

OECD Urban Studies

Reshaping Decentralised Development Co-operation in Germany

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Preface

Amidst growing efforts to localise global agendas, particularly the United Nations Sustainable Development Goals (SDGs), cities and regions are increasingly recognised as key development actors. Two dedicated goals on sustainable cities (SDG 11) and partnerships (SDG 17) emphasise the role that local and international partnerships play. In addition, the G20 Rome High-level Principles on city-to-city partnerships for localising the SDGs, adopted in 2021, stressed the importance of co-operation between subnational governments from developed and developing countries in their efforts to embrace global transformations and adapt to megatrends, notably to achieve low-carbon growth while delivering electricity, water, healthcare, education, security and other social services.

Although international aid remains overwhelmingly channelled through national governments, cities and regions are stepping up their engagement in international co-operation activities that allow for an exchange of experience and place-based solutions. Between 2015 and 2021, total volumes of decentralised development co-operation (DDC) increased by almost 40% (reaching USD 2 831 million in 2021) and accounted for 3.6% of total official development assistance (ODA) 2021 (up from 3.1% in 2016).

In this context, this OECD study *Reshaping Decentralised Development Co-operation in Germany* provides an in-depth national review of the largest DDC donor country among members of the OECD Development Assistance Committee (DAC). The case of Germany is a telling example of how cities and regions can collaborate with their peers in the Global South. German states and municipalities are active in more than half (76) of the 142 ODA-eligible countries and territories. In Germany, cross-border DDC disbursements (excluding in-donor tuition costs) more than doubled from EUR 25 million in 2014 to EUR 53 million in 2020. Germany has put in place a dedicated multi-level governance architecture with specific programmes and funding schemes to support both federal states and municipalities in strengthening their DDC strategies and to co-ordinate activities across levels of government.

This report assesses DDC policies, strategies, programmes and financing in Germany as well as related challenges, and offers concrete recommendations on how to address them together with an action plan for the short, medium and long terms. Stakeholders in Germany and peer policy makers from the municipality of Brasschaat in Flanders (Belgium), the Association of Flemish Cities and Municipalities (Belgium), the region of Flanders (Belgium), the province of Trento (Italy), the city of Madrid (Spain), the region of Catalunya (Spain), the Spanish national government, as well as the city of Toulouse (France) and the French national government shared experiences via the policy dialogue underlying this report. We are confident that this report will contribute to further harnessing the potential of DDC in Germany and provide inspiration for other governments around the world.

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Foreword

Building on the findings from the OECD 2018 study *Reshaping Decentralised Development Co-operation: The Key Role of Cities and Regions for the 2030 Agenda*, this report offers country-specific guidance to the German federal government, states and municipalities on how to strengthen the impact, effectiveness and monitoring of their decentralised development co-operation (DDC) policies and programmes. It is the result of an 18-month policy dialogue with more than 100 stakeholders from all levels of government in Germany and peer learning with subnational DDC players in Belgium, France, Italy and Spain.

The report analyses the DDC legal and institutional framework, policies, strategies and implementation approaches of German federal, state and municipal levels, multi-governance challenges and opportunities, and the effectiveness of co-ordination mechanisms in place. The report also looks into co-financing schemes and official development assistance (ODA) volumes reported by German subnational agencies in the OECD Creditor Reporting System, as well as the monitoring and evaluation (M&E) of DDC programmes. Finally, the report provides tailored policy recommendations to strengthen DDC activities, harmonise definitions and guidelines as well as M&E modalities, improve multi-level governance and collaboration, including financing, and improved data and tools, such as for ODA reporting by states and municipalities.

The report incorporates findings from more than 50 bilateral interviews and 2 surveys conducted with the federal government, states and municipalities about their DDC activities between November 2021 and May 2022. Three workshops were organised to discuss the DDC activities of German federal states (24-25 March 2022) and those of municipalities (14 June 2022), as well as preliminary findings and recommendations (17 November 2022). An earlier version of the report was discussed at the 32nd Session of the Working Party on Urban Policy on 29 November 2022. The final report was presented at an OECD DDC Technical Seminar with DAC members on 31 March 2023 and approved via written procedure by the Regional Development Policy Committee (RDPC) on 6 April 2023 under cote COM/CFE/RDPC/DCD/DAC(2023)1.

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The project and the underlying policy dialogue were managed by Stefano Marta, Co-ordinator of the OECD Programme A Territorial Approach to the SDGs, CFE, in co-operation with Rachel Morris, Policy Analyst, DCD, under the supervision of Aziza Akhmouch, Head of the Cities, Urban Policies and Sustainable Development Division, and Soo-Jin Kim, Deputy Head of Division, CFE, as well as Haje Schütte, Deputy Director of DCD and Head of the Financing for Sustainable Development Division and Olivier Cattaneo, Team Lead, Policy Analysis and Strategy, DCD. The report was drafted by a joint team including Lorenz Gross and Joshua Monje-Jelfs, CFE, as well as Rachel Morris and Christian Steidl, DCD, with inputs from Aline Matta and Vincent Winterhager, CFE.

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Abbreviations and acronyms

ANCI	<i>Associazione Nazionale Comuni Italiani</i> , National Association of Italian Municipalities
BADC	<i>La Agencia Vasca de Cooperación para el Desarrollo</i> , Basque Agency for Development Co-operation
BLA-EZ	<i>Bund-Länder-Ausschuss Entwicklungszusammenarbeit</i> , Federal Government and Federal States Committee on Development Cooperation
BMZ	<i>Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung</i> , German Federal Ministry for Economic Cooperation and Development
BLP	<i>Bund-Länder-Programm</i> , German Government and Federal States Programme
CAPEX	Capital expenditure
CEMR	Council of European Municipalities and Regions
CFE	OECD Centre for Entrepreneurship, SMEs, Regions and Cities
CNCD	<i>Commission nationale de la coopération décentralisée</i> , French National Commission for Decentralised Co-operation
CRS	OECD Creditor Reporting System
CSO	Civil society organisation
DAC	OECD Development Assistance Committee
Destatis	German Federal Statistical Office
DDC	Decentralised development co-operation
DG INTPA	European Commission Directorate-General for International Partnerships
DEG	<i>Deutsche Investitions- und Entwicklungsgesellschaft mbH</i> , German Investment and Development Company
EGTC	European Grouping of Territorial Cooperation
ENA	<i>École nationale d'administration</i> , National School of Administration)
EUR	Euro
FAMSI	<i>Fondo Andaluz de Municipios para la Solidaridad Internacion</i> , Andalusian Fund of Municipalities for International Solidarity
FEMP	<i>Federación Española de Municipios y Provincias</i> , Spanish Federation of Municipalities and Provinces
GIZ	<i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i> , German Agency for International Cooperation GmbH
GmbH	<i>Gesellschaft mit beschränkter Haftung</i> , Limited liability company
IT	Information technology
KfW	<i>Kreditanstalt für Wiederaufbau</i> , German Development Bank
KIWI	<i>Kompetenzzentrum Internationale Wissenschaftskooperation</i> , Competence Center for International Science Cooperation
LEZ	<i>Landesstelle zur Entwicklungszusammenarbeit</i> , State Office for Development Cooperation
LIC	Low-income country
LRGs	Local and regional governments
MADCT	More advanced developing countries and territories
MINAGRI	Rwandan Ministry of Agriculture and Animal Resources
MLG	Multi-level governance
MPK	<i>Ministerpräsidentenkonferenz</i> , Conference of Federal State Prime Ministers
MTR	Mid-term review

MWVLW	<i>Ministerium für Wirtschaft, Verkehr, Landwirtschaft und Weinbau</i> , Rhineland-Palatinate Ministry of Economic Affairs, Transport, Agriculture and Viniculture
NAKOPA	<i>Nachhaltige Kommunalentwicklung durch Partnerschaften</i> , Partnership Projects for Sustainable Local Development
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
ODA	Official development assistance
RDPC	OECD Regional Development Policy Committee
RENN	<i>Regionale Netzstellen Nachhaltigkeitsstrategien</i> , Regional Hubs for Sustainability Strategies
SDG	United Nations Sustainable Development Goal
SDLG	Sustainable Development through Improved Local Governance
SKEW	<i>Servicestelle Kommunen in der Einen Welt</i> , Service Agency Communities in One World
SME	Small- and medium-sized enterprise
SnCF	Subnational Climate Fund Africa
TVET	Technical and vocational education and training
UCLG	United Cities and Local Governments
UN	United Nations
UNCED	United Nations Conference on Environment and Development
USD	United States Dollar
VGU	Vietnamese-German University
VLR	Voluntary local review
VVSG	<i>Vereniging van Vlaamse Steden en Gemeenten</i> , Association of Flemish Cities and Municipalities
WP-STAT	Working Party on Development Finance Statistics
WUS	World University Service

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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.

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^[1]) and (2019^[2])). 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).¹

Survey of German municipalities

A similar survey was extended to German municipalities² 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)³ 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.

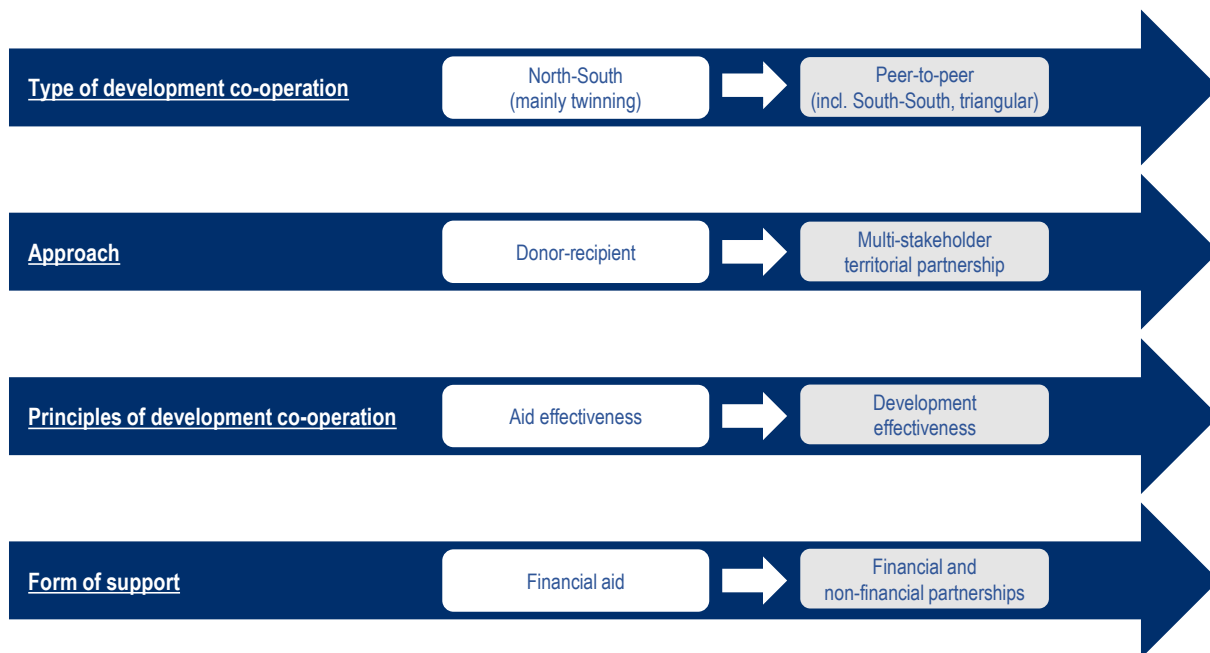
Definitions and concepts

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^[3]; SKEW, 2022^[4]). 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^[1]), *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^[2]), “Decentralised development co-operation: Unlocking the potential of cities and regions”, <https://doi.org/10.1787/e9703003-en>.

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- OECD (2018), *Reshaping Decentralised Development Co-operation: The Key Role of Cities and Regions for the 2030 Agenda*, OECD Publishing, Paris, <https://doi.org/10.1787/9789264302914-en>. [1]
- Siragusa, A. et al. (2022), *European Handbook for SDG Voluntary Local Reviews - 2022 Edition*, Publications Office of the European Union, Luxembourg, <https://publications.jrc.ec.europa.eu/repository/handle/JRC129381>. [3]
- SKEW (2022), *Material Voluntary Local Reviews*, Handreichung zur “Freiwilligen Lokalen Berichterstattung“ über die Umsetzung der Agenda 2030, No. 111, Service Agency Communities in One World, https://skew.engagement-global.de/files/2_Mediathek/Mediathek_Microsites/SKEW/Publikationen/4_Material/Material_11_bf.pdf. [4]

2 Decentralised development co-operation policies, strategies and programmes in Germany

Since the 1950s, decentralised development co-operation (DDC) has gained increasing importance for German development co-operation. German local and regional governments provide the highest levels of official development assistance (ODA) in absolute terms compared to other members of the OECD Development Assistance Committee. Most states and municipalities focus their DDC on technical co-operation, advisory services and peer-to-peer learning as well as networking, mainly in the policy areas of education, environment and health. The DDC model at the state level in Germany is in many cases strongly based on the funding of civil society organisations (CSOs), which can limit the return on investment due to the lack of direct interaction. Municipalities often have long-standing partnerships with subnational governments in developing countries in place.

Decentralised development co-operation – Concept and background

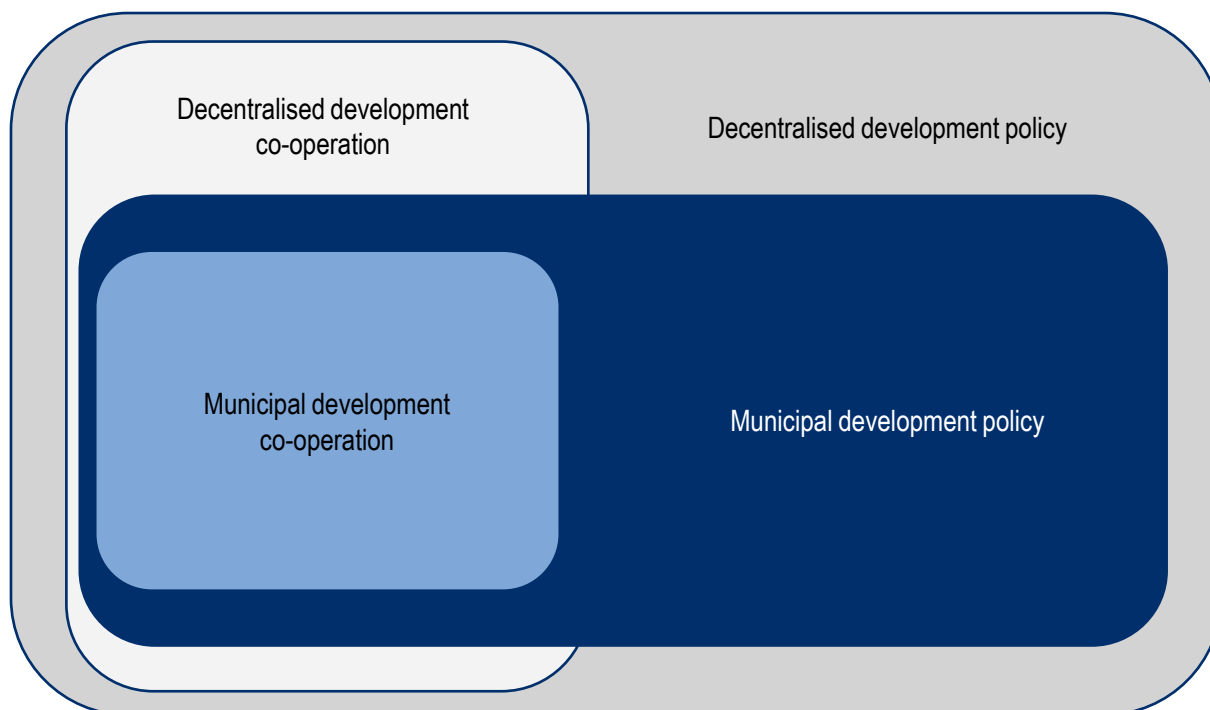
Cities and regions are increasingly engaging in international co-operation activities and are recognised as key development actors. The concept of DDC – development co-operation activities at the subnational level – came to light in the 1980s when central governments rolled back traditional aid in favour of increased involvement of local and regional governments and to promote public-private partnerships. Subnational governments hold a unique set of competencies in policy areas ranging from water to housing, transport, infrastructure, land use and climate change that can complement the actions of traditional national donors (OECD, 2018^[1]). As such, they have been playing an increasingly important role in international development co-operation in recent years. Municipal twinning was one of the first forms of DDC. It was used following World War II to promote peace and unity and develop intercultural ties, promote international solidarity and build institutional capacity (OECD, 2018^[1]).

A standard definition of DDC is still missing. In the international context, the term decentralised development co-operation is used in different ways (Nganje, 2015^[2]). DDC definitions have several common characteristics, including common principles of reciprocity (i.e. mutual benefits), subsidiarity (i.e. locally-led) and multi-stakeholder (i.e. territorial) approaches. The OECD refers to DDC as international development co-operation (including peer-to-peer learning, capacity building and knowledge exchange) and finance provided through and by subnational levels of government eligible to count as ODA in the Creditor Reporting System (CRS). According to the OECD definition mentioned above, DDC aims to capture the external dimension of development co-operation or co-operation carried out across borders. Those flows that are eligible to qualify as ODA cover external development activities in a wide range of areas including education, health, infrastructure, sanitation but also local governance and taxation.

