrag-data.pdf](https://www.bundestag.de/resource/blob/543200/9f9f21a92a618c77aa330f00ed21e308/kw49_koalition_koalitionsvertrag-data.pdf)

<sup>21</sup> The figure below does not show the energy partnerships and dialogues with high income countries, such as Australia, Canada, Israel, Japan, Korea, Saudi Arabia United Arab Emirates, Ukraine, USA.

run by Svenja Schulze (SPD), who had served as Minister for Environment in the last Merkel government. The Minister for Education and Research (BMBWF), Bettina Stark-Watzinger belongs to the liberals (FDP), who also control two ministries that are not directly involved in EC-RDPs but influence relevant framework conditions for their operations: the Ministry for Finance, run by the FDP party leader Christian Lindner, and the Ministry for Digital and Transport, run by Volker Wissing.

Restructuring was not yet complete when Russia escalated its war of aggression against Ukraine. As a consequence, less than three months into the traffic light coalition, Germany was impacted by a major energy supply and price crisis, which triggered a re-prioritisation of policy goals and further restructuring within the BMWK. The energy partnerships programme was moved from the GD Climate Action to the GD External Economic Policy. The BMWK GD Industrial Policy is responsible for the raw material partnerships. The BMWK GD Climate Action remains responsible for the International Climate Initiative (IKI), a large funding programme that finances many projects related to the ECDRP activities in cooperation with BMUV and Foreign Office (AA), among other projects.

The traffic light coalition also brought change to the BMZ, which now runs two partnership programmes. With Svenja Schulze, the former environment minister, a pro-climate advocate became Minister for Economic Cooperation and Development, thus leading the BMZ. A new unit for climate partnerships was formed within the GD responsible for climate. The unit is responsible for both the bilateral Climate and Development Partnerships (P+) and the plurilateral Just Energy Transition Partnerships (JETP). The unit was established following the coalition agreement, in which an increased focus on the formation of climate and development partnerships was agreed.<sup>22</sup>

Climate has also become a priority issue at the Foreign Office. The AA has taken over responsibility for climate diplomacy from BMU and there is an ongoing effort to mainstream climate in Germany's foreign policy, inter alia by developing a "climate foreign policy strategy". Moreover, Baerbock appointed a Special Envoy for International Climate Action. The Special Envoy has led structured efforts to improve the coordination of external climate and energy-related activities with the relevant ministries (BMZ, BMWK, BMUV and the AA itself) in what is called "Team Germany". Regular meetings in working groups are intended to improve the coordination of the various ministries and streamline their activities, especially with regard to possible partnerships, as described in the next chapter.

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<sup>22</sup> Coalition Agreement 2021; see: <https://www.bundeskanzler.de/re-source/blob/1830100/1990812/1f422c60505b6a88f8f3b3b5b8720bd4/2021-12-10-koav2021-data.pdf?download=1>

### 3 Germany's energy, climate, development, and raw materials partnerships

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Germany maintains numerous **bilateral and plurilateral partnerships** in the fields of energy, climate, development, and raw materials (ECDRP). They were established at different times by different ministries. In some cases, there are parallel partnerships with the same country. The goals, structures, and activities they implement or trigger are heterogeneous.

#### What is considered a “partnership” in this study?

The term "partnership" has been used more and more frequently in recent years, not only in Germany but also internationally. In the field of development cooperation, this term is often associated with the intention of expressing a different kind of relationship (“a balanced partnership of equals”, “partnership on equal terms”) than the traditional, hierarchical relationship between countries that provide or receive Official Development Assistance (ODA).

In this study, **we focus on bilateral and plurilateral partnerships between Germany (or a group of donors including Germany) and a partner country**. Multilateral cooperation, basic diplomatic relationships and classical development cooperation are not covered.

Carrying the name “partnership” is not a sufficient condition for an initiative to be included in this study. Rather, a partnership must have a **wider scope**, some degree of formalisation and a more long-term character than collaboration on a specific, ad hoc project.

In some cases, the **definition is not clear-cut**. However, the primary purpose of this classification is to take stock of the existing partnership *structures*. In other words, we want to gauge what activities Germany pursues in a systematic way. The aim is not to record every single German initiative that could be considered a partnership. The ultimate goal of the stocktaking is to inform the development of ideas how Germany's partnership programs can be made more transformative.

#### Germany's main partnership programmes (PPs)

This chapter looks at Germany's five main “**partnership programmes**” (PPs):

- ▶ The bilateral Energy (and Climate) Partnerships (EP) and Dialogues (ED), including the (Green) Hydrogen Alliances and Agreements run by the Federal Ministry for Economic Affairs and Climate Action (BMWK).
- ▶ The bilateral Climate and Development partnerships (P+) run by the Federal Ministry for Economic Cooperation and Development (BMZ), including the "Climate Partnerships" with Peru and a "Climate and Energy Partnerships" with Columbia that combine the EP of the BMWK with the P+ of the BMZ.
- ▶ The plurilateral Just Energy Transition Energy Partnerships (JETP), the German side of which is coordinated by BMZ, AA, BMWK and BMUV.
- ▶ The International Climate Initiative (IKI), especially its priority country programme, which is coordinated by BMWK, BMUV, and AA.
- ▶ The bilateral Raw Material Partnerships run by the BMWK.

We then look at further, selected activities to understand the broader context of the work related to the ECDRPs, such as the “normal” Official Development Assistance (ODA). The energy-

related partnerships run by the German Federal Ministry for Education and Research, as well as partnerships at the EU level in the fields of energy, climate, and raw materials.

Notably, this list does not include *transformation partnerships*. This term was widely discussed in the German partnership community after Chancellor Scholz's visit to Brazil in January 2023. It was briefly mentioned in one sentence of the recent German National Security Strategy.<sup>23</sup> We do not address transformation partnerships in this chapter, as there is currently neither a partnership programme nor individual partnerships under this denomination. However, in our recommendations (see Chapter 5), we propose the term *Partnerships for Transformation* to indicate a more integrated and strategic approach to Germany's existing partnership programmes to make them fit for the challenge of climate neutrality.

Neither "ECDRP" nor "partnership programmes (PPs)" are categories already in use. We introduce them to facilitate our analysis of a field that has hardly been studied so far.<sup>24</sup> In addition to the sources cited, the analysis in this chapter is based on interviews with people engaged in their development and implementation (see a partial list in the Annex). Moreover, one of the authors of this paper has played an active role in the implementation of the BMWKs energy partnerships programme for many years.

In this document, we mainly focus on developing countries – countries of the Global South.<sup>25</sup> Nevertheless, the analysis of the PP also mentions Germany's partnerships with countries of the Global North where relevant.

As the following figures 3 and 4 below show, the number of partnerships has risen sharply in recent years, and several more are in development.

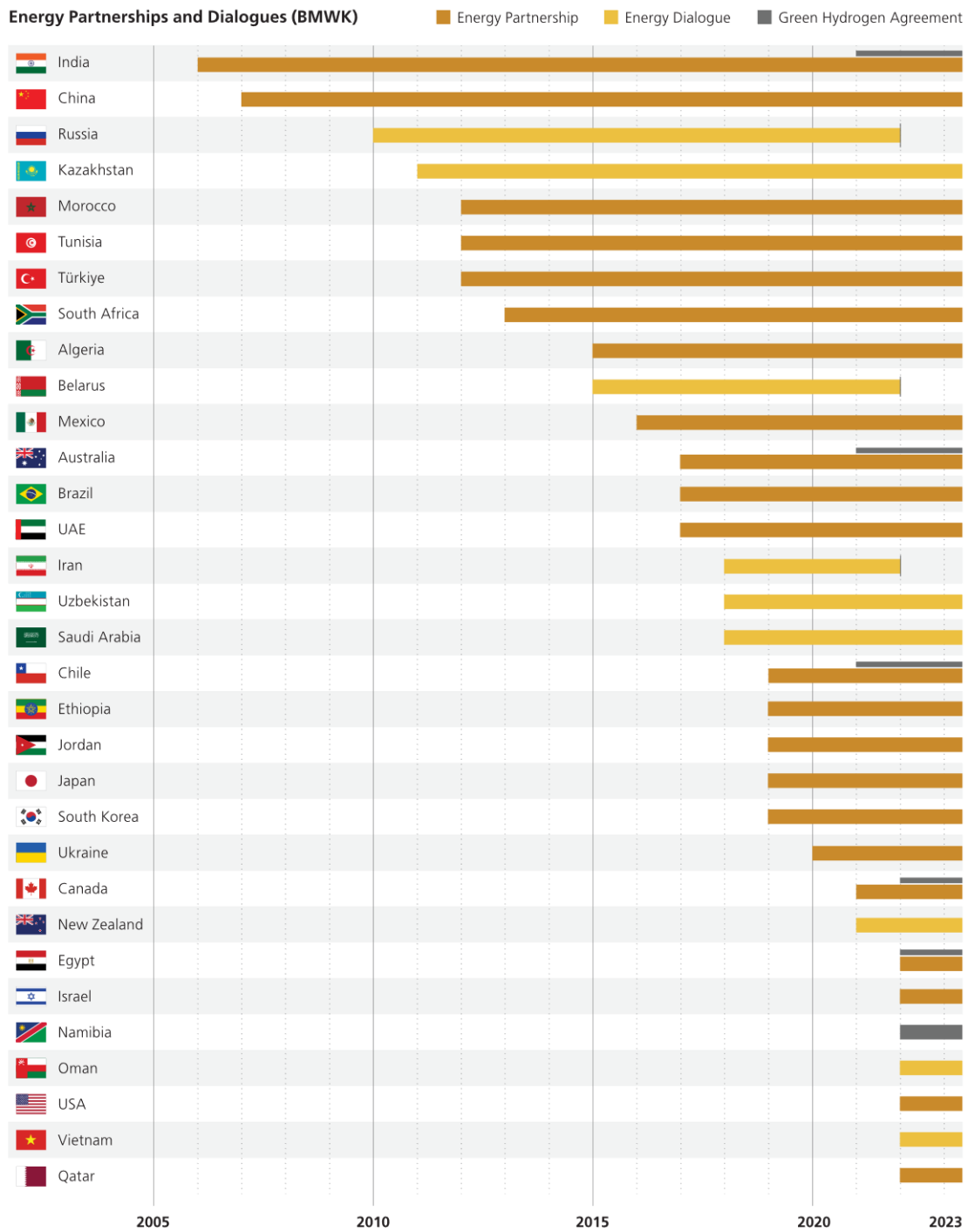
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<sup>23</sup> "The Federal Government believes that climate and transformation partnerships are key to finding equitable solutions that are tailored to specific countries." Federal Government (2023): Integrated Security for Germany: National Security Strategy. Available at: <https://www.nationalesicherheitsstrategie.de/en.html>, p. 64

<sup>24</sup> To our knowledge, neither external analysis nor official documents are so far available that discuss Germany's partnership landscape as a whole.

<sup>25</sup> See in the Annex "What countries do we focus on?" for an explanation of what we mean with Global South.

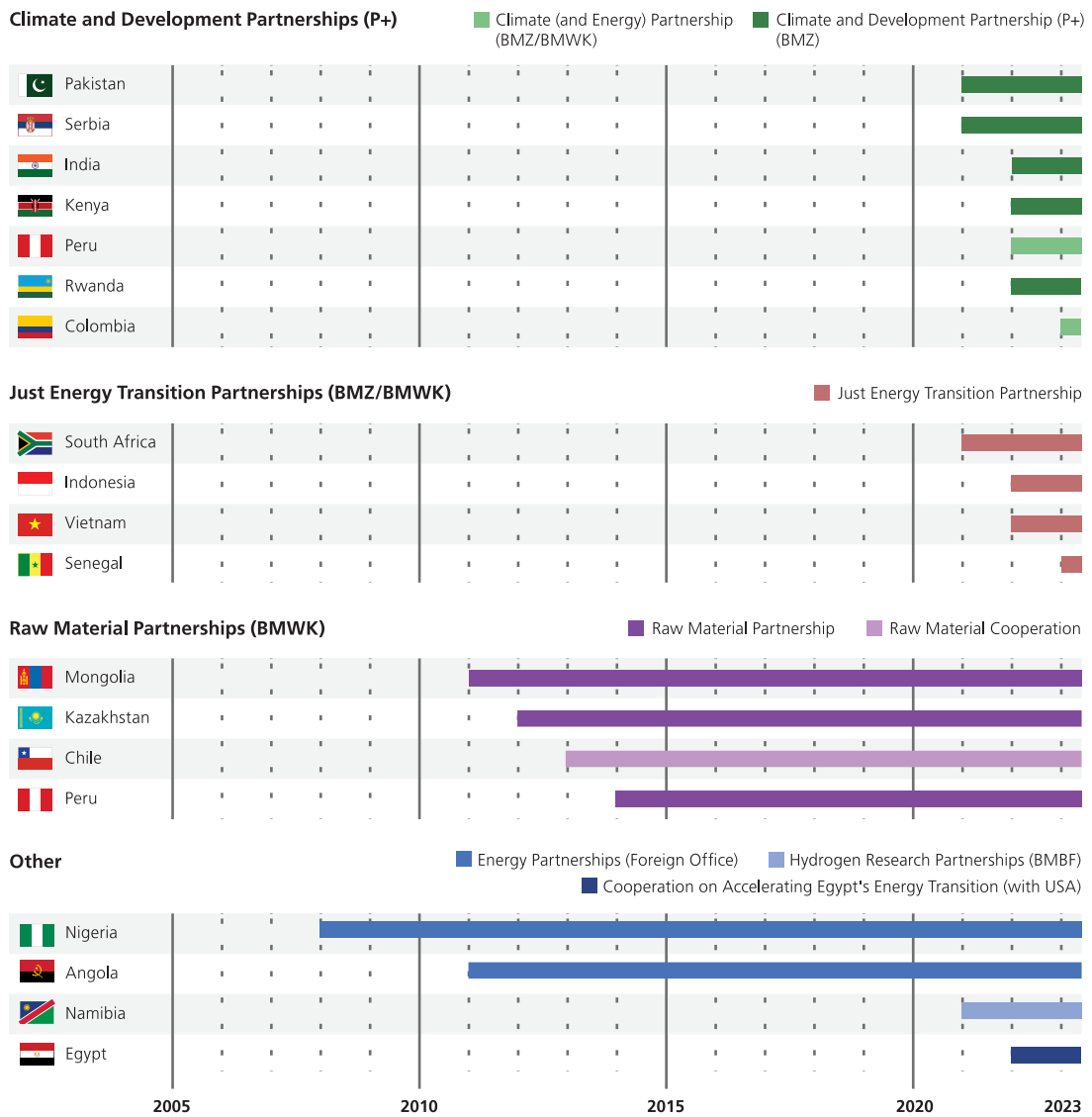
Figure 3 Existing Energy Partnerships and Dialogues in the BMWK programme<sup>26</sup>



Note: Own representation. Germany has signed Green Hydrogen Agreements within the framework of the Energy Partnerships with some countries. With Namibia, only a Green Hydrogen Agreement was signed despite the lack of a pre-existing partnership.

<sup>26</sup> The figure does not include the Energy partnerships with high-income countries (Australia, Canada, Japan, Korea, Oman, Saudi Arabia, Türkiye, UAE, USA).

Figure 4 Other partnership programmes



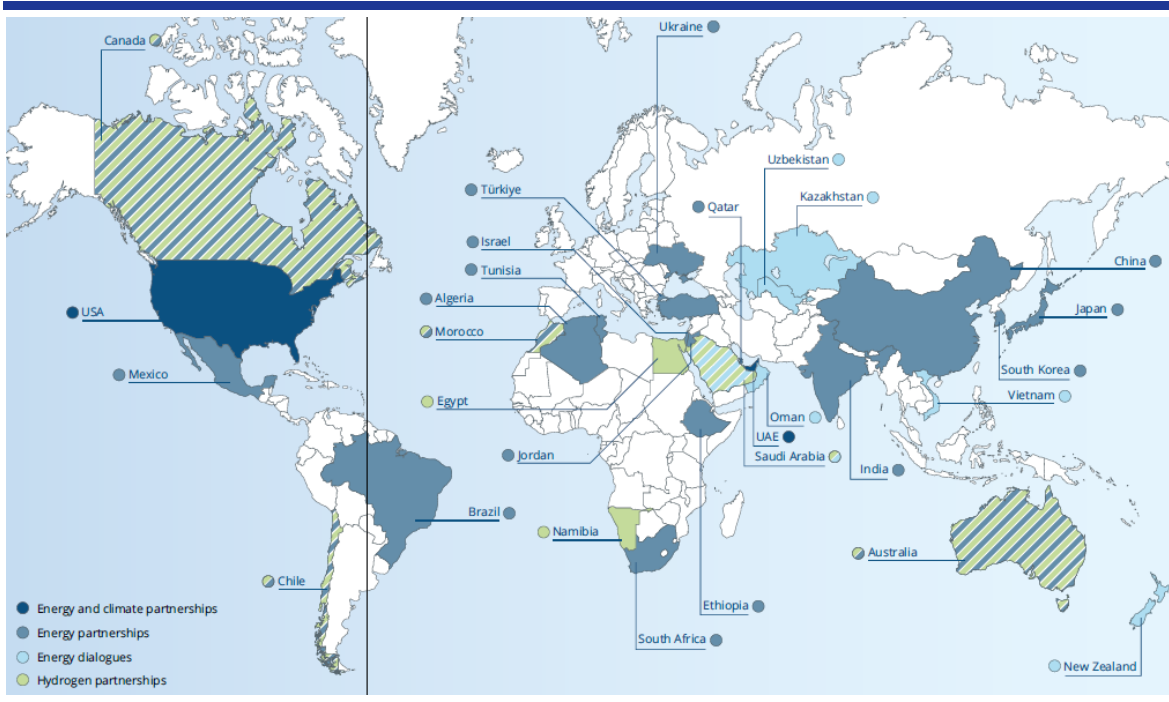
Note: (1) The Climate and Development Partnerships are formally a BMZ programme. However, for some countries, the BMZ shares leadership with the BMWK, which also contributes financially. These partnerships are called Climate Partnership (in the case of Peru) and Climate and Energy Partnership (in the case of Colombia). (2) Several other partnerships exist that are not part of a programme and are grouped under the category "Other". Last updated: August, 2023.



## Energy (and Climate) Partnerships

The energy and climate partnerships of the Federal Ministry for Economic Affairs and Climate Action (BMWK) are the **oldest and largest** of Germany's partnership programmes, although not the ones endowed with the largest budgets. As of March 2023, BMWK reported the existence of bilateral (climate) and energy partnerships, energy dialogues, and hydrogen partnerships with 29 countries on all continents, with some more in the pipeline.

**Figure 5: BMWK's energy partnerships, energy dialogues and H<sub>2</sub> partnerships as of 2022<sup>27</sup>**



In this report, we consider all types of partnerships listed in the map as part of the same “**energy partnerships programme**”. By definition, this programme is limited to non-EU countries, which are covered by closer collaboration within and in parallel with EU institutions.

### Partnerships denominations

The various partnership denominations in the map do not necessarily reflect different kind of goals, activities, or governance. They are partly contingent on the specific situations within the German government and/or in the partner countries at the time of their development.

Energy partnerships are underpinned by formal – albeit not legally binding – memoranda of understandings or declarations of intent. The energy dialogues “fundamentally pursue the same objectives”<sup>28</sup>, but are not based on a formal document, do not have formal structures, and are usually characterized by a lower level of activity, although this is not always the case: Energy partnerships have emerged out of particularly active energy dialogues. On the other hand, for

<sup>27</sup> Source: Federal Ministry for Economic Affairs and Climate Protection (2023). Energy and climate partnerships and energy dialogues. 2022 annual report. <https://www.bmwk.de/Redaktion/EN/Artikel/Energy/international-energy-policy-2.html>. In this BMWK report, Germany's energy partnerships with Angola and Nigeria, which were established and are run by the Federal Foreign Office (see below), are not mentioned. Nor it shows the energy dialogues with Russia and Iran, which have been suspended in 2022 for political reasons.

<sup>28</sup> Unless otherwise specified, this and other short quotations in this chapter come from the annual report mentioned in the previous footnote.

instance, the once very active partnership with Mexico has reduced its activities after the political change in Mexico in 2018.

As shown in the map, a hydrogen partnership and an energy partnership or energy dialogue with the same country can exist at the same time. The hydrogen partnerships – also known as Hydrogen Alliance (with Canada) and Hydrogen Accord (with Australia) – are a new type of arrangement, first established in 2021, which can build on an existing energy dialogue or partnership. In practice, the boundaries between the different structures can be fluid. For instance, in the case of Canada, the implementation of the hydrogen alliance and of the hydrogen work stream of the energy partnership is brought forward by the same team.

### **Box 2. Backstage insights on the genesis of Germany's first CEP with the USA**

The partly contingent character of some partnership designations becomes evident if one takes a detailed look at how the first of two German CEPs so far has developed. This perspective also helps understanding how goals “between the lines” may influence the framework of a partnership.

