

# 1 Introduction

## Objectives of the project

Since 2017, the OECD Centre for Entrepreneurship, SMEs, Regions and Cities (CFE) and Development Co-operation Directorate (DCD) have carried out joint work on decentralised development co-operation (DDC) to assess key trends and innovative mechanisms on how cities and regions design, finance, implement and monitor and evaluate their DDC activities with partner countries and have provided specific recommendations on policies, data and reporting, capacity building, multi-level co-ordination and partnerships (see OECD (2018<sup>[1]</sup>) and (2019<sup>[2]</sup>)). These reports created an active dialogue between the OECD Regional Development Policy Committee (RDPC), which works extensively on urban and regional development policies with national governments, cities and regions, and the OECD Development Assistance Committee (DAC), which provides a forum for donors to promote development co-operation and other relevant policies to contribute to the implementation of the United Nations (UN) 2030 Agenda for Sustainable Development.

The objective of the project *Reshaping Decentralised Development Co-operation in Germany*, whose findings are summarised in this report, is to improve the impact of German DDC policies, strategies and programmes, strengthen capacity through peer-to-peer learning, foster the multi-level governance of DDC in Germany and provide a tool to guide and improve DDC globally. The project is carried out jointly by OECD CFE and DCD with the support of the German Federal Ministry for Economic Co-operation and Development (BMZ), the Deutsche Gesellschaft für Entwicklungszusammenarbeit (GIZ) GmbH and the Service Agency Communities in One World (SKEW) by Engagement Global. It analyses the various German DDC modalities and approaches that states and municipalities are using to implement their DDC actions and develops typologies to define the German model for DDC. It provides evidence on how German states and municipalities can use the SDGs as a framework to ensure coherence between external actions (DDC) and internal territorial development policies. Furthermore, the report aims at identifying and analysing financial flows extended by German states and municipalities from the OECD Credit Reporting System (CRS), as well as tools and processes that can improve local data and reporting on DDC. Building on the German experience, the underlying global policy dialogue and the OECD recommendations from previous reports on DDC, the project also delivered a global policy toolkit on how to implement effective DDC policies and programmes, composed of a repository of good practices, successful examples and stories for effective, efficient and inclusive DDC.

The project on German DDC produced the following four key outputs:

- This OECD report, which includes a policy assessment, recommendations and an action plan for all levels of government (federal level, state level and municipalities) in Germany on how to increase the effectiveness and impact of DDC policies and programmes.
- Knowledge sharing and capacity-building workshops aiming for peer-to-peer learning among German states and municipalities and the frontrunner regions and cities worldwide on DDC.
- A Global Policy Toolkit to upscale DDC effectiveness, efficiency and impact worldwide.
- International awareness raising and dissemination of the results of the project at global events.

## Reader's guide: Methodology and scope of data sources

Surveys and interviews carried out by the OECD with the German Federal government, states and municipalities constitute the basis for analysis in this report and are complemented by relevant official development assistance (ODA) data where available. The analysis that follows in this report builds on two OECD surveys conducted in 2022, respectively with: i) the German federal states; and ii) a selection of German municipalities (see Box 1.1 for more details), interviews with representatives from all levels of government and relevant stakeholders (e.g. associations of local and regional governments [LRGs] in Germany and non-governmental organisations [NGOs]) as well as desk research on legal and institutional frameworks, DDC actors, competencies and historical background. A comparison with ODA data from the OECD CRS is also provided throughout the chapters to assess volumes of financing targeting external actions of the states and municipalities in developing countries. Reporting and data collection of ODA are discussed in Chapter 2 under the section on data and reporting.

### Box 1.1. OECD surveys to the German Federal states and municipalities on DDC

The OECD conducted two surveys: one with the federal states and one with municipalities. The surveys' objectives were to assess the legal and institutional framework of DDC in Germany and learn about the key actors, motivations and priorities of DDC as well as the existing multi-level governance arrangements. The surveys also shed light on the monitoring and evaluation (M&E) of DDC in German states and municipalities and provided concrete examples and complementary qualitative information on DDC activities in Germany.

