



UNITED NATIONS

GENERAL  
ASSEMBLY



Distr.  
GENERAL

A/32/149/Corr.2  
7 October 1977

ARABIC/CHINESE/ENGLISH/  
FRENCH AND RUSSIAN ONLY

---

Thirty-second session  
Agenda item 71

ACCELERATION OF THE TRANSFER OF REAL RESOURCES  
TO DEVELOPING COUNTRIES

Report of the Secretary-General

Corrigendum

Replace pages 19, 20 and 21 of the annex by the attached text

GERMANY, FEDERAL REPUBLIC OF

Annual appropriations, commitments and disbursements

1. Each year, requests for expenditure to be made in the following year are presented to the Federal Parliament in the Federal Ministry for Economic Co-operation (BMZ) aid budget, Einzelplan 23. In practice, however, there are two aid budgets, since Parliament authorizes not only annual cash disbursements but also votes fresh commitments each year for expenditure in the next four years. In some cases, Parliamentary commitments authorizations even stipulate the years when disbursements can be made. Both budgets are legally binding and thus there is a very close connexion between annual cash appropriations voted by Parliament and the level of commitments previously approved for disbursement in that year. All cash appropriations are based on previous commitment authorization, with the exception of emergency relief aid and some multilateral payments. A disadvantage of the system is that any multiyear commitment appears in its totality in that year's commitment budget, even though its disbursement may not begin until later. Furthermore, because of the double limitation on expenditure, disbursements in a given year cannot effectively be raised above a level which exceeds the commitments authorization voted in the past. Where the level of commitments authorizations is adequate, however, supplementary budgets to raise the level of cash appropriations to meet current year obligations can be introduced, as was the case in 1975.

2. Planning for cash payment authorizations is undertaken by the BMZ in a medium-term plan covering a four-year period and rolling forward each year. The over-all volume of aid within the multiyear plan is projected to follow the expected increase in GNP, though the recent spending curbs, introduced in order to reduce the growing deficit in the Federal budget have seriously affected the medium-term plan. Forward planning with Parliament approval is, however, possible to the extent that authorized commitments to specific types of aid are legally binding.

3. Although the Federal Republic of Germany has an extensive system of country-programming for its aid, in particular with its 20 countries of concentration, the strict budgetary rules referred to above mean that a firm commitment on aid volume can only be made for the first year of a country programme. Some major recipients (notably India) have exceptionally received firm commitments for the first two years of their programme, but BMZ is reluctant to extend this practice since the sums committed for both years have to be voted in the annual commitments budget, thus in practice reducing the amount available for other country programmes. Recipient countries are usually given to believe that they can expect at least an equal amount of aid (in nominal terms) in future years, but future volume indications of a more precise nature cannot be given, even though planning totals for the four years of the multiyear programme are calculated for internal purposes.

#### Multiyear pledging

4. Subjected to a strict annual budgeting of both commitments and cash disbursements, the Government of the Federal Republic of Germany cannot pledge its aid beyond the coming financial year. All estimates of public expenditure appear within a four-year rolling plan, revised annually, and the BMZ establishes a medium-term plan for its aid programme on the basis of this, but both plans are subject to substantial alteration (as occurred in 1976) and firm guarantees on totals can only be given for the coming year. For individual country recipients with which the Government of the Federal Republic of Germany has established general advance agreements, the over-all volume of aid can be committed firmly only for the first year. In view of the need for Parliamentary authorization the Government is unwilling to give indications of aid volume beyond the first year, though a few exceptions for major recipients have been made.

#### Protecting the real value of aid against erosion

5. Budgeting in constant prices is contrary to budgetary practice of the Federal Republic of Germany, though de facto adjustments in the over-all volume of aid are made as the rolling plan comes up for renewal each year. Disbursements are nevertheless dependent on previously authorized commitments, the value of which might have been eroded by inflation in the case of slow-maturing projects. The BMZ's share of the Federal budget is indicated for four years in advance within the context of the rolling plan for public expenditure. Monetary totals are derived from the share allocated to Einzelplan 23. But these indications of shares are subject to alteration by the Cabinet. Thus, in 1976, when the BMZ share was reduced from 2.3 per cent to 1.9 per cent, there occurred a 13.2 per cent decrease in BMZ budget in nominal terms, and a further decrease in real terms. Disbursements to individual recipients can only be adjusted on an ad hoc basis to compensate for increased costs to the extent that items in the cash appropriations budget are not exceeded.

#### Non-lapsing authority

6. Unused cash appropriations voted in the Federal budget normally lapse at the end of the financial year. Although they may be carried forward for one further year under special provisions, the amount carried forward has to be included in the following year's total for cash appropriations when Parliamentary approval is sought, so in aggregate there is no benefit from the non-lapsing provisions which can be applied.

#### Recycling loan backflows

7. Since 1971, the Federal Republic of Germany has maintained a revolving fund for amortization payments on development loans (Tilgungsverrechnungskonto). All

return flows of amortization are held by the Kreditanstalt für Wiederaufbau where they are used to finance new loans. The fund currently accounts for around 10 per cent of total Germany capital aid. At present, repayments of interest return to the Federal budget. The BMZ considered the possibility of recycling these backflows directly into the aid programme but judges that opposition from the Finance Ministry (rather than from Parliament) would effectively prevent such an initiative at present.

#### Development tax

8. A special Federal tax to finance the aid programme of the Federal Republic of Germany would be acceptable neither to the Government nor to the major parties, particularly in view of the substantial tax reforms introduced in 1976, the concern about the budgetary deficit, and the general lack of interest shown by the public for development issues. Voluntary contributions to non-government organizations active in the aid field (particularly the churches) are considered a more suitable means of raising the individual's level of involvement with the developing world.

-----