In Germany, there is no single, generally agreed-upon definition of DDC. A distinction can be made between internal and external development co-operation activities. Internal activities relate to domestic measures such as education for sustainable development, the localisation of the United Nations (UN) Sustainable Development Goals (SDGs) such as the implementation, monitoring and evaluation of strategies to achieve the 2030 Agenda which benefit developing countries, as well as education and awareness raising for development co-operation, fair procurement and fair trade. External activities include partnerships with subnational governments in the Global South such as city partnerships and development projects abroad, emergency aid in crisis areas (e.g. city-to-city partnerships in Ukraine) and participation in international networks to exchange good practices (Fröhlich and Lämmlin, 2009^[3]).

DDC is one part of the broader development policy. DDC can be considered as a component of development policy that captures mainly external activities. Development policy encompasses both the external and the internal dimensions. DDC is increasingly driven by a territorial network model based on demand from peer regions and cities (OECD, 2018^[1]; 2019^[4]). There has also been a shift from the traditional donor-driven development co-operation toward reciprocity, partnership and peer-to-peer learning (OECD, 2018^[1]). Development policy includes all measures aimed directly or indirectly at contributing to an improvement of the situation in the Global South, which can include internal actions such as education for sustainable development (Fröhlich and Lämmlin, 2009^[3]). Municipal development activities are embedded in the subnational context and are only one component of the broader DDC (Figure 2.1). The German Institute of Development and Sustainability (IDOS) defines municipal development policy as “the sum of development policy resources and measures used by German municipal administrations domestically and abroad” (DIE, 2021^[5]). It is geared toward globally sustainable and public welfare-oriented development and is intended to contribute to an improvement in economic and social development in the Global South. Development co-operation on a municipal level is primarily administered and executed by local administrations (DIE, 2021^[5]).

Figure 2.1. Contextualisation of municipal development co-operation in a broader development policy context



Source: Informal translation based on DIE (2021^[5]) *Kommunale Entwicklungspolitik in Deutschland* [Municipal Development Policy in Germany], <https://doi.org/10.23661/s105.2021.v2.0>.

Historical background and legal frameworks for DDC in Germany

Historical background

The federal government of Germany has been engaging with the states on development co-operation for more than 60 years. The creation of the German Federal Ministry for Economic Cooperation and Development (BMZ) in 1961 was an important step for development co-operation activities at the federal level. The establishment of the ministry provided an opportunity for the young federal republic to be recognised as a reliable international partner and to promote economic co-operation, in the beginning primarily with Asian and Latin American countries (BMZ, 2022^[6]). Initially taking the role of a co-ordinating ministry, its responsibilities increasingly expanded to technical and financial development co-operation activities as of the early 1970s. Since the establishment of the ministry, the federal government also started to engage with the federal states on development co-operation activities through the *Länderausschuss Entwicklungshilfe* (Federal States Committee for Development Aid), which in 1980 was renamed the *Bund-Länder-Ausschuss Entwicklungszusammenarbeit* (Federal Government and Federal States Committee on Development Co-operation, BLA-EZ). Once a year, the BLA-EZ brings together representatives from the BMZ and the respective state ministries working on development co-operation. It is the main committee responsible for the co-ordination of development co-operation between the federal government and federal states.

Municipal development co-operation has also gained increasing traction over the years. In 1996, the Centre for Municipal Development Co-operation (*Zentrum für Kommunale Entwicklungszusammenarbeit*, ZKE) was established to facilitate the national and global exchange on municipal development co-operation activities and later became the Service Agency Communities in One World (*Servicestelle Kommunen in der Einen Welt*, SKEW) (see section on DDC at the municipal level for more information).

DDC at federal state level

In Germany, federal states have been involved in development co-operation activities since the 1950s and co-ordinate activities through the Conference of Federal State Prime Ministers (*Ministerpräsidentenkonferenz*, MPK). Given the federal states' responsibility for education policy, the DDC work in the initial phase was mostly limited to education and training programmes for specialists and managers from developing countries and development policy education work in Germany (Wiemann, 2008^[7]). For example, in the 1950s, the state of Hesse already collaborated with the country of Ghana in the area of efficient public administration (WUS, 2022^[8]). The MPK is a committee of the German federal states. It co-ordinates policies that concern the jurisdiction of federal states and aims to develop a joint position with regard to the federal level. As part of the MPK, the federal states agree, among other topics, on non-binding policy guidelines for DDC, which provide political support for the states' DDC activities. The MPK resolution in 1962 is the first official agreement of the federal states on the development co-operation activities of subnational actors in Germany (WUS, 2022^[9]). It states that the implementation of development co-operation activities abroad is the responsibility of the federal government. Externally, the federal government should act as the executing agency of German development co-operation. However, within the framework of federal development policy and after consultation with the federal government, the federal states can provide technical assistance, in particular education and training assistance, in developing countries (MPK, 1962^[10]).¹ Co-ordination between the federal and state governments on development co-operation matters has been led since 1962 by the *Länderausschuss Entwicklungshilfe* mentioned above, now the BLA-EZ.

In the last decades, the federal states have expanded their international development co-operation activities. Since 1962, the minister-presidents of the 16 German states have expressed their views on development co-operation issues in multiple resolutions within the framework of the MPK (Table 2.1). Although the clear legal competency for development co-operation remains at the federal government level as stated in the German constitution, one can observe a growing range of activities in development co-operation at the federal-state level, in particular since 1988. The 1988 MPK resolution emphasised the various achievements of the German states and their contribution to the development and expansion of relations with developing countries (MPK, 1988^[11]). In view of international debt, budget deficits, inflation, growing poverty and increasing damage to the environment in many developing countries, the 1988 MPK resolution called for an expansion of the federal states' activities in development co-operation. This included technology transfer, scientific co-operation, environmental protection and other fields mentioned in the 1988 MPK resolution as part of the development co-operation agenda of federal states (see Table 2.1 for an overview of the MPK resolutions between 1962 and 2021).

Policy coherence and multi-level governance have become important priorities in the federal states' development policies. In 1994, the German federal states acknowledged the declaration of Rio from 1992 and the priorities of UN Agenda 21, notably the importance of partnerships, including between national and subnational levels. In the following years, the federal states repeatedly called upon the federal government to further integrate them into federal development co-operation programmes to improve the coherence of development and foreign policy. In 2008, the federal states agreed on a resolution that defined new core competencies and fields of action in accordance with their development policy, personnel and budgetary preferences, namely: i) climate change and energy; ii) food security and rural areas; iii) migration and development; iv) scientific and technological co-operation; v) sustainable economic development; vi) good governance and decentralisation; vii) culture; and viii) education on development policy. They also stressed the importance of municipalities for partnerships with developing countries, notably in the cultural sector, education, good governance, migration and decentralisation. In light of the adoption of the 2030 Agenda, the federal states started to define the achievement of the SDGs as one of their development policy objectives and emphasised the importance of a close collaboration between the federal level and federal states as well as with municipalities, civil society, the private sector and churches, e.g. in the 2014 and 2016 MPK resolution. Education for sustainable development, sustainable public

procurement and sustainability indicators were named as particularly relevant areas of collaboration (e.g. in the 2016 MPK). The latest MPK resolution in 2021 provided an update on the core competencies of the federal states: i) climate change and protection; ii) health; iii) sustainable economic development; iv) fair trade and procurement; v) scientific-technological co-operation; vi) democracy and good governance; vii) art and culture; viii) partnerships; ix) migration and development; and x) education for sustainable development. It also reiterated the importance of collaboration, notably against the backdrop of the COVID-19 pandemic, protectionism, social inequalities and climate change (MPK, 2022^[12]).

Table 2.1. Historical overview of MPK resolutions

MPK	Major policy changes
1962	The first MPK resolution formally states for the first time that the federal government has competency in development co-operation. Within the framework of the federal government's development policy and after consultation with the federal government, the federal states can provide technical assistance, in particular education and capacity building, in developing countries, with the federal government acting as the external provider of German development aid.
1977	No major changes, continuation of 1962 policy. In accordance with the MPK 1962 resolution, the federal states request the federal government to resume regular briefings on the guidelines of development policy and measures in the field of capital aid, aid for trade and technical assistance.
1988	Prime ministers ask to expand the mandate of the federal states in development co-operation. In addition to technical assistance and vocational training, they consider the engagement of the federal states to be required in the following areas: scientific co-operation, technology transfer, environmental protection, urban development, promotion of small- and medium-sized enterprises (SMEs), crafts and co-operatives, improvement of public administration, health and culture.
1994	The declaration of intent to implement Agenda 21 was ratified during the Rio de Janeiro Earth Summit in 1992.
1998	The prime ministers stress the need to involve the federal states, with their experience and capacities, more intensively in conceptual considerations (country concepts, sector concepts), in development co-operation with foreign partners and to promote the coherence of development policy and foreign trade to ensure sustainable development.
2008	In the 2008 MPK resolution entitled "Securing future viability - Development policy as a joint responsibility of the federal, state and local governments", the prime ministers suggest focusing their DDC activities on the following core competencies and fields of action in accordance with their development policy, personnel and budgetary preferences: i) climate change and energy; ii) food security and rural areas; iii) migration and development; iv) scientific and technological co-operation; v) sustainable economic development; vi) good governance and decentralisation; vii) culture; and viii) education on development policy. They also call for stronger integration of federal states in the bilateral and international development co-operation at the federal level if federal states show a particular commitment or expertise concerning specific target countries or issues.
2014	The prime ministers stress the need for increased co-operation and harmonisation of actions between the federal level and federal states, for example in education priorities (e.g. human capacity building) or state partnerships, as well as in co-operation with municipalities, civil society, business and churches for sustainable development. They also highlight the importance of federal states' activities in the policy areas defined in the MPK of 2008 and emphasise the importance of this new agreement in light of the newly established SDGs.
2016	To implement the 2030 Agenda, the federal states emphasise that co-ordinated, joint action is necessary, both between the federal government and the federal states and in co-operation with municipalities, civil society, businesses and churches. The prime ministers also emphasise the importance of specific areas of collaboration between the federal level and federal states: i) education for sustainable development; ii) sustainable public procurement; and iii) sustainability indicators.
2017	The prime ministers of the federal states welcome the impetus given by the German government to a strengthened partnership with Africa. They agree to continue their multifaceted commitment to sustainable development in Africa, particularly in the form of country and local partnerships. In an exchange with the German government, the existing instruments as well as existing and planned project co-operation are to be further developed in a co-ordinated manner.
2021	The prime ministers emphasise the policy areas relevant to the federal state's development co-operation agenda from the MPK in 2008 as well as some additional ones: i) climate change and protection; ii) health; iii) sustainable economic development; iv) fair trade and procurement; v) scientific-technological co-operation; vi) democracy and good governance; vii) art and culture; viii) partnerships; ix) migration and development; and x) education for sustainable development. In addition, the resolution stresses the impact of the COVID pandemic, protectionism, social inequalities and climate change on sustainable development worldwide.

Note: MPKs have been held four times a year since the inception of the Federal Republic of Germany. This overview only considers MPKs which dealt with development co-operation since 1962.

Source: Resolutions of the Conferences of Federal State Prime Ministers 1962-2021.

DDC at the municipal level

The history of municipal partnerships dates back to the twinning of cities and municipalities in Europe after the Second World War. The first partnerships of German municipalities with peers from abroad were mostly formed post-World War II to reconnect the populations of previously opponent countries, e.g. France. DDC at the municipal level has emerged from this initial North-North collaboration when municipal partnerships were extended to countries in the Global South. National and international agendas, resolutions and guiding principles have played a pivotal role in shaping municipal development policy. Their growing number has emphasised the important role of cities in sustainable global development and called for localisation of development policy. In this way, they have helped to broaden the scope of action of municipalities in the field of development policy (DIE, 2021^[5]).

The 1992 United Nations Conference on Environment and Development (UNCED) was of crucial importance for municipal involvement in development policy, including in Germany. Agenda 21, which was ratified during the conference,² encouraged national governments to develop a local Agenda 21 to accelerate sustainable development in developing countries and related domestic policies. Agenda 21 also envisaged a greater involvement of the local level in international policy and action and established the “Think global, act local” principle (DIE, 2021^[5]). In 1993 and following the ratification, the German parliament passed a resolution to strengthen North-South collaboration and to facilitate the implementation of the local Agenda 21 (Deutscher Bundestag, 1993^[13]). The resolution called upon the federal government to provide the necessary financial means for municipalities to engage in development co-operation. In response to the parliament’s request, the Centre for Municipal Development Co-operation (ZKE) was founded to facilitate the exchange of global and national best practices. In 2001, the Centre was transformed into the Service Agency Communities in One World (SKEW), which in 2012 became part of Engagement Global – Germany’s central contact agency for development policy initiatives – to support municipalities in their development co-operation policies.

The localisation of the SDGs in Germany and related development co-operation activities have gained traction following the establishment of the 2030 Agenda. Local and regional governments have a key role to play in the achievement of the SDGs considering their prerogatives in policies that are central to sustainable development (e.g. water, housing, transport, infrastructure, land use and climate change) amongst others (OECD, 2020^[14]). After the establishment of the SDGs in 2015, many municipalities in Germany started to align their local development strategies and development co-operation strategies with the 2030 Agenda. At the same time, the federal budget in support of municipalities’ development co-operation activities increased from EUR 5 million in 2013 to more than EUR 38 million in 2021 (DIE, 2021^[5]).

Legal framework

Federal level

There is no unique law that forms the basis for development co-operation in Germany but rather a compilation of different laws on the federal and state levels. The German constitutional law (Basic Law) does not explicitly refer to the policy area of development co-operation. This can historically be explained by the fact that, at the time of the creation of the German Basic Law in 1949, such an area of responsibility had not yet been covered by the states and the Federal Republic of Germany itself still needed significant support from other states in the post-war period (SKEW, 2018^[15]). Even in the course of the further development of the Basic Law, the concept of development co-operation was not explicitly included, although development co-operation has long been recognised as a public field of activity (SKEW, 2019^[16]). Article 32 of the German constitution established in 1949 states that foreign relations shall be conducted by the federal government but that federal states are allowed to establish treaties with foreign countries in areas for which they have: i) the power to legislate (education, science and academia, culture, good

governance and protection of the environment); and ii) the agreement of the federal government (German Federal Parliament, 1949_[17]). In line with Article 32, the federal states' prime ministers in the MPK of 1962 highlighted that German development co-operation is a competency of the federal government (MPK, 1962_[10]). Table 2.2 shows an overview of the legal competencies of German DDC actors.

Table 2.2. Legal competencies and budget of German DDC actors across levels of government

Actor	Level of government	Legal competency	Financing
Federal ministries	Federal	<ul style="list-style-type: none"> • Formulation of policies and official representation of the German state abroad 	<ul style="list-style-type: none"> • Financed by the federal budget
Federal implementation agencies (GIZ, DEG - Deutsche Investitions- und Entwicklungsgesellschaft mbH, KfW Development Bank, Engagement Global)	Federal	<ul style="list-style-type: none"> • Execution agencies primarily for federal ministries 	<ul style="list-style-type: none"> • Financed on a project basis by the budget of the federal ministries
Federal states and state chancellery	Federal state	<ul style="list-style-type: none"> • Legally permitted to engage in development co-operation • Representation of the federal state abroad 	<ul style="list-style-type: none"> • Financed by their dedicated development co-operation budgets • Partially implemented through co-financing mechanisms, in particular the German Government and Federal States Programme (BLP)
Municipalities	Municipal	<ul style="list-style-type: none"> • Legally permitted to engage in development co-operation • Can engage with foreign municipalities but do not represent the German state abroad • DDC is a voluntary task for municipalities • Each state decides within which boundaries municipalities are allowed to frame and implement their local development policies 	<ul style="list-style-type: none"> • Financial support (co-financing) by programmes of federal implementation agencies (in particular co-funding schemes by SKEW are available) as well as financial support by some federal states • Some municipalities have a dedicated budget for international co-operation

Source: Destatis (2022_[18]), *Öffentliche Entwicklungszusammenarbeit [Public Development Cooperation]*, <https://www.destatis.de/DE/Themen/Staat/Oeffentliche-Finzen/Entwicklungszusammenarbeit/leistungen-entwicklungszusammenarbeit.html> (accessed on 23 August 2022). Destatis (2021_[19]), *Mittelherkunft der deutschen ODA (Official Development Assistance) [Origins of German ODA]*, <https://www.destatis.de/DE/Themen/Staat/Oeffentliche-Finzen/Entwicklungszusammenarbeit/Tabellen/mittelherkunft-der-deutschen-oda-2019.html> (accessed on 23 August 2022).

At the federal level, development co-operation consists of technical and financial co-operation. According to the *Guidelines of Bilateral Financial and Technical Co-operation* by the BMZ, financial co-operation entails investments in partner countries in ODA-relevant areas (BMZ, 2021_[20]). Its portfolio consists of financing fixed capital investment, tangible assets and working capital, financial support for the financial sector, financial contributions to funds for sustainable financing of the development policy of Germany, as well as the financing of projects of the international donor community (BMZ, 2021_[20]). The central implementation agency for financial co-operation is KfW (*Kreditanstalt für Wiederaufbau*), Germany's national development bank.