#### Survey of German federal states

The OECD survey of the federal states was conducted between November 2021 and January 2022. It targeted the focal points for development co-operation in the 16 German federal states. The survey consisted of 43 questions across the following 7 sections:

- Section 1: Legal and institutional frameworks for DDC.
- Section 2: Key actors and strategic partners of DDC.
- Section 3: Core motivations and priorities of DDC.
- Section 4: Multi-level governance.
- Section 5: Collection of CRS data on DDC activities.
- Section 6: Evaluation of DDC results.
- Section 7: Examples of DDC best practices and challenging cases.

The survey was answered by the departments of the state ministries responsible for development co-operation of 14 of the 16 federal states and by representatives of the federal government (BMZ) and implementing agencies (GIZ and SKEW).<sup>1</sup>

#### Survey of German municipalities

A similar survey was extended to German municipalities<sup>2</sup> and addressed to the respective local officers responsible for development co-operation activities. This second survey ran between April and June 2022. It was shared with a list of around 300 municipalities active on DDC and selected by SKEW, and further extended to the members of the Association of German Cities (*Deutscher Städtetag*), the German Association of Towns and Municipalities (*Deutscher Städte- und Gemeindebund*) and the German County Association (*Deutscher Landkreistag*). It gathered responses from the focal points for development co-operation in 32 municipalities (cities and towns) and 13 districts. The survey used a

similar structure as the one for the federal states and consisted of 52 questions (some of them optional)<sup>3</sup> across the following 6 sections:

- Section 1: Legal and institutional frameworks for DDC.
- Section 2: Key actors and partners of DDC.
- Section 3: Core motivations and priorities for DDC in German municipalities.
- Section 4: Multi-level governance.
- Section 5: Collection of CRS data on DDC activities.
- Section 6: Evaluation of DDC results.

1. Baden-Württemberg, Bavaria, Berlin, Brandenburg, Bremen, Hamburg, Hesse, Lower Saxony, North Rhine-Westphalia, Rhineland-Palatinate, Saarland, Saxony, Saxony-Anhalt, Schleswig-Holstein.

2. The survey was sent to: i) towns that are part of a (rural) district; ii) cities that are not part of a district (*Kreisfreie Stadt*); and iii) (rural) districts.

3. Due to the fact that some of the questions were optional, not all questions were answered by every respondent, which explains the variation in the number of responses to the survey mentioned throughout this report.

The results of the surveys provide evidence of the diversity of DDC actors and their roles in the different federal states in Germany. They also point out: the core motivations for LRGs' contribution to development co-operation; the geographical focus of DDC in terms of recipients; the range of (co-)financing schemes; the main multi-level governance gaps hindering DDC effectiveness as well as the mechanisms to bridge them; the types of DDC return on investment for “northern” and “southern” local governments, and their transaction cost; as well as the impact and long-term sustainability of DDC interventions.