Under the Trump administration, the BMWi had developed a very active energy dialogue with the USA, bypassing Washington's lack of interest and focusing instead on federal states and non-state actors. Shortly after the Biden administration took office, bilateral talks towards a partnership started. The BMWi offered its standard energy partnership. The US side preferred a “climate and energy partnership”. On the German side, this necessitated an unusual and, at that time, not always easy coordination of BMWi and BMU. For both ministers, who belonged to different political parties, the prospect of a signing ceremony in Washington was attractive, not least in view of the upcoming 2021 German elections. Due to the importance of the USA, Germany's Foreign Office (AA) was involved to a greater extent than usual in such a deal. Although the constellation of ministries in Berlin was made easier by the fact that BMZ was not involved in the game, the coordination of all these actors turned out to be slow and inconclusive, until the Federal Chancellery took charge of the dossier, taking a final decision in favor of a “climate and energy” partnership.

The CEP was announced by Chancellor Merkel and President Biden in Washington in July 2021. As put by Reuters “Biden, Merkel stress friendship while agreeing to disagree on pipeline.”<sup>1</sup> For both sides, one of the political merits of announcing the CEP was that it highlighted their intention to closely collaborate on the energy transition – despite the evident disagreement on Nord Stream and even despite the related looming US sanctions against Germany. In the following months, a negotiation among three ministries of each country (climate, energy, and foreign ministry) on the CEP governance and working groups unfolded. It was concluded in November, just weeks before the reshuffling in Berlin took place. During the negotiation, the BMU represented the climate policy portfolio, which was transferred to the other two German ministries involved, the BMWK and the AA, few weeks later.

Starting in March 2023, the stated focus areas are the same as those announced in 2021: Off-shore wind, hydrogen, zero-emission vehicles and third country cooperation. Notably, all activities except for “third country cooperation”, are more or less typical for energy partnerships. Further activities specifically related to climate could be developed in the future.

Sources quoted in the textbox<sup>29</sup>

<sup>29</sup> <https://www.whitehouse.gov/briefing-room/statements-releases/2021/07/15/washington-declaration/>  
<https://www.whitehouse.gov/briefing-room/statements-releases/2021/07/15/fact-sheet-u-s-germany-climate-and-energy-partnership/>  
<https://www.reuters.com/world/biden-merkel-may-have-little-time-rebuild-indispensable-relationship-2021-07-15/>

The partnerships with USA and UAE are called climate and energy partnerships (CEP). In practice, their activities so far do not differ substantially from those within comparable energy partnerships. Climate change mitigation is a key driver for all energy partnerships, although its prioritisation in comparison to other goals and the specific activities, if any, depend on the specific bilateral and political context. However, under the current institutional framework in Germany's ministries, it is likely that other energy partnerships will be renamed CEPs (as long as the partner countries agree, of course), which may help to further strengthen the priority of climate mitigation in the BMWK's energy partnership programme.

### Historical development and goals

To understand the background to this complex constellation, it is useful to have a look at its historical development. The first energy partnership was established in 2006, when the then Chancellor Merkel and the then Indian Prime Minister Singh jointly announced the establishment of the Indo-German Energy Forum (IGEF), with the aim of collaborating on "strategic energy concerns", especially renewables, energy efficiency and energy security. By 2013, partnerships with China, Angola, Morocco, Tunisia, Türkiye and South Africa had been established (see figure 3 above). In this first wave of energy partnerships with emerging economies, high-level support (in some cases, such as India) provided the opportunity to complement the traditional portfolio of instruments of the German development aid with specific energy transition, especially renewables, expertise, and smaller but often more flexible cooperation measures.

Until 2013, the energy partnership programme was largely driven by the BMU<sup>30</sup> on the German side. As described above, at this time the BMU was strongly engaged in pushing renewables on the international agenda, which was the BMU's central goal also in the early phase of the energy partnership. After the 2013 federal elections, the EP programme was moved to BMWi, now renamed Ministry for Economic Affairs and Energy, along with the domestic and EU renewable energy policy portfolio. This created the conditions for a strong expansion of the EP programme (see figure 5 above), as the BMWi could offer dialogue and cooperation on a wider range of energy issues than the BMU, including conventional sectors, and was in a better position to address the energy business community in the partner countries than the BMU.

For the first time in such a document, the energy partnerships were mentioned in the coalition agreement underlying the Merkel IV government (2018-2021):

*"We will expand international energy cooperation in order to take advantage of Germany's pioneering role in the energy transition internationally and to support the competitiveness of German companies (...) We will develop further bilateral energy partnerships with the aim of facilitating market access for German industry and advancing the global energy transition."*

This wording is remarkable in several respects: The security of energy imports – the dominant issue of Germany's energy policy in 2022 – was not mentioned in this excerpt, nor elsewhere else in that coalition agreement.<sup>31</sup> This shows how oblivious German polity was to Germany's vulnerability in this regard. While climate and development policy goals were given high importance in that coalition agreement, the fact they were not mentioned as goals of the energy

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<sup>30</sup> Exception: Angola was run by the AA from the beginning.

<sup>31</sup> In the 175 pages of the coalition agreement of 2018, the concepts of energy security and "imports" (of whatsoever) are not mentioned, while the word "export" pops up six times. "Energy supply security is mentioned in the first paragraph of the energy chapter, with reference to (the EU integration of) energy markets, without any external policy connotation. Geopolitical considerations are mentioned in the chapter on raw materials (more n this below).

partnerships suggests a fragmentation in the conception of Germany's external activities. Finally, it makes apparent that German policies are not always in line with the coalition agreements: In practice, many of the activities triggered or directly implemented by the energy partnerships were driven by climate and development policy concerns to a much greater extent than this excerpt suggests.<sup>32</sup>

The current coalition agreement was negotiated between three different political parties in 2021, at a time of growing concerns about Germany's empty gas storage facilities (the largest of which at that time owned by Russia's Gazprom), but before the beginning of Russia's new war of aggression against Ukraine. It was probably also the peak of policy makers' focus on hydrogen. Moreover, the new government started with the intention of a reorientation towards a more European approach, driven by the traditionally strong pro-EU stance of the Green Party, by the looming energy price crisis and by Germany's loss of reputation with its EU and NATO allies in connection with Nord Stream. All this is reflected in the way the energy partnership is mentioned in the 2021 coalition agreement:

*"(...) we will (...) bring forward European and international climate and energy partnerships for climate neutral hydrogen and derivatives (...). We want to push ahead as quickly as possible with the development of an efficient hydrogen economy and the necessary import and transport infrastructure. We want to achieve an electrolysis capacity of around 10 gigawatts by 2030. We will ensure this, among other things, through the expansion of offshore wind energy and European and international energy partnerships. This requires a committed development of the necessary infrastructure. To this end, we will create the necessary framework conditions, including efficiently designed funding programmes, and in particular strengthen European cooperation in this area."*

Coalition agreements mirror the political equilibrium at the time they are agreed upon. In the months following Russia's invasion of Ukraine, the top priority of Germany's energy policy was to mitigate the risk of physical energy scarcity in the upcoming winter(s) and the impact of the high energy import prices, none of which was mentioned in the coalition agreement. Some of the existing energy partnerships provided a platform that facilitated the pursuit of these new priorities. In many other energy partnerships, the strategic priorities remained focused on energy transition.

Apart from the very high level (and not comprehensive) statements in the coalition agreements, there was never an official document stating the goals of the EP programme. The contents in the BMWK website<sup>33</sup> have changed over time; the annual report mentions focus areas for each partnership, but does not provide a structured overview of the goals of the programme. In public presentations, BMWK has often mentioned variations of the energy policy triangle (environment, economy, energy security), whereas the emphasis varies according to the current priorities and political preferences.

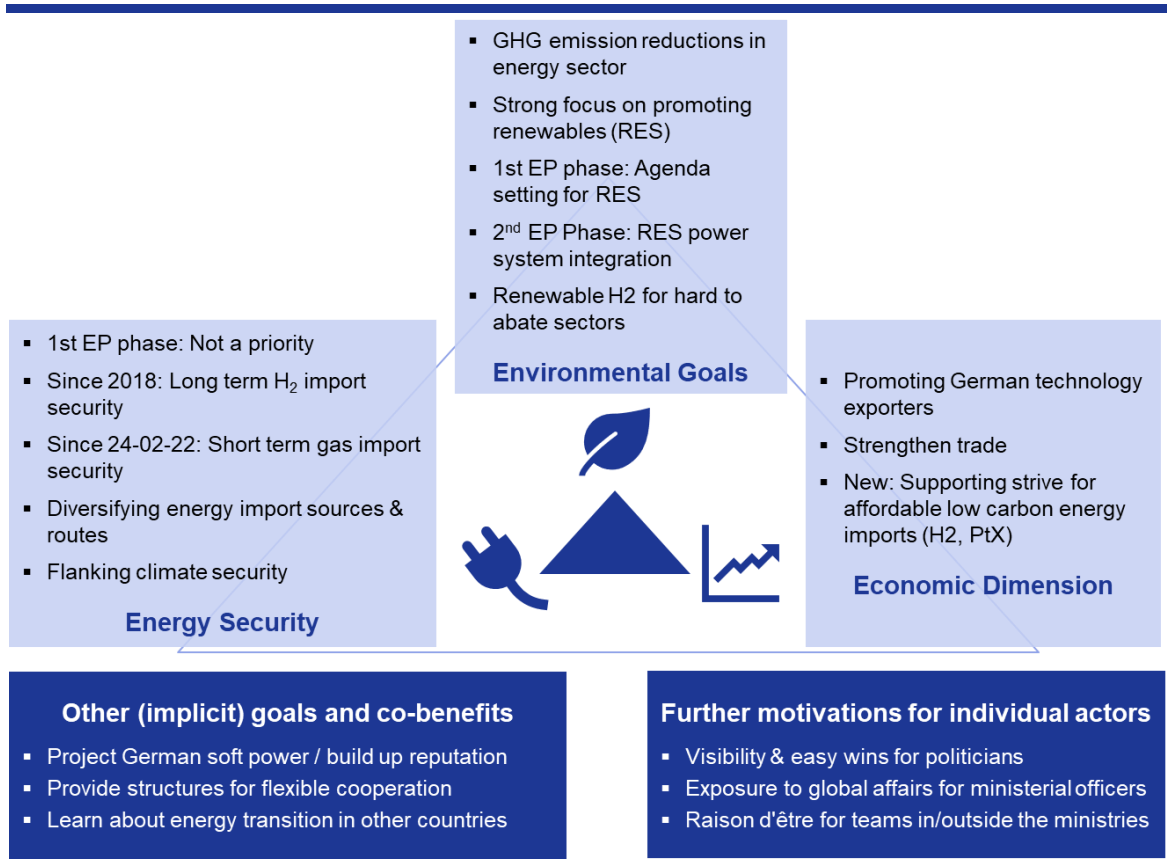
Figure 6 below provides an overview of the main goals of the EP programme as we currently see them, including its evolution over time.

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<sup>32</sup> The only independent study on the energy partnership known to us finds that they pursued three strategic goals: global energy transition, climate protection and export opportunities, often operationalised in supporting the partner countries' efforts to promote renewables deployment and in politically flanking German company's activities in these countries. See: Quitzow, R., Thielges, S., & Helgenberger, S. (2019). Deutschlands Energiepartnerschaften in der internationalen Energiewendepolitik. Bestandsaufnahme und Optionen für die Zukunft. IASS Discussion Paper, April 2019.

<sup>33</sup> <https://www.bmwk.de/Redaktion/EN/Artikel/Energy/international-energy-policy-2.html>

**Figure 6: Key goals of the energy partnership (EP) programme**



## Governance structures

**Governance within Germany:** In autumn 2022, the responsibility for the BMWK's energy partnership programme was moved from the GD for Climate Action to the GD for External Economic Policy. Within the latter, one unit is responsible for the general strategy of the programme and for the implementation with some industrialised countries. The partnerships with all developing and emerging economies and with the countries of the Arabian Peninsula are managed by the units responsible for the relative regions within the GD for External Economic Policy. These changes have raised concerns that supporting the interests of German businesses might be given a higher priority in the future than other goals of the energy partnerships programme. According to some interviewees, this can already be observed.

Since the beginning of the energy partnership programme, the responsible ministries (first the BMU, then the BMWi/BMWK) have contracted external implementing agencies. The outsourced services include operational support as well as intelligence on the developments in the partner countries, strategic advisory and political networking. The largest share – the energy partnerships with 14 emerging economies – is contracted out to GIZ, a large company fully owned by the German Federal government and controlled by the Federal Ministry of Finance and the BMZ, which is generally also the GIZ's main commissioning party. The GIZ maintains presence in around 120 countries, where the local GIZ energy partnerships teams are based. These teams typically consist of 4 to 5 people, supplemented by a coordination team of around 10 people based in Berlin. In all relevant countries, the GIZ turnover with BMZ is far larger than that with BMWK.

Another public owned company acting as implementing agency is the German Energy Agency (dena), which currently implements energy partnerships and dialogues with five countries

(Kazakhstan, Ukraine, Uzbekistan, Türkiye and Israel). Dena also used to manage the partnerships with Russia and Belarus, which are now suspended. In addition, Dena carries out the general communication activities of the energy partnership programme. While the contracts with Dena and GIZ are awarded directly, since 2016 the BMWi/BMWK has been awarding the contracts to implement the energy partnerships and dialogues with a series of industrial countries via competitive tenders. The consultancies adelphi (USA, Canada, Japan, Korea, Australia and New Zealand) and Guidehouse (Saudi Arabia, UAE, Qatar and Oman) have been confirmed in the second round of tenders in 2021.

**Governance of the Partnership:** Every energy partnership is based on a MoU that sets out its governance structure. As a rule, there is a Steering Group with representatives of the BMWK and of its counterpart – on the German side it is often (but not necessarily) at the State Secretary level. In some cases, the Steering Group also includes representatives of other ministries, e.g the ministry for Climate, if it is not the same. Typically, the Steering Group meets in person once a year, often following larger events. In practice, the daily business is usually managed by one ministerial officer per country, with the support of the staff from the implementing agency. Moreover, there are typically two to five Working Groups (WGs) that elaborate their own working plans, such as the conception and preparation of joint projects, studies, workshops and other events. The WG may meet several times a year or less frequently, depending on the need, they often meet virtually or in occasion of specialized events or common activities.

Usually, the implementing agencies attend all these meetings and play a major role in making things happen. This often leads to an imbalance in the partnerships, as partner country officers do not typically have such implementing agencies at their disposal – nor do they have an adequate number of internal staff focused on the partnership. The implementing agencies often try to compensate this imbalance by de facto working for the officers of the partner country as well. However, their client ultimately is on the German side.

**Governance in the partner countries:** While formal structures are always on equal terms, they are not necessarily fully mirrored. For instance, in some cases only one ministry is involved on one side, but two are involved on the other side. As mentioned in the previous paragraph, the resources available for the partnership work are usually more limited in the partner country.

## Funding

The BMWK does not publish figures on the costs of the energy partnership programme. For the direct activities with each partner country, we estimate expenditures of around 0.8 – 1.5 Mio € per year for the activities managed by the implementing agencies. There can be upwards and downwards outliers, depending on the volume and complexity of the activities. In addition, there are expenditures we cannot quantify for a number of horizontal activities, including the yearly flagship event Berlin Energy Transition Dialogue, which attracts more than 2.000 participants to Berlin including several dozens of ministers and CEOs<sup>34</sup>, the yearly Start Up Energy Transition Award<sup>35</sup>, and the communication initiative Women Energize Women<sup>36</sup>.

Besides these direct expenditures related to its core dialogue, communication and knowledge-sharing activities, the energy partnership programme of the BMWK has also inspired and triggered several German ODA and/or IKI projects, for example on the flexibilisation of coal power plants in India and recently on agrophotovoltaics (Agri PV).

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<sup>34</sup> See the event website <https://www.energydialogue.berlin/> - The BETD is financed by several ministries of the Federal Government, and is not an initiative of the BMWK. It takes place in the building of the Federal Foreign Office, and is therefore not an initiative of the BMWK's energy partnership program, which contribute to it mainly "in-kind" with its network of contacts.

<sup>35</sup> <https://www.startup-energy-transition.com/>

<sup>36</sup> <https://www.womenenergize.org/>

## Activities

The standard activities within the energy partnership programme consist of regular intergovernmental consultation meetings and of a series of wider capacity-building and dialogue formats including energy transition conferences in the partner country, workshops with policy makers in partner countries, trainings for public and private actors, business matchmaking initiatives, energy transition excursions to Germany for people from partner countries, studies on the partner country for German policy makers/on specific aspects of German energy, fact-finding missions, presentation series for German experts in the partner country, etc.

Additional, ad-hoc activities may be implemented depending on the situation in the country. These include, for example, the development of joint projects with the partner country or regions thereof, providing information and support for the participation of companies of the partner country in on Germany's H2 international programmes, such H2Uppp and H2Global, contributing to the partner country's energy transition debate or coordinating positions on multilateral issues.

## Impacts

As the energy partnership programme has virtually no budget of its own to fund projects in or with the partner countries, its impacts are mainly indirect and can thus not exclusively attributed to it. While the following list of selected impacts has no ambition to be exhaustive, it provides an impression of the diversity of impacts<sup>37</sup>.

- ▶ **Global: Mainstreaming renewables:** As strange as it may seem today, 20 years ago most governments and top business leaders around the world subscribed to the view that wind and solar would remain negligible niches with no relevant impact on energy systems. Germany was one of the few countries (and the most influential by the far) to embrace renewables from the early 2000s. Energy partnerships were one of the tools it used in its successful and historically crucial achievement of bringing renewables to the forefront of global energy investments.
- ▶ **India: Investments in the flexibilisation of the existing thermal power plants fleet** were inspired and technically supported by the work of IGEF, the official name of the EP with India.<sup>38</sup> Investments such as these were meant to pave the way for a massive deployment of renewables in India, which is now taking place. While the initiative is led by the Government of India, IGEF provided fresh information from Germany, where coal power plants had achieved flexibility levels previously considered unfeasible as the increasing share of wind and solar forced them to adapt. The Indian government is now putting in place the legal framework conditions to increase the flexibility of its generators, as an enabling measure to meet its target of 500 GW of renewable generation capacity by 2029–30.<sup>39</sup>
- ▶ **Chile: coal phase-out, renewables phase-in.** Germany's energy dialogue/partnership with Chile contributed to the process leading to the 2019 decision of the Chilean government to phase out coal by 2040<sup>40</sup>. The EP work also contributed to the

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<sup>37</sup> Monocausal explanations hardly exist in social sciences. In all or most cases, the work of the energy partnerships has only been one of the factors that resulted in the described impact. However, in all these examples, we consider that their impact has been a significant factor.

<sup>38</sup> <https://www.energyforum.in/home/about/the-subgroup-i-flexibilisation-of-thermal-power-plants/>

<sup>39</sup> Government of India, Ministry of Power, Central Electricity Authority (2023): [Flexibilisation of coal fired power plants – A Roadmap for Achieving 40% Technical Minimum Load](#)

<sup>40</sup> See the announcement of the Chilean government of 4 June 2019: <https://www.cne.cl/prensa/prensa-2019/06-junio/gobierno-anuncia-salida-de-8-centrales-a-carbon-en-5-anos-y-retiro-total-al-2040/>

development and, so far, successful implementation of Chile's renewables deployment and green hydrogen development plans.<sup>41</sup>

- ▶ **Jordan: Vocational training for energy transition technologies.** The EP programme supported the establishment and development of the German Energy Academy (GEA) in Jordan since 2021. It offers certified short-term vocational training in solar technologies (PV and thermal), energy efficiency, and advanced flexibility solutions (battery storage).<sup>42</sup>
- ▶ **South Africa and Algeria: Supporting the establishment of renewables auctions.** In both African countries, the EP supported the development and, in the case of South Africa, the implementation of auctions for renewable energy capacity.
- ▶ **Canada & Australia: Greening the H<sub>2</sub> agenda of democracies with top renewable resources.** Canada and Australia are among the countries with the best renewable resources globally. However, they also are major exporters of fossil energy and uranium. Until a few years ago, their respective federal governments focused their hydrogen export strategies (almost) exclusively on fossil sources. For instance, Canada's national hydrogen strategy of 2020 does not even mention the astounding wind potential of its Atlantic provinces. Just two years later, 10 GW of wind were being developed there, not least thanks to the work of the energy partnership in close collaboration with Germany's embassy in Ottawa.
- ▶ **USA, Brazil, Mexico: Helping to get through tough political times.** These three countries have recently experienced or are currently experiencing challenging political circumstances with a federal government openly pushing against a progressive climate and energy agenda. By pursuing the work, partly focusing on the subnational level or on non-state actors, the German side of the energy partnership structures helped maintain a constructive climate and energy policy discourse and (in the case of the USA and Brazil) supported a rapid new start in the climate and energy transition relationship after more progressive governments had been elected.

## Climate and Development (P+) Partnerships

Climate and Development Partnerships, or so-called "P+", are bilateral partnerships with developing countries and emerging economies. Their stated aim is to raise "the level of ambition for achieving the 1.5°C-target set in the Paris Agreement while progressing the implementation of the 2030 Agenda and its Sustainable Development Goals (SDGs)."<sup>43</sup> They seek to take a holistic approach to climate action and development by combining and aligning mitigation, adaptation, and nature conservation with sustainable economic development. Since 2021, the German government entered into seven such partnerships.