Technical co-operation entails capacity building in partner countries to enable the effective, efficient and sustainable use of resources (BMZ, 2021_[20]). This includes consulting services with skilled staff in partner countries. Skilled staff includes expert employees of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH as well as more general experts from private and public sectors in Germany. The funding of consulting services and the supply of goods are also defined as technical co-operation (BMZ, 2021_[20]). GIZ is the main implementation agency for technical co-operation. Engagement Global is

the key agency to support individuals, CSOs, municipalities and private operators in development co-operation (Engagement Global, 2022^[21]) (see more information about the various actors in the section on main DDC actors, landscape and competencies).

Federal state level

Federal states can engage in development co-operation and are allowed to represent their interests abroad but not those of the federal government. According to the German constitution, federal states can conclude treaties with foreign countries with the consent of the federal government, insofar as they are solely responsible for the legislation in the policy area concerned by the treaty (e.g. in education). Since the MPK resolution of 1962, it has been furthermore recognised that federal states can provide technical assistance, in particular as regards education and training, in developing countries within the framework of federal development policy and after consultation with the federal government (MPK, 1962^[10]). As is the case at the federal level, the different state constitutions do not contain any explicit written authorisation to establish relations with the Global South or to carry out development co-operation activities (SKEW, 2019^[16]). At best, some of them contain statements promoting cross-border co-operation within the framework of European integration (SKEW, 2019^[16]).

The legal distribution of competencies between the federal level and the state level has not changed but federal states have increasingly expanded their DDC activities over the last decades. The policy areas mentioned in the 2008 and 2021 MPKs go beyond the scope of Article 32 of the German constitution, according to which treaties with foreign countries can only be concluded by federal states if they fall into the scope of their sole responsibility. Within this legal framework, federal states can however take very different approaches and follow different priorities in their DDC activities. For example, Bavaria uses its DDC activities amongst others to create a network on the African continent, contributing to strengthening economic ties, promoting economic growth and supporting Bavarian companies. Berlin has the objective to contribute to global justice and therefore works mainly on projects that raise awareness of these issues and contribute to the fight against racial discrimination.

Municipal level

In Germany, municipal DDC is a voluntary task. Neither the constitutional law nor the laws of the federal states contain explicit authorisation for municipalities to engage in foreign relations (Fröhlich and Lämmlin, 2009^[3]). In practice, this means that municipalities cannot officially represent the Federal Republic of Germany in foreign countries. However, international co-operation between German and foreign municipalities is both permitted and encouraged. According to the MPK resolutions of the federal states, municipalities shall focus on advisory and organisational services whilst economic and entrepreneurial activities are in general the responsibility of the states and federal government (DIE, 2021^[5]). Each state decides within which boundaries municipalities are allowed to frame and implement their local development policies, while international political action outside of the respective core competencies of the municipalities is a prerogative of the federal government (Frank et al., 2017^[22]).

There is increasing legal recognition of the role municipalities play in German DDC. In 2008, the BLA-EZ decided to support the growing involvement of municipalities in development co-operation as part of a multi-level governance approach. To accompany the 2008 MPK resolution, federal, state and local governments decided to establish a task force on municipal development co-operation (BLA-EZ, 2010^[23]). A further resolution on municipal development co-operation and municipal sustainability strategy was adopted at the Standing Conference of Ministers of the Interior and Senators of the Federal States in 2019. It emphasised that municipalities and their companies can engage in development co-operation within the framework of municipal self-administration and their capabilities, insofar as this relates to technical and organisational advisory and support functions and that no economic or entrepreneurial functions are

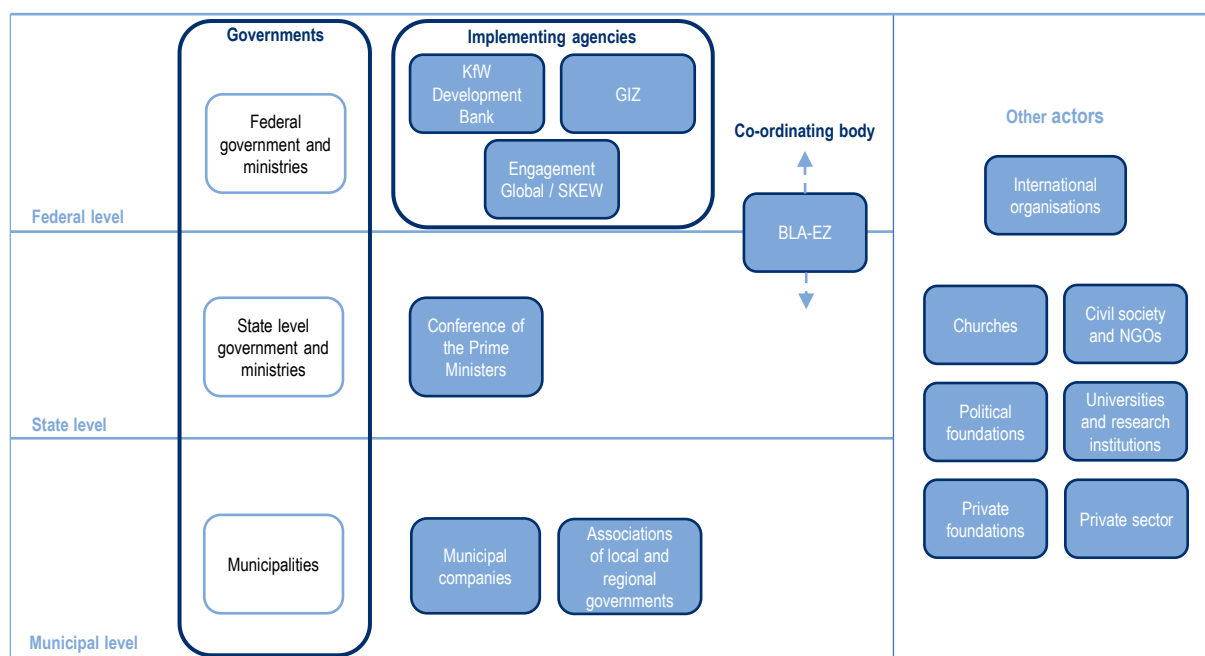
involved (IMK, 2019^[24]). Legal assessments commissioned by SKEW confirmed that development policy is a joint responsibility of the federal government, the federal states and the municipalities.

The institutional framework of German DDC

Main DDC actors, landscape and competencies

The landscape of German DDC actors consists of a diverse range of actors from the federal, state and municipal levels. The German DDC landscape is characterised by actors from three different levels: i) the federal level; ii) the federal state level; and iii) the municipal level (Figure 2.2). At the federal level, 15 ministries have contributed to German development co-operation activities through different programmes and projects in 2019. The highest portion of German ODA is channelled through the BMZ, reaching 49.7% of total ODA in 2020, followed by Germany's national development bank KfW at 16% (OECD, 2022^[25]).

Figure 2.2. The landscape of the main German DDC actors



Federal level

The BMZ (Federal Ministry for Economic Cooperation and Development) is the ministry responsible for development co-operation at the federal level. The ministry carries out a variety of tasks. They range from planning and programming German development co-operation to co-operation with its 65 partner countries, multilateral organisations, CSOs, the private sectors, municipalities in Germany and the federal states. Furthermore, the ministry is involved in development education work (BMZ, 2022^[26]). The main thematic areas of its work are the global implementation of human rights, combatting hunger and poverty, protecting the climate and biodiversity, health and education, gender equality, fair supply chains, harnessing digitalisation and technology transfer, and strengthening private investment to promote sustainable development worldwide (BMZ, 2022^[27]). The federal level provides funding for technical and financial support of DDC through specific programmes implemented by GIZ and Engagement Global, which support DDC activities at the state and municipal levels (see below).

GIZ is the main implementation agency of German technical development co-operation. As a federally owned institution, GIZ supports the German government in achieving its objectives in the field of international co-operation for sustainable development. It offers a broad range of services to the German government, the German federal states and municipalities as well as governments in the Global South, corporations, international institutions (e.g. the European Commission) and private foundations. Priorities of GIZ's work include development co-operation activities in areas such as international climate protection, civil crisis prevention, rural development, sustainable infrastructure, social development and the improvement of economic and labour policy frameworks (GIZ, 2022^[28]). GIZ supports German DDC through different programmes. The main one is the German Government and Federal States Programme (*Bund-Länder-Programm*, BLP), which aims at improving strategic co-operation between the German government and federal states in the field of development co-operation (GIZ, 2022^[29]). The BLP was established in 2015 to develop joint programmes with the states building on their competencies, for instance in the field of public administration and academic institutions on a federal state level into German development co-operation (GIZ, 2022^[30]).

Germany's national development bank KfW is the main implementation agency for financial development co-operation. The KfW Development Bank has been supporting the federal government for more than 50 years to achieve its development co-operation objectives. It finances and supports programmes and projects on behalf of the German government, primarily the BMZ. It collaborates with state-level actors in Africa, Asia, Latin America and Southeast Europe but also with local and regional governments in those areas as well as non-governmental organisations (NGOs) (NGO Monitor, 2019^[31]). The projects' main objectives are to support its project partners to fight poverty, secure peace, protect the environment and promote fair globalisation (KfW Development Bank, 2022^[32]). Using funds from the federal budget and its resources, the bank finances investments and reform programmes in various areas such as health, education, water supply, energy, rural development and financial system development (KfW Development Bank, 2022^[33]).

Engagement Global is the central focal point for development policy initiatives in Germany. Since 2012, the organisation has been bundling numerous BMZ-funded programmes on behalf of the German government to promote civic and community engagement and development education. The organisation informs and advises individuals, civil society, municipalities, schools, businesses and private foundations on development policy projects and supports them financially. Engagement Global works on behalf of the German government and is funded by the BMZ (Engagement Global, 2022^[21]).

The Service Agency Communities in One World (SKEW) by Engagement Global supports German municipalities in their development policy activities. SKEW has been the focal point for municipal development policy in Germany for the past 20 years. Since then, SKEW has been supporting municipalities, cities and rural districts to contribute to global sustainability and a fair world in line with the UN Millennium Development Goals (MDGs), the local Agenda 21 and, since 2015, the 2030 Agenda. To this end, SKEW promotes national and international exchange and joint learning between municipalities (SKEW, 2022^[34]). The service agency offers advice to municipalities mainly in the following thematic areas: i) SDG localisation and its international impact; ii) fair trade and fair procurement; as well as iii) municipal partnerships and municipal relations related to development policy. For example, SKEW supports the elaboration of municipal sustainability strategies and Agenda 2030-related activities, like SDG monitoring or the generation of Voluntary Local Reviews (SKEW programme Municipalities for Global Sustainability). Furthermore, SKEW provides advice on procurement processes and provide information on fair trade (fair trade and fair procurement). Lastly, the service agency offers networking activities as well as consultancy and promotes municipal co-operation and the international exchange of expertise and supports both financially (SKEW programme Municipal Partnerships) (SKEW, 2022^[35]). There are several forms of collaboration between Engagement Global and GIZ when it comes to international development co-operation. This encompasses SKEW projects with GIZ offices in certain partner countries such as in the Maghreb region, Ukraine and in the West Bank and Gaza Strip, as well as projects such as the Connective

Cities programme that promotes the global exchange of municipal expertise and supports learning and peer-to-peer exchange between German and international urban practitioners geared toward the needs of municipalities, and the Utility Platform for Strengthening Partnerships of Municipal Utilities Worldwide (see below).

State level

The German federal states are key actors in German DDC. As highlighted above, the German federal states have increasingly expanded the number of policy areas targeted by their DDC engagement over the past decades. In 2020, the federal states accounted for 6.8% of total German ODA (including in-donor costs) with activities in various policy areas such as climate change, energy, food security, scientific co-operation, education and good governance. This represents an increase of 0.7 percentage points from 6.1% in 2015. However, the different federal states all have different interests and capacities to conduct DDC, also depending on the political priorities of the current government. Consequently, the degree of engagement of federal states in development co-operation varies strongly from state to state.

At the federal state level, development co-operation in most states is led by the state chancellery. This is the case for Baden-Württemberg, Bavaria, Bremen, Hamburg, Lower Saxony, Mecklenburg-Western Pomerania, North Rhine-Westphalia, Rhineland-Palatinate, Saxony and Thuringia. However, there is diversity in institutional structures for development co-operation across different states. As Table 2.3 shows, other states have embedded development co-operation in different ministries, e.g. the Ministry of Finance, the Ministry of Economics and the Ministry of Education and Culture. Furthermore, in some states, DDC activities are not necessarily bundled within a single ministry but distributed across different ministries, which makes the co-ordination of projects and a general overview of activities more challenging.

Table 2.3. Institutions responsible for development co-operation in the German federal states

State	Institution responsible for development co-operation
Baden-Württemberg	State Ministry
Bavaria	State Chancellery
Berlin	Senate Department for Economics, Energy and Public Enterprises
Brandenburg	Ministry of Finance and for European Affairs
Bremen	Senate Chancellery
Hamburg	Senate Chancellery
Hesse	Ministry of Economics, Energy, Transport and Housing
Lower Saxony	State Chancellery
Mecklenburg-Western Pomerania	State Chancellery
North Rhine-Westphalia	State Chancellery – European and International Affairs
Rhineland-Palatinate	State Chancellery
Saarland	Ministry of Education and Culture
Saxony	State Chancellery
Saxony-Anhalt	Ministry of Economy, Science and Digitalisation
Schleswig-Holstein	Ministry for Energy Transition, Climate Protection, Environment and Nature
Thuringia	State Chancellery

Source: WUS (2022^[36]) *German Federal States in Development Policy*, https://www.wusgermany.de/sites/wusgermany.de/files/content/files/ep_brochure_20220317_english.pdf.

Municipal level

German municipalities have some key competencies for DDC but development co-operation is a voluntary task. Their position within the federal structure of Germany provides them with several unique characteristics and advantages for DDC. They are for example more familiar with specific local needs and challenges. Expertise and experience in basic services can be shared with partner municipalities in the Global South on equal terms. Furthermore, public procurement provides municipalities with considerable leverage to foster a globally sustainable and public welfare-oriented development (DIE, 2021^[5]). German municipalities have been engaged in development co-operation activities since the 1960s and are increasingly recognised as important actors in the German DDC landscape (SKEW, 2019^[16]). In general, the expenses of municipalities are divided into mandatory and optional expenses. Mandatory expenses consist of essential services for citizens such as waste disposal, childcare and water supply. However, development co-operation is only a voluntary task for municipalities in Germany with domestic activities such as awareness raising and procurement falling into their core competencies, while external actions do not. Consequently, development co-operation is part of the voluntary expenses. They are thus often not a key priority of municipalities in terms of budget compared to the key responsibilities of the municipalities (DIE, 2021^[5]).

The associations of municipalities and districts in Germany support the local level with the exchange of information, services and advocacy work on DDC. German municipalities and districts in Germany are represented by three main associations, the German County Association (*Deutscher Landkreistag*), the Association of German Cities (*Deutscher Städtetag*) and the German Association of Towns and Municipalities (*Deutscher Städte- und Gemeindebund*), all of which also have branches at federal state level. All three associations are engaged in municipal development co-operation. The three associations are part of the German section of the Council of European Municipalities and Regions (CEMR), which represents and co-ordinates the position of the three associations at the European level. CEMR's German section is also a member of Platforma, the lobbying and coordinating body on municipal DDC at the EU level. Among other things, they help co-ordinate the development co-operation activities of German municipalities and districts, raise awareness of the topic of development co-operation, provide capacity building and do advocacy work. The German County Association for example has established a dedicated position for the co-ordination of subnational development co-operation in Germany, financially supported by federal resources. The Association of German Cities has founded the aforementioned international city programme Connective Cities, together with GIZ and Engagement Global (GIZ, 2014^[37]).

Municipal companies can support development co-operation activities through the provision of technical expertise. Municipal companies are closely linked to the municipal administration. Depending on their legal form, they may be directly integrated into the organisational structure of a municipal administration, a district or, in the case of city-states, a federal state. The focus of their activities is usually on utilities (water, energy) and waste disposal (wastewater, garbage). A study by the DIE highlighted that 42% of German municipalities active in development co-operation are working together with at least one municipal company, mostly in the field of utilities (DIE, 2021^[5]). To foster the engagement of municipal companies in development co-operation, the BMZ in co-operation with GIZ and SKEW has established the pilot project Utility Platform for Strengthening Partnerships of Municipal Utilities Worldwide. In its pilot phase that is running until 2023, municipal water providers from Germany, Jordan, South Africa, Tanzania, Ukraine and Zambia are working together in pilot partnerships to achieve a more sustainable water supply and wastewater disposal in their respective cities (GIZ, 2022^[38]).