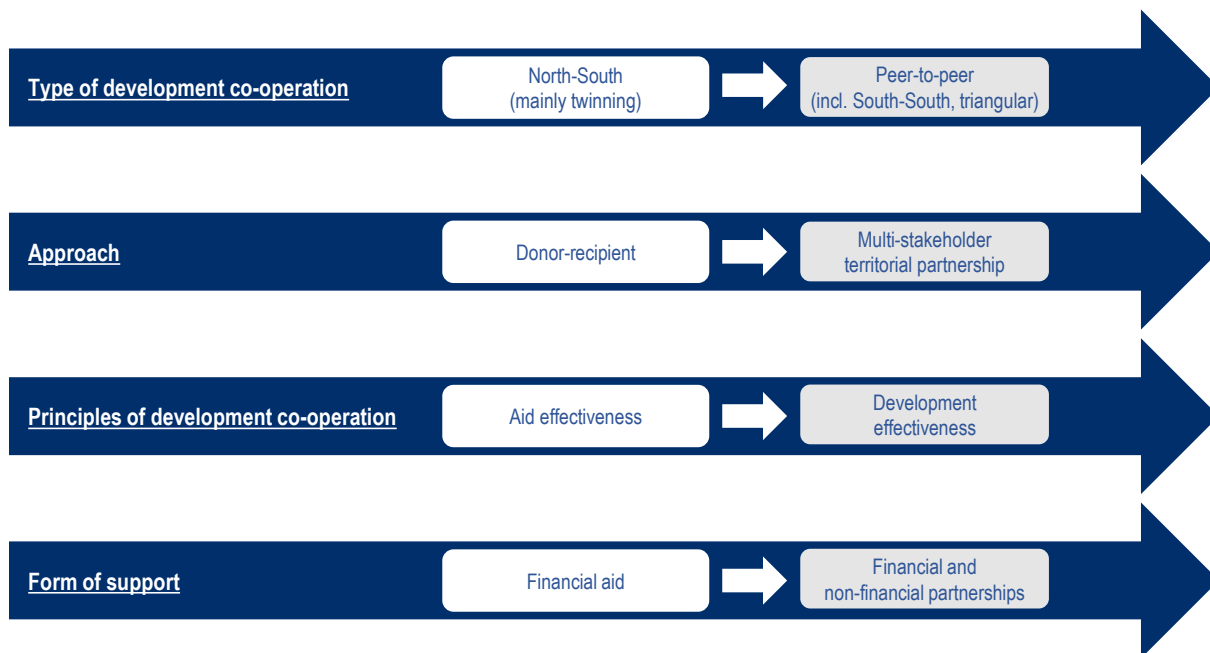
## Definitions and concepts

DDC is an evolving concept that increasingly fosters peer-to-peer exchange and helps to advance broader development and SDG localisation strategies (Figure 1.1). Traditional donor-recipient development co-operation models are moving toward partnership-based approaches, which aim to achieve reciprocity and peer-to-peer learning. DDC increasingly includes partnerships that foster knowledge exchange, capacity building and exchange of experiences and best practices amongst actors (e.g. civil society, academia, private sector, etc.). The universality of sustainable development has further gained traction within policy frameworks at the subnational level, including via the localisation of the 2030 Agenda and sustainability strategies. Local and regional authorities seek to engage in the implementation of international agendas such as the 2030 Agenda and Paris Agreement in order to strengthen and make more visible their contributions to advancing sustainable development at home and abroad.

ODA data provides one source of complementary information focusing on the financing of external actions by German states and municipalities. The focus of analysis in this report is on financing that is extended across German borders (i.e. cross-border) to countries eligible to receive ODA resources, such as spending by German states and municipalities other than imputed student costs, and allocated to projects in the Global South and not to other ODA-eligible costs and activities within donor country borders (e.g. development awareness, hosting refugees, student scholarships, etc.). While ODA does not capture all DDC actions by subnational governments, it does provide an indicator of the amounts of financing provided through states and municipalities to carry out DDC, particularly in the poorest countries. ODA data provides a standardised measure for international comparability across municipalities, states and countries over time. While other measures are more suited to tracking outcomes and the progress toward individual SDGs, ODA provides a measure of the effort and contributions provided to and through local governments to advance international co-operation (Siragusa et al., 2022<sup>[3]</sup>; SKEW, 2022<sup>[4]</sup>). Imputed student costs are distinct from other DDC actions and are assigned to their agency code (“Federal states

and local governments”), designating them separately from other contributions by the states in statistical terms. In addition to the statistical separation, states tend to have a lower degree of discretion over these funds and their allocation. The subsection of Chapter 2 on data and reporting provides further discussion of imputed student costs and cross-border spending.

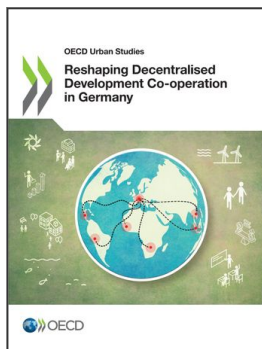
**Figure 1.1. Evolution of DDC-related concepts**



Source: Based on OECD (2018<sup>[1]</sup>), *Reshaping Decentralised Development Co-operation: The Key Role of Cities and Regions for the 2030 Agenda*, <https://doi.org/10.1787/9789264302914-en>; OECD (2019<sup>[2]</sup>), “Decentralised development co-operation: Unlocking the potential of cities and regions”, <https://doi.org/10.1787/e9703003-en>.

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