P+ pursue the goal of **integrating climate action in development cooperation** with partners who demonstrate political willingness for structural reforms. They are based on the bilateral ODA cooperation between Germany and the partner country. A central component of P+ is the use of "policy-based financing", also referred to as "policy-based lending" (PBL). PBL is a development finance instrument where financial support is made conditional on the development and implementation of (sectoral) reforms. This form of conditional lending usually includes three elements: a policy dialogue on the political level, technical support in developing and

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<sup>41</sup> <https://www.renewableenergyworld.com/solar/chiles-ambitious-renewable-goals/>

<sup>42</sup> <https://www.gju.edu.jo/content/about-german-energy-academy-15997>

<sup>43</sup> BMZ (2023): Climate and development partnerships. Available at: <https://www.bmz.de/en/issues/climate-change-and-development/climate-and-development-partnerships>



implementing reforms, and financial support for the implementation of reforms.<sup>44</sup> In addition, the partnership supports the implementation of various other projects selected by the parties.

The present government agreed to conclude climate and development partnerships in its coalition agreement in December 2021.<sup>45</sup> But the first partnership based on this approach was concluded under the previous government with Pakistan in September 2021. Since then, six more partnerships were concluded: with Peru, India, Pakistan, Kenya, Colombia, and Rwanda.<sup>46</sup> The partner countries are selected for their relevance for climate action, but also for their willingness to pursue structural reforms in an ecological, social, and gender-sensitive manner. Moreover, only countries where the BMZ is active can become Germany's partner in a P+.<sup>47</sup> At the time of writing, P+ with more countries are considered: Morocco, Bangladesh, Côte d'Ivoire, and with West Balkan states.

The BMZ is in the lead for P+, with responsibility for the partnerships with a dedicated unit that coordinates with the country units responsible for implementing the partnerships. Other ministries may join the BMZ in the P+ negotiations with selected partner countries, contributing financial or technical support and co-leading the negotiations. The BMWK usually engages with emerging economies and upper-middle-income-countries.<sup>48</sup> For example, the P+ with Peru was led by both BMZ and BMWK and both ministries make financial contributions from the respective ministries' budgets. Likewise, the Foreign Office may co-lead negotiations with emerging economies. The BMUV is involved in partner countries where nature-based solutions and biodiversity are of major importance, such as Peru, India, Colombia, Côte d'Ivoire, or Brazil.

Generally, the P+ are intended to integrate German activities with the partner country in question and function as the umbrella under which different initiatives are streamlined. To this end, the BMZ tries to involve all relevant ministries from the outset. While this was more difficult in the initial weeks of the new government coalition and the restructuring of ministries, it has since improved.

The P+ are negotiated as part of the ODA negotiations between Germany and the partner country. They usually take place every two years. Usually, these negotiations are led by the finance ministry of the respective partner country. Ministries for energy, climate, or the environment may not always be present, which can be a problem when it comes to developing reform targets in these areas. As part of the negotiations, Germany and the partner government set joint targets, define milestones, and agree on the scope and form of financial support. Germany commits a specified amount of money that may be earmarked for certain activities and projects but also includes direct transfers to the general budget. The funds for the P+ *can* go beyond the sums committed as part of normal ODA, since additional finance may be committed via the

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<sup>44</sup> KfW (2018): Was ist "Policy Based Lending"? Überblick über die Funktionsweise und Einsatzmöglichkeiten eines neuen Finanzierungsinstruments für fortgeschrittene Partnerländer. KfW Entwicklungsbank. [https://www.kfw-entwicklungsbank.de/PDF/Download-Center/Materialien/2018\\_Nr.2\\_Policy-Based-Landing\\_DE.pdf](https://www.kfw-entwicklungsbank.de/PDF/Download-Center/Materialien/2018_Nr.2_Policy-Based-Landing_DE.pdf)

<sup>45</sup> SPD, Bündnis 90 /Die Grünen, and FDB (2021): Mehr Fortschritt Wagen – Koalitionsvertrag zwischen SPD, Bündnis 90/Die Grünen und FDP. p. 153. Available at: <https://www.bundesregierung.de/breg-de/aktuelles/koalitionsvertrag-2021-1990800>

<sup>46</sup> The partnerships are all labelled Climate and Development Partnerships (P+) by the BMZ. However, the German government agreed to use the umbrella term "climate partnerships", and some partnerships such as the one with Peru are officially only called "climate partnership" or the one with Colombia "Climate and Energy Partnership". The official names are also influenced by the preferences of the partner country. The partnership with Colombia was announced when this chapter was at an advanced stage, it was therefore not analysed in detail for this chapter.

<sup>47</sup> An overview of the countries is provided in the Annex.

<sup>48</sup> BMWK is also in the lead for cooperation with industrialised countries. However, they are not the focus of Climate and Development Partnership.

P+ facility – a dedicated government fund for climate partnerships. As a rule, partner countries expect that their goals will also be rewarded with financing additional to the bilateral ODA.

As far as conditionalities and enforcement are concerned, there are no predefined approaches. Progress on the milestones and fulfilment of the reform targets is monitored in a collaborative effort.

P+ try to involve a range of actors. In addition to various ministries of the partner country, they aim to involve civil society actors, business, academia, and think tanks. Moreover, P+ strive to align with multilateral processes and institutions, including the EU and the G7. A key partner for supporting and scaling the partnerships are multilateral and regional development banks (MDBs and RDBs). Especially World Bank involvement is important when it comes to developing regulatory reforms.

From the German side, the KfW and GIZ are responsible for implementing the partnership including the technical and financial support with the partner country. They work with counterparties in the partner country, including its ministries and development finance institutions.

P+ funding comes from various sources. At present, the main source is the bilateral development cooperation portfolio in the general government budget. In addition to this item in the German budget, further financing is available through the P+ facility, a dedicated government fund. In 2023, the P+ facility has a volume of approximately €300 million.<sup>49</sup> The facility is earmarked for JETP and P+ countries, and those with candidate status. Moreover, P+ may also make use of the resources of different multilateral funds. These funds are leveraged by the KfW to make external commitments that are a multiple of the funds budgeted. The initial financial pledges to the partnerships vary depending on the country:

- ▶ The Climate Partnership with Peru has a total initial volume of €352 million, of which €216 million come from the BMZ and €136 from the BMWK.<sup>50</sup>
- ▶ The P+ with Pakistan has a volume of €151 million for 2022 and 2023. In 2023, Germany committed another €120 million for the coming years. Most of the funds are dedicated to disaster response, flood reconstruction, and renewables integration. A substantial share will be delivered through the Global Shield.<sup>51</sup>
- ▶ The BMZ pledged a minimum of €39.5 million for the P+ with Rwanda which is part of an €98.1 million ODA envelop for the coming years. The majority will be distributed via the Rwanda Green Fund and dedicated for the NDC facility as well as the “Green City Kigali” project.<sup>52</sup>

Within some German ministries, there is concern that the P+ is not the gold standard when it comes to ambition that it was set out to be. Among other factors due to the expectation that

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<sup>49</sup> The 2023 budget does not specify the exact amount. It states that “a minimum of €250 million are designated for the thematic facility Climate and Development”. At present, the volume designated is higher than the minimum specified in the recital, and according to people familiar with the programme approximately €300 million in 2023. BMZ (2022): Bundeshaushalt 2023. (p.2739) Available at: [https://www.bundeshausshalt.de/static/daten/2023/soil/Bundeshaushaltsplan\\_HH\\_2023.pdf](https://www.bundeshausshalt.de/static/daten/2023/soil/Bundeshaushaltsplan_HH_2023.pdf)

<sup>50</sup> BMZ (2022): Germany and Peru agree climate partnership. Available at: <https://www.bmwk.de/Redaktion/EN/Pressemitteilungen/2022/11/20221104-germany-and-peru-agree-climate-partnership.html>

<sup>51</sup> BMZ (2023): Deutschland unterstützt Pakistan beim Wiederaufbau nach der Flutkatastrophe. Available at: <https://www.bmz.de/de/aktuelles/aktuelle-meldungen/de-unterstuetzt-pakistan-bei-wiederaufbau-nach-flutkatastrophe-136096>; BMZ (2023): Germany and Pakistan agree on concrete measures to protect against climate shocks. Available at: <https://www.bmz.de/en/news/press-releases/germany-pakistan-measures-to-protect-against-climate-shocks-153508>

<sup>52</sup> BMZ (2022): Ruandisch-deutsche Klima- und Entwicklungspartnerschaft nimmt Fahrt auf – Deutschland unterstützt bei sozial gerechter Ausgestaltung. Available at: <https://www.bmz.de/de/aktuelles/aktuelle-meldungen/ruandisch-deutsche-klima-und-entwicklungspartnerschaft-126712>

having a P+ will facilitate access to additional funding from the P+ facility, there is a strong push among German partner countries and among country units within the BMZ to form P+ partnerships. According to some interviewees, this might create pressure to water down the attention for minimum standards concerning climate ambition.

P+ are a new form of partnerships. As such, no conclusions can yet be drawn regarding their success. Internal monitoring and evaluation systems are currently being developed by the BMZ.

## Just Energy Transition Partnerships (JETPs)

Just Energy Transition Partnerships are a new type of plurilateral initiative with high levels of climate ambition. They are partnerships between a donor group of industrialised countries consisting of the G7, various European countries, and international institutions, called the International Partners Group (IPG), and a country partner in the Global South, usually high-emitting middle-income countries. JETPs aim to accelerate the global energy transition, the phase-out of fossil fuels (especially coal) and expand renewables by combining commitments for ambitious climate action by the recipient country with international (financial and technical) support by the donor countries. It is the first large-scale initiative that links climate finance with concrete commitments for climate action. So far, four JETPs have been established: with South Africa in 2021, with Indonesia and Vietnam in 2022, and with Senegal in 2023.

In the understanding of the BMZ, the Climate and Development Partnerships function as the umbrella for both JETPs and the bilateral P+.

### Genesis and history: G7 and beyond

JETPs emerged as a G7 initiative in 2021, the year the UK held both the COP and the G7 Presidency and was advocating a plurilateral approach to partnerships for climate action. At COP 26, the first JETP was launched with South Africa. The JETP approach was then expanded under the German G7 Presidency, where it made partnerships a priority as they stressed their intention “to strengthen, expand and establish new partnerships on climate, energy and development” in their programme at the start of 2022. In the Elmau Leaders’ communique, the G7 “underscore[d]” [their] commitment to country-led partnerships in close dialogue with interested partner countries” for just transitions.<sup>53</sup> This G7 priority was reaffirmed in a Chair’s summary on just energy transitions in which the G7 and its invited guests “affirmed their intent to move forward in negotiations with Indonesia, India, Senegal and Vietnam on JETPs to support energy policy reforms, with a view to decarbonising energy systems and increasing energy efficiency.”<sup>54</sup>

Since the JETP with South Africa, an additional three have been established. A JETP with Indonesia was announced at the 2022 G20 summit in Bali, while a JETP with Vietnam was launched at the EU-ASEAN summit in December 2022. In June 2023, at the Summit on a New Global Financing Pact, a JETP with Senegal was announced. Moreover, there are ongoing negotiations with India, albeit with uncertain outcomes.

Generally, the partner countries tend to be selected based on various factors, including their relevance for global climate action, their renewable energy potential, and their willingness to increase their climate ambition. The JETP partner countries share several commonalities. They

<sup>53</sup>G7 (2022): G7 Leaders’ Communiqué, p. 15. Available at: <https://www.g7germany.de/resource/blob/974430/2062292/9c213e6b4b36ed1bd687e82480040399/2022-07-14-leaders-communique-data.pdf?download=1>

<sup>54</sup>G7 (2022): Joining Forces to Accelerate Clean and Just Transition towards Climate Neutrality. Available at: <https://www.g7germany.de/resource/blob/974430/2057418/9a1d62b3c5710b4c1989f95b38dc172c/2022-06-27-chairs-summary-climate-neutrality-data.pdf?download=1>

are generally middle-income countries<sup>55</sup> and emerging economies. Due to their rapid economic growth and large populations, they are expected to have high emission levels. Moreover, they all have a large fleet of coal-fired power plants. At the same time, South Africa, Indonesia, and Vietnam, as well as the candidate – India – all have high potential for renewable energy.

A notable exception to this general observation is Senegal, which is technically a least developed country and also has no large fleet of coal fired power plants. Here, the goal of the JETP is to base economic development on clean energy from the start. The hope is for Senegal to serve as a lighthouse for other low-income countries with a similar resource endowment.<sup>56</sup>

The IPG consists of the G7, the EU, but also individual European countries such as Denmark or Norway.<sup>57</sup> Moreover, in some cases, international financial institutions and funds are involved, mostly MDBs and financing instruments such as CIF ACT. In the South African JETP, for example, the Climate Investment Fund (CIF) is one of the key donors. In the Indonesian JETP, the Asian Development Bank is centrally involved and a key implementing agent. Moreover, the newest JETPs with Indonesia and Vietnam include private financial institutions that are part of the Glasgow Financial Alliance for Net Zero (GFANZ) that are supposed to mobilise half of the investments.

## Objectives

Three general objectives are common across the JETPs. First, they all focus on accelerating the energy transition, with a particular emphasis on the power sector. Second, they all have broader developmental goals and aim to “develop new economic opportunities”<sup>58</sup> in the transition to a climate-neutral economy. Finally, they all want to ensure a *just* transition for workers and regions particularly affected by the transition from fossil fuels.

Although all JETPs have this common core, their exact objectives and emphases are determined by the respective national and local circumstances. The South African JETP, for example, has selected electric mobility and green hydrogen as additional priority areas. Moreover, a dedicated emphasis is on reforming ESKOM, the state-owned electricity company, as well as managing the utility's precarious financial situation. Geographically, the JETP with South Africa focuses especially on coal communities in Mpumalanga district, one of the regions most affected by the transition. In Indonesia, a particular focus is on the early retirement of its relatively young fleet of coal-fired power plants as well as the development of an enabling environment for renewables deployment. Moreover, the JETP aims to contribute to building local

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<sup>55</sup> Indonesia and Vietnam are lower-middle-income countries. South Africa is technically an upper-middle-income country according to the OECD DAC list. But its GDP/capita is just above the category threshold and the classification is confounded by South Africa's exceptionally high inequality.

<sup>56</sup> One can reasonably assume that the JETP with Senegal was also driven by political considerations as a Franco-German initiative. At least the German government is highly interested in securing LNG supplies from Senegal and the political declaration explicitly mentions the role of gas for Senegal's economic development and transition pathway. We should note that the JETP with Senegal was concluded when this report was already at an advanced stage. It is therefore not analysed in detail here. The political Declaration is available at: [https://international-partnerships.ec.europa.eu/system/files/2023-06/political-declaration-for-a-jetp-with-senegal\\_en.pdf](https://international-partnerships.ec.europa.eu/system/files/2023-06/political-declaration-for-a-jetp-with-senegal_en.pdf)

<sup>57</sup> The US and Japan are not part of the IPG in the JETP with Senegal.

<sup>58</sup> See, for instance, the Political Declarations of the JETPs with Vietnam or South Africa. The Vietnamese reads: “To establish the Just Energy Transition Partnership as a long-term, ambitious partnership to (...) develop new economic opportunities to support Viet Nam's transition towards net zero future.” <https://www.gov.uk/government/publications/vietnams-just-energy-transition-partnership-political-declaration/political-declaration-on-establishing-the-just-energy-transition-partnership-with-viet-nam>

manufacturing capacity in clean technologies.<sup>59</sup> The unclear renewables target in the JETP with Senegal casts doubts on the impact it may have.

Text box 2 summarises some of the core targets and measures as stated in the founding Political Declarations. While the Political Declaration of the JETP between SA and the IPG does not include clear, quantified targets with regards to emission reductions or renewable energy targets, the newer JETPs with Indonesia and Vietnam do. Importantly, the targets – even the quantitative ones – are determined politically and there are serious doubts about the compatibility with 1.5°C pathways.<sup>60</sup> However, this does not mean that JETPs cannot lead to emission trajectories compatible with 1.5°C. The regulatory changes, technological developments, and projects triggered by JETPs may induce more systemic changes and create the basis for greater climate ambition in the future.

### Box 3: Targets in Just Energy Transition Partnerships

- ▶ South Africa's political declaration does not specify concrete targets with regards to peaking emissions, renewable energy, or emission reductions. However, several regulatory reforms have been passed and announced in the context of the JET-IP (Just Energy Transition Investment Plan), which targets the liberalisation of the electricity market and incentivising investments in renewable electricity generation. In parallel to the JET-IP, moreover, the Presidential Climate Commission (PCC) has developed a Just Transition Framework, a strategic plan for achieving a just transition to a climate-neutral economy in South Africa by 2050.
- ▶ Indonesia's political declaration includes transparent quantitative targets. It brings forward the peaking of power sector emissions to 2030 by seven years at an absolute value of 290 MT CO<sub>2</sub>, down from an original value of 357 MT CO<sub>2</sub>. Moreover, it aims for net-zero emission in the power sector by 2050, ten years earlier than originally planned. It also aims for RES to account for 34% of power generation by 2030, which would mean a doubling of RE deployment from previous plans. A central focus of Indonesia's JETP is on the early retirement of its relatively young fleet of coal-fired power plants.
- ▶ As in the case of Indonesia, the JETP with Vietnam includes clear targets. The agreement aims to bring forward the time of GHG peak emissions from 2035, as originally planned, to 2030. It aims to reduce the peak annual power sector emissions to 170 megatons, down from an initially foreseen 240 megatons, and brings forward the peaking date by five years to 2030. Moreover, it aims to limit Vietnam's peak coal capacity further and increase the renewable energy share in the electricity mix to at least 47% by 2030, eleven percentage points higher than the original target.
- ▶ In the JETP with Senegal, the parties set the target to increase "the share of renewable energies in installed capacity from 30% to 40% of its electricity mix by 2030" (sic). This text does not provide clarity whether the target refers to installed capacity (MW) or electricity generation (MWh), which casts doubts on the impact it may have. Moreover, Senegal is to publish a long-term low greenhouse gas emission development strategy (LTS) by COP28. Like the other JETPs, a Secretariat is to be established and an investment plan developed.

<sup>59</sup> See: Joint Statement by the Government of the Republic of Indonesia and International Partners Group members on the Indonesia Just Energy Transition Plan. Available at: [https://ec.europa.eu/commission/presscorner/detail/en/statement\\_22\\_6892](https://ec.europa.eu/commission/presscorner/detail/en/statement_22_6892)

<sup>60</sup> Ember (2023): JETP: a reflection of Indonesia's commitment to transform its power sector. Available at: <https://ember-climate.org/insights/commentary/jetp-indonesia/>

## Governance structures of the partnership

All JETPs share similar governance structures. The outcomes of the negotiations – objectives and general terms – between the IPG and the partner country are established in a Political Declaration (PD). The PD includes a number of resolutions and agreed actions, as well as a plan of action for the next 12 months with key deliverables. Generally, the IPG determine two co-leads per JETP that coordinate the negotiations on their behalf and the negotiations are usually conducted at the highest political level.

The International Partners Group coordinates regularly. Under the Germany G7 Presidency, calls took place on the level of State Secretary circa every two months, and more regularly on a more technical level. Coordination in the IPG is highly dependent on the G7 and its Presidency. While calls were frequent during the German G7 Presidency, they are less frequent under the Japanese Presidency. Moreover, the initiative of the IPG co-leads is important, as they are responsible for coordinating the IPG with a particular partner country. Coordination among the IPG takes place between capitals as well as on local level, between embassies. The local level becomes more important as JETPs move toward implementation.

Once an agreement is reached, the partner country and the IPG set up structures that facilitate the implementation of the JETP. They do so by drawing on existing structures and complementary initiatives. In South Africa, for instance, the Presidential Climate Finance Task Team (PCFTT) was established to develop the Investment Plan. The PCFTT serves as the counterparty to the IPG and reports directly to an inter-ministerial committee chaired by the president. In addition, the Presidential Climate Commission (PCC), an existing multi-stakeholder body supporting climate policy development, contributes to the work of the PCFTT. The structures in the Indonesia and Vietnam JETP are younger and still under development. There are regular formal meetings on the political level. Moreover, regular reviews on the progress and adherence to commitments take place. The JETP with Vietnam specifies a biennial review. Likewise, the JETP with South Africa produced a 6-month and 12-month update to leaders.<sup>61</sup> In addition to coordination on a technical level, regular meetings on a political level are taking place in all JETPs, usually every other month at the level of Heads of Units.

All JETPs establish secretariats that are tasked with technical support to the partnership's implementation. Moreover, the secretariat serves a coordinating function between the IPG and the partner country. It is a joint effort between the parties, but set-up and hosted in the partner country. The South African JETP secretariat was funded by the Climate Investment Fund. It works in close coordination with the PCFTT and conducted several analyses and consultations for the development of the investment plan. The Indonesian secretariat was launched in February and is hosted by the Ministry of Energy and Mineral Resources (MEMR) and supported by the Asian Development Bank (ADB).

In Germany, the lead responsibility lies with the BMZ. Other ministries, however, are also involved – most notably the Federal Foreign Office (AA) and the BMWK. The AA is particularly concerned with the diplomatic lead up to the JETP and the negotiations and has an integrative role. It coordinates with the IPG and manages diplomatic efforts and negotiations on the ground through its country missions. The BMZ provides most of the funding for Germany's contribution and is responsible for designing the financial offer. It co-leads Germany's engagement in all existing JETPs. The BMWK also contributes substantially to JETPs and leads on the JETPs with South Africa and Vietnam and contributes substantial financial support through its

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<sup>61</sup> PCFTT & IPG (2022): 12-Month Update on Progress in Advancing the Just Energy Transition Partnership (JETP). <https://ukcop26.org/12-month-update-on-progress-in-advancing-the-just-energy-transition-partnership-jetp/> PCFTT & IPG (2022). Six-Month Update on Progress in Advancing the Just Energy Transition Partnership (JETP). <https://ukcop26.org/six-month-update-on-progress-in-advancing-the-just-energy-transition-partnership-jetp/>

International Climate Initiative (ICI) measures, specifically those focusing on mitigation.<sup>62</sup> The contributions are delivered through both KfW and GIZ. KfW provides mostly concessional loans, while most grant-based funding comes via technical support and the GIZ.