Other actors

CSOs are another important actor in German development policy. The engagement of civil society consists of: i) the commitment of individuals; and ii) that of initiatives and associations. In many German municipalities, civic engagement and an active civil society were one of the main drivers behind the

establishment of city partnerships and development activities in the Global South, often fostered by the local migrant community. Furthermore, CSOs are key partners for DDC for many of the German federal states, notably as implementing partners of their DDC projects. In all 16 German states, development policy organisations and One World initiatives are organised in state networks that offer support and networking opportunities. They inform local politicians and society, formulate development policy positions and thus provide impulses for political decision-making processes at the state level (DIE, 2021^[5]). VENRO is the umbrella organisation of development and humanitarian NGOs in Germany. It was founded in 1995 and consists of around 140 organisations that are active in independent and church-related development co-operation, humanitarian aid as well as development education, public relations and advocacy (VENRO, 2022^[39]). One example of a CSO engaged in DDC activities in Germany is the *Landesarbeitsgemeinschaft Agenda 21* in North Rhine-Westphalia (LAG21 NRW), an association integrating CSOs and public administration. It has also supported 40 municipalities in NRW to develop local sustainability strategies and become engaged in municipal partnership programmes. Another important example of CSO engagement is the *Stiftung Nord-Süd-Brücken* in Berlin, which promotes civil society engagement in the field of development co-operation as well as in development education in states in Eastern Germany (Berlin, Brandenburg, Mecklenburg-Western Pomerania, Saxony, Saxony-Anhalt and Thuringia). Finally, the *Regionale Netzstellen Nachhaltigkeitsstrategien* (RENN) networks are an agency of the National Sustainability Council that provides funding, events, workshops and capacity building to make the existing commitment to sustainable development in Germany more visible and promote networking.

Private sector engagement in German DDC takes various forms. The private sector is an important actor in German DDC, both at the state and municipal levels. Around 50% of German municipalities involved in DDC activities work together with companies from the private sector (Fröhlich and Lämmlin, 2009^[3]). At the federal state level, German states work together with a range of actors from the private sector as part of their DDC activities, including chambers of commerce. One way in which the private sector can contribute to DDC activities is through public-private partnerships. The private sector also plays an important role as a provider of co-financing for the implementation of the federal states' DDC projects. They are involved in networking activities and exchange of know-how with partners at the local and regional levels in the Global South. Beyond DDC, the current forms of co-operation involving the private sector in the context of German development co-operation can be categorised into six overarching basic forms (BMZ, 2011^[40]). These are: i) project sponsoring as part of corporate communications and corporate social responsibility; ii) participation in multi-stakeholder dialogues and formal networks; iii) development partnerships with the private sector (short- to medium-term projects of companies and implementing organisations of development co-operation or public partners in developing countries); iv) public-private partnerships; v) mobilisation of private capital; and vi) financial services and advice for private investment in developing countries.

Educational and research institutions are relevant actors for German DDC. Universities and research centres can offer support to strengthen the evidence base and evaluation of DDC projects (OECD, 2018^[41]). For example, they are critical players in data collection at the local level and drafting reports, strengthening local technical capacity (OECD, 2018^[1]). They can also support capacity building and skills development at the local level, for example in the framework of city-to-city partnerships with partners in the Global South. Several German states involve universities in their DDC activities, notably to foster the international exchange of knowledge and expertise, for example through education for sustainable development. The German Academic Exchange Service's Competence Centre for International Science Co-operation (KIWi) supports the initiation and implementation of such collaborations with international partner institutions through individual consulting, peer-to-peer events and publications (DAAD, 2022^[42]). Another important actor is the German section of the World University Service (WUS). It has been assigned the task to support the co-ordination of development co-operation activities between the different federal states since 1991. The WUS secretariat prepares meetings of the states regarding development policy and organises the development policy perspective conference of the states, which serves as a forum for co-ordination and exchange between the 16 states, in particular to prepare the yearly BLA-EZ meeting.

The WUS also supports the states in the implementation of their projects in specific countries, e.g. the Palestinian Authority and Viet Nam.

DDC policies, modalities, approaches and ODA financing trends in Germany

Definitions and guidelines

Based on the 2022 OECD survey results, German federal states have no harmonised definition of DDC. As mentioned above, 11 out of the 14 states that responded to the OECD survey do not have a definition of DDC. The remaining three states have their own definitions, which differ. At the federal level, different departments are working on internal development actions (such as education) and external actions. In the federal states, these two areas – internal and external – of development co-operation are often under the responsibility of the same department.

Consequently, there is a need to clarify the boundaries of DDC within sustainability and development policy frameworks. The lack of a harmonised definition of the boundaries of DDC in Germany generates a lack of joint understanding of the term decentralised development co-operation, e.g. since DDC actors use different terms such as development co-operation and development policy synonymously. There is a need for states and municipalities to clarify how DDC fits within sustainability and development policies, and frameworks, and to define the boundaries of internal (e.g. development awareness, education for sustainable development, vocational training) versus external actions. Consensus-based joint definitions and harmonised guidelines across federal, state and municipal levels could help clarify what counts as DDC, in particular which actions count as internal and which as external.

Nevertheless, most states (8 out of 14 states responding to the OECD survey) have guidelines in place for the design and implementation of DDC activities that have been developed and/or are used by their federal state. There is a diverse array of development co-operation and sustainability frameworks, agreements, strategies and guidelines utilised by states to design and implement DDC activities, which are neither standardised nor harmonised. Six of the states have included DDC in their state's development policy guidelines, which were in some of the states developed via multi-stakeholder approaches together with different territorial stakeholders such as CSOs, citizens and youth, as in the city-state of Bremen. Four states use their sustainability strategies as the prevailing framework for their DDC activities. In Berlin and Saarland, the coalition agreements of the government are used as a framework that shapes their DDC activities. In Saarland, there are specific guidelines and legal frameworks developed by the Ministry of Education and Culture for projects in collaboration with CSOs, including in development co-operation. In Hesse, the decisions of the MPKs are seen as a guideline for the design and implementation of DDC activities. Others mentioned the state budgetary codes and state budgets that are used to define which rules apply to public funds being disbursed for different expenses, including in the framework of DDC. In another state, the state constitution provides guidelines for DDC activities.

Less than a third of municipalities indicated that their federal state has a standard definition of DDC relevant to the municipal context.³ Among those municipalities responding to the OECD survey, 30% indicated having a standard definition of DDC that is relevant to them. Twenty-eight percent declared that they do not have such a definition in place in their state. The majority of respondents (more than 40%) did not know whether they have such a definition. This points out the need for a standard consensus-based framework and a higher awareness of DDC terminology in German municipalities overall. The lack of clear boundaries for municipal DDC activities can have implications in terms of low co-ordination between state and municipal governments, a challenge further discussed in Chapter 2. Among those municipalities mentioning a standard DDC definition, several named the development policy guidelines of their federal states, in particular Baden-Württemberg (including the municipal development policy handbook of the association of cities in Baden-Württemberg),⁴ Hesse, North Rhine-Westphalia and Thuringia. Other references mentioned include the 2008 resolution of the BLA-EZ to implement the resolution of the Prime

Ministers Conference and a position paper published by the German Association of Cities in 2021.⁵ In addition, half of the municipalities have guidelines for the design and implementation of DDC activities developed or used by their municipality. Forty-one percent do not have guidelines, while 9% of municipalities do not know about such guidelines.

To ensure the efficiency of public spending, the majority of states have guidelines for the procurement of materials, equipment and services within DDC projects with actors in developing countries. Public procurement guidelines are essential to ensure the efficient use of public resources. In carrying out development co-operation activities in the Global South, such procurement guidelines are all the more important to promote sustainable and inclusive markets in developing countries. Eight of the 14 states declared that they have such guidelines in place but the majority of them do not differentiate between general public procurement guidelines and specific guidelines for the procurement of materials, equipment and services within DDC projects. However, existing procurement rules are adapted to the different kinds of projects and funding implemented. For example, DDC projects that are co-funded by the BMZ or SKEW rely on procurement rules specified in the respective funding agreement and usually adhere to federal procurement laws. For state-funded projects, state procurement laws apply and are often part of the state grant and budget laws.

Overview of German subnational ODA financing trends

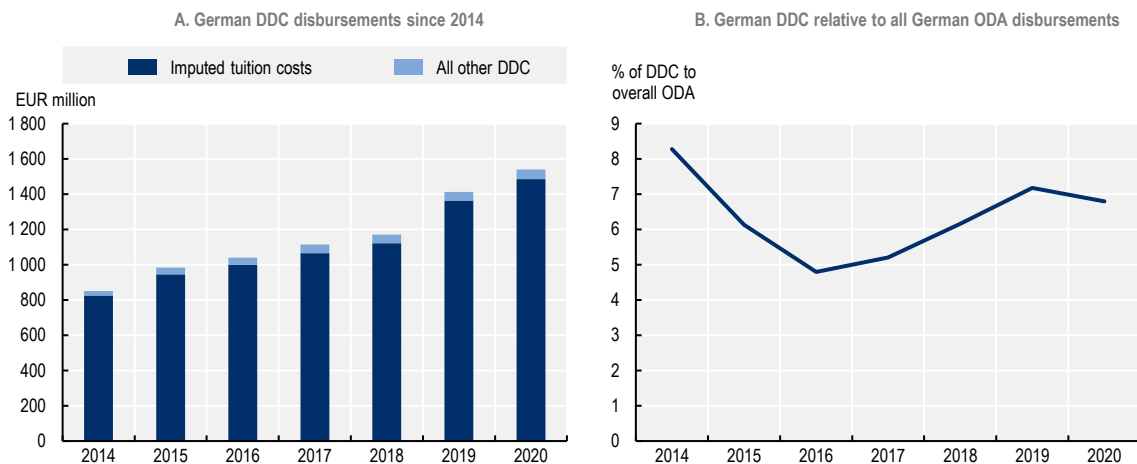
German states and municipalities provide the highest levels of ODA in absolute terms compared to other members of the OECD Development Assistance Committee (DAC), followed by Spain, France and Canada.⁶ OECD CRS data shows that since 2005, total DDC volumes have grown in absolute terms. Although some providers scaled back DDC activities following the global financial crisis, others increased ODA spending via subnational entities. Germany is 1 of the 11 OECD DAC members reporting on DDC as ODA in 2020. Since 2018, Germany has consistently accounted for more than 60% of DDC volumes worldwide, mainly due to tuition costs. In 2020, Bavaria represented the largest portion (27%) of German DDC (including in-donor costs, such as spending on development awareness), followed by North Rhine-Westphalia (21%) and the city of Hamburg (18%). Overall, the federal states accounted for 6.8% of total German ODA in 2020.

Following the COVID-19 crisis, ODA financing by German states and municipalities continues to show a stable upward trend. Total ODA disbursements by German subnational agencies have increased every year since 2014 and by 9% in 2020 (i.e. from EUR 1 411 million in 2019 to EUR 1 538 in 2020) (Figure 2.3, Panel A). While more than 95% of German DDC financing is spent on imputed tuition costs reported under the agency code “Federal states and local governments”, DDC disbursements excluding this agency code more than doubled from EUR 25 million in 2014 to EUR 53 million in 2020, thus increasing by an average of 11% annually. The biggest driver of those changes was funding for project-type interventions in partner countries in Bavaria in 2017. Another noticeable increase in reported ODA disbursements took place in 2015, mainly driven by Hamburg’s inclusion of the funding of the Bernhard Nocht Institute for Tropical Medicine (BNITM) for research, teaching and training. DDC represented between 5% and 8% of total German ODA since 2014. In 2020, it accounted for around 7% of the total. Only the share of DDC in total Belgian and Spanish ODA was larger in 2020, representing 9% and 36% of total ODA respectively. The decline in the relative share of DDC in total German ODA is due to large increases in the levels of total German ODA (Figure 2.3, Panel B). Between 2016 and 2019, total German ODA flows decreased, while the share of DDC in total ODA increased.

A handful of the largest German states hold the largest share of ODA financing, with several notable exceptions. Over the 3-year period 2018-20, 4 German states (i.e. Baden-Württemberg, Bavaria, Hamburg and North Rhine-Westphalia) accounted for more than 75% of total German subnational ODA (see Figure 2.4, Panel A). Bavaria is the largest provider among the states, mainly financing project-type interventions in partner countries which increased by around 30% in 2018-20 and providing technical assistance. While Hamburg is the third largest German ODA provider in absolute terms, it is not among

the largest economies in terms of gross regional product (GRP). Hamburg contributes roughly eight times more ODA than states of a similar GRP size (Figure 2.4, Panel B).

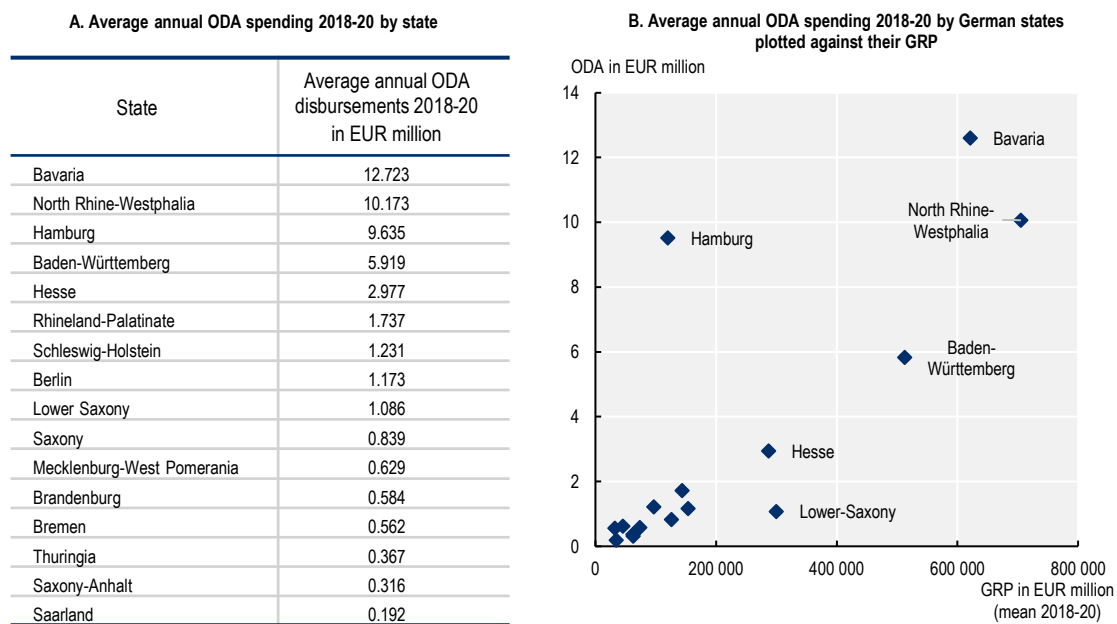
Figure 2.3. In Germany, ODA disbursements by subnational actors increased every year since 2014 despite fluctuations in national ODA levels



Note: From the CRS database, it is not possible to distinguish which federal state contributes to student costs. However, data from the BMZ/Ministry of Development show this disaggregation. According to that data, Baden-Württemberg, Bavaria and North Rhine-Westphalia extend the largest amounts, consistent with the number and size of universities as well as their attractiveness to foreign students.

Source: OECD (2022^[43]), *Creditor Reporting System (CRS)*, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>.

Figure 2.4. The majority of DDC spending is concentrated among the larger states

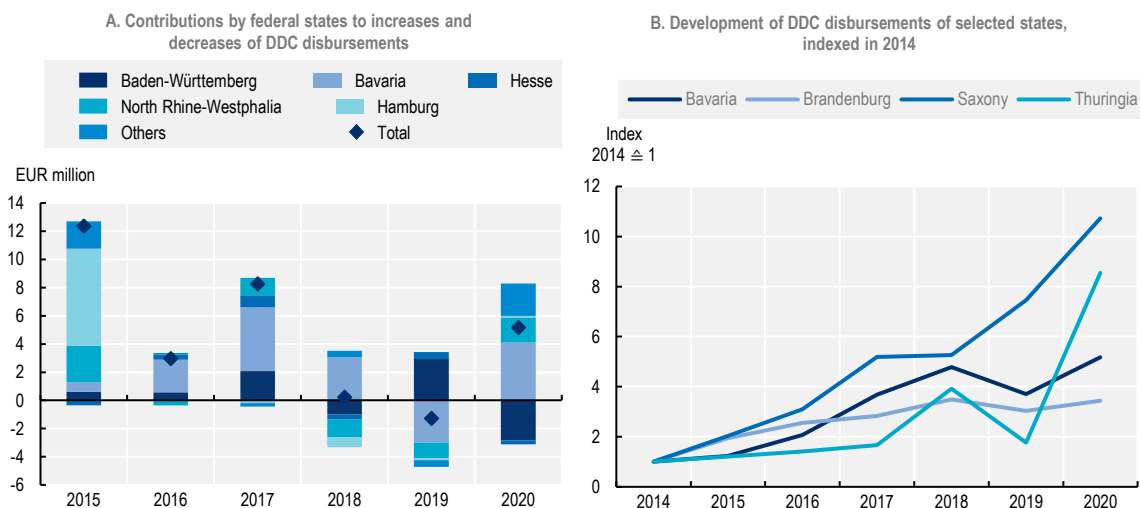


Note: GRP=gross regional product. ODA figures are in gross disbursements. The annual average over the past 3 years excludes agency code 12 "Federal states and local governments". Since the GRP was only available in current values, the current values for ODA (i.e. non-deflated) have been used exceptionally for this graph to provide internal consistency.

