

# Executive summary

Since the 1950s, German states and municipalities have gained importance in the field of development co-operation. They provide the highest levels of official development assistance (ODA) compared to their peers in other members of the OECD Development Assistance Committee (DAC) and account for more than 60% of total decentralised development co-operation (DDC) volumes reported as ODA. While the majority of German DDC is carried out within borders, the multi-level governance system for DDC, established by the German federal government, incentivises municipalities and states to engage in international partnerships through dedicated programmes and financial support schemes. Halfway to the 2030 Agenda, these efforts to strengthen international partnerships and localise the United Nations (UN) Sustainable Development Goals (SDGs) in Germany provide an opportune moment to take stock of the German DDC approach and exchange experiences among countries.

## Key findings

### ***German states and municipalities provide technical co-operation, advisory and peer-to-peer learning to partners in the Global South, mainly in the areas of education, environment and health***

- Most states responding to the OECD survey (8 out of 14) have guidelines for the design and implementation of DDC activities, even though there is no generally agreed-upon definition of DDC in Germany. The lack of a harmonised definition creates a lack of clarity on what counts as DDC (e.g. development activities that take place within German borders such as development awareness versus activities outside its borders in the Global South) and how DDC fits within sustainability and development policy frameworks. Legally, federal states are mandated to carry out DDC within their core competencies. By contrast, DDC is considered a voluntary task for municipalities, i.e. it is not explicitly mandated as a core competency.
- The SDGs are the main global agenda shaping DDC strategies for German federal states and municipalities. Thirteen out of the 14 federal states and two-thirds of the municipalities (28 out of 43) responding to the OECD survey stated that the SDGs shape their DDC strategies.
- In large part reflecting its federal status, German states and municipalities provide the highest levels of ODA (EUR 1 538 million in 2020) compared to their subnational government peers in other DAC member countries (e.g. ODA from Spain's regions, collectively the second largest donor of subnational government ODA, accounted for around EUR 369 million). DDC cross-border disbursements (excluding in-donor tuition costs) more than doubled from EUR 25 million in 2014 to EUR 53 million in 2020. In 2020, German states and municipalities carried out ODA-financed projects in more than half (76) of the 142 ODA-eligible countries and territories. Education, environment and health are the top three policy areas targeted by states' and municipalities' DDC activities, reflecting their key expertise.
- States focus their DDC on technical co-operation (57% of states responding to the OECD survey), advisory services (50%) and peer-to-peer learning (43%). At the municipal level, the most common

types of DDC interventions are fostering networks (75% of responding municipalities) and peer-to-peer learning (66%).

- Most long-term DDC partnerships and geographic focus are rooted in economic, political, social and historical reasons, such as large diaspora populations. By contrast, there are fewer new, demand-driven partnerships, even though these could better meet the needs of partner countries and regions.

### ***Germany has a comprehensive multi-level governance framework for DDC but co-ordination between states and municipalities remains limited***

- Most federal states co-ordinate their strategic and geographical priorities for DDC with the federal government, notably through the German Government and Federal States Programme (BLP) and annual meetings. Municipalities also co-operate with the federal government, mainly through programmes offered by the Service Agency Communities in One World (SKEW).
- However, interaction between state and municipal levels remains limited. States do often not engage their municipalities in DDC projects. There is no DDC co-ordination mechanism between the state and municipal levels, such as those that exist between national and state or national and municipal levels. This lack of state-municipal co-operation can result in scattered small-scale projects, unexploited potential for synergies in partner countries and duplication of activities.
- The German DDC multi-level system is confronted with additional challenges, such as a lack of multi-annual funding options. In addition, application procedures for support programmes have been reported by subnational governments to be complex. German states and municipalities also face a lack of DDC staff and managerial capacities. This explains why nearly 20% of German DDC is channelled through civil society organisations (CSOs), who are key actors to deliver a broad range of development activities, particularly for German states. However, direct peer-to-peer exchanges by German states with counterparts in partner countries, which can strengthen mutual learning and increase the return on DDC investment, remain limited.
- Of the 11 DAC members that report on DDC, Germany is 1 of 5 that report data disaggregated by state-level providers of ODA. Germany's reporting on federal states includes municipal co-financing resources but municipal financing is not disaggregated as a separate category. Furthermore, there is low coverage of reporting on municipal ODA activities (around 13% of survey respondents), mainly due to administrative costs, but also a lack of familiarity with the concept of ODA at the municipal level.
- States and municipalities have put in place DDC monitoring and evaluation (M&E) systems, but only a few of them (5 out of 14 states responding to the survey) assess the impact of DDC on development outcomes and long-term sustainability, which can negatively impact on the awareness of the benefit and return on investments of DDC projects among citizens and policy makers.