A key deliverable and governance mechanism of all JETPs is the development of an investment plan that details the investment and reform needs of the transition.<sup>63</sup> The investment plan is developed by the government of the recipient country and coordinated and agreed upon with the IPG. It is the basis for the JETP's implementation and specifies the purposes for which the financial contributions are to be used. Moreover, it serves the important purpose of identifying not only investment and infrastructure needs, but also necessary regulatory changes. In this way the South African JET-IP has already led to the proposal of numerous legislative changes targeted at liberalising the power market and improving the regulatory framework for the integration of renewables.

JETPs are conceived as nationally driven and locally owned partnerships.<sup>64</sup> The idea is to give the recipient countries ownership of the partnership and the process by giving them the agency and responsibility for developing the investment plans that are in accordance with their needs and contextual specificities. This usually involves the establishment of national bodies that lead and coordinate the process, as was the case with South Africa's PCFTT. Moreover, in South Africa, five working groups have been formed under the JETP secretariat to develop the investment plan and guide its implementation: a cross-cutting finance one, an implementation one, and three thematic working groups on power sector, hydrogen, and transport respectively. Similar structures currently being developed in Indonesia. In addition, local knowledge and expertise is mobilised through consultations with academia, business, think tanks, labour unions, and civil society.

While civil society engagement is encouraged by the IPG, there are no safeguards for it. Whether or not different stakeholders are engaged depends on the partner country in question and is contingent on an existing civil society.<sup>65</sup>

## Funding

JETPs centrally target financing. On the one hand, they try to improve the framework conditions to mobilise finance. On the other, they provide funding directly. Funding is provided by the IPG in different forms and on diverse conditions, including grants, concessional and commercial loans, and guarantees. The four existing JETPs have the following volumes, for an initial period of five years:

- ▶ South Africa: A total of US\$8.5 billion pledged, including US\$968 million from the German government.
- ▶ Indonesia: A total of US\$20 billion pledged, including US\$10 billion from the IPG and US\$10 billion from GFANZ.
- ▶ Vietnam: A total of US\$15.5 billion pledged, including US\$7.75 billion from the IPG and US\$7.75 billion from GFANZ.
- ▶ Senegal: A total of €2.5 billion pledged.

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<sup>62</sup> Prospectively, the BMWK is also supposed to contribute with technical support and its expertise on coal phase-outs.

<sup>63</sup> The investment plan in Indonesia's JETP is called "Comprehensive Investment and Policy Plan" in Vietnam "Resource Mobilisation Plan".

<sup>64</sup> On this, see also: Elisabeth Hege, Chukwumerije Okereke, Sébastien Treyer, Youba Sokona, Ann Kingiri, Niels Keijzer, Fatima Denton (2022): Just Energy Transition Partnerships in the context of Africa-Europe relations: reflections from South Africa, Nigeria and Senegal, Ukámá.

<sup>65</sup> Amos Wemanya & Mohamed Adow (2022): Implementation of the Just Energy Transition Partnership in South Africa – Lessons Learnt for Civil Society Organisations. Available at: <https://www.germanwatch.org/en/87278>

The details of the financial offers for Indonesia, Vietnam, and Senegal will only be publicly available once the investment plans are published. But the financial offers for the South African JETP are illustrative. Of the US\$8.5 billion less than 4 percent are grants, 63 percent are concessional loans, 18 percent are commercial loans, and 15 percent are guarantees. Of the US\$968 million from Germany, US\$198 million are grants for technical assistance on policy and regulatory reform. Germany therefore contributes about 60 percent of all the grants in the JETP. The remaining US\$770 million are concessional loans for budget support, grid infrastructure, renewable energy generation, and municipal infrastructure.<sup>66</sup>

There are several concerns about the funding. First, the investment needs are considerably higher than the funding pledged by the IPG. In South Africa, the investment requirements just in the priority sectors of the JETP are estimated at US\$99 billion between 2023-2027.<sup>67</sup> The full cost of reaching climate neutrality are estimated at US\$250 billion.<sup>68</sup> The IPG pledged only US\$8.5 billion. Likewise, in Indonesia, the total finance requirements just for the early-retirement of coal-fired power plants by 2040 is estimated at US\$37 billion – investments that will not install a single solar panel.<sup>69</sup> While the JETP cannot finance the whole transition, it remains to be seen how much private financing it will trigger.

Second, from the perspective of the recipient countries, the financing offered must ideally be below market interest rates, not exacerbate debt burdens, and preferably be grant-based. Since only a fraction of the funding pledged is grant-based, this concern seems legitimate. For all partner countries this is a major concern, which is why Vietnam has secured an assurance in their PD that the funding offered must be below market rates. Germany contributes substantially to the total amount of grants.

Third, there are concerns – also among the IPG – about the quality of the financing provided. Some pledges are made up of questionable estimates about how much funds can be leveraged. This means that the final investment amount is uncertain for some of the pledged funds and the total contribution of the IPG may be below what was promised. To all IPG partners involved, the questionable quality of some of the pledges poses a credibility risk. Germany, however, tends to only pledge funds that it will deliver and is comparatively transparent about them.

Finally, with regards to the involvement of private finance, there are still no publicly available plans as to how they will mobilise the pledged funds and on what terms. The energy transition requires long-term, patient capital investments. Given the risk-profiles of the partner countries and the uncertainty about the profitability of these investments, it remains to be seen whether private funding can be brought into the JETPs to a sufficient extent. This is particularly true for the JETPs with Indonesia and Vietnam, where GFANZ is supposed to contribute US\$10 billion.

## Measures

Measures and activities in JETPs are broad and diverse. They include the procedural aspects of establishing an investment plan and identifying the necessary regulatory reforms. This process is beneficial in itself, as it involves the identification of priorities and long-term planning for the transition. It also results in the creation of knowledge and institutions, as is the case with

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<sup>66</sup> PCFTT & IPG (2022)

<sup>67</sup> The Presidency – Republic of South Africa (2022): South Africa's Just Energy Transition Investment Plan (JET IP) for the initial period 2023–2027. p.7. Available at: <https://www.thepresidency.gov.za/download/file/fid/2649>

<sup>68</sup> Saliem Fakir (2023): The Just Transition Energy Partnership in South Africa: Vehicle for Reform and Economic Transformation?; in: The Fletcher Forum of World Affairs, Vol. 47:1.

<sup>69</sup> TransitionZero (2022): Financing Indonesia's coal phase-out: Coal Asset Transition Tool. Available at: <https://www.transitionzero.org/insights/coal-phase-out-indonesia-coal-asset-transition-tool>



South Africa's PCFTT. Beyond this dimension of "planning for the transition", the investment and policy plans are implemented through a range of support measures. These include technical and financial support.

Technical support includes capacity building, studies and analyses, as well as advice on designing and implementing regulatory reforms. Financial support is highly heterogeneous. It includes funds for the buy-out of Power Purchasing Agreements for the early retirement of coal-fired power plants as well as investments in grid infrastructure, renewable energy projects, and communal infrastructure. Financial support also includes general contributions to the budget. What projects are prioritised and funded is decided by the partner government and usually defined in the investment plan, which is approved by the IPG. However, donors have considerable influence on these decisions, partly by narrowing the support they offer in the first place.

Importantly, JETPs build on existing institutions and initiatives. They involve development financial institutions (DFIs) and regional and multilateral development banks (MDBs), such as the World Bank Group (WBG), the Asian Development Bank (ADB), or the African Development Bank (AfDB). In Indonesia, for example, the ADB is developing a financing scheme as part of its Energy Transition Mechanism (ETM), which will probably offer state-owned electric utility PLN concessional financing to build renewable energy projects. In exchange, PLN will be required to retire some of its coal-fired power plants before schedule.<sup>70</sup> In South Africa and Indonesia, the JETP includes and aligns with the Accelerating Coal Transition Investment Programme (ACT-IP), which was established under the Climate Investment Fund and is implemented by the World Bank Group and regional development banks. Likewise, DFIs are key actors in the JETPs. In South Africa, for example, the Industrial Development Corporation plays a substantial role in the delivery of many JETP projects.

Since most of the financing within the JETP, such as the CIF ACT-IP and the ADB ETM, were existing programmes before the JETP was concluded, one must question the additionality of some of the measures foreseen as part of the JETP. But, given that a key goal of the investment plans is to streamline investments, the inclusion of measures that would have been implemented anyway in one form or another makes sense.

## International Climate Initiative (IKI)

The **International Climate Initiative (IKI)** is a major pillar of Germany's international climate finance commitment. It complements bilateral and multilateral development cooperation in the delivery of Germany's international obligations and therefore complements Germany's ECDRP substantially. Moreover, its interface projects with priority countries are very active, strategic, and ambitious on climate. Consequently, they can be considered one of the most important German partnership programmes.

Since its inception in 2008, the objectives, priorities, organisation, and selection criteria of IKI have evolved. It now primarily serves to "jointly support approaches in developing and emerging countries to implement and ambitiously develop the Nationally Determined Contributions (NDCs) anchored in the Paris Agreement."<sup>71</sup> IKI also contributes to the implementation of the Convention on Biological Diversity.

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<sup>70</sup>ADB (2023): Update on ADB's Energy Transition Mechanism - April 2023. Available at : <https://www.adb.org/news/features/update-energy-transition-mechanism-april-2023>

<sup>71</sup> See: <https://www.international-climate-initiative.com/en/about-iki/>

As such, IKI is a core part of Germany's climate cooperation with developing countries. Moreover, some of the partnership programmes analysed above closely collaborate with IKI and regularly draw on IKI projects or funding to complement their activities.

There are four thematic areas of funding in IKI:

- ▶ Mitigating greenhouse gas emissions
- ▶ Adapting to the impacts of climate change
- ▶ Conserving natural carbon sinks with a focus on reducing emissions from deforestation and forest degradation (REDD+)
- ▶ Conserving biological diversity

About half of all funds were allocated to mitigation, a quarter to biodiversity, and less than a fifth to adaptation.<sup>72</sup> Between 2008 and 2021, more than 950 projects in more than 150 countries were funded with a total volume of about €5.3 billion. Countries receiving IKI funding must be ODA-eligible, although there are some exceptional cases such as Chile or (until recently) Russia.<sup>73</sup> IKI funding must be applied for and cannot be allocated directly to governments and government organisations.

IKI's strategy consists of two pillars: "thematic calls" and bilateral work with priority countries. The thematic calls are a bottom-up approach based on calls for proposals. The IKI project office and the responsible German ministries (see below) define thematic priority areas and implementing agencies can propose projects that they believe to be of highest priority. The selection is based on "ideas competition" and there are no country-specific priorities or funding amounts set in advance. The thematic calls have become more large-scale and longer in duration to increase efficiency and impact in comparison to the initial years of IKI. In addition to the large-scale thematic calls, there are also "IKI Small and Medium Grants", to enable access to climate finance for small organisations and their usually local projects.

The second leg is bilateral work with 14 priority countries and what may be considered a form of partnership.<sup>74</sup> Most priority countries host so-called IKI interface projects: small, permanent project offices in the partner country's capital. These are used to coordinate the various IKI projects and for coordinating with national ministries and implementing organisations. In these countries, so-called "country calls" are issued that focus on one or two specific climate or biodiversity topics that are of relevance for the country. The focus of the country calls is determined in close collaboration with the government of the partner country. The country focus was determined in 2017, after an external evaluation of IKI.

Since 2022, the lead responsibility for IKI lies with the BMWK. Previously, it was under the environment ministry, BMUV. However, IKI is implemented in close cooperation with the BMUV and the AA. Thematically, the BMUV leads on adaptation, REDD+, and biodiversity, while the BMWK focuses on mitigation. The AA has a primarily coordinative role – but also control over some of the funds for strategic projects. All three ministries agree on the basic framework and priority areas of the programme. The federally owned, non-profit company ZUG is responsible for the day-to-day implementation, the commercial and legal project management, as well as

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<sup>72</sup> Butzengeiger-Geyer, S., Christensen, J., Poralla, M., Singh, A., & Schnurr, J. (2022): "Chapter 9: Experiences from the German International Climate Initiative (IKI)". In Handbook of International Climate Finance. Cheltenham, UK: Edward Elgar Publishing. Retrieved May 2, 2023, from <https://doi.org/10.4337/9781784715656.00016>

<sup>73</sup> Technically, ODA eligibility is defined via the OECD Development Assistance Committee (DAC) list. Available at: <https://www.oecd.org/dac/development-assistance-committee/>

<sup>74</sup> The IKI priority countries are Brazil, China, Colombia, Costa Rica, India, Indonesia, Mexico, Peru, the Philippines, South Africa, Thailand, Turkey, Ukraine, and Vietnam. See: <https://www.international-climate-initiative.com/en/about-iki/how-iki-collaborates-with-other-countries/>

technical support of the projects. Initially, the programme office of IKI was at the GIZ. However, as GIZ is the main implementing agency for many IKI projects and thus a recipient of funds, the responsibility has been moved to reduce the risk of a conflict of interest resulting from the dual functions.<sup>75</sup>

The connection and cooperation between IKI – especially its work with priority countries – and other partnership programmes has intensified. This is mainly a result of the restructuring under the new government. Many of the IKI priority countries are also partners in energy partnerships or partners in JETP / P+. The energy partnership secretariats work closely together with the IKI interface projects and can therefore complement one another: IKI has financial resources, while the EPs are good at identifying priority areas and projects. Likewise, there are strong complementarities between the IKI and the work of the BMZ in those countries, that are both an IKI priority country and a P+ partner. Here, the IKI country partnership and the P+ try to act effectively as one programme. So far, this only applies to Peru, where the IKI country partnership paved the way for the climate partnership. In JETPs, IKI is a key element in the funding packages, as all three JETP partners are also IKI priority countries. IKI therefore contributes to JETPs via its existing and future projects with these countries.

The projects funded by IKI are diverse. They include policy advice, capacity building, de-risking of investments, funding of studies, advice for infrastructure development, as well as various investment instruments. The main recipients and implementing organisations are the GIZ, the World Bank Group, KfW, UNDP, UNEP, and other international environment and development organisations. Moreover, local NGOs and civil society organisations are major beneficiaries of IKI funding. IKI funds are also used to directly support the implementation of other projects and programmes proposed by individual BMUV/BMWK ministries, such as the JETPs and P+ but also multilateral initiatives such as NDC Partnerships (Morocco), the Adaptation Fund, or the Compact with Africa facility.

## Raw Material Partnerships <sup>76</sup>

We classify the BMWK's Raw Material Partnerships as "partnership programmes" as a statement about its potential future development rather than as a description of current reality.

The few raw material partnerships depicted in figure 4 above were created in the few years following the adoption of the German Raw Materials Strategy (RMS) in 2010. It foresaw the creation of bilateral raw material partnerships with selected raw material exporting countries. These partnerships were seen as a key implementation instrument with the aim of improving German industry's access to raw materials by reducing trade barriers and improving investment conditions. German companies were to play a key role in their implementation. However, their initially strong interest declined steadily – partly due to sinking commodity prices, but probably also linked to the inherent limitations of the partnership instrument to provide tangible benefits in terms of their operational and market conditions.<sup>77</sup>

As a result, the activities and impact of these partnerships never reached a level comparable to the energy partnerships, and then declined to a seemingly (very) low level during the last

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<sup>75</sup> Butzengeiger-Geyer et al. (2023)

<sup>76</sup> Unlike in the case of the above chapters on Energy Partnerships, PTs, JETPs and IKI, in the case of Raw Material Partnerships, our request for an interview with the responsible unit has remained unanswered. We could not yet have sufficient talks with other insiders. For these reasons, this section is therefore less in-depth.

<sup>77</sup> Rüttinger, Lukas; Schüler, Fiona, Scholl, Christine und Bach, Anna (2016): Die deutschen Rohstoffpartnerschaften - Analyse der Umsetzung und Ausblick. RohPolRes Kurzanalyse Nr. 6. <https://www.umweltbundesamt.de/dokument/die-deutschen-rohstoffpartnerschaften-analyse-der>

several years. We could not find any systematic report of their activities, and little information is contained in recent secondary sources.<sup>78</sup>

There are historical reasons for the low level of engagement of German companies in the global mining sector. The hands-off approach of Germany's 2010 RMS, according to which the responsibility for securing the supply of raw materials lies fundamentally with the private sector, meant that the scope of Germany's partnerships was limited to a relatively toothless flanking of corporate efforts, while other countries use a more assertive and impacting toolbox. The RMS revision of 2020, developed under the impression of tightening raw materials and of growing global competition, entailed limited elements of a more hands-on approach.<sup>79</sup> However, it did not lead to a step change for the raw material partnerships.

The geopolitical shocks since 2021 have radically changed the scene. A seminal BMWK policy paper of January 2023<sup>80</sup> announces a substantial reorientation of Germany's raw material policy towards a significantly more proactive approach, noting that: "*Whereas in times of free markets and a balance of supply and demand, companies are best able to secure their specific requirements for raw materials, this is not necessarily the case in times of highly concentrated or even non-existent markets and at the same time tense geopolitical situations, especially in the case of raw materials that are particularly strategic for the transformation (especially metals).*"

Concerning the strategy for international collaboration, the policy paper sets the goal of strengthening and creating new "bilateral, multilateral and regional partnerships" and contains signals of strong commitment to cooperation at the EU level as well as within the Minerals Security Partnership (MSP). The MSP was initiated by the USA and includes (as of February 2023) Australia, Canada, Finland, France, Germany, Japan, Italy, the Republic of Korea, Norway, Sweden, the United Kingdom, and the European Union. On one hand, the MSP has developed an ESG-oriented set of Principles for Responsible Critical Minerals Supply Chains, in dialogue with a group of seven African countries.<sup>81</sup> On the other hand, it is perceived as a geopolitical initiative aimed at containing China's and Russia's influence.<sup>82</sup>

This emphasis on plurilateral cooperation might lead to a very different approach when compared to the bilateral nature of the P+ and energy partnerships described above.

One of the potential contributions of raw material partnerships is to help companies to comply with the already existing German Supply Chain Act and with the proposed EU Supply Chain Due Diligence Directive, by implementing cooperation measures with the partner countries.

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<sup>78</sup> Some information can be found in an answer of February 2020 by the federal government to a parliamentary inquiry of some FDP MPs, who at that time were part of the opposition: <https://dserver.bundestag.de/btd/19/172/1917224.pdf>. The raw materials partnerships are hardly mentioned in the 60 page report "10 years of German Mineral Resources Agency (DERA) at the Federal Institute for Geosciences and Natural Resources (BGR)" of 2021, although it features a large section on international activities. [https://www.deutsche-rohstoffagentur.de/DERA/DE/Downloads/10-Jahre-DERA.pdf?\\_\\_blob=publication-File&v=6](https://www.deutsche-rohstoffagentur.de/DERA/DE/Downloads/10-Jahre-DERA.pdf?__blob=publication-File&v=6)

<sup>79</sup> Marc Schmid (2021): The Revised German Raw Materials Strategy in the Light of Global Political and Market Developments. Rev Policy Res, 38: 49-75. <https://doi.org/10.1111/ropr.12408>

<sup>80</sup> Eckpunktepapier des Bundesministeriums für Wirtschaft und Klimaschutz (BMWK): Wege zu einer nachhaltigen und resilienten Rohstoffversorgung. 3 January 2023. <https://www.bmwk.de/Redaktion/DE/Downloads/E/eckpunktepapier-nachhaltige-und-resiliente-rohstoffversorgung.html>

<sup>81</sup> <https://www.state.gov/minerals-security-partnership-governments-engage-with-african-countries-and-issue-a-statement-on-principles-for-environmental-social-and-governance-standards/>

<sup>82</sup> Christina Lu (2023): The Critical Minerals Club, in Foreign Policy, 14 April 2023. <https://foreignpolicy.com/2023/04/14/us-china-critical-mineral-security-europe-rare-earth-energy-transition/>

## Other partnerships and relevant activities

Germany is involved in or pursues numerous other activities whose modalities and structures are to some degrees similar to the partnership programmes described above. These include Germany's official development cooperation, as well as smaller partnership initiatives of the AA and BMBF, and the partnerships at the EU level – even though these activities are not in the focus.

### Bilateral and multilateral development cooperation

The Federal Ministry for Economic Cooperation and Development (BMZ) is traditionally the ministry with the longest experience in cooperative activities that aim at transformative change (including, but not just concerning climate) with partner countries of the Global South. It is responsible for Germany's Official Development Assistance (ODA), which is delivered through technical and financial support to about 65 low- and middle-income countries.

In its development cooperation, the BMZ pursues a strategic approach aimed at supporting transformative change in its partner countries. To this end, the BMZ holds government consultations with its bilateral partners every two years, where ODA allocations are negotiated and strategic priorities and projects are defined with the partner government. In addition, ODA is delivered through multilateral channels, such as the BMZ's contribution to multilateral development banks.