Source: OECD (2022^[43]), *Creditor Reporting System (CRS)*, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>; GRP: Destatis (2023^[44]), *Bruttoinlandsprodukt, Bruttowertschöpfung*, <https://www.statistikportal.de/de/vgrdl/ergebnisse-laenderebene/bruttoinlandsprodukt-bruttowertschoepfung/bip#9535>.

However, levels of DDC financing disbursed by several smaller states have increased rapidly. While a few large donors drive total German DDC volumes (Figure 2.5, Panel A), since 2014, smaller donors, including Saxony and Thuringia, have increased ODA levels eightfold (see Figure 2.5, Panel B). The increase in Saxony was mainly due to an increase in reporting on project-type interventions in partner countries in 2017-20. As further discussed in the sub-section on geographical and sectoral priorities, smaller states can also focus on specific partner countries or provide stable and predictable funding over long periods of time.

Figure 2.5. While large donors drove the increase in total DDC, smaller states also significantly increased their contributions



Note: For Panel B, only an illustrative selection of states is shown. Disbursements are indexed to 100 in 2014.

Source: OECD (2022^[43]), *Creditor Reporting System (CRS)*, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>.

While ODA data disaggregated to assess activities by German municipalities are unavailable, estimates indicate potentially significant volumes. The city of Kiel, for instance, estimated that its spending on ODA amounted to EUR 130 000 in 2020 (City of Kiel, 2022^[45]). This is approximately 10% of the reported ODA for the same period for the state of Schleswig-Holstein (when not counting imputed tuition costs). Municipalities can account for significant amounts of DDC in other DAC member contexts. In Spain, for instance, municipalities accounted for around 30% of all Spanish DDC in 2019 and 2020.

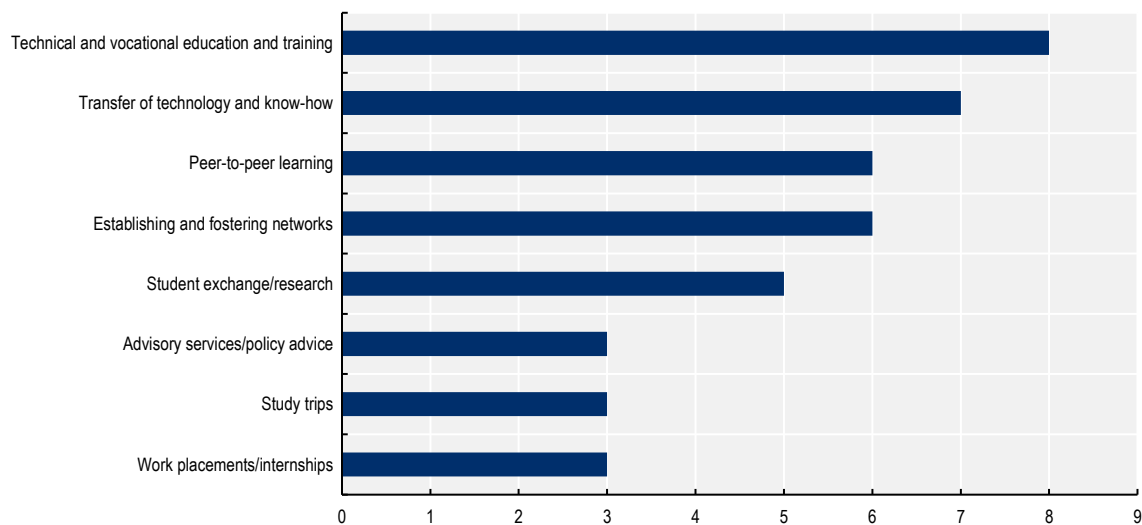
Expertise and types of technical assistance

Education, health, climate and environment are the core expertise of the federal states. In the German federal system, federal states are the main actor in policy implementation, in particular in those areas in which they have the sole responsibility, such as education. Consequently, 6 out of 14 of the federal states mentioned education, in particular technical and vocational education and training (TVET), as their main expertise but also climate and environment, including renewable energy and marine topics. Another area of expertise of the federal states is health, which was named by four of them. Other significant areas include water, sanitation, and hygiene (3), civic engagement (3), good governance and decentralisation (3) and the promotion of SMEs and entrepreneurship (3). Expertise in fostering networks (2), law and security (2) and fair trade and sustainable procurement (2) was slightly less often mentioned.

Most states focus their DDC on technical co-operation, advisory services and peer-to-peer learning. All the 14 states responding to the OECD survey carry out some form of technical assistance (GIZ, 2022^[46]) as part of their development projects. The most common type of technical assistance implemented in the states' DDC activities between 2016 and 2020 were TVET and the transfer of technology and know-how (Figure 2.6). Around half of the German states were engaged in such activities between 2016 and 2020. Hesse for example collaborated with Ethiopia in the framework of a BLP project to train Ethiopian decision makers and vocational training specialists in the fields of automation and electrical engineering between 2020 and 2022. In the area of know-how transfer, the state of Bavaria for example engaged in a BLP project with professionals and managers of the Ugandan energy sector to share the necessary know-how to expand the availability of solar energy and related energy-efficient applications in Uganda (GIZ, 2022^[47]). Peer learning and networks also represent an important type of technical assistance provided by the German federal states. Some federal states are also active in cultural co-operation, advisory services, organisational development and change management. However, these types of technical assistance play a less important role for German DDC overall. A dedicated website run by the German section of the WUS provides an overview of the federal states' development co-operation activities, including thematic areas and strategic documents of the different federal states. However, there is no centralised database to assess specific projects implemented by federal states, which could facilitate co-ordination between different actors, lead to economies of scale and create synergies between different projects (see the section on policy recommendations).

Figure 2.6. Types of technical assistance for DDC provided by the German federal states

Number of states engaged in different types of technical assistance for DDC between 2016 and 2020



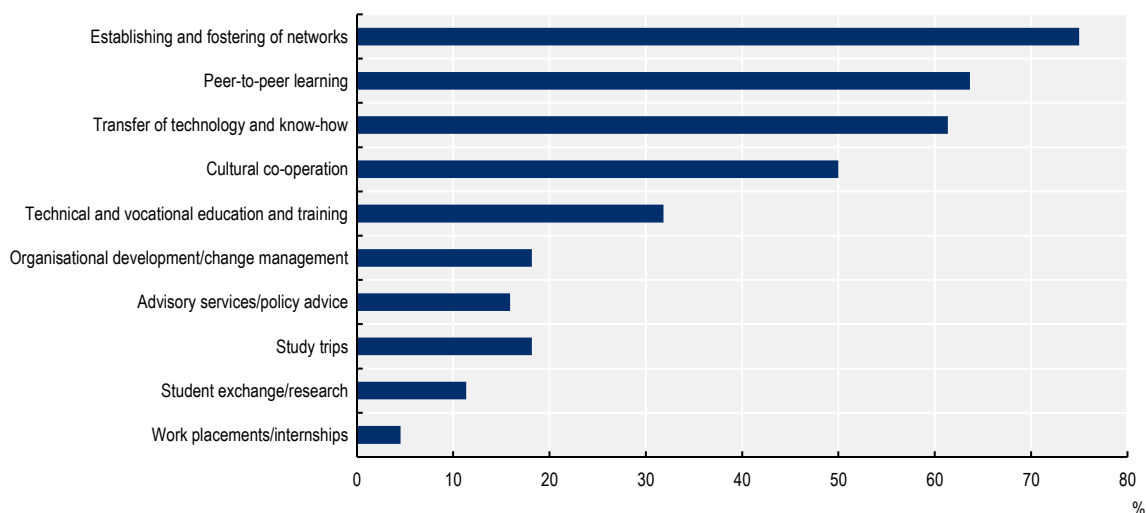
Source: OECD survey to the German federal states 2021/22.

At the municipal level, establishing and fostering networks and peer-to-peer learning are the two most commonly used types of technical assistance in municipal DDC activities. Around 75% of municipalities responding to the OECD survey have been engaged in establishing and fostering networks in 2018, 2020 or both years. Peer-to-peer learning is the second most important type of technical assistance for municipalities' DDC projects. Around two-thirds of municipalities used peer-to-peer learning in their DDC programmes. Roundtables and platforms that bring together actors from various sectors are tools used by municipalities that can improve the communication and exchange of knowledge, in particular in crises and emergencies. The transfer of technology and know-how played a similarly important role, with around 60%

of municipalities using it as part of their DDC activities in 2018 and/or 2020. Other relevant types of technical assistance that are important in municipalities' DDC activities are notably TVET, advisory services, organisational development and change management (Figure 2.7).

Figure 2.7. Types of technical assistance for DDC provided by German municipalities

Share of respondents considering different types of technical assistance as the most important among their DDC activities between 2018 and 2020



Source: OECD survey of German municipalities 2022.

Several states do not provide expertise and competencies directly to partners in the Global South but rather support knowledge sharing by financing a range of actors, in particular CSOs. Those states, therefore, do not always prioritise DDC actions in those policy areas where they have a comparative advantage or strong knowledge. Instead, their role is to finance activities rather than to provide knowledge or expertise directly. Saxony follows a demand-driven approach to determining the policy areas it targets in its DDC activities. Instead of selecting policy areas based on the state's competencies, it is the needs of the partner in the developing country and the CSOs that define the thematic focus of the state's DDC activities. This is also linked to the fact that most states channel their DDC through CSOs. Yet, there is not always such a clear distinction between supply- and demand-driven activities. In Lower Saxony, projects can be based both on their specific expertise and on the demand of a partner country or city. The state of Schleswig-Holstein determines its areas of DDC support in collaboration with GIZ.

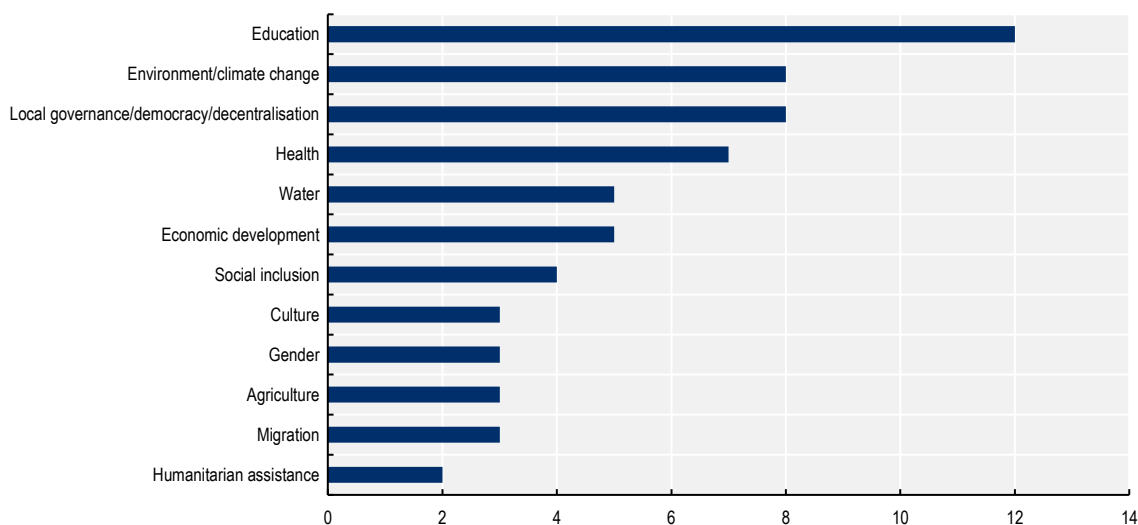
Policy areas targeted

Education, environment and health are the top three policy areas targeted by states' DDC activities. These areas align with the core competencies of the states and have remained the same over the 2016-20 period. Between 2016 and 2020, 12 out of the 14 federal states have been implementing or supporting DDC projects in the field of education, a policy area that is no longer a priority area at the federal level when it comes to development co-operation (Figure 2.8). The federal states' activities include TVET, intercultural communication and vocational training. Furthermore, networking and the transfer of technologies and know-how play a key role in the states' educational development projects. Other activities in the field of education implemented by the federal states are organisational development and education for sustainable development, the latter mainly focusing on activities within Germany. Nine of the states have been active in environment and climate change-related development co-operation. These focus notably on climate

change and resource protection, sustainable mobility, renewable energy, waste management and marine research but also fair trade and sustainable procurement. The third most frequently targeted policy area is health (8 out of 14). The German federal states are collaborating with partners in developing countries in areas such as fire and rescue services, hospitals, sports and protection of health and safety standards at work. They also work on medical technology, minority rights and protection and the improvement of global health and combatting neglected diseases more effectively. All these policy areas are priorities of the state. Against that background, the federal level and each federal state formulate their priorities independently from each other.

Figure 2.8. Policy areas supported by federal states through DDC

Number of states engaged in different policy areas in DDC between 2016 and 2020

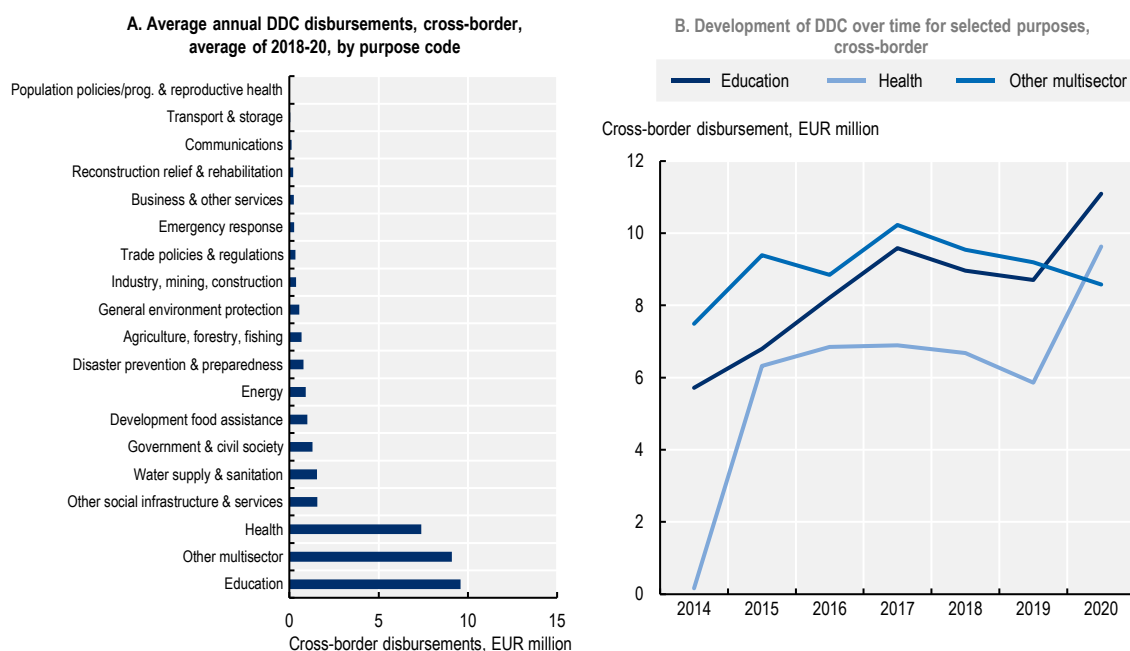


Source: OECD survey to the German federal states 2021/22.

Based on OECD CRS data in 2018-20, German states mainly targeted ODA financing in support of education and health, with a few exceptions among states.⁷ Amounts spent on education were nearly as high as all other sectors combined except for health and other multisector activities (Figure 2.9).⁸ The spike in amounts spent on education spending in 2019-20 is largely due to large investments by Bavaria and Hesse. This is consistent with the responses by federal states regarding their policy priorities mentioned above. However, some smaller states specialise in sectors other than education and health. Mecklenburg-West Pomerania, for example, invested more in affordable and clean energy than in education or health. Another example is Schleswig-Holstein, which devoted a greater share of its funding in 2018-20 to science and technology research.

OECD CRS data further show that, in response to the COVID-19 crisis, ODA provided by German states for health purposes increased substantially. An assessment of the descriptions of ODA projects reveals that around EUR 3 million were disbursed in 2020 on projects that mentioned either COVID or Corona in their descriptions. While a portion of this funding may have been allocated to the health sector regardless of the pandemic, it nevertheless indicates that a health response to the global pandemic shaped the disbursements of several federal states.

Figure 2.9. German states focus their international engagement on education and health



Note: Both graphs include only cross-border ODA. The jump in health spending between 2014 and 2015 can be traced to Hamburg's funding for the Bernhard Nocht Research Institute (Panel A).

Source: OECD (2022^[43]), *Creditor Reporting System (CRS)*, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>.

It is possible to assess how German DDC financing targets the SDGs thanks to new artificial intelligence algorithmic tools. The OECD has developed several approaches using machine learning to derive the SDG focus from the individual project descriptions. Machine learning technology can also help crosscheck and complement the data available in the purpose codes. Every project can focus on one or more SDGs. As such, the sum of the percentages of projects that focus on each SDG can be larger than 100% in the corresponding graph (Figure 2.10).

