

German Development Cooperation – how does it affect German exports and employment?

One Pager

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Authors: Dr Felicitas Nowak-Lehmann, Prof. Inmaculada Martínez-Zarzoso, PhD, Dr Lennart Kaplan and Prof. Dr Andreas Fuchs (all University of Göttingen)
Editor: Nicolai Tust

In the public debate on development cooperation (DC), one question that often comes up is that of the economic benefits associated with this commitment. Some point out that economic self-interest is particularly apparent in development financing through emerging donors such as China, which mainly provide tied “aid”. New analyses are now looking at the effects of German DC on the export of goods by German industry.

DC and its impact on the German export industry

Studies show that **donor countries’ exports increase due to bilateral official development assistance (ODA)**, whereas few positive effects trickle down to the recipient countries’ exporting industries. A **new calculation** in 2024 (based on a University of Göttingen study from 2016) on the export and employment impacts of German DC shows that **every USD of German aid is associated with an average increase in German goods exports of USD 0.36**.

Explaining the effect

These positive effects of DC are primarily due to **income effects in the recipient countries**, which lead to increased demand in those countries and increased imports. They **also occur when DC is not tied to deliveries**. This can be explained by good donor-recipient relationships, such as the emergence of practices and goodwill in DC recipient countries.

How DC affects exports

The results show that **German ODA increased goods exports by an average of USD 8.8 billion annually** (values based on annual averages for 2013–2023 and on the latest available input-output coefficients).

How DC affects employment

Approximately **88,800 jobs can be attributed to bilateral ODA**. This accounts for 33,400 jobs in non-electrical mechanical engineering, 16,545 in vehicle manufacturing, 18,400 in the electrical industry, 5,900 in metal fabrication and processing and 11,800 in the food and beverage industry. **Around 50,000 jobs** are linked to the increase in goods exports **through input-output interdependencies** in the service sector.

Assessing the impact

Compared to 2016 (we have updated the results using the data from 2024), the estimated export and employment effects of German development cooperation are somewhat lower, but still significant. These results should be seen in the context of a more difficult environment for trade globally and can have a variety of reasons: production outsourcing, streamlining, and relative loss of importance of goods exports compared to service exports. It should also be noted that previous analyses focused solely on the impact of DC on **goods exports**. Recent export figures show that direct **service exports** in the wholesale, waste management, recycling, water treatment, programming, finance, insurance, legal consulting and engineering sectors have **increased sharply** over the past decade. Direct service exports have not been taken into account to date due to the availability of data. It must also be taken into account that additional export effects may arise **if German companies are increasingly successful in FC tenders**.

Overall assessment of DC

Furthermore, DC can be a suitable means to strengthen trade relations with friendly states and to make German foreign trade more resilient to geo-economic risks. A realignment of DC towards partner countries that are reliable

and willing to secure German supply chains is one possible measure for the future. Similar considerations have also been made in other donor countries (such as the Netherlands).

Conclusion

Beyond the intended development effects of DC (which are also in Germany’s interest), **more than one third of every euro invested in DC benefits the German economy through goods exports, which secures jobs in Germany**. Added to this is the export of services, which should be the subject of future studies. ■