Traditionally, the focus of Germany's ODA is on human and economic development, humanitarian relief, human rights, and promotion of democracy. Its core mandate remains "development" in its broadest sense. However, as climate change pertains to all these issues and economic development is deeply entwined with climate action, climate change has become a "core area" of the BMZ's work. This focus is neatly summarised in the BMZ's climate strategy:

*"The BMZ supports social, ecological and economic transformation and thus contributes to limiting the increase in the global average temperature to 1.5 degrees Celsius as set out in the Paris Agreement and to achieving the SDGs defined in the 2030 Agenda. The BMZ in particular supports its partner countries when it comes to planning and implementing ambitious climate strategies, securing a sustainable energy supply and developing sustainable cities. The BMZ draws on the full range of its instruments to promote this transformation."<sup>83</sup>*

This effort to integrate climate into its development cooperation is explicitly reflected in programmes such as the P+. However, climate also plays an important role in its "normal" ODA relationships with partner countries. Moreover, as described in Chapter 2, Germany's ODA is the main channel for delivering Germany's contribution to international climate finance. Beyond the partnership programmes described above, the BMZ and its bilateral and multilateral development cooperation must be regarded as a major contributor to and resource for supporting transformative change.

### Partnerships at European level

Germany is also involved in partnerships and similar activities at the European level, at least indirectly. These include several partnerships run by various services of the European Commission, including a series of energy partnerships and cooperations,<sup>84</sup> the Africa-EU

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<sup>83</sup> BMZ (2021): Responsibility for Our Planet – Climate and Energy: BMZ Core Area Strategy. Available at: <https://www.bmz.de/resource/blob/97122/bmz-core-area-strategy-climate-and-energy.pdf>

<sup>84</sup> DG ENER, Key partner countries and regions [https://energy.ec.europa.eu/topics/international-cooperation/key-partner-countries-and-regions\\_en](https://energy.ec.europa.eu/topics/international-cooperation/key-partner-countries-and-regions_en)

Partnership run by DG INTPA,<sup>85</sup> the EU-Latin America & the Caribbean partnership run by the Diplomatic Service of the EU,<sup>86</sup> and possibly others we have not yet identified. The Green Deal Industrial Plan presented by the Commission in February 2023, included the announcements of Clean Tech/Net-zero Industrial Partnerships and of a Critical Raw Materials Club.<sup>87</sup> The latter was reinforced in March, as the Commission tabled the proposal for the so-called European Critical Raw Materials Act.<sup>88</sup> Finally, there is a project called EU-Latin America Partnership on Raw Materials, which is or was funded by the European Commission (probably DG GROW), but does not seem to be officially endorsed as a partnership.<sup>89</sup>

Moreover, Germany's BMZ is a member of the European Partnership for Responsible Minerals (EPRM), a multi-stakeholder partnership created as an accompanying measure to the EU Conflict Minerals Regulation.<sup>90</sup>

Analysing (Germany's interaction with) these partnerships in detail was not possible in the time available to produce this draft report. However, it would be relevant to do so for the following reasons:

- ▶ In many fields, a unified or at least very closely coordinated approach at the EU level is preferable or even the only feasible way to achieve necessary results, for instance when it comes to establishing standards and certification procedures or to building up the infrastructure to import climate-neutral energy carriers (such as green hydrogen or its derivatives) from neighbouring North Africa. "Europe's ability to form mutually beneficial partnerships with its neighbours will be critical for its energy security".<sup>91</sup>
- ▶ Most of Germany's large ECDRP landscape (the JETPs are the exception) usually has little or no coordination with the European Commission and its fellow EU Member States. The latter may perceive the ECDRP's work as mainly focused on pursuing German national interests potentially not aligned (for example, incoherent messages concerning energy infrastructure linking the EU with neighbouring countries) or even in open conflict (for example promoting competing national champions) with their own. Such tensions may jeopardise the speed and depth of the EU's and Germany's progress towards climate neutrality.
- ▶ Therefore, one of the strategic choices that will be discussed in Chapter 5 is the possibility of a stronger "Europeanisation" of Germany's partnership efforts. However, this raises the question of how this can be done in practice; for instance, how Member States can and do in practice participate in the above-mentioned partnerships at EU level.

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<sup>85</sup> DG INTPA, Africa-Eu Partnership: [https://international-partnerships.ec.europa.eu/policies/africa-eu-partnership\\_en](https://international-partnerships.ec.europa.eu/policies/africa-eu-partnership_en)

<sup>86</sup> EU-Latin America & the Caribbean partnership: [https://www.eeas.europa.eu/eeas/eu-latin-america-caribbean-partnership\\_en](https://www.eeas.europa.eu/eeas/eu-latin-america-caribbean-partnership_en)

<sup>87</sup> European Commission: The Green Deal Industrial Plan: putting Europe's net-zero industry in the lead, Press Release of 1 February 2023 [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_23\\_510](https://ec.europa.eu/commission/presscorner/detail/en/ip_23_510)

<sup>88</sup> European Commission: Critical Raw Materials: ensuring secure and sustainable supply chains for EU's green and digital future. Press Release of 16 March 2023: [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_23\\_1661](https://ec.europa.eu/commission/presscorner/detail/en/ip_23_1661)

<sup>89</sup> See: About the partnership at <https://www.mineralplatform.eu/index.php/about/the-partnership>

<sup>90</sup> About EPRM: <https://europeanpartnership-responsibleminerals.eu/cms/view/5458d1cb-b0f7-4aea-85db-2eb18cc6dab9/about-eprm>

<sup>91</sup> Bernhard Lorentz, Johannes Trüby, Josef Janning: A Security Policy for the Global Hydrogen Economy, Deloitte, February 2023. <https://www2.deloitte.com/de/de/pages/sustainability-climate-dsc/studies/a-security-policy-for-the-global-hydrogen-economy.html>

## Research Partnerships <sup>92</sup>

In this section, we briefly describe some international cooperations that the German Federal Ministry for Education and Research (BMBF) runs under the name of partnerships. Our provisional assessment is that these activities do not constitute a partnership programme comparable to those analysed above. One aspect is that the BMBF partnership activities seem to be little or not at all coordinated with those of the programmes discussed above.

However, this assessment is provisional, partly because – unlike with the other ministries – we did not have the opportunity to interview the people directly involved in these activities.

We have identified the following activities of the BMBF:

- ▶ Under the "CLIENT II - International Partnerships for Sustainable Innovations" funding initiative, the BMBF supports research cooperations between German and international partners in the fields of climate, energy, environmental and resource solutions. The CLIENT II projects must impact several Sustainable Development Goals (SDGs) at once. The programme has a budget of up to 140 million euros.
- ▶ In February 2023, the German Research Minister Bettina Stark-Watzinger, signed a joint declaration of intent with the title "Strengthening the climate and energy partnership of the Southern African Science Service Centre for Climate Change and Adaptive Land Management (SASSCAL), the West African Science Service Centre for Climate Change and Adapted Land Use (WASCAL) and the German Federal Ministry for Research and Education". The SASSCAL partner countries are Angola, Botswana, Namibia, Zambia. The WASCAL partner countries are Mali, Ghana, Benin, Burkina Faso, Cabo Verde, Côte d'Ivoire, Gambia, Niger, Nigeria, Togo and Senegal. We have not included all these countries in the list of the partnerships, because these plurilateral activities seem to be of a clearly lower intensity than those described under the partnership programs above.<sup>93</sup>
- ▶ The BMBF press release reporting the joint declaration mentioned in the previous point also reported the launch of a "strategic hydrogen partnership".<sup>94</sup> However, the text of declaration only mentions the intention to establish "green hydrogen and renewables as a new strategic focal point" of the SASSCAL and WASCAL work. This is just one of nine points.

## Summary – Parallel programmes with multiple goals and benefits

From the description of Germany's ECDRPs above, it becomes apparent that they are not homogeneous with respect to their objectives, development pathways, modes of operation, financing, and outcomes. Rather, they form a landscape of intersecting initiatives that collectively pursue overall goal of driving transformational change to meet global climate goals,

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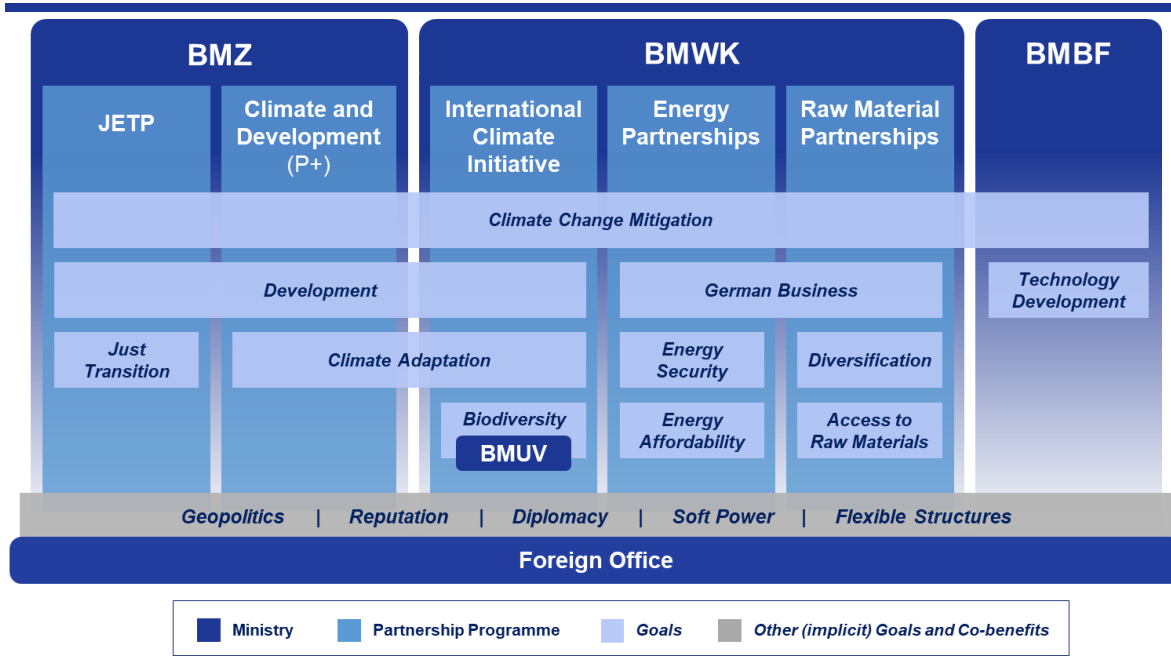
<sup>92</sup> Unlike in the case of the above chapters on Energy Partnerships, PTs, JETPs and IKI, in the case of Raw Material Partnerships, our request for an interview with the responsible unit has remained unanswered. We could not yet have sufficient talks with other insiders. For these reasons, this section is therefore less in-depth.

<sup>93</sup> On the BMBF Website, the Joint Declaration is available only in German. In a rapid internet research, we have not been able to find the English and French version [https://www.bmbf.de/SharedDocs/Downloads/de/2023/230221-absichtserklaerung-sasscal-wascal.pdf?\\_\\_blob=publicationFile&v=2](https://www.bmbf.de/SharedDocs/Downloads/de/2023/230221-absichtserklaerung-sasscal-wascal.pdf?__blob=publicationFile&v=2)

<sup>94</sup> The Press Release <https://www.bmbf.de/bmbf/shareddocs/pressemitteilungen/de/2023/02/210223-SASSCAL.html>

along with a variety of other complementary goals. The figure illustrates the commonalities and differences in the goals they pursue and the co-benefits they produce for Germany.<sup>95</sup>

**Figure 7: Goals and co-benefits of Germany's ECDRP programmes**



A key common denominator of all PP analysed here is the goal of contributing to climate change mitigation. Other goals are specific to particular programmes: For example, supporting the development of low- and middle-income countries is a common objective of both programmes run by the BMZ as well as of the IKI. The latter and P+ share climate adaptation as one of their focal points, while the EP and the Raw Materials Partnerships, two programmes run by BMWK, share a focus on promoting the interests of German businesses. Moreover, each programme has its own specific goals and co-benefits.

Further (implicit) goals common to all these programmes are shown at the bottom of the figure as elements of Germany's overall foreign policy and exercise of soft power. As such, they are all linked to and contribute to strengthening Germany's reputation, diplomacy and geopolitical positioning. Their flexible structures provide co-benefits to the Federal Foreign Office and other ministries of the German government, as these partnership structures may facilitate additional diplomatic efforts beyond the specific scopes of the individual programmes.

<sup>95</sup> As described in more detail above, not all of these programmes have clear and detailed strategy documents setting out their goals, priorities, and strategy. Thus, this chart also reflects our own analysis and expert judgement.



## 4 How transformative are Germany's ECDRPs?

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Based on the analysis of the individual partnership programmes above, in this chapter we assess the overall impact of Germany's ECDRP as a whole in terms of supporting a resilient transformation towards climate neutrality.

The first section provides a quick overview of their main strengths and weaknesses. The following section assesses how and to what extent Germany's ECDRP landscape addresses the bottlenecks and barriers to transformative change we identified in Chapter 1. The final section explores further issues that have emerged in our analysis and are important for understanding and assessing the German partnership work. Apart from the high-level bottlenecks and barriers, we do not systematically develop and apply benchmarks to underpin our assessment. Our assessment is qualitative and ultimately based on our expert judgement. A discussion of methodological issues can be found in the annex of this study.

### Summary of the main strengths and weaknesses

This short overview on strengths and weaknesses is further discussed and substantiated in the following sections of this chapter.

#### Strengths and good practices to build upon

- ▶ **Germany's strong dedication to partnership work:** We estimate that more than 200 highly qualified full-time staff work on the ECDRPs on the German side alone, including staff at the ministries and at the implementing agencies, based in Germany and in the partner countries. This figure does not include the larger number of staff employed in projects triggered by IKI and/or by German ODA.
- ▶ All in all, there is an increasing, **genuine interest in orientating Germany's partnership work towards the partners' needs**, supporting their energy transitions and sustainable development across the ECDRP activities.
- ▶ As described in more detail below, the partnerships have achieved a **wide range of positive impacts** for accelerating the transformation and will likely continue to do so in the future. Germany's ECDRP are very valuable not only for Germany itself and for its partner countries, but also for the international community, as they contribute to the production of global common goods.
- ▶ Over the years, Germany's ECDRP work substantially contributed to **advancing global debates essential for climate neutrality**. Some examples from the energy field, where Germany's ECDRP have been active for a longer time: Bringing renewables onto the agenda in the first decade of this century, disseminating best practice experience in the adaptation of power systems to increasing shares of variable renewables in the 2010s and, more recently, taking a leading role in the promotion of green hydrogen at the global level. In other fields, we observe a remarkable continuity and perseverance in promoting other key pillars of a *resilient* transition to climate neutrality, including the fight against deforestation, climate adaptation, and energy efficiency.
- ▶ In numerous cases, individual partnerships have **provided important technical support to tackle regulatory challenges**, such as the introduction of renewable energy auctions in South Africa and Algeria. Moreover, several partnerships have successfully contributed to the **development of strategies**, such as green hydrogen strategies in Chile or Jordan.

- ▶ Germany's ECDRPs are very effective in tackling some of the bottlenecks and barriers identified in Chapter 1, especially **state capacity** and supporting **skills development** in the partner countries and in Germany. To a certain extent also in closing the climate **investment gap** as well as improving **international cooperation**.
- ▶ With the JETPs and the stronger integration between P+, IKI, and Energy Partnerships, there have recently been successful efforts to improve the **link between Germany's ECDRP** work and **climate finance** as well as **multilateral processes** for increasing ambition (UNFCCC; NDCs, EU and G7), although there is still more to be done in this direction.
- ▶ Germany's ECDRP, especially the Energy Partnerships, **create structures that can withstand political changes** and enable technical cooperation at times when political support for climate action is weaker.
- ▶ Although we consider the level of coordination and integration of Germany's ECDRPs mainly as a weakness (see the following section), there have also been examples of positive synergies, where the energy partnerships, for example, have functioned as incubators and paved the way for larger scale IKI/ODA projects.

### Structural weaknesses and gaps

- ▶ Judged by the **speed and scale of transformative change** that is needed for achieving the goals of the Paris Agreement, the contribution of Germany's partnership is insufficient. While Germany's partnerships have substantial positive impacts in some countries, there is scope – and need – for improvement.
- ▶ The partnerships have helped to trigger – and in some cases directly committed to – important investments towards climate neutrality, but **relative to the climate investment gap, a step change would be necessary**. While the limited impact can be explained with reference to resource constraints and Germany's commitments are substantial in international comparison, there is still scope for improvement.
- ▶ **Germany's climate credibility has suffered** in recent years and risks undermining the transformative potential of its partnerships. Their potential also thrives on Germany's historically well-founded reputation as a climate action and energy transition leader. However, as mentioned in more detail above, this reputation has recently suffered from some setbacks linked to persistent domestic climate mitigation deficits, the pursuit of new gas and coal import sources, some negative contributions to EU policy making and the ill-advised support for Nord Stream before 2022. Such setbacks undermine Germany's climate credibility at the international level, including in its partnership programmes, potentially negatively impacting climate efforts in the partner countries.
- ▶ In our opinion, there is **lack of a coherent strategy** in some of the individual partnerships and partnership programmes as well as in Germany's overall partnership landscape.
- ▶ The lack of a clear strategy favours **insufficient coordination** and integration **between the German partnership programmes** and between German ministries and their activities. In some cases, we saw a siloed approach leading to the establishment of more than one bilateral partnership with the same country, without a proper coordination and in some even in latent competition with each other. Such situations can undermine the partnership's transformative impact, prevent synergies, create confusion, and overburden Germany's partner countries. Recent efforts to streamline the different programmes under the Team Germany initiative are steps in the right direction.
- ▶ Germany's partnerships are **not well coordinated with the EU** and fellow EU member states. This harms Germany's position in the EU, as EU partners may perceive

Germany's ECDRP work as primarily focused on pursuing its own national interests, which may not be in line with or even openly contradict their own strategic goals. However, it also means that Germany foregoes potentially transformative activities: a unified or at least more closely coordinated approach **at the EU level** is preferable or even the only plausible way to achieve necessary results, for instance when it comes to establishing climate friendly standards at global level or building up the infrastructure to import climate neutral energy carriers from neighbouring North Africa.

- ▶ The **goals and priorities of the different partnership (programmes) are not always well defined** and, at times, inconsistent or in conflict with one another. Under the current federal government, there has been a considerable effort to mainstream and prioritise climate action in the partnership work. There are strong arguments to further step up the **prioritisation of climate mitigation** and climate adaptation vis-à-vis the other legitimate goals pursued by Germany's ECDRP.
- ▶ There is a **trend towards proliferation in the number of partnerships**. However, unless financial, institutional, and human resources keep up proportionately, this proliferation risks diminishing the impact of the partnerships as less resources and attention is dedicated to individual partnerships.
- ▶ Currently, **Germany's ECDRPs do not address raw materials**. The raw material partnerships are inactive and other partnership programmes do not systematically address raw materials. While many stakeholders see great potential in a stronger emphasis on raw materials, they also highlight the complexity of the topic.
- ▶ **There is partly insufficient transparency on the goals, resources, and activities** of the partnership programmes and individual partnerships. To a certain extent, there are good arguments for limited transparency, as partnerships can involve delicate diplomatic issues. However, there seems to be no systematic monitoring and evaluation of partnership activities and accessing information on them is particularly difficult for externals such as civil society organisations.

## How do Germany's ECDRPs address the bottlenecks & barriers?

In the following section we will assess how and to what extent Germany's ECDRP address the bottlenecks (investments, raw materials, skills, and human capital) as well as the socio-political barriers (state capacity, social support, international cooperation) to transformative change we identified in Chapter 1.

### Investments

How and to what extent do the ECDRPs address the climate investment gap? Generally, there are three ways in which partnerships address this gap. First, through strengthening the policy and financial frameworks in a way that is conducive for making investments in mitigation and adaptation. This may include aspects such as pricing environmental externalities or improving the market access for foreign investors to make investments in renewable energy. Second, they can increase and improve public investments in climate-neutrality. And third, they can leverage private investments through instruments such as de-risking mechanisms, investment loans, securitised finance, or equity investments.

The overall impact of Germany's ECDRP on addressing the climate investment gap is moderate. Although this is one of their regular focus areas and they **do mobilise important investments**, thus helping to accelerate (transformative) change, this impact is **insufficient relative to the needs of climate neutrality**.

The main PPs that focus on investments are the JETPs, P+, and IKI. They make a notable contribution to the energy transition and climate action in many partner countries. They also form part of Germany's international climate finance commitments. Although experience with these programmes is limited, especially with P+ and JETPs, they generally have a high potential for addressing the investment gap. However, a large share of Germany's financial commitment in these programmes currently takes the form of technical support. This technical support has value and includes important work on strengthening financial frameworks, as is the case in South Africa for instance. But the volume of investments in climate-neutrality, either by leveraging private investment or direct public investments, is more limited. The policy-based loans included in P+ and JETPs increase the fiscal space of the partner governments and therefore allow for increased public investment. However, relative to the public investment needs, this contribution is more of a catalytic nature.

Several energy partnerships function as a **facilitator for private and public investments**. While they do not directly make public or leverage private investment, they have provided important impetus towards the realisation of private and public investments. Notable examples are the facilitation of investments in the flexibilisation of coal-fired power plants in India, the development of large-scale renewables and green hydrogen projects in Canada, and the support in designing and setting up renewable energy auctions in South Africa and Algeria. Moreover, the energy partnerships have been instrumental in developing and promoting the BMWK programs H2Global and H2Uppp, which have financing instruments with a budget of several billion Euros to mobilise large-scale (public-private) investments in the supply of green hydrogen and its derivatives.