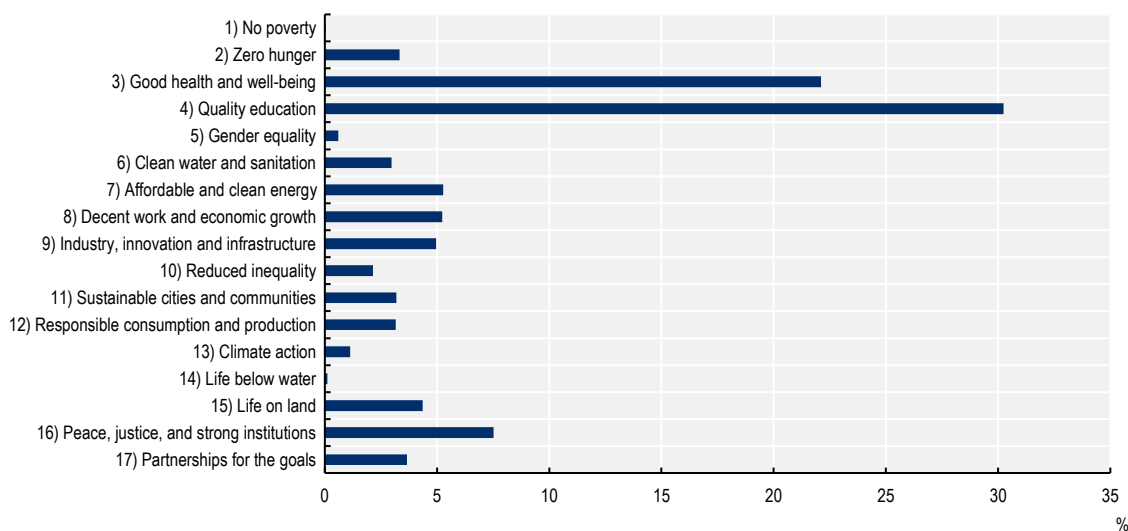
The OECD's machine learning algorithm applied to ODA project-level data further reaffirms that SDGs 4 "Quality education" and 3 "Good health and well-being" were the focus areas of German states' ODA spending. This is consistent with the result of the sectoral allocation, which is directly coded in the CRS. On the other end of the spectrum, apart from SDG 1 "Zero poverty", the smallest amount has been dedicated to SDG 14 "Life below water", which is also consistent with the fact that only 3 of the 16 federal states have a coastline and have the competencies or interest to engage in related external actions. This overall picture, however, hides some variation between individual states. While most states have a strong focus on SDG 4 "Quality education", Schleswig-Holstein for instance seems to focus more on SDG 16 "Peace, justice and strong institutions" in its external action, while Mecklenburg-Western Pomerania mostly addresses SDG 7 "Affordable and clean energy".

OECD survey results show that in addition to education, environment and health, German federal states support DDC activities in the areas of local governance, water, sanitation and hygiene and economic development. Half of the German federal states are active in the policy area of local governance. This includes DDC projects on cross-border co-operation, spatial planning, judicial systems and the rule of law as well as activities to strengthen civic engagement and intensify dialogues between local administrations and the local population. One example is Baden-Württemberg's participation in the German-Tunisian administration exchange programme of the German government and BLP to strengthen the theoretical and practical knowledge of future Tunisian administrators and managers in democratic participation

processes (Box 2.1) (GIZ, 2022^[48]). Water, sanitation and hygiene are also targeted policy areas for 6 out of 14 federal states responding to the OECD survey, e.g. Lower Saxony through its BLP water resource management project with partners from ministries and the private sector in Tanzania (GIZ, 2022^[49]). Another policy area, mentioned by five federal states, is economic development, in particular focusing on the development of SMEs, tourism and agriculture. In addition, federal states are active in humanitarian assistance (4), social inclusion (4), gender (3), culture (3) and migration (2). Thematic projects in specific policy areas that require specialist knowledge such as climate mitigation require the involvement of different departments within the states' administration.

Figure 2.10. Education and health stand out as the main SDGs targeted by German federal states

Disbursements in % of all disbursements for which SDGs could be assigned



Note: Average over annual percentage over the years 2018-20. As projects can target more than one SDG, the sum of percentages is over 100%. The basis is all projects that could be assigned an SDG focus through the xgb algorithm. Numbers may change in the future with improved versions of the algorithm. Only cross-border disbursements are considered (no in-donor action).

Source: OECD (2022^[43]), *Creditor Reporting System (CRS)*, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>; SDGs determined using the OECD (2022^[50]), *SDG Financing Lab*, <https://sdg-financing-lab.oecd.org/?country=Germany&distribution=providers&sdg=4>.

Box 2.1. The German Government and Federal States Programme

The German Government and Federal States Programme (*Bund-Länder-Programm*, BLP) implemented by GIZ aims at improving the strategic co-operation between the German government and federal states in the field of development co-operation (GIZ, 2022^[29]). The BLP was established in 2015 to develop a joint programme building on the competencies of the federal states, for instance in the field of public administration (GIZ, 2022^[30]). The core activity areas of the programme are sustainable economic development, good governance, environment, climate and energy, as well as pandemic resilience. The programme links regional expertise in the federal states with ongoing technical co-operation projects initiated by the federal government and implemented by GIZ (GIZ, 2022^[29]). In the project's pilot phase (2015-19), the BLP supported 42 projects. In the recent phase (2019-23), there are 30 BLP projects. Four projects are described below.

Strengthening citizen participation and modernising administrative structures (12/2019-03/2022)

In the years following the Arab Spring, Tunisia has initiated a push for the modernisation of its administrative structures. The BLP project between the state of Baden-Württemberg and Tunisia in the thematic area of good governance supported this process. The project German-Tunisian Administrative Exchange 2.0 aimed at strengthening democratic leadership and participatory processes, addressing the future generation of the Tunisian administration and government. A partnership between the *École nationale d'administration de Tunis* (ENA) and the University of Public Administration in Kehl was an important element of the collaboration. It gave selected ENA students the opportunity to complete their mandatory internship in a municipal agency in Baden-Württemberg (due to the COVID-19 pandemic in an online format of a six-week Autumn School). With the additional guidance of the university in Kehl and an individual tutor from Baden-Württemberg, students gained hands-on experience in the functioning of democratic participatory processes at the local level. The project also focused on promoting gender equality and addressed the topic of women in management positions.

Improved weather forecasting for agriculture in Rwanda (06/2021-03/2023)

Soil degradation as a result of rapid population growth and related intensive soil usage is one of the main challenges of Rwandan agriculture. To address the issue of manually operated weather stations and to exploit the potential of improving harvest yields, the BLP project between Rhineland-Palatinate and Rwanda focuses on the digitalisation of weather stations and the associated expansion of digital agricultural meteorology. In a first phase, the Rhineland-Palatinate Ministry of Economic Affairs, Transport, Agriculture and Viniculture (MWVLW) and the Rwandan Ministry of Agriculture and Animal Resources (MINAGRI) analysed the country's existing agricultural meteorology infrastructure, notably the technical solutions necessary to digitalise weather forecasting. Based on that assessment, the partners started to draw up an implementation plan. During the ongoing implementation phase, weather stations in Rwanda are becoming increasingly automated and Meteo Rwanda will expand its electronic data-processing activities with support from Rhineland-Palatinate. The resulting agricultural meteorology service could serve as a model for other regions to promote sustainable and climate-proof agricultural practices.

Supporting women to start businesses – Promoting innovation (11/2018-11/2019 and 03/2020-12/2021)

In order to promote female entrepreneurship and innovation, the city of Berlin collaborated with the BMZ and Indian institutions on two BLP projects. The Female Entrepreneurship in Berlin and India (FEBI) I and II projects aimed to connect Indian female entrepreneurs to business opportunities in Germany, including targeted communication and networking with Berlin's start-up ecosystem. By offering capacity building to Indian institutions on how to support start-ups led by women, inviting Indian women entrepreneurs to international start-up conferences as well as exchange experiences with other international founders, the project contributed to promoting employment and gender equality. The implemented capacity-building measures within Indian institutions seek to encourage the Indian start-up ecosystem to increase funding offers to female entrepreneurs in the future.

Standardising the use of traditional medicine (04/2022-03/2023)

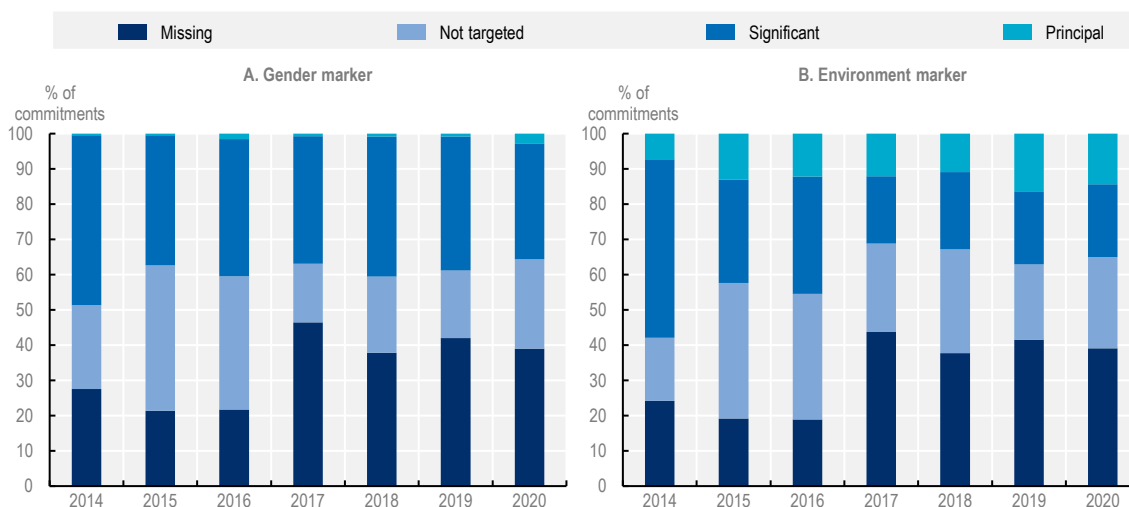
The project's objective was to strengthen infectious disease capacity at Kampala's Kiruddu Referral Hospital regarding prevention, diagnostics, treatment and measures to combat the further development and spread of multi-drug resistant bacteria. Therefore, the project partners, the Kiruddu Referral Hospital in Uganda, and the State Chancellery of Saxony and the Medical Center of the University of Leipzig in Germany, collaborated to set up a modern microbiological laboratory at the hospital in Kampala to expand its diagnostic capacities and to improve care for patients with bacterial infections. In particular, project partners carried out practical training on diagnostic equipment supported by virtual advice and support from laboratory experts at the University of Leipzig as well as expert missions by

doctors from the University of Leipzig. The project expanded the existing partnership and formed the basis for further cooperation between the University of Leipzig and the Kiruddu Referral Hospital in the areas of teaching, clinical practice, and research on infectious diseases with a focus on antimicrobial resistance.

Source: GIZ (2022^[29]), “German Government and federal states cooperate in development cooperation”, <https://www.giz.de/en/worldwide/91262.html> (accessed on 23 August 2022); GIZ (2022^[30]), *Jointly for Sustainable Development - German Government and Federal State Programme (BLP)*, <https://bund-laender-programm.de/en> (accessed on 23 August 2022).

Cross-cutting policy priorities such as the environment and gender equality are also targeted by the states’ ODA spending. Based on screened ODA data, or ODA assessed by providers according to a cross-cutting policy focus, German states committed around 60% of ODA financing to gender goals and 55% to environmental goals on average over the 2014-2020 period (Figure 2.11).⁹ Together, states screened 65% of their commitments in 2020 for the gender or environment marker. These amounts are even higher than the values for total German ODA, of which 45.5% were committed to gender equality and 41.2% to the environment (OECD, 2022^[25]). At the same time, these amounts are in line with the 50% of commitments of Spanish DDC that have a gender focus in 2020, which is to a large extent driven by the Basque Country as a champion in promoting women’s empowerment (OECD, 2018^[1]). The Rio markers for climate change adaptation and mitigation spending were not utilised, however, due to low levels of screening (nearly half of the amounts disbursed are not screened).¹⁰

Figure 2.11. Gender and environment markers indicate a comparatively strong focus but screening coverage could improve to ensure comparability



Note: To remain consistent with other statistical practices, commitments instead of disbursements have been used for the analysis of markers. Source: OECD (2022^[43]), *Creditor Reporting System (CRS)*, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>.

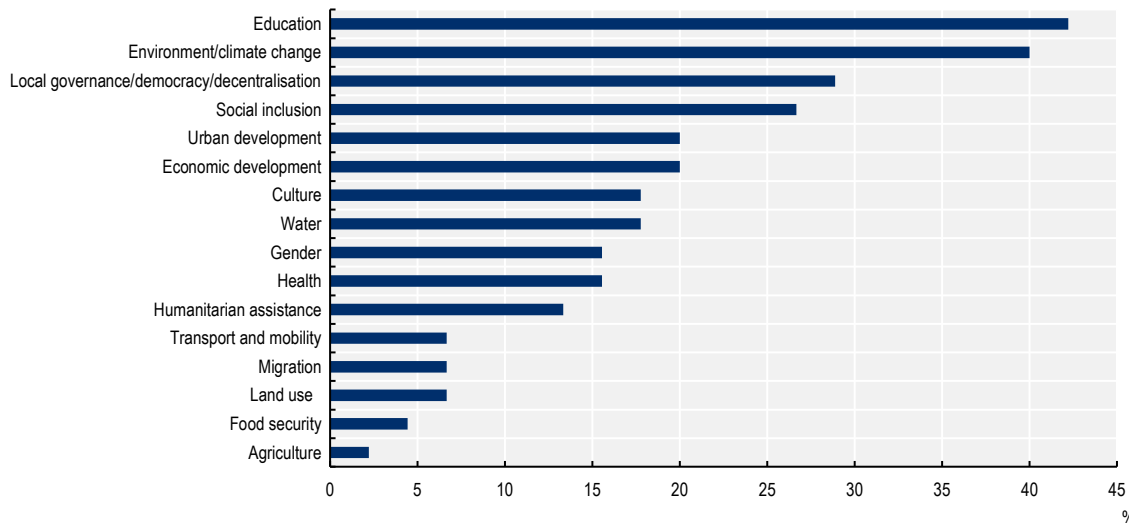
Survey data further demonstrate that the two main policy areas that German municipalities have supported through DDC in the past five years are education and climate change. Around 40% of German municipalities responding to the OECD survey have been engaged in education- and environment-related DDC activities in 2018 and 2020 (Figure 2.12). One example of such activities is the SKEW municipal climate partnership programme, which aims to initiate and strengthen technical co-operation between German municipalities and municipalities in the Global South in the areas of climate protection and climate change adaptation (SKEW, 2022^[51]). Since 2011, 77 municipal climate partnerships have been established

in the framework of the programme. For several of the participating municipalities, the municipal climate partnership was the starting point for their international co-operation activities. In some cases, these partnerships have been extended to other policy areas beyond climate change over the years and further developed over time.

Other important policy areas for German municipalities are governance and democracy. Close to 30% have been active in the field of local governance, democracy and decentralisation in the past 5 years. Around 27% have been targeting social inclusion in their DDC activities both in 2018 and in 2020. Another relevant area is urban development. Twenty percent of German municipalities responding to the survey were active in urban development-related DDC projects in the past five years. In addition, health has emerged as a key area of DDC activities in German municipalities since the outbreak of the COVID-19 pandemic in 2020. Around 22% of German municipalities responding to the OECD survey were engaged in DDC activities in health, compared to 16% two years before. Other relevant policy areas were economic development, water, gender and culture. Generally, it is important to find a common understanding of a DDC project's objective to avoid a mismatch in terms of priorities. In some cases, cities and regions in partner countries are interested in infrastructure projects rather than in peer-to-peer learning activities, which are a more common type of expertise that German municipalities provide. However, the limited project funding by the federal level available to German municipalities (a maximum of EUR 250 000 over 3 years) and the fact that infrastructure developments are predominantly supported through multilateral mechanisms limits the number of infrastructure projects implemented through DDC. Agreeing on priorities and areas of expertise upfront is, therefore, crucial.

Figure 2.12. Thematic priorities of municipal DDC activities

Share of German municipalities responding to the OECD survey active in DDC in different policy areas



Source: OECD survey of German municipalities 2022.