## **Policy recommendations**

Moving forward, the following recommendations aim to help increase the effectiveness and impact of DDC policies and programmes across all levels of government in Germany.

### ***DDC policies, strategies and priorities***

- **Strengthen the peer-to-peer learning function of DDC at the federal state level by promoting more direct co-operation with the local and regional governments in partner countries.** More direct projects between German federal states and local and regional governments in partner

countries could help generate mutual benefits for states in Germany and partners in the Global South.

- **Clarify the definition and boundaries of DDC in Germany to promote external actions and strengthen existing DDC guidelines.** DDC actors should strengthen existing DDC guidelines, in particular by differentiating between internal activities (e.g. within German borders such as development awareness, education for sustainable development, vocational training) versus activities carried out beyond German borders in developing countries. A common definition and clearer boundaries of DDC would also lead to a harmonised understanding of what best practices and knowledge to share with cities and regions from other OECD countries.
- **Further promote policy dialogue on the tangible outcomes and mutual benefits of cross-border DDC projects, including for German states and municipalities and implementing agencies.** To respond to the challenge of low awareness among citizens and some policy makers in Germany of the benefits of partnerships with the Global South, the federal government, states and municipalities should document and intensify awareness-raising activities on the mutual benefits related to the engagement on DDC projects.

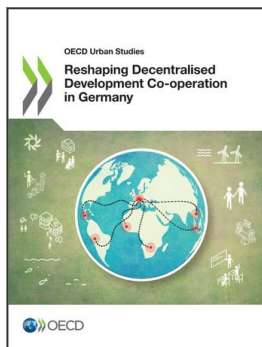
### ***Multi-level governance and financing***

- **Strengthen the collaboration between German states and municipalities on DDC.** In particular, the federal government could introduce incentives for state-municipal co-operation on DDC, such as pilot projects between states and municipalities in a partner country using cooperative programmes carried out jointly by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and SKEW.
- **Explore a more flexible framework to extend co-financing of DDC projects and help address the challenge of one-year funding arrangements provided by public co-financing programmes,** e.g. by allowing the renewal of projects on an annual basis or facilitating the use of blended finance vehicles and pilot testing opportunities to carry over DDC funds from one year to another.
- **Simplify bureaucracy and application procedures for support programmes and strengthen the capacity of personnel to steer and co-ordinate DDC actions at the municipal level,** e.g. through capacity-building activities and further assistance for public servants in German subnational governments in drafting their applications.

### ***Data and information***

- **Incentivise further ODA data reporting through a centralised website and explore alternative ODA reporting methods.** One way to do so could be by establishing a one-stop-hub for data such as an online platform that showcases DDC activities by states and municipalities reporting on ODA and their SDG focus.
- **Develop a harmonised approach to M&E DDC results across states and municipalities that includes results-oriented and long-term sustainability measures to assess the impact of DDC projects.** Incremental steps towards a harmonisation of subnational M&E systems are needed to improve comparability between them and learn from best practices to enhance the long-term impact and sustainability of DDC projects.





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