In general, **the German strategy relies heavily on private finance** to deliver the necessary capital investments that climate neutrality demands. Individual partnerships do play a role in facilitating these investments. Within individual energy partnerships, for example, there are systematic attempts to mobilise private investments. The Raw Materials Partnerships are also intended to rely fully on private business investments, although such investments have not materialised to date. Generally, we cannot identify a coherent strategy for the involvement of private capital in most PP, although this is what the implementation of many of the PP goals rely on.

## Raw materials

How and to what extent do the ECDRPs contribute to mitigating bottlenecks and/or geopolitical vulnerabilities related to the entire supply chain (extraction, refinement, processing) of raw materials and other critical technologies needed for the energy transition?

In our opinion, ECDRPs have so far rarely addressed this bottleneck. The raw material partnerships are largely inactive. They could mitigate this bottleneck if they were relaunched with a meaningful and realistic strategy and endowed with sufficient resources. At the time of writing, efforts are underway in the BMWK to steer Germany's raw material policy towards a significantly more proactive approach, including a revision of the raw material partnerships. Several other actors we have interviewed moreover stressed the potential for climate neutrality of this focus area, but also pointed to the complexity of navigating the trade-offs between the goal of improving the supply security and affordability for the German industry, and the goals of other partnership programs and activities that focus on the economic development of the partner countries, and on the improvement of social and environmental standards in the mining industry.

Of the other partnership programmes, raw material issues have only been addressed on a few occasions, and their potential to do so is low. In the energy partnership programs, there have

been some discussions and exchange of views, e.g., with Australia and Canada on critical raw materials, or with Chile on the decarbonisation of mining. However, while some of these activities do aim at improving the supply of raw materials for the energy transition, they are not systematic and there is no clear strategy within the energy partnership programme. This is understandable considering that another programme of the same ministry is supposed to focus on raw materials.

As part of Germany's ODA activities, there has been project-based work aimed at building capacities for the exploration of mineral resources, but these activities are not a structural part of any partnership programme.

### Skills and Human Capital

How and to what extent do the ECDRPs address the bottleneck in skills and workers needed to implement transformative change? The massive technological changes and investments required by the transformation to climate neutrality and the general shortage of skilled labour both in the Global North and South – a global skill gap – imply a greater need for training and re-skilling. Partnerships can contribute to accelerating transformative change by fostering human capital and training in areas essential for climate neutrality, and possibly by helping to coordinate planned investments with training programmes.

In our assessment, Germany's ECDRPs often contribute to mitigating the bottleneck in skills and human capital. In fact, this may be one of the dimensions, next to state capacity, where they have the greatest impact and potential.

Capacity building in Germany's PP focus primarily on higher levels, including public officers in ministries and regulatory authorities, elected legislators, managers of regulated utilities, private sector, NGOs. Activities include workshops, joint studies, policy advice and consulting, study trips to Germany, and training programmes. The energy partnerships have a particular focus on knowledge transfer and training with people active in the energy sector. But JETPs and P+ also involve projects aimed at the development of human capital, although we do not know how effective they will be as these two programmes are relatively young.

When it comes to training workers, Germany's partnerships are generally less active. One good practice example is the establishment – in the framework of the Jordan-Germany Energy Partnership – of the German Energy Academy, which offers short-term vocational training in renewable energy technologies. Nonetheless, with regards to the training of workers, there are limits to what German partnerships can deliver on their own: most skills are developed over time on the job. Therefore, a strategy focussed on developing skills and human capital must be designed in partnership with companies. It will benefit from the recent review of Germany's immigration laws, which will facilitate the flows of workforce between Germany and countries outside the EU.

### State capacity

How and to what extent do the ECDRP improve the capacity of states to manage transformative change? State capacity is a key socio-political barrier to transformative change. International partnerships can support the development of state capacities through, for instance, enhancing regulatory skills, stimulating long-term strategic planning, and increasing policy coordination.

Overall, Germany's ECDRP very often contribute to addressing the barrier of limited state capacity to manage transformative change, which is a key focus of Germany's partnership work. Enhancing state capacity is an area where it may have the greatest potential impact. A major component of current PP is training administrative and policy staff in ministries and public agencies, which we have described in the previous section. In addition, the ECDRPs often support

strategic policy development as well as the establishment of regulatory and administrative institutions and procedures. The Energy Partnership in Chile, for example, supported the development of the domestic policy framework for the coal phase-out process. Similarly, the Energy Partnerships with Jordan and Tunisia actively supported the development of national green hydrogen strategies. And in Algeria and South Africa, the EPs helped setting up renewable energy auctions.

The P+ and JETPs take a different approach, which may have an equally important impact on state capacity. The policy-based-lending approach involves direct budgetary support for national government institutions. This increases fiscal space for partner governments, which can enable the expansion of state capacity. While this is not guaranteed, the conditionalities may prove to be an adequate incentive mechanism to ensure that the additional funds are put to their best use. Moreover, both programmes involve project-based activities that may involve capacity building. Therefore, the potential of these programmes is high overall. However, given that these programmes are very young, it remains to be seen if these instruments are successful.

### Social support and cohesion

How and to what extent do the ECDRPs improve the social support for transformative change? As outlined in Chapter 1, a resilient transformation towards climate neutrality requires societal support and cohesion over a longer period, which implies the need to ensure that the transition is just in terms of its impact on equity and distributional outcomes.

Germany's ECDRPs do not target the general population, but rather multipliers such as decision-makers and professionals from legislative bodies, public administrations, private and public companies, academia, and civil society. Among these actors, Germany's ECDRPs can have a significant transformative impact. For example, in hundreds of study trips to Germany organised or facilitated by the ECDRP structures and activities, many influential multipliers from all continents have been convinced of the technical and economic feasibility of reliably managing power systems with high shares of renewables. In several countries, there also are activities to increase the population's acceptance for, e.g., wind turbines.

Both the P+ and JETPs have the explicit objectives to support a "just transition". The JETPs with South Africa, for example, has a regional focus on the coal communities most affected by the transition and it plans to use Germany's expertise on measures to mitigate the social impact of the coal phase-out. In Chile, the Energy Partnership supported the coal phase-out process with an equally strong emphasis on just transition. However, while Germany may be able to pursue project work with a social dimension in some countries, the social outcomes are ultimately contingent on the partner governments and their policies.

Long before the current German government put a feminist foreign policy on its agenda<sup>96</sup>, many of Germany's partnerships explicitly aimed at promoting the rights, representation, and resources of women. Within the context of the energy partnership programme, a communication campaign was set up to support women in energy, called "Women Energize Women", to support a "gender equitable energy transition".<sup>97</sup> The Climate and Development partnerships of the BMZ intend to pursue a "gender-sensitive approach" which spans from the conception to the implementation and evaluation of activities. However, the monitoring and enforcement of this approach proves challenging, especially as the modalities of the P+ involve direct budget transfers and projects are defined to a large extent by the partner government.

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<sup>96</sup> Guidelines for Feminist Foreign Policy: a foreign policy for all, March 2023. See: <https://www.auswaertiges-amt.de/en/aussenpolitik/themen/ffp-guidelines/2585074>

<sup>97</sup> <https://www.womenenergize.org/>

In terms of explicitly building pro-climate coalitions, Germany's ECDRPs have a more limited impact. The capacity building and networking pursued in many projects helps create niche expertise and support, which may indirectly create momentum. Moreover, through its projects such as IKI Small and Medium Grants, Germany supports independent, locally anchored organisations (NGOs, think-tanks, etc.). Within the framework of a bilateral partnership with a foreign government, however, support of political groups and campaigns for the transition can only be implemented with its consent and backing. Therefore, the approaches differ from country to country.

### International cooperation

How and to what extent do the ECDRPs improve international cooperation? Although this is generally not one of their explicit goals, Germany's ECDRP make a strong contribution to facilitating international cooperation for climate action and other common goods. This takes the form of building trust, good working relationships, and creating momentum. For example, by supporting the flexibilisation of India's coal power plant fleet, the energy partnership programme helped to enable one of the fastest growth rates of renewables in the world. This then contributed to the Government of India's decision to strengthen its NDC in August 2022, in comparison with the one submitted at COP 26 in 2021.<sup>98</sup> In some cases, Germany's ECDRP also support collaboration between third countries at regional level. This applies, for example, to the BMBF's partnerships in western and southern Africa and to the energy partnerships in the MENA region.

Where the partnership structures are not strictly limited to bilateral governmental dialogue at the national level, they can help to maintain exchanges and the flow of information in times when newly elected partner governments decide to side-line climate policy. This has been the case, for example, in the energy partnerships with Brazil and Mexico in recent years. In such situations, the dialogue and cooperation can even be strengthened, for example with civil society, private companies or at the subnational level. The networks and knowledge built up in these phases can then support a rapid reactivation of the partnership once a more climate-friendly government returns to power, as is the case today with Brazil.

As Germany's partnerships increasingly operate in a geopolitically contested space, the partly technical cooperation in the fields of climate, development or energy may more easily become intertwined with geopolitics. Depending on the specific situation in which they operate, the partnerships may come under pressure to become more geopolitical as well. A related issue is how Germany can align its partnership work with and its cooperation with its key allies. These questions will be discussed further in the next chapter.

Another challenge for the transformative impact of Germany's ECDRPs on international cooperation is credibility. As climate is increasingly mainstreamed in Germany's ECDRPs, Germany must live up to its own transformation goals. Otherwise, it risks undermining its own position in partnerships and may be perceived as a hypocritical player that asks for transformative change abroad but fails to do the same at home. As ECDRPs increasingly rely on conditional financing (especially P+ and JETP), this risk is heightened, as it may be perceived as a one-way conditionality: the partner has to commit to additional climate action, while Germany does not.

In conjunction with the risk of Germany's climate credibility, plurilateral partnerships pose the risk of Western donor groups failing to deliver on their financial pledges. While Germany is highly credible in its financial commitments, other donor countries may be less reliable. This may negatively impact Germany's and other countries' international reputation and trust as

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<sup>98</sup> Source: [Climate Action Tracker: Country Summary India](#), 15 November 2022. While Climate Action Tracker still criticises the updated NDC as "critically insufficient", its improvement was a step in the right direction that might facilitate further improvements by other countries.

partners. In a context where the Global North has failed to make good on its international climate finance commitments (for example, the USD 100 billion commitment), this is a serious risk that Germany's ECDRPs can help to address.

## Governance, resources, and other strategic issues

Beyond the key bottlenecks and barriers to transformative change identified in Chapter 1, other issues important for understanding and assessing the German partnership work have emerged in our analysis. Some of them relate to the operational characteristics we have outlined in Chapter 1.<sup>99</sup> As a basis for the recommendations we develop in the following chapter to improve the impact of Germany's partnerships, other aspects must be taken into account. In this section we consider the following aspects: (a) the importance of contextual factors, (b) the challenge of partly competing priorities, (c) the coordination and integration of partnership programmes, (d) the financial resources for ECDRP work, (e) local ownership and (f) the alignment with Germany's overall foreign policy and the lack of integration with the EU level. We discuss them in turn.

### The impact of partnerships depends on their context

The transformative impact of the ECDRPs depends to a significant extent on political contingencies in Germany, in the partner countries and sometimes also elsewhere. Contextual factors explain some of the large variation in impacts and success of individual partnerships.

Consensual agreements such as partnerships usually reflect the priorities and activities where the parties have been able to find common ground. The ECDRP's transformative impact depends to a large extent on the political willingness of Germany and the partner country to prioritise ambitious climate action in their partnership activities. For instance, there is currently a strong political drive in the (existing or upcoming) partnership work with highly motivated governments such as Chile, Colombia, or Kenya. Here, ambitious climate action is possible in the partnership work because it is a priority for both sides. In Mexico, on the other hand, the government of López Obrador deprioritised climate action and took distance from the energy transition, depressing more ambitious efforts in Germany's EP or the IKI interface project with Mexico. Likewise, if Germany decides to prioritise other objectives, such as its own economic interests or supply security, the climate impact of its partnership work is likely to suffer.

Apart from political will, other enabling or limiting factors are important determinants of the partnerships' impact and success. An ambitious and effective partnership is more likely when the partner countries are politically and economically stable, have a functional government, their relationships are not affected by geopolitical tensions, among other factors. As these political circumstances may change over time, partnerships that used to be constructive might falter or vice-versa.

Lastly, the impact is highly contingent on the capacities of all parties to programme and implement a partnership. In South Africa, for example, ESKOM (the public utility) is a key actor for implementing the energy transition. However, ESKOM has been in a fundamental crisis, causing ripple-effects on the whole economy for months. The impact of the finance mobilised by the

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<sup>99</sup> Partnerships should: a) be strategic and anchored in nationally developed transformation plans; b) be locally driven, i.e., the strategic decision on and implementation of activities is made jointly with partners; c) be flexible and adapt to changing circumstances to outlast crises and political change; d) be effectively coordinated among different German ministries and agencies and with partner ministries and agencies; e) be effectively coordinated with other donor countries, especially Germany's key allies; f) be well coordinated with other EU member states and aligned with the EU's strategic objectives and activities; g) combine both government-to-government cooperation with track II diplomacy, supporting local CSOs, think-tanks, and engaging business, and h) implement and be based on a political dialogue on equal terms.



JETPs will be substantially limited unless the problems with ESKOM are resolved. While capacities may be a product of political priorities and of the resources dedicated to the partnership, more specific factors such as the skills and motivation of involved individuals can explain a part of the variation in partnership success.

### Partnerships pursue different goals with synergies and trade-offs

As discussed above, Germany's heterogenous partnerships programmes have different objectives, logics, and span different policy fields. Their goals include climate action, energy and raw material security, development, biodiversity, and the promotion of German business interest, (see figure 7 at the end of Chapter 3).

There are significant synergies between these goals – but there are also relevant trade-offs that need to be navigated. In our analysis, we found that, when such trade-offs emerge, the priorities to be followed by Germany's partnerships are frequently not clearly defined or even denied. This may be because discussing such trade-offs can have political implications, for instance in terms of the political preferences of different coalition parties in the German government, or in terms of the balance of power between different German federal ministries and "their" partnership programmes. However, openly discussing trade-offs is helpful, and in some cases a necessary precondition to navigating them effectively. In the following, we briefly discuss the major synergies and trade-offs we have identified between climate action and other ECDRP objectives.

In the long term, **climate action and global economic development** can only go hand in hand: Nearly everywhere, systemic failures in climate mitigation and adaptation would overshadow most, if not all, of the positive impacts of economic development in the long run; on the other hand, the transformation towards climate neutrality will not enjoy the necessary broad support in low- and middle-income countries, if not linked with a clear prospect for improving their living standards. A clear message from the interviews and workshops we conducted was that in the countries of the Global South, climate action must be coupled with economic development, which for many partners presents a more promising picture than climate action alone. However, in the short-term, there also are tough trade-offs. Especially when starting from low levels of income, economic development usually comes with an increasing demand for emission-intensive goods and services. Or another example: in a rapidly developing economy, phasing out coal requires an even quicker deployment of renewables than in mature economies. Nevertheless, there are clear synergies between climate action and development, even in the short term. For example, investing in power grids, renewables, and electrification can benefit both climate and development outcomes.

Germany's ECDRPs must also coordinate **climate action and energy security** goals. The transition to renewable energies implies a fundamental shift in value chains and geopolitical relationships. There may be large synergies between pursuing energy security and climate goals – but also trade-offs. For example, supporting the deployment of renewables and green hydrogen export capacities in partner countries can also benefit their and Germany's import security. Trade-offs arise, for instance, when Germany's ECDRPs are used to secure LNG supplies from partner countries, which leads to fossil fuel development being maintained or even newly developed in partner countries and undermines Germany's own climate goals.<sup>100</sup>

Similarly, there are synergies and trade-offs between **climate action and raw material supply security** objectives. The transformation towards climate neutrality at the global level can only succeed with a massive deployment of technologies such as wind, solar PV, and batteries,

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<sup>100</sup> An example of this risk can be found in the newly established JETP with Senegal, whose political declaration explicitly notes the role of natural gas for Senegal.

which require a rapid ramp-up of the global supply chains for a series of critical raw materials. With appropriate social, environmental, human rights, and governance standards, such investments can benefit the sustainable development of new economic sectors in the partner countries. However, prioritising Germany's raw material supply security without implementing such standards may result in extractivist economic structures that undermine development objectives and Germany's reputation as a partner. It may also undermine climate objectives in the partner country if emission-intensive extraction techniques are chosen to maximise speed and/or minimise costs.

Finally, there are also synergies and trade-offs between **climate objectives and the German economic interests** pursued by some of the ECDRP programmes. The ECDRPs facilitate investments by German businesses, which often support know-how transfer and encourage additional investments in sectors that are critical for climate mitigation in the partner country. Conversely, by promoting investment in climate mitigation measures in the partner countries, the ECDRPs help create business opportunities for German companies, including technology providers and energy or feedstock importers and consumers. If, on the other hand, the support of German business interests is overly prioritised, especially in terms of increasing the market shares of German companies, this may have a negative impact on Germany's relationship with other countries and, in extreme cases, even on the competition in given markets, which may slow down the transformation. In this area, a concern increasingly mentioned by stakeholders linked to some German industrial sectors is that, by supporting renewables and green hydrogen development in partner countries, Germany may end up supporting what may soon be competitors of Germany's own industrial base.

### Coordination and integration of partnership programmes

As described above, Germany's ECDRP structures have historically grown in a largely uncoordinated way, driven by the initiatives of individual ministries or even directorates within them. Their internal governance is left largely or completely to the individual ministries and is not very transparent to outsiders. In some ways, the partnership programmes create foreign policy activities that run parallel to Germany's overall foreign policy.

Depending on the political context and other factors, the degree of coordination between the various partnership programmes and between them and the Federal Foreign Office strongly varies, from nearly open competition to what one interviewee described as "optimal teamwork". However, his perception was rather atypical, with most interviewees consistently complaining about the lack of coordination. Recently, there have been improvements due to the "Team Germany" efforts and the higher political alignment of the main ministries involved. As a result, there is currently a better integration of the P+ of the BMZ with IKI as well as with the Energy Partnerships, but all in all the coordination in Berlin remains patchy. Among the German teams working with individual partner countries, the level of coordination varies even more strongly, which also depends on the initiative, agendas, and personalities of the officers involved in the ministries, in the diplomatic missions, and in the German implementing agencies, but also on the structures of the partner country.

All in all, the siloed ministerial structures result in insufficiently integrated and coordinated partnerships and partnership programmes. This results in numerous drawbacks, including duplication of efforts, missing potential synergies, sometimes divergent logics and narratives or even contradictory measures, and inefficiencies. Moreover, the lack of coordination among Germany's ECDRPs can strain the capacities of the partner countries' governments, which often demand coherence and simplification, as well as the capacities of German stakeholders involved in the partnership work (such as business, academia, civil society).

The proliferation of Germany's bilateral partnerships – sometimes there are two or more with the same country – may lead to a dilution of their activities or a devaluation of the meaning of having a partnership with Germany, thus diminishing their impact. The trend towards proliferation is a result of the pressure to create ever new partnerships, which comes both from Germany and from the (potential new) partner countries. The latter may be keen to have a partnership with Germany, as other countries already have. Frequently announcing new partnerships is a quick and relatively easy win for both sides' ministers. Potential partner countries expect – not unreasonably – that having a partnership with Germany increases their chances to obtain funding and other forms of assistance. Especially when similar or neighbouring countries already have an ECDRP with Germany, refusing to create a new one may be diplomatically difficult for the German side. For some of the responsible officers in the German ministries involved, announcing a new partnership with one of the countries or within the partnership programme they are responsible for may be seen as a sign of success.

To understand the reasons for this lack of integration and coordination, it may be helpful to consider B. Guy Peters' categories for why policy coordination proves challenging. According to his analysis, there are seven reasons for the persistence of silos in most governments. In the following text box, we apply them to Germany's ECDRPs.<sup>101</sup>

Finally, we add that the coordination efforts may also lead to increased transaction costs and reduced agility. Especially in bilateral, and even more so in plurilateral partnerships, coordinating the interests and agendas of two or more countries always involves an effort. If more than one ministry from each country is involved in the discussion, agreeing on concrete measures becomes more complex. Thus, there may be a trade-off between coordination and effectiveness.

Policy coordination is not just a challenge on the German side, it can also arise because of structures in the partner countries. Even though in this paper we talk about (Germany's) "partnership programmes", from the partner countries' perspective, each partnership with Germany has its own logic and basis. Once a MoU has been signed and the procedures and structures have been established, it may be time consuming, difficult, or even politically impossible to adapt them. For example, in several partner countries, the energy and the climate portfolio are run by different ministries. If the partner country's Ministry of Energy has signed the MoU for the Energy Partnership, it may not be keen on involving their colleagues from the Ministry for Climate and/or Environment just because Germany has now merged the two portfolios and wants to streamline climate policy.

All in all, we find that each of Germany's partnership programmes brings its own technical expertise and networks that can be important for supporting transformative change and to make the partnerships attractive for the partner countries. However, the insufficient integration and coordination of the partnership programmes, the responsible ministries, and the individual activities with a partner country undermines the transformative impact of the partnership programmes. Tackling this inter-ministerial coordination is crucial for strengthening the partnership's impact.