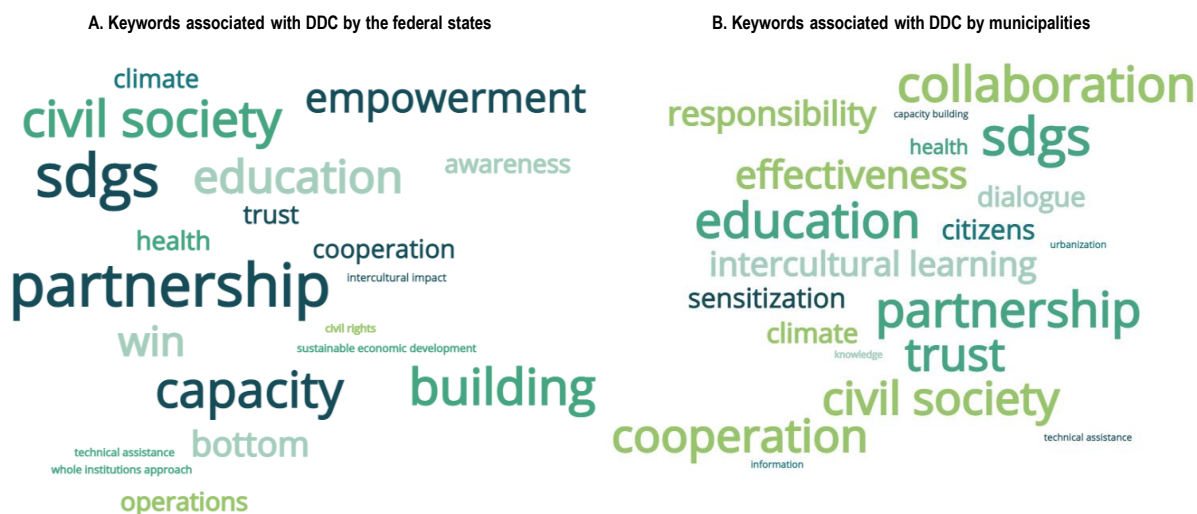
Comparative advantages and competencies in specific policy areas determine the state's DDC activities. The sectors in which the federal states have the competencies and technical expertise to engage in DDC activities are often aligned with those competencies specified in their constitutions, which point out the responsibilities of the federal states. Federal states are active in DDC in policy areas where they have a comparative advantage compared to other actors and a strong knowledge to share with DDC. For example, Hesse uses the policy sectors selected by the BLP programme (governance, environment, climate and

energy, sustainable economic development) to share its knowledge with DDC partners. The city-state of Hamburg aims to implement activities that are complementary to those of the federal government.

Municipalities also focus their DDC activities on the areas where they have competencies and expertise. For 90% of municipalities, the policy areas where they are active in DDC are also the areas where they have the relevant competencies and technical expertise. The activities of municipalities in DDC range from water and waste management to educational activities and expertise including education programmes for youth and education for sustainable development among other things. The municipality of Teltow-Fläming, for example, is working in environmental education together with the municipality of Katimo Mulila in Namibia. In the area of climate and environment, German municipalities offer their expertise in disaster risk management, climate change adaptation, circular economy and the construction of photovoltaic plants amongst others. An example is the city of Jena, which has collaborated with its partner city San Marcos in Nicaragua in the framework of a climate partnership, by installing solar panels and constructing decentralised biogas plants amongst other things. Tourism is another area where German municipalities are engaged abroad. In the area of urban planning, municipalities provide expertise regarding for example sustainable construction and sustainable mobility such as public transport planning. Municipalities are also engaged in providing knowledge in the area of democracy and local governance, e.g. through e-governance tools, a participatory planning approach and strategies to foster citizen engagement.

The German federal states and municipalities tend to associate their DDC activities mostly with the SDGs. Federal states mainly associate DDC with “Partnerships” (8 out of 14) and SDGs (7 out of 14) (Figure 2.13). Other keywords were “co-operation”, “civil society”, “capacity building” and “education” (each 4 out of 14). Those keywords underline the collaborative nature of DDC and the importance assigned to mutual learning. The keywords that German municipalities associated DDC with display a similar picture. They mainly associate DDC supported by their municipality with the SDGs (10), education (9), collaboration (9), partnership (9), trust (8), civil society (8), co-operation (8) and effectiveness (6). These findings emphasise the importance that municipalities also attribute to collaboration and learning as well as the SDGs.

Figure 2.13. Keywords associated with DDC by the federal states and municipalities



Source: OECD 2021/22 survey of the German federal states and municipalities.

Motivations

Knowledge sharing and capacity building are the main motivation for German federal states to be involved in DDC activities. For the federal states, the main return on DDC lies in the benefits of the peer-to-peer exchange with partner countries, states and municipalities. Collaborative formats allow the states and their partners to learn from each other, not necessarily only in terms of technical knowledge but also regarding a better mutual cultural understanding. In terms of economic motivations, federal states consider the expansion of fair public procurement, the engagement of the private sector and economic development more broadly as important motivations. For example, this can mean the expectation of a possible return on investment, e.g. in terms of business opportunities for local companies. Scientific exchange is another main motivation for the states' DDC activities.

The political motivations for federal states' contributions to DDC mostly target the development of partnerships with CSOs, municipalities in their territory and developing country governments. The promotion of the SDGs, international solidarity and global justice are further incentives for the German federal states to engage in DDC. Environmental reasons play an important role in federal states' DDC activities. The majority of federal states engage in DDC to tackle climate change and contribute to climate change adaptation and mitigation, e.g. through municipal climate partnerships. The topic of migration is an important motivation for federal states as well. Some of the federal states aim to improve local living conditions in developing countries. Another relevant aspect is raising awareness about the importance of developing policies among the local population in Germany. In that context, states also use their partnerships as a tool to promote their international activities and their domestic sustainable development policies, such as SDG localisation processes.

Municipalities engage in DDC activities mainly to exchange knowledge and capacity, take on global responsibility and address climate change and the root causes of migration. The main motivation for German municipalities to be active in DDC is the exchange of knowledge and capacity building together with partners from the Global South. Many of the municipalities consider DDC as part of their global responsibility and a means to protect global goods such as health and climate. Addressing the causes and consequences of climate change in particular is a reason frequently mentioned by German municipalities as a main motivation to engage in DDC activities. Migration and the integration of migrants in Germany also play an important role. Improving the intercultural understanding and sensitising the local population in Germany to the importance of international co-operation and looking beyond their own country are further reasons for German municipalities to engage in DDC activities. The fact that the impacts of climate change are increasingly noticeable in German municipalities is generating greater interest in international co-operation among the local population in Germany. A few municipalities are also engaging in DDC due to economic considerations and possible (financial) returns on investment. Russia's war against Ukraine is another factor that has motivated an increasing number of German municipalities to engage in international co-operation and partnership in recent months. The city of Düsseldorf has set up a new partnership with Chernivtsi in March 2022. The city of Cologne has signed a new project partnership with Dnipro. The city of Frankfurt (Oder) has concluded a partnership agreement with Schostka (Ukraine) and Slubice (Poland). There are also smaller municipalities and districts such as Dorsten, Lingen, Thierhaupten and Wandlitz that have agreed on friendship declarations as well as project partnerships with municipalities in Ukraine (SKEW, 2022^[52]).

Geographical and sectoral priorities

Political reasons were the main criteria to define the geographical focus of DDC in the German federal states over the past 15 years. Various criteria play a key role in the German federal states deciding on a geographical focus for the DDC activities. Around two-thirds of them (9 out of 14) mainly determined their geographical focus due to political criteria. These can be political goals that the states want to contribute to, such as gender equality, access to clean water and sanitation or strengthening local governance.

Long-lasting partnerships provide the federal states with advantages while new demand-driven partnerships can provide additional opportunities. Several of the federal states (5 out of 14) also have long-lasting partnerships in place. In these cases, the main criteria to define the geographical focus of DDC activities have not necessarily been determined in recent years. Two of the federal states specifically point out historical reasons as the main criteria to define the geographical focus of DDC activities (Bremen and Hamburg). Limitations in the availability of funding also play a particular role in those historically grown partnerships. Keeping up existing partnerships and bundling activities in a specific geographic region or even country is usually less cost-intensive than setting up new partnerships, which forces the federal states to prioritise certain partnerships, mostly well-established ones, over others. However, existing partnerships are also seen as important for the long-term sustainability of DDC objectives. The state of Bavaria, for example, has set up a regional office in Addis Ababa in Ethiopia to co-ordinate its activities on the African continent on a continuous and long-term basis (State Government of Bavaria, 2022^[53]). Rhineland-Palatinate has an office in Kigali in its partner country Rwanda (with which it has had a partnership for over 40 years) that offers information for partners from Rhineland-Palatinate and Rwanda and co-ordinates activities (Partnerschaftsverein Rheinland-Pfalz/Ruanda e.V., 2022^[54]). Such regional offices can also help frame the regional focus of municipalities' DDC activities.

Economic and commercial criteria, addressing extreme poverty and addressing global priorities are further criteria used by three of the federal states respectively. Setting up new partnerships based on these criteria rather than continuing partnerships solely due to historical reasons provides new opportunities to better meet the demand and needs of partner countries and regions. Two federal states are collaborating with priority countries identified by partner organisations (Berlin and Saarland). Another two determined the geographical focus of partnerships partially on an ad hoc basis (Brandenburg and Hesse). Private companies that are collaborating with federal states in development co-operation projects, as is the case in Saxony-Anhalt, can also play a role in determining the geographic priorities of DDC activities.

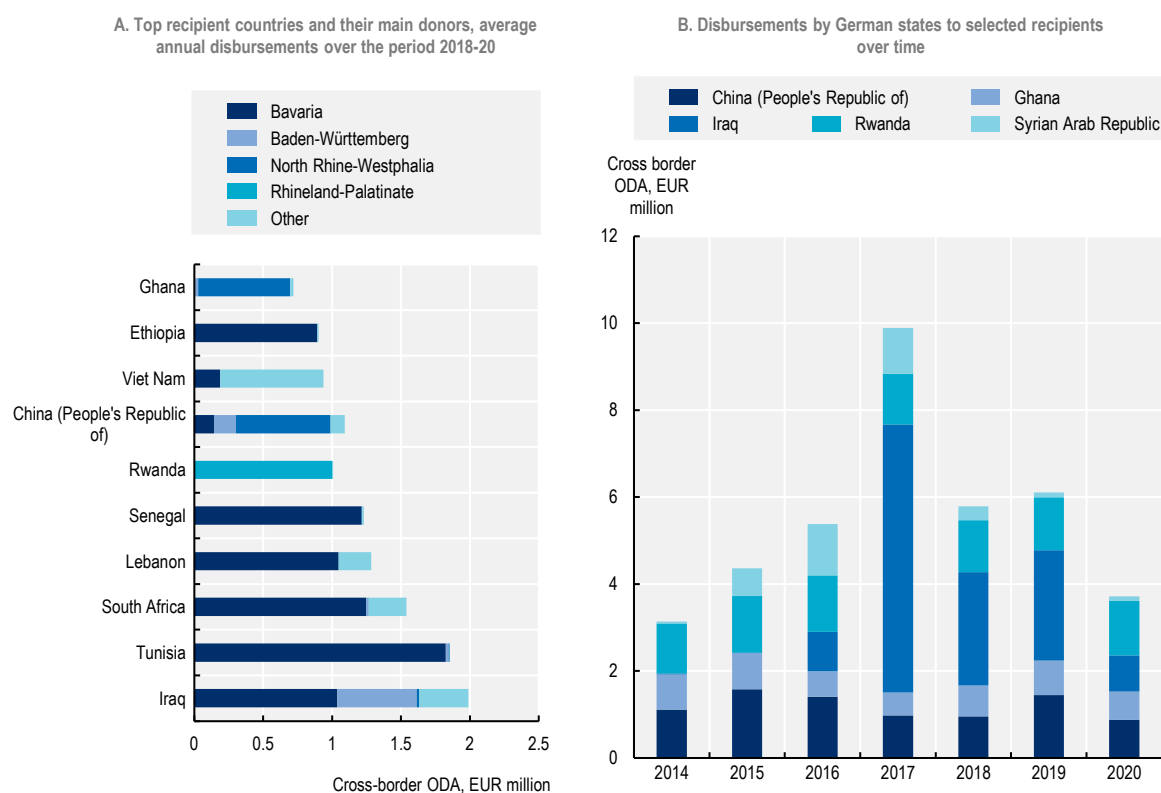
German states and municipalities provide ODA financing for projects across many developing countries. Of the 142 countries and territories that were ODA-eligible in 2020,¹¹ German states and municipalities carried out ODA-financed projects in more than half (76) of them.¹² When including in-donor expenses (i.e. refugee hosting or imputed tuition costs), the amounts spent benefitted a total of 88 countries and territories. This number might even be higher since many projects only list a certain region as a beneficiary or did not specify the recipient at all. The number of explicitly listed countries and territories fluctuated around 90 over the 2014-20 period.

OECD CRS data reveal that some German states provide stable, long-term, one-on-one financing. These long-standing, one-on-one partnerships are carried out by both larger and smaller German states (Figure 2.14). For example, North Rhine-Westphalia's contributions to Ghana have remained stable since reporting began in 2014 and represent nearly 100% of all DDC financing received by the country. Among the smaller states, Rhineland-Palatinate is the only German state that carries out DDC financing in Rwanda and has provided such financing since 1982 when the partnership was agreed upon (WUS, 2022^[55]). In terms of disbursements per capita in the recipient country, Lebanon received the most, followed by Tunisia, Albania and Rwanda. Those countries are also in the top ten recipients in absolute amounts. However, due to its larger population size, the People's Republic of China (hereafter China) is not considered a top recipient when per capita flows are considered.

In addition to maintaining long-standing partnerships, German states increase ODA financing to certain developing countries in response to new and emerging international crises. In 2018-20, the top recipients of total German DDC were Iraq, South Africa and Tunisia.^{13,14} While Iraq received the largest sum over the last three years (2018-20), amounts disbursed for the country varied largely and dropped significantly after a spike in 2017. Similarly, cross-border funding for the Syrian Arab Republic (hereafter Syria) increased noticeably in 2015 in response to the humanitarian crisis and stayed high until 2017, after which it dropped to significantly lower levels.

In the majority of German federal states, strategic and geographical priorities for DDC are defined and/or co-ordinated across ministries at the state level. Nine out of 14 federal states responding to the OECD survey mentioned that their strategic and geographical DDC priorities are co-ordinated across ministries at the state level. In Lower Saxony, the SDGs provide the foundation for the co-ordination of DDC activities across ministries at the state level. Another helpful tool are development policy guidelines. Two of the federal states (Brandenburg and Lower Saxony) are using their guidelines for development policy as the reference for their geographical priorities and strategic goals. In Bavaria, the state chancellery provides the geographic and thematic priorities for all ministries. The state of Baden-Württemberg has its own State Office for Development Co-operation in the State Department that acts as the co-ordinating body.

Figure 2.14. A variety of German states provide stable funding for long-standing partnerships



Note: Both graphs only include projects that were considered cross-border. These were projects labelled with one of the co-operation modalities A (Budget support), B (Core contributions and pooled programmes and funds), C (Project-type interventions) and D (Experts and other technical assistance). Panel B shows only selected recipients, while total amounts are not shown to make differences between the selected countries more visible.

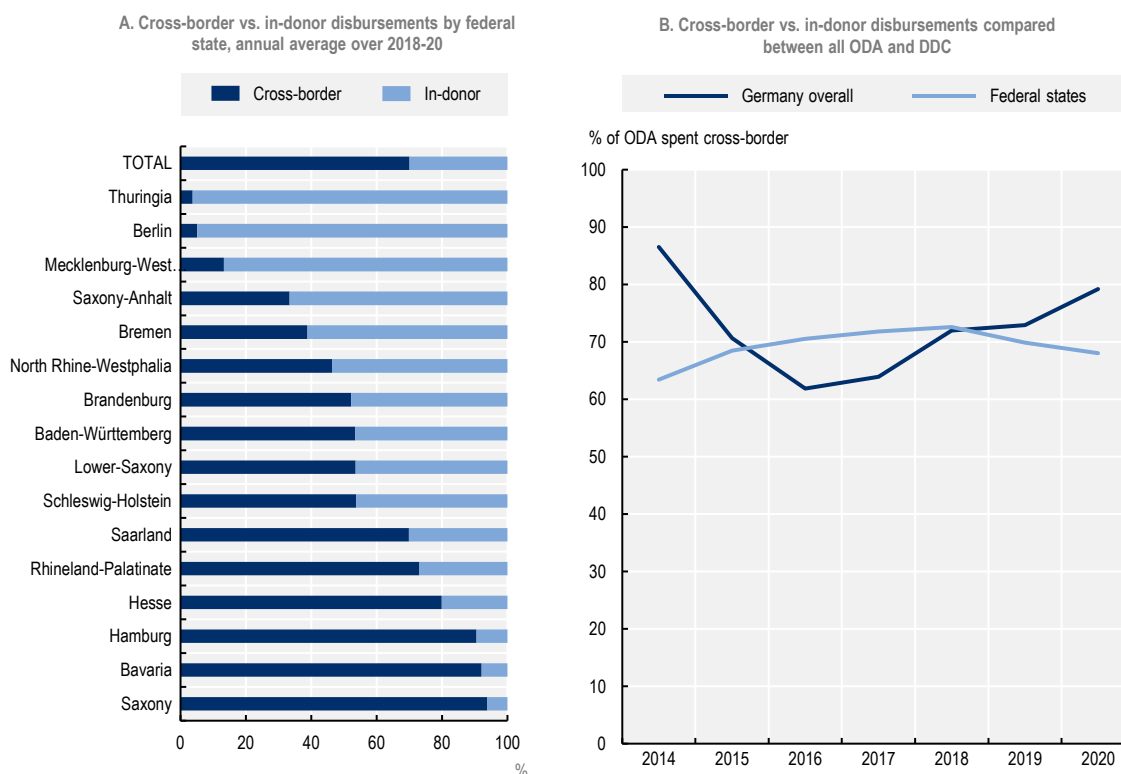
Source: OECD (2022^[43]), *Creditor Reporting System (CRS)*, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>.