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<sup>101</sup> B. Guy Peters (2018): The challenge of policy coordination, in: Policy Design and Practice. <https://www.tandfonline.com/doi/full/10.1080/25741292.2018.1437946> All direct quotes in the text box are taken from this source.

#### Box 4 – Why is coordination so difficult?

**Specialisation:** “Perhaps the principal reason there is less coordination is that its antithesis – specialisation – is also an important value in government”. Each ministry and partnership programme brings in its own technical expertise and networks that can be essential to bringing forward the transformation and making the partnerships attractive for the partner countries. Neither the Foreign Office nor any other potential coordinating institution can match this level of expertise.

**Power:** “Information is power so there is insufficient sharing of information”: This dynamic can be observed in the ECDRP landscape, both on the German side and in the partner countries. Within these partnerships, the power can provide, among others, political or media visibility for politicians, career opportunities for officers, privileged access to project funds, travel opportunities.

**Performance management:** On both sides of a partnerships, the performance of the responsible ministers, civil servants, and implementing agencies is likely to be judged more on the basis of what “their” partnership (programme) has achieved than on the basis of the overall transformational impact. In some cases, power, politics or other considerations may even provide an incentive not to collaborate.

**Turf:** “Organisations want to defend their budgets, personnel and policies, and fear that coordination with other organisations will endanger their «turf».”

**Beliefs and Ideology:** Specialised organisations are often “popular primarily with individuals with a belief in the mission of the organisation”. This is particularly true in Germany, where the officers from federal ministries very seldom (may) switch to another ministry. In the ECDRP landscape, we observe that the informal collaboration between ministries with similar mindsets is smoother than between ministries with more different mindsets.

**Politics:** “In coalition governments, if ministries are controlled by different political parties, there may be coordination problems”. Currently, this is very much the case in Berlin, especially between the ministries controlled by the liberals (FDP) and those controlled by the greens and the social democrats (SPD). The latter two currently held the four key ECDRP ministries (BMWK, Foreign Office, BMUV, BMZ).

**Accountability:** “Strict financial and legal accountability may make coordination more difficult.” Germany’s ECDRP programmes seem to be able to overcome this challenge relatively effectively, as we observe that ideas or activities generated in one programme may often be financed by projects that are part of another one.

#### Financial resources

When considering how Germany’s ECDRPs can better support transformative change, one immediate reaction might be: By allocating more resources to them. More funding for partnerships could undoubtedly achieve more. For example, Germany pledged US\$ 1 billion to each of the three JETP’s. Such a budget can support more projects than is possible in partnerships with a much smaller budget.

Asking whether Germany should invest more in its partnerships implies two judgements:

- 1) on the prioritisation of the goals pursued by the ECDRP compared to other domestic and international policy goals;
- 2) and, within each policy field, on an appropriate budget share to be allocated to partnership work in comparison to other means of pursuing the same goals.

With regard to the first question, we observe recent contradictory messages from the German federal government. For example, Chancellor Scholz confirmed in May 2023 Germany's intention to substantially increase its means for international climate finance to € 6 billion per year.<sup>102</sup> For this announcement to support transformative change and be politically meaningful, the increase should consist of additional funds and not just the repurposing of existing ODA funds, which would end up compromising other development goals. However, according to current plans of the coalition government, the ODA budget is likely to be substantially reduced rather than increased in the coming years (see Box 4).<sup>103</sup>

### **Box 5 – Germany's Official Development Assistance (ODA) funding**

While some of the ECDRP work also focuses on developed countries (see the section on the Energy Partnerships above), the overwhelming part of the budget is dedicated to countries that also receive Germany's ODA. Any central or decentral, implicit, or explicit decision on the resources to be allocated to partnership work is thus linked with broader decisions on Germany's ODA budget.

Traditionally, Germany has been one of the top donor countries at the global level, both absolute and relative to GNI. In 2022, Germany spent 0.83% of its GNI on ODA, thus exceeding the OECD target of 0.7%. However, the 2023 budget proposal passed by the Cabinet foresees a large absolute reduction of ODA from 33.3 billion Euros in 2022 to 20.6 billion Euros in 2024, resulting in a decrease of its ODA share of GNI from 0.83% to 0.52%. Although the bulk of this decrease is not linked to reductions in climate finance (but rather in the budgets for humanitarian aid and overall ODA), the ECDRP work is likely to be affected.

While the proposals of the coalition government will be reviewed by parliament, the underlying financial pressure is rooted in political facts, including the massive increase in military expenditure, the costs of various other emergency programmes triggered by Russia's war of

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<sup>102</sup> See: <https://www.bundesregierung.de/breg-de/aktuelles/rede-von-bundeskanzler-scholz-anlaesslich-des-14-petersberger-klimadialogs-am-3-mai-2023-2187832> The current level is approximately € 4 billion per year.

<sup>103</sup> Text box 4 describes the development of Germany's ODA expenditure under the government's current proposal for the budget. The ODA GNI share for 2024 is calculated with 2022 GNI figures. Absolute values are from the Ministry of Finance budget proposal, available at: [https://www.bundesfinanzministerium.de/Content/DE/Downloads/Oeffentliche-Finanzen/Bundeshaushalt/kabinetttvorlage-regierungsentwurf-2024.pdf?\\_\\_blob=publicationFile&v=3](https://www.bundesfinanzministerium.de/Content/DE/Downloads/Oeffentliche-Finanzen/Bundeshaushalt/kabinetttvorlage-regierungsentwurf-2024.pdf?__blob=publicationFile&v=3). Controversially, the GNI shares include the costs of supporting students and refugees on German soil. Without counting these two items, the share would be much lower than the figures provided. Between February and October 2022, more than 1 million refugees from Ukraine settled in Germany. The costs for their assistance are not considered in the ODA share, as the people from Ukraine are directly integrated into the ordinary social system. See: VENRO ODA-Studie 2022 (2022): [https://venro.org/fileadmin/user\\_upload/Dateien/Daten/Publikationen/Studien\\_Berichte/VENRO\\_ODA\\_Studie\\_2022.pdf](https://venro.org/fileadmin/user_upload/Dateien/Daten/Publikationen/Studien_Berichte/VENRO_ODA_Studie_2022.pdf) and VENRO ODA-Prognose bis 2025 (2023): <https://venro.org/publikationen/detail/oda-prognose-bis-2025>.

aggression, and the aversion to tax increases and new public debt of the liberal party (FDP), to which the Minister of Finance belongs.

Under these conditions, it is highly questionable whether a more transformative impact of Germany's ECDRPs can realistically be underpinned by budget increases in the foreseeable future. While this is regrettable and will have repercussions on the level of support Germany can provide to global climate action, it also means that the existing and future partnerships must be organised as efficiently as possible, which reinforces the need for a better governance discussed in the previous section.

The second question formulated above concerns the appropriate budget share to be allocated to “partnership work” in comparison to other means of pursuing the same goals, such as traditional ODA activities that do not require a “partnership”, contributions to multilateral funds like the Green Climate Fund, or global investment support programmes such as H2Global. Comparing the impacts of such diverse instruments is beyond the scope of this paper. However, the following points can be used as a frame for future analysis.

First, there is little systematic evidence on the impact and success of the different modes of supporting international climate action.<sup>104</sup> Second, there is limited transparency on the budgets allocated by the individual ministries to their partnership programmes, as those are financed within larger budget lines. Third, there is no clear-cut distinction between “partnership work” and other activities not part of a partnership programme, such as other Official Development Assistance (ODA), climate finance, and general diplomacy. To a certain extent, these fluid boundaries are intrinsic to the nature of things and may be best suited to achieving the ECDRP's goals in a pragmatic way, while dealing with complex and changing conditions. For example, JETPs mobilise funds from various sources, including IKI, ODA, and the P+ facility.

The question of which instruments should be used is becoming particularly important as budgets tighten. Thus, ensuring stable budgets for climate finance is one way of making sure, partnerships do not redirect money from other channels of providing climate finance. Under budgetary constraints in a certain partnership programme, managers face the question whether to allocate more resources to a smaller number of countries or vice versa, and which countries to focus on. Since the analysis above suggests that budgetary constraints are likely to take effect soon, prioritising some promising partnerships and managing their number will be important to avoid undermining the effectiveness of individual partnerships.

On the other hand, the trend towards pursuing more partnerships may reflect the recognition of the instrument as an effective complement to multilateral and other forms of supporting international climate action. However, the German government should ensure that the decision on the right instruments is motivated by substantive arguments about the instrument's effectiveness rather than by individual motivations such as the desire for more political visibility of specific leaders.

### Local ownership

There are various pathways to climate neutrality. Partner countries may have a (very) different understanding and vision of transformative change to climate neutrality than the German side. To support transformative change most effectively, a key challenge for the partnership is for the two sides to find a concrete common understanding of how this change should look like in order to identify projects and measures that can be pushed ahead jointly. Developing this common language of change may be a difficult and complex process that needs to take place at both

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<sup>104</sup> We discuss some of these methodological difficulties in the Annex.

the policy and working levels.<sup>105</sup> It is particularly difficult when the German side and the partner have diverging agendas. Sometimes, partnerships shortcut the process of developing common visions. As the donor, Germany may more or less consciously end up dictating activities. Developing a common vision of change that is as concrete as possible is therefore important to increase the transformative impact, as it increases local ownership and thus the chances that the selected activities are effective in promoting the transformation.<sup>106</sup>

This relates to how projects are programmed. A large part of Germany's ECDRPs has traditionally been project-based. This is especially true for the climate-oriented ODA of the BMZ, the IKI, and some projects facilitated via the energy partnerships. Individual projects can play an important role in the transformation to climate neutrality and create bottom-up change. But unless the projects are identified following a shared top-down assessment of the systemic needs of the transformation, their impact may only be incremental. Ideally, the activities of Germany's ECDRPs with countries of the Global South should be aligned with a systemic plan of the partner country for how it wants to develop and transform towards climate neutrality.<sup>107</sup> Such a plan must be developed and owned by the partner country, although ECDRPs may play a supportive role in developing it.<sup>108</sup> The policy and investment plans of the JETPs may be a promising development in this direction – empowering the partner country to develop a detailed policy roadmap and identifying investment needs.

Likewise, the increased use of policy-based-lending, which is now part of the BMZ's programmes (P+ and JETP), may improve the link of the partnerships with the plans of the partner country and give them more agency. Policy-based approaches focus on the regulatory framework and provide policy-loans that are conditional on meeting set reform targets. They thus take a much more systemic approach. However, it remains to be seen how successful policy-based-lending is in triggering reforms. In any way, transformative partnership work should combine the systemic, policy-based approaches with bottom-up project-based work.

The other factor for improving the local ownership in partnerships relates to the actors Germany's partnership work with and support. Transformative change, moreover, requires local institutions that can manage the change and build social coalitions. Germany's ECDRPs rely primarily on German implementing agencies, first and foremost the GIZ. While these are trusted and capable actors, we see value in supporting the development of local institutions and expertise *in parallel*. This is a long-term commitment with uncertain success. Germany's support consequently needs to be patient, it can pay off later when local organisations are empowered to drive change themselves.

Relatedly, Germany's ECDRPs usually rely on government institutions from the partner countries. This is natural, given that most ECDRPs are foremost government-to-government partnerships. However, in order to increase the local ownership and garner support for transformative change, more frequent collaboration with and support to independent research institutes and civil society may be a promising way forward.<sup>109</sup> Independent climate expertise may help improving the equilibrium of stakeholders and outlast political changes in the partner country. They can consequently keep pushing for climate action and be points of contact for German

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<sup>105</sup> To some extent, the biannual government consultations on ODA are an example of such a common vision being developed on a political level, albeit with regards to general development support.

<sup>106</sup> We want to stress that this does not mean that Germany cedes its control over how the financial resources it dedicates to partnerships are spent. Rather, we argue for a better alignment of the programming with the priorities of the partner country, which means developing the right processes for project selection etc.

<sup>107</sup> See also: Elisabeth Hege, Chukwumerije Okereke, Sébastien Treyer, Youba Sokona, Ann Kingiri, Niels Keijzer, Fatima Denton (2022). Just Energy Transition Partnerships in the context of Africa-Europe relations: reflections from South Africa, Nigeria and Senegal, Ukàmá. p. 14

<sup>109</sup> With the exception of the Small and Medium Grants in IKI, the ECDRPs seldom do so.

partnerships, even if the government's support for climate action in the partner country declines. The support of civil society organisations may bring political risk and be challenging, especially when cooperating with authoritarian regimes. However, this does not diminish the importance of these actors for long-term change.<sup>110</sup>

### Alignment with overall foreign policy, lack of integration at EU level

Besides pursuing their specific goals, Germany's ECDRPs are part of its broader foreign policy. On the one hand, the ECDRPs are a resource for Germany's soft power, reputation building, geopolitical positioning, and diplomacy. On the other hand, their work is impacted by foreign policy considerations exogenous to the specific partnership programs. For example, the chronological start of the first partnerships suggests that the choice of the partner countries (starting with India, China, Russia, see Figure 3, in Chapter 3 above) was also driven by geopolitical considerations. A more recent example has been the suspension of the Energy Partnerships with Russia and Iran for political reasons in 2022.

The National Security Strategy recently adopted by the German Federal Government acknowledges that Germany's international and security environment "is increasingly defined by the existential threat posed by the climate crisis" and that "fighting the climate crisis and dealing with its consequences is humanity's central task in this century".<sup>111</sup> Climate diplomacy has now become a core task of the Foreign Office. Thus, especially under the current constellation with the Foreign Minister from the Green Party, there is in principle a strong alignment between the overall direction of Germany's foreign policy and the goal of making its ECDRPs more transformative towards climate neutrality. However, in foreign policy there often is a tension between conflicting principles and goals. Thus, the prioritisation of climate neutrality cannot be considered as a given, but rather as a guiding principle that needs to be strived for continuously.

One of the key foreign policy issues concerning Germany's ECDRPs is how they align with Germany's strategic allies. The JETPs, for example, represent an attempt to go beyond the bilateral relationships of Germany's ECDRPs and to create a stronger alignment with other G7 and EU countries. However, the JETPs will by definition remain limited to specific issues (just transition) and to a limited number of partner countries. Moreover, some interviewees we consulted for this project reported a significant degree of frustration about the difficult coordination and the incoherence between donor countries in the context of JETPs. It remains to be seen whether the plurilateral approach pursued in JETPs proves to be a workable concept in the medium and long term.

When it comes to the alignment of Germany's ECDRPs with its fellow EU member states and the European Commission, there are more significant blind spots suggesting the need for strategic thinking. In many fields covered by the ECDRPs, a unified or at least very closely coordinated approach **at the EU level** may be preferable or even the only plausible way to achieve necessary results, for instance when it comes to establishing ambitious standards and certification procedures (e.g. for green hydrogen) or to building up the infrastructure to import climate neutral energy carriers (be it electricity, green hydrogen or green ammonia) from neighbouring

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<sup>110</sup> See also: Amos Wemanya & Kerstin Opfer (2022): Principles for Just Energy Transition Partnerships in the African Energy Context. Available at: <https://www.germanwatch.org/en/87617>; Amos Wemanya & Mohamed Adow (2022): Implementation of the Just Energy Transition Partnership in South Africa – Lessons Learnt for Civil Society Organisations. Available at: <https://www.germanwatch.org/en/87278>

<sup>111</sup> Federal Government (2023): Integrated Security for Germany: National Security Strategy. Available at: <https://www.nationalesicherheitsstrategie.de/en.html>, p. 23, and p. 64



North Africa.<sup>112</sup> Moreover, as mentioned in Chapter 2, following the political failure and physical destruction of Nord Stream, Germany is in a tougher geopolitical situation and should consider how to better coordinate and align its ECDRPs with other EU countries and the EU as a whole.

However, most of Germany's ECDRP landscape (the JETPs are the exception) usually features no or very low coordination with the European Commission and with fellow EU Member States. No other EU Member State maintains structures comparable to Germany's ECDRPs, most of them could not even afford a small fraction of them. These countries may perceive Germany's ECDRP work as mainly focused on pursuing its own national interests, potentially not aligned (for example, incoherent messages concerning energy infrastructure linking the EU with neighbouring countries) or even in open conflict with their own strategic objectives (for example promoting competing national champions, striving for privileged access to strategic raw materials).

Such perceptions, if they exist, would be unjustified in many cases since a many of Germany's ECDRPs actually produce common goods, such as a more rapid deployment of renewables in partner countries. However, even only the perception may encumber Germany's relationship with its key (EU) partners. On the other hand, proactively integrating the EU perspective in its ECDRP activities, may be a smart way for Germany to balance the tougher position it has within the EU. Nevertheless, Europeanising Germany's partnerships would also increase the need for coordination, probably add to the complexity of the partnership structures and thus possibly make them less agile.

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<sup>112</sup> "Europe's ability to form mutually beneficial partnerships with its neighbours will be critical for its energy security", as argued by Bernhard Lorentz, Johannes Trüby, Josef Janning: A Security Policy for the Global Hydrogen Economy, Deloitte, February 2023. <https://www2.deloitte.com/de/de/pages/sustainability-climate-dsc/studies/a-security-policy-for-the-global-hydrogen-economy.html>

## 5 Recommendations

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In this final chapter, we present our answers to the **central question of this report**: How can Germany's partnerships in the areas of climate, energy, raw materials, and development be made as impactful as possible and more transformative for a resilient transition towards climate neutrality in Germany and its partner countries?

The National Security Strategy published by the German government in June 2023 emphasises the importance of partnerships as an instrument for global climate action. In conjunction with the soon-to-be-published Climate Foreign Policy Strategy (CFPS), this is a major opportunity to develop and improve Germany's partnerships and make them fit for the challenge of climate neutrality. Our recommendations address the gaps, weaknesses, and other issues discussed in Chapter 4, taking into account the dynamic geopolitical and global environment discussed in Chapter 2. We hope these can inform the German government's strategic choices for its CFPS.

Our overall argument is that Germany should develop its diverse partnership programmes into a better integrated, coherent set of **Partnerships for Transformation (PFTs)**.

By PFT, we mean a more **integrated and strategic approach** to Germany's existing programmes **to make them fit for the challenge of climate neutrality, in face of an accelerating climate crisis, geopolitical challenges and the imperative for reliable, effective international cooperation**, and maximise their impact. This could in principle be pursued:

- ▶ either by better integrating the existing parallel, specialised partnership programmes run by different ministries (detailed recommendations on how to achieve this can be found below),
- ▶ or by merging all PPs into one single centralised partnership structure,
- ▶ and by extending the partnership landscape with activities in the fields that currently are not sufficiently covered, such as raw materials.

**We do not recommend centralising all existing partnership programmes**, under whichever denomination. On the German side, such centralisation would require defining a central entity running them. The natural candidates would be the Federal Chancellery or the Foreign Office. To our knowledge, neither have the resources, the technical expertise, nor the ambition to take on this additional task. If one of the aforementioned entities were to do so, it would necessarily have to draw on the expertise of the ministries currently running the various partnership programmes, de facto ending up coordinating activities implemented by others. The process of centralisation would create substantial transaction costs and likely lead to conflicts that would hinder the work of partnerships. Finally, even if Berlin would decide opt for centralisation, its implementation would require the consensus of several dozen partner countries, which certainly cannot be taken for granted. On the contrary, there are good reasons to assume that numerous partner ministries might prefer to keep the status quo.

Finally, given the need to accelerate transformative change, building on the existing programme structure seems more sensible to us than embarking on a complex restructuring with uncertain outcomes. For all these reasons, we introduce the new, open PFT term.

### To be credible, Germany must deliver on its climate targets

As argued above, the setbacks recently suffered by Germany's climate credibility can have an impact on its partnership work. The following measures can help addressing this problem:

- ▶ Wherever the partnership work entails conditional agreements with partner countries (such as in the JETPs and the P+), Germany should consider **extending the conditionality to specific bilateral German commitments** to domestic climate mitigation measures. Such commitments would not necessarily need to create new obligations for Germany beyond its already ambitious climate goals. However, their inclusion, even in terms of soft conditionalities such as the wording used in a political declaration, might improve Germany's credibility and would also contribute to a partnership approach on equal footing. It might also provide an additional pressure for German policy makers to deliver on mitigation, as Germany would take obligations not only at multilateral level but also vis-à-vis specific countries.
- ▶ Partnerships should thus also provide an impulse for a **stronger coherence between Germany's pledges and its real-life policy implementation**, domestically and internationally.

## Improve the internal governance in and between partnerships

Our analysis above shows that the internal coordination and integration of the partnerships are major issues which is becoming more acute as the number of programmes grows, the partnership models evolve, and partnerships are increasingly joint activities with order donors. Therefore, it is helpful to summarise the goals that should be achieved by improving the coordination, integration, and governance of Germany's partnership programmes:

- ▶ Avoid contradictions and duplications of efforts.
- ▶ Do not strain the capacities of the partner countries' governments and of German stakeholders involved in the partnership work (such as business, academia, civil society).
- ▶ Manage and mitigate the risk of proliferation in the number of partnerships Germany is involved in.
- ▶ Improve the effectiveness of Germany's partnership work, thus increasing the number of partner countries Germany can engage with and/or the budget available for partnership activities with individual countries with a given budget.
- ▶ Provide more clarity to German and foreign stakeholders interested in supporting or engaging with Germany's partnership work.

## Recommendations

Taking the above into account, the German government should:

- ▶ Clearly define the goals, tasks, range and intensity of activities, governance structures and denominations of each of the partnership programmes.
- ▶ Limit the number of partnership programmes and of individual partnerships, by:

- Defining clear principles to avoid the establishment of unnecessary, new partnership programmes.<sup>113</sup>
  - Considering the merits and drawbacks of merging existing partnership programmes. If the conclusion is that it makes sense to keep parallel partnership programmes, a clear division of work must be established as well as procedures to determine how they collaborate with each other.
  - Defining a minimum level of envisaged activity (and accordingly of dedicated staff and budget) for partnerships in each partnership programme. This will help avoiding the risk that the pressure – described in Chapter 4 - to establish ever more partnerships leads to diminishing their added value.
  - Prioritising partnerships and activities based on likely impacts to successfully address transformation bottlenecks.
- ▶ Define how the activities of different partnership programmes can be better integrated. Among others, the following measures should be implemented:
- Establishing clearer, mandatory procedures for the coordination of the various *partnership programmes*. Such procedures could consist of a permanent Interministerial Committee (IMC) consisting of one or two persons running each of the partnership programmes. This IMC could:
    - have rotating chairs from the leadership of the partnership programmes.
    - or a permanent chair not involved in the implementation of any individual partnership programme and mainly interested in improving their coordination. Such a permanent chair could come from the Foreign Office (AA), from the Federal Chancellery (BK) or be a specially appointed person (Sonderbeauftragte/r), who reports to AA and/or BK.
  - Establishing clearer, mandatory procedures for the coordination of partnership (and other) activities with *individual countries*. this could be done in Country Working Groups (CWG) with the key people from the various ministries (and when appropriate implementing agencies) working with a specific country. The most obvious convener of such CWGs is the Foreign Office, either via the unit responsible for the specific countries or regions in its Berlin headquarter, or via the diplomatic missions in the relative countries. Both should be involved anyway.
  - The strategic priorities and work plans at the level of the partnership programmes, as well as the more detailed work plans at the level of the partnerships with individual countries, should be aligned regularly. The country-specific work plans of

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<sup>113</sup> On 28 March 2023, after 30 hours (including two nights) of tough negotiations, the coalition committee of SPD, Greens and FDP released a 16-pages document ( [https://www.spd.de/fileadmin/Dokumente/Beschluesse/20230328\\_Koalitionsausschuss.pdf](https://www.spd.de/fileadmin/Dokumente/Beschluesse/20230328_Koalitionsausschuss.pdf) ). The section on E-Fuels (synthetic fuels based on renewable hydrogen) included the statement that “E-Fuel partnerships” should be established to facilitate a fast ramp-up of E-Fuels production in partner countries for domestic use and for export to Europe. However, green hydrogen production is already at the core of the Hydrogen Partnerships and one main issue in the Energy Partnerships (see Chapter 3 above). Therefore, from the point of view of the partner countries, such a new partnerships programme with Germany would only create confusion. The only “added value” of such E-Fuels partnerships might be that the denomination “E-Fuels” in the German debate points to the use of synthetic fuels for road transportation, which is a pet project of the FDP, but is opposed by the Greens and the SPD. Moreover, such a partnership programme would be managed by the BMDV, currently controlled by the FDP. Creating a partnership programme for each ministry and each coalition party, although working on the same issues, cannot be considered a reasonable option.

the various partnership programmes should be closely coordinated, coherent with each other, and easily accessible for all ministerial officers involved.

- ▶ Provide more incentives to cooperate with each other, for example:
  - By promoting a “Team Germany” work culture.
  - By defining shared goals and country roadmaps.
  - By developing shared reporting formats – or at least coordinated reporting cycles – for the partnership programmes, and possibly also at the level of individual countries. The reports should always include information on the (lack of) synergies between different partnership programmes.
  - By ensuring sufficient resources are dedicated to the coordination of partnership programmes.
- ▶ Avoid the proliferation of the use of the term “partnership” – and thus the potential confusion on what Germany means with it – by establishing clear guidelines on the conditions under which German ministries and federal agencies should or should not use this term in reference to occasional cooperation projects with other countries or groups of countries, or in reference to their other activities (diplomacy, ODA).

## **Strategise and implement PFTs collaboratively with partner countries**

Local ownership of partnerships is important for their long-term success, as we argue above. Moreover, despite the unavoidable hierarchy that exists between donor and recipient countries, the culture and political relationship between the partners matters greatly. What is usually referred to as a “partnership at eye level” should be more than just lip service but become an integral part of the PFT’s culture. This starts with developing an attitude of listening to partner’s needs and grounding PFT activities in the transition plans of the partner country.

### **Recommendations**

- ▶ PFTs must be based on a culture of respect and equity – at political, working, and implementation level. This means, Germany must listen to partner’s needs and wants.
- ▶ The goals and priorities of the partnership should be defined in a collaborative process with the partner country and follow from nationally developed plans for climate neutrality and socio-economic development. The activities and measures pursued by Germany’s PFTs should be grounded in such plans. Defining priorities for transformative change also requires developing a shared understanding of what this change means in a given partnership.
- ▶ Where such plans are not available, Germany’s PFTs should support partners in developing effective long-term strategies through expert advice, studies, capacity building, and financial support.
- ▶ The programming and implementation of the PFTs should be linked back to the diplomatic level through regular dialogues to generate momentum and a common understanding of the partnership’s aims and modalities at the political level. This can take place in the context of the biannual ODA government consultations, where this is not yet the case. Germany should seek to structure partnerships in a way that they can be as effective as possible for a given context within the overarching objectives of climate neutrality and sustainable development.
- ▶ Wherever possible, PFTs should involve local organisations and expertise for implementing partnership activities.

## Maximise synergies and manage trade-offs of different policy goals and fields

As we discuss in detail in Chapter 4, the partnership programmes and individual partnerships face trade-offs as well as synergies between different policy goals and fields. The challenge is to effectively maximise the synergies and productively manage the trade-offs. As we stress in the previous section, deciding on priorities in the partnerships must be a collaborative process with the partner country.

Improved coordination and integration of the partnership programmes, as we recommend above, will likely be a first step towards maximising synergies. In addition, we recommend the following actions and measures to navigate trade-offs and prioritise activities.

- ▶ The Interministerial Committee (see previous section), or any other responsible governance body, should establish principles and procedures on the prioritisation of certain strategic goals in the partnership programmes, which should be reflected in the resource allocation (see next section).
- ▶ The principles and procedures for prioritisation should be based on a thorough analysis of the synergies and the trade-offs that exist between the goals and activities pursued in different partnerships and partnership programmes. For example, one reasonable principle could be: Germany's partnerships should not in any form support the development of new fossil fuel infrastructure.
- ▶ In PFT, priority should be given to those activities that:
  - Maximise the synergies between climate mitigation and one or several of the other objectives but especially those that benefit the development of low- and middle-income partner countries.
  - Help mitigating trade-offs, where possible.
  - Can have structural effects on the mitigation trajectory of partner countries, by successfully addressing transformation bottlenecks.
- ▶ The Country Working Groups (see previous section) should establish country priorities, taking into account the identified trade-offs. These priorities should be defined collaboratively with the relevant representatives of the partner countries and ideally aligned with a national climate action plan, such as the NDC or LTS. They should also be verified in close collaboration with the diplomatic representations in the relative country and with fellow EU member states, considering other foreign policy considerations (see section below).

## Ensure sufficient and stable resources for Germany's PFT

The German government should:

- ▶ Dedicate sufficient and stable resources to Germany's ECDRPs to allow for the strategic, and long-term planning of programmes.
- ▶ Always underpin announcements of multi-year financial volumes to specific partnerships by formal commitment appropriations in the German budget, to maintain Germany's high reputation as a reliable donor.
- ▶ In connection with our recommendations for a stronger integration of its partnership programmes, weigh the merits and drawbacks of determining an overall budget for its

partnership programmes and possibly specific activities or geographical focal points therein.

- ▶ Whether structured by responsible ministry, by partnership programme, by regions or otherwise, align the budget framework with guidelines on the number and kind of countries that can and should be covered by new bilateral and/or plurilateral partnerships. These guidelines should provide an indication of a minimum budget for each new partnership compatible with a minimum level of activity to be specifically defined for each partnership programme (see above).
- ▶ Give priority to the partnerships that show the highest prospects for long-term impact in terms of ambitious climate action. Meaningful criteria can be the climate commitment, the existing or potential emission level and the state capacities of the (potential) partner countries. However, there may also be other relevant criteria linked to geopolitical factors, raw material resources, or biodiversity. It is clear that such assessments always entail subjectivity and political judgement. They could be discussed in the Interministerial Committee mentioned in the previous sections.
- ▶ Consider the merits and drawbacks of providing more transparency about the budgets available to each partnership programme and/or to the partnerships as a whole. Restricting transparency is admissible, but it should be limited to those areas for which a valid motivation is provided. Transparency does not necessarily mean making information available to the general public. Currently, relevant information – for instance on the budgets available for certain programmes – is often not freely available to officers of other ministries or even of other directorates within the same ministry.

## **Align PFTs with EU and other strategic partners**

Some of Germany's partnership programmes, with the exception of the JETPs and IKI, are not systematically coordinated with its strategic partners, first and foremost the EU. Quite on the contrary, they often feature a degree of "EU blindness" as they focus on the bilateral relationships between Germany (or one of its ministries) and non-EU countries. Coordination with other EU countries takes place to a certain extent at the level of those implementing the activities in the partner countries, but seldom at the political level.

Therefore, the German government should consider the possibility of a "Europeanisation" of its partnership efforts. We want to note that this would most likely increase the complexity and coordination effort of the partnership programmes. Neither would a Europeanisation necessarily increase the financial volumes of partnerships. However, as we have stressed in Chapter 4, aligning Germany's ECDRPs with the EU and other strategic allies would also bring several benefits, including a better donor coordination in the partner countries. Moreover, some of the goals of Germany's PFTs might be better pursued at the EU level, for example the necessity to build new infrastructure at the European level to import and transport climate-neutral energy carriers such as green electricity and green hydrogen. In other cases, the parallel activities of national and European structures could be better coordinated and aligned with those of the Commission and of various EU member states. At the same time, there may be good reasons for maintaining national structures in certain areas, for instance when it comes to unbridgeable political preferences (e.g., with France on the role of nuclear). These benefits and drawbacks must be balanced carefully.

The German government should:

- ▶ Improve the coordination of the partnership programmes with Germany's overall foreign policy by leveraging the network of diplomatic missions to ensure a stronger integration of the various activity streams with each partner country (see also the section on improving the governance above).
- ▶ Consider how the P4F align with the EU's strategic objectives and to which extent and under which conditions the P4F' goals and activities could be better pursued at EU level or benefit from a stronger alignment.
- ▶ In the specific areas where a higher alignment with EU partners appears beneficial, explore options how to do so and develop proposals to be shared with fellow EU member states and the European Commission.
  - The donor coordination among like-minded EU member states could be coordinated by the EU Commission and the European External Action Service. Willing member states could pool their resources, while the programming and negotiations with partners is executed by the EEAS in cooperation with the member states.
- ▶ Improve the donor coordination with key allies in partner countries drawing on the country missions and try to identify activities that can be pursued collaboratively or where work can be divided.

## Enable investments by using the full toolbox

As we have described above, there is still room for improvement in Germany's ECDRPs with regards to closing the climate investment gap. In principle, all instruments for effective and context-specific development finance are available to Germany through the KfW Group.<sup>114</sup> At the same time, the foreseen budget cuts and general fiscal contraction planned by the current Minister of Finance will constrain the partnerships' ability to increase their financial commitments.<sup>115</sup> Given these caveats, we suggest the following measures:

- ▶ Germany's PFTs should continue to focus their efforts and limited resources on improving the regulatory and financial frameworks of partner countries through its policy-based lending, capacity building, technical and regulatory support. By helping partners tackle regulatory hurdles, the German partnerships contribute to enabling and increasing the volumes and positive impact of (local) private sector investments in climate neutrality.
- ▶ Germany's PFTs should consider the larger involvement of private business and develop clear strategies for involving private actors and how they can best facilitate

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<sup>114</sup> Including long-term loans, syndicated loans, risk insurance, equity, and green bonds. See also OECD (2021): OECD Development Co-operation Peer Reviews: Germany 2021, OECD Development Co-operation Peer Reviews, OECD Publishing, Paris, <https://doi.org/10.1787/bb32a97d-en>.

<sup>115</sup> Given a set budget, there is a potential trade-off between the quantity and quality of finance delivered. For example, Germany would be able to commit a much larger financial volume if this would take the form of loan guarantees instead of grants or loans. Likewise, it can commit a much larger volume in concessional loans than if it would use the same budget but delivered it in the form of grants. So, unless there is an increase in the underlying budget, just increasing the leverage of Germany's financial commitments may compromise the quality and hence impact of the funding.



investments.<sup>116</sup> Given that Germany's partnerships can only make limited direct investments, a larger share of investments must be realised by private actors if the climate investment gap is to be closed.

- ▶ To this end, Germany's PFTs should try to involve the expertise of the KfW subsidiary DEG (Deutsche Investitions- und Entwicklungsgesellschaft), which has a long track-record in equity investments and promotional programmes across developing countries.<sup>117</sup>

## Refine PFT activities and instruments to support long-term change

To increase the effectiveness and transformative impact of partnerships, Germany should seek to prioritise the activities most likely to support long-term change. This includes investing in people and institutions but also trying to anchor partnership work locally by working with civil society organisations and investing in local expertise.

- ▶ Germany should continue its efforts in the areas of capacity building and skills development. This is a key strength of Germany's current ECDRP, which often focus on decision makers and public administrations. Moreover, it is an activity through which partnerships can potentially still have a large impact and generate the enabling conditions for long-term change even in times of stagnating or even shrinking budgets.
- ▶ Germany's PFTs should increase their efforts in training and re-skilling professionals and workers. Ideally, a green-jobs strategy is coordinated with the investment agenda and a joint-up effort with business, who will be crucial for implementing the effective training of workers.
- ▶ Germany's partnership work should improve their support for local organisations, including independent civil society organisations. This can moreover help generate local ownership for partnerships. Independent institutions are moreover relatively durable to political changes.
- ▶ Germany's PFTs should improve their support for developing local climate and energy transition expertise, which is still lacking in many developing countries. Local expertise in climate science and transition policies is a crucial precondition for the effective long-term management of the transformation, this includes the local generation and monitoring of relevant climate data and socio-economic data about the transition. A future strategy must map out the ways Germany's PFTs can improve the support for developing local climate expertise.
- ▶ Germany should improve the monitoring and evaluation systems in its partnership programmes to improve learning and effectiveness.

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<sup>116</sup> A notable example is the H2Global programme, which focuses on scaling investments in green hydrogen supply.

<sup>117</sup> DEG (2022): Responsible business – adding value. Available at: [https://www.deginvest.de/DEG-Documents-in-English/About-us/What-is-our-impact/Development-Report\\_2021.pdf](https://www.deginvest.de/DEG-Documents-in-English/About-us/What-is-our-impact/Development-Report_2021.pdf)

## Annex

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### Methodology, sources, and limitations of this study

This report employs a qualitative approach and synthesises information from various sources. In our description of Germany's partnership programmes in Chapter 3, we are building on official documents and reports, government websites, and grey literature. A primary source of information were numerous interviews with experts in German ministries, implementing agencies, and from civil society organisations both in Germany and abroad.

In addition, we have run three workshops (one in January, two in June 2023): an initial scoping workshop with experts and insiders from both Germany and Global South countries. The second workshop in June focused on Global South perspectives on Germany's partnerships, with experts from, *inter alia*, South Africa, Colombia, Brazil, India, and Kenya. In the third workshop we discussed the results from the second workshop, as well as provisional findings and recommendations with key insiders from the German ministries and agencies. The insights gained from the debates and discussions at these workshops are reflected throughout this report and have informed both the analysis and recommendations.

The core part of our empirical work was conducted between February and June 2023. Developments after mid-June 2023 are not included.

The assessment of the partnerships' transformative impact and the identification of strengths and weaknesses (Chapter 4) is based on our own expert judgement as well as the expert opinions we gathered in our interviews and the three workshops we conducted.

While we are confident in the accuracy of our overall assessment a few caveats must be noted:

- ▶ For assessing the transformative impact, an evaluation and assessment of *individual* partnerships would have been helpful. However, conducting this exercise for >50 partnerships was not feasible in the scope of this report. Nevertheless, we explored various aspects of individual partnerships in more detail though and rely on examples from them to corroborate our arguments.
- ▶ Some partnership programmes are better documented than others, but none of them provide sufficient information to allow for a detailed evaluation.<sup>118</sup> This is one reason why our assessment of the impact of the existing partnerships in Chapter 4 refers to Germany's ECDRP landscape as a whole and does not try to evaluate individual programmes, which are described in Chapter 3.
- ▶ We were not able to talk to representatives from all partnership programmes. Specifically, representatives from the BMWK unit responsible for the raw material partnerships as well as representatives from BMBF were not available for an interview. Therefore, the depth and certainty of our assessment varies across the programmes, depending on the information that was available.

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<sup>118</sup> This should not necessarily be seen as a lack of desirable transparency: There are good reasons why foreign policy programmes often are a domain of the executive power and entail a degree of confidentiality. Especially in the field of energy, Germany's ECDRP activities may be intertwined with global competition and with the efforts of containing Russia's influence. Whilst there are innumerable cases of untransparent foreign policy activities linked to fossil fuel deals that worsen climate change at the global level, confidentiality may also be instrumental in facilitating progress towards climate neutrality. For instance, in the last few years some energy and hydrogen partnerships dealt with partner country governments strongly influenced by fossil fuel interests, and less than enthusiastic about renewables deployment. In such situations, Germany's partnership work may entail an effort to positively influence the energy policy discourse in the partner country in favour of renewables deployment, the success of which could be jeopardised if the entire process would be publicised.

- ▶ Attributing impacts and effects to the partnerships is not straightforward. Processes such as energy transitions are complex and dynamic. Attributing causality to the partnership programmes is spurious. We therefore want to stress that we deliberately used cautious language and urge all readers to keep in mind that there are various overlapping and interacting drivers for many of the impacts and effects we described.
- ▶ The effect and impact of the individual partnerships to transformative change cannot (and perhaps should not) be assessed against quantitative benchmarks in this study. For one, it is difficult to demarcate when an impact is transformative and when it is not. Moreover, as we stressed in the previous points, attributing causality is difficult, meaning that impacts are better described qualitatively to capture all the contextual factors of relevance and account for multi-causality.<sup>119</sup>
- ▶ The transformative impact of Germany's partnership work should not be assessed in short timeframes, because a significant part of it is related to medium and long-term processes, such as building institutions, improving state capacity, influencing debates, and establishing trust-based relationships, all of which require resources over longer periods of time.

With regards to reporting financial volumes, there is little transparency about the budgets of individual programmes and partnerships. While preparing this report, we have analysed the information made available in the reports and websites of the respective ministries, as well as the German budget ("Bundeshaushalt") for 2022 and 2023. The German budget does not indicate the financial volumes of the different partnership programmes, which are part of higher-level budget lines. The BMZ provides information on its climate finance and the financial volumes of projects with climate focus (see: <https://www.bmz.de/de/themen/klimawandel-und-entwicklung/klimafinanzierung>) but information on the individual partnerships is scattered. We do not argue that total transparency would necessarily be desirable. Given that some of Germany's partnerships operate in delicate and globally contested fields, some discretion on the resources allocated to individual partnerships might be reasonable.

## What countries do we focus on?

In our study, we focus primarily on partnerships with countries of the so-called Global South. As we state above, we use the terms Global North and Global South knowing that they are not precise and partly controversial. Similarly, alternative terms such as developed and developing countries, or emerging economies may imply a hierarchy, be blurred, or controversial.

To us, the term Global South includes those countries that are not part of the affluent core of industrialised, high-income countries, that is sometimes referred to as the Global North or "developed countries". The term Global South is also used to refer to countries that have a colonial history or were part of the "Third World" of non-aligned countries during the Cold War.

We use a more expansive concept here to capture the low- and middle-income countries that are part of the OECD DAC list of ODA recipients. This would also encompass most countries considered part of the "Global South" if we were to apply a different definition. However, the DAC list approach is also limited since it would exclude some countries that have only recently

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<sup>119</sup> For example, the decarbonisation of the power sector is a complex process that requires, among others, interventions in generation, transmission, distribution, and consumption infrastructure, in power system management, in power sector regulation, in public awareness and consumption patterns, and is closely linked with the transformation of the transportation, building, and industrial sectors. In most countries, a successful decarbonisation of the power sector may be achieved in different ways. Although there clearly are universal no-regret options, such as renewables deployment and energy efficiency, reducing transformative change in the power sector to just two or three factors that can be assessed using quantitative benchmarks is an oversimplification prone to misleading conclusions.

crossed the threshold to “high-income country” and may have a post-colonial history, therefore qualifying the alternative definition of Global South. Consequently, we also consider those countries that have recently moved out of the DAC list, such as Chile.

## Countries in German ODA cooperation

The German BMZ cooperates with many countries that are part of the DAC list. However, it makes some strategic choices and consequently does not cooperate with all countries on the list. The following list can be found here: <https://www.bmz.de/en/countries/reform-strategy-bmz-2030>

### Country list for the BMZ's bilateral official development cooperation\*

Bilateral Partners	Global Partners	Nexus and Peace Partners																																																		
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\* Concerns only bilateral state development cooperation and not the cooperation of private organisations, political foundations and churches.

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The responsibility for all contents lies only with the authors.