Excluding in-donor tuition costs,¹⁵ around 70% of German DDC is allocated to cross-border projects, with large variation across states (Figure 2.15, Panel A). Cross-border spending can include support for technical assistance while in-donor funding is often spent on the promotion of development awareness, such as education for sustainable development.¹⁶ While the majority of German DDC is spent cross-border, spending varies greatly among the individual states. On average over the 2018-2020 period, Bavaria had the highest share of cross-border projects. Thuringia, however, focused more on funding within the borders of its own state. The economic size of a state does not indicate whether a state is capable of carrying out cross-border projects. For instance, both Baden Wuerttemberg and Saarland have disbursed

a similar percentage of their ODA expenses cross-border, despite Saarland's economy being 15 times smaller.

The percentage of cross-border ODA provided by German states has remained relatively stable since 2014. For Germany overall, the percentage has increased from 62% in 2015 to 79% since 2016, after a decline from 87% in 2014, which was again likely due to the disproportionate increase in refugee hosting costs in 2015 and 2016 (Figure 2.15, Panel B). Cross-border spending by decentralised actors in other countries differs widely. While Canadian subnational actors spent about 10% cross border, this number stood at around 40% for France, 80% for Spain and more than 95% for Belgium, Italy and the United Kingdom.

Figure 2.15. German states spend about 70% of their DDC on cross-border projects (excluding imputed tuition costs)



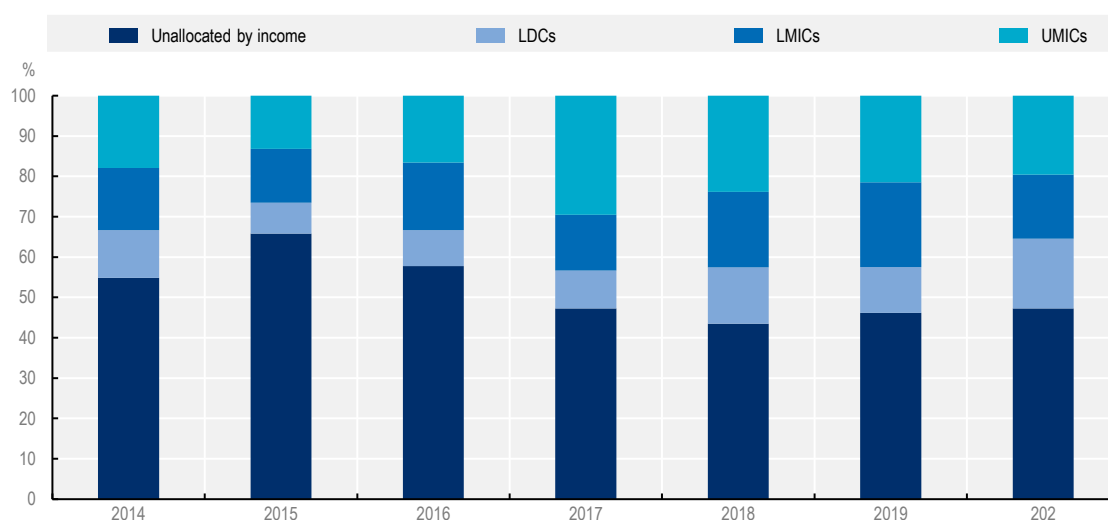
Note: Cross-border projects were considered to be those projects labelled with one of the co-operation modalities A (Budget support), B (Core contributions and pooled programmes and funds), C (Project-type interventions) and D (Experts and other technical assistance). All others, which are E (Scholarships and tuition costs in donor countries), F (Debt relief [not existent in German DDC]), G (Administrative costs not included elsewhere) and H (Other in-donor expenditures) were considered in-donor. For the rationale on this, see also the mention of ODA with no cross-border flows in the section "Country Programmable Aid" in <https://www.oecd.org/dac/dac-glossary.htm>.

Source: OECD (2022^[43]), *Creditor Reporting System (CRS)*, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>.

German states' cross-border ODA spending in support of the poorest developing countries may have increased. In 2018-20, more than half of ODA disbursements by German states were reported according to a recipient country's income level. Slightly more than 20% of German DDC targeted upper-middle-income countries (UMICs) and slightly less than 20% targeted lower-middle-income countries (LMICs), while 15% benefit least developed countries (LDCs) (Figure 2.16).¹⁷ A greater share of projects is carried out with higher-income countries due in part to the stronger institutions that facilitate exchange in those

countries (OECD, 2018^[11]). However, flows to LDCs have increased by 21% on average per annum over the full-time horizon since 2014. It is unclear whether the increase is due to increased allocations to LDC countries or to improved reporting of existing programmes (since unallocated expenses decreased at the same time). Similarly, almost half of all regional disbursements are categorised as unspecified, reflecting the focus on peer-to-peer exchange where multiple countries or regions participate in a single activity. The largest named recipient is Sub-Saharan Africa, followed by the Middle East. The strong focus on Sub-Saharan Africa is in line with the development co-operation strategy of some of the largest German states. For example, Bavaria's Council of Ministers adopted its Africa Package in 2019 and set out renewed support to develop new partnerships as well as to strengthen existing relations (WUS, 2022^[56]).

Figure 2.16. Unallocated cross-border DDC financing is declining while the share of cross-border DDC allocated to LDCs has increased



Note: Disbursements to the more advanced developing countries and territories (MADCT) and other low-income country (LIC) categories are not shown, as they are mostly below 0.1% of overall disbursements.

Source: OECD (2022^[43]), *Creditor Reporting System (CRS)*, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>.

Historical and political reasons are the main criteria of German municipalities for defining the geographical focus of their DDC activities. Among the municipalities responding to the OECD survey, almost half (17 out of 38) named historical reasons as one of the main criteria determining the geographical focus of their DDC activities in the past 3 years. Some municipalities have long-lasting partnerships in place. In the city of Bonn for example, the six main partner cities were selected in the 1990s and have remained the same since then. The adoption of new partner cities needs to be approved by the city council, which is challenging. Having a continuous historical relationship with partners and knowing the different stakeholders is seen as particularly helpful in crises, where co-ordination plays a key role, e.g. during Russia's war against Ukraine. At the same time, it can undermine the opportunities (e.g. economic, social, and environmental) that new partnerships may provide. Historical reasons can also mean the presence of migrant communities in the municipality, which served as a starting point for the DDC activities of the municipality in their respective countries of origin. As is the case for the federal states, political reasons are also 1 of the 2 main criteria (19 out of 38).

Culture is the third most important reason for municipalities to carry out DDC, as indicated in the OECD survey. Around one-fourth of municipalities (9 out of 38) select the geographical focus of their DDC activities due to cultural reasons. Other relevant criteria are to address global priorities such as the SDGs, the Conference of the Parties (COP) or Group of Seven (G7) and Group of Twenty (G20) priorities¹⁸ (8 out

of 38), priority countries defined by the central aid authority (5 out of 38 in 2018 and 2020, 2 only in 2020, 1 only in 2018), priority countries by international partner organisations (7 out of 38), ad hoc criteria (6 out of 38) and economic and commercial criteria (5 out of 38). Several municipalities also select the geographical focus of their DDC activities based on existing collaborations and partnerships of CSOs or determine their partnerships jointly with civil society, e.g. through multi-stakeholder workshops and participative processes. This was for example the case in Nuremberg to select a partner municipality in Togo. Companies located in a municipality can also influence the selection of partner municipalities. This is the case in Wolfsburg, which has 15 international partner and sister cities, which is largely due to the location of the Volkswagen headquarters in the city. In the city of Mannheim, there is a specific action plan for DDC, which specifies the city's criteria for the selection of partner municipalities, e.g. the existence of a connection between the two municipalities, existing civil society commitment in Mannheim regarding the partner municipality and the involvement of people from Mannheim originally from the potential partner municipality (Box 2.2).

Box 2.2. Municipal development co-operation in the city of Mannheim

Supported by SKEW's Municipalities for Global Sustainability programme, the city of Mannheim has set up a municipal development co-operation strategy using the SDGs as a framework that was approved by the city council in 2016. In 2021, the city adopted an action plan, which specified the criteria for selecting its partner municipalities. The main criterion is an established connection between Mannheim and the possible partner city. The twinning city must explicitly declare its will to co-operate with the city of Mannheim. The second criterion is the existence of civil society commitment related to the potential partner municipality, for example existing partnerships between CSOs in the two municipalities. The third criterion is the involvement of people from Mannheim who have a historical background linked to the partner, e.g. as a place of birth.

By applying these criteria, Mannheim aims to ensure that city partnerships benefit from the engagement of civil society in the city. The decision on possible partners takes place in the city's roundtable on development policy, which gathers politicians, the public administration and representatives from civil society. The selection of specific projects that are implemented as part of those partnerships is based on Mannheim's Mission Statement. The statement points out the city's main strategic goals until 2030, aligned with the SDGs. One of them is to become a model for international co-operation between cities. To make municipal development co-operation an integral part of local policies in Mannheim, the city furthermore set up a dedicated staff responsible for Mannheim's development co-operation activities. The position is financially supported by SKEW and promotes development policy activities within the administration and in co-operation with Mannheim's civil society.

Source: City of Mannheim (2019^[57]), *Mission Statement Mannheim 2030*, https://www.mannheim.de/sites/default/files/2019-03/Mission%20Statement%20Mannheim%202030_%2013.03.2019_English_WebFile.pdf; SKEW (2022^[58]), *Internationale Stadt Mannheim [International City Mannheim]*, <https://skew.engagement-global.de/internationale-stadt-mannheim.html> (accessed on 21 September 2022); Bilateral interview with representatives from the city of Mannheim

The SDGs as a tool to strengthen policy coherence in DDC

In parallel with global developments, the SDGs have increasingly become part of the political agenda in Germany. The German federal government first adapted its sustainability strategy to the 2030 Agenda in 2016. The latest sustainability strategy of the federal government of Germany was adopted in 2021 and is aligned with the SDGs. Its guiding principles are intergenerational equity, quality of life, social cohesion, and global responsibility (Federal Government of Germany, 2022^[59]). The sustainability strategy of the

federal government considers sustainability as a joint effort. It, therefore, emphasises the role that municipalities and federal states and their collaboration with the federal level play to achieve the SDGs (Federal Government of Germany, 2021^[60]). The localisation of the SDGs has also gained traction in the German federal states. Fourteen out of the 16 federal states have put in place sustainable development strategies aligned with or referencing the SDGs. Most federal states started to measure their progress on the SDGs and their indicators in 2016. Bremen and Mecklenburg-West Pomerania are currently formulating their sustainability strategies and will align their strategy with the SDGs.

DDC is often part of the states' sustainability strategies. Although the states' sustainability strategies predominantly formulate the internal efforts of the federal states to contribute to the SDGs, external actions also play a role. Sustainability strategies often consider development co-operation as a factor contributing to the achievement of the SDGs. Table 2.4 provides an overview of all sustainability strategies of the federal states, their linkages to the SDGs and DDC activities (Destatis, 2022^[61]). The advantage of the SDGs for development projects is that the SDGs are broad enough to cover all areas of DDC. At the same time, using the SDGs in DDC projects can also raise awareness about the 2030 Agenda among different actors and enable staff in the administration to look beyond their thematic area and contextualise them as part of a broader agenda. For example, an education project between the public administration of municipalities in Rhineland-Palatinate and Rwandan counterparts with universities of applied sciences from Rhineland-Palatinate familiarised staff from the universities with the SDGs who subsequently started to integrate the 2030 Agenda into their curricula.

Table 2.4. Overview of sustainability strategies of the German federal states and their link to the SDGs and DDC

Federal state	Sustainability strategy	Alignment and integration of SDGs	DDC component
Baden-Württemberg	Sustainability Strategy (2007)	The sustainability strategy is not aligned with the SDGs since it was published in 2007. However, there are sustainability reports and progress reports that align with the 2030 Agenda as well as the 17 guiding principles for sustainable development in Baden-Württemberg.	Guideline 10 of the strategy states acting sustainably means taking responsibility for fair development in the context of globalisation by contributing to the state's strengths internationally. The strategy moreover contains a specific indicator on state-level ODA.
	Sustainability Reporting (2019)		
Bavaria	Bavarian Sustainability Strategy (2022)	The indicators of the Bavarian Sustainability Strategy mirror the structure of the SDGs and are hence aligned.	The strategy refers to SDG 17, the Bavarian development policy guidelines from 2013 and the Bavarian Africa Package concerning Bavarian development policy in Africa.
Berlin	The 17 SDGs in Berlin (2021)	The sustainability strategy is aligned with the SDGs. It also contains a separate measurement framework, which is closely aligned with the SDGs.	The strategy refers to Berlin's DDC projects and engagement in different international networks. The State Office for Development Cooperation (<i>Landesstelle zur Entwicklungszusammenarbeit, LEZ</i>) is mentioned as the major institution to implement development co-operation projects relevant to the sustainability strategy. A specific indicator of financing for development co-operation is part of the strategy.
Brandenburg	Update of the sustainability strategy of Brandenburg (2019)	The sustainability strategy is aligned with the SDGs.	The strategy refers to the Round Table Development Policy of the State of Brandenburg, which brings together civil society actors that are active in development co-operation. The state's target for SDG 17 is to improve international administrative exchange with the partner country Poland.

Federal state	Sustainability strategy	Alignment and integration of SDGs	DDC component
Bremen	No strategy published yet, but bi-annual reporting about the implementation of the SDGs in Bremen (2022)	A preliminary indication that the future sustainability strategy will be aligned with the SDGs, as pointed out by the federal government. ¹	In the latest SDG reporting, SDG 17 measured by the indicator of ODA spending.
Hamburg	Implementation of the Sustainable Development Goals in Hamburg (2017)	The sustainability strategy is aligned with the SDGs.	No reference to DDC projects, SDG 17 mentioned as cross-cutting topic.
Hesse	Sustainability Strategy of Hesse (2008)	The sustainability strategy is not aligned with the SDGs since it was published before 2014 but the state has developed an SDG indicator set and 13 target indicators that align with the SDGs indicators.	Guiding Principle 22 of the strategy explicitly mentions development co-operation projects as a mechanism to foster sustainable development abroad. The strategy includes indicators on public contributions to development work, students and researchers from developing countries and LDCs, and North-South partnerships supported by the state.
	SDG indicator set (2018)		
Lower Saxony	Sustainability Strategy of Lower Saxony (2017)	The sustainability strategy is aligned with the SDGs.	Guiding Principle 2.10 focuses on bilateral development co-operation that Lower Saxony implements jointly with the federal government and municipalities. The strategy contains three specific indicators to measure SDG 17.
Mecklenburg-West Pomerania	No strategy published yet	A preliminary indication that the future sustainability strategy will be aligned with the SDGs,	Not applicable
North Rhine-Westphalia	NRW Sustainability Strategy (2020)	The sustainability strategy is aligned with the SDGs. The federal state created an online platform to measure the progress of the SDGs.	The government stresses the importance of its partnerships with regions and countries in the Global South as well as the crucial role its non-governmental actors play in development co-operation to contribute to SDG 17. There are contains four specific indicators to measure SDG 17.
Rhineland-Palatinate	Sustainability Strategy of Rhineland-Palatinate (2019)	The sustainability strategy is aligned with the SDGs.	The strategy lists six focus areas for development co-operation: international partnerships (in particular its partnership with Rwanda), education for sustainable development, sustainable economy, migration and development and human rights.
	Indicator report (2021)		
Saarland	Sustainability Strategy of Saarland and update 2020-2022 (2016, 2020)	The sustainability strategy is aligned with the SDGs.	The strategy refers to the state's development policy guidelines.
Saxony	Sustainability Strategy of Saxony (2018)	The sustainability strategy is aligned with the SDGs.	Development co-operation is one of the nine fields of action of Saxony's sustainability strategy. The report contains a specific section on the role of development co-operation as a contributory factor to improving living conditions in countries in need.
Saxony-Anhalt	Sustainability Strategy of Saxony-Anhalt (2022)	The sustainability strategy is aligned with the SDGs.	The strategy refers to the state's development policy guidelines.

Federal state	Sustainability strategy	Alignment and integration of SDGs	DDC component
Schleswig-Holstein	No explicit strategy, but a Sustainability Reporting (2020)	The sustainability reporting is aligned with the SDGs.	The state's policy area "Global responsibility" emphasises the relevance of development in the Global South but does not mention concrete activities of the federal state.
Thuringia	Sustainability Strategy of Thuringia (2018)	The sustainability strategy is aligned with the SDGs.	The strategy refers to the state's development policy guidelines.

1. See the overview of sustainability policy of Bremen on the website of the federal government (<https://www.bundesregierung.de/breg-de/themen/nachhaltigkeitspolitik/nachhaltige-entwicklung/nachhaltigkeit-laender-kommunen-388350>).

Source: Sustainability strategies of the German federal states.

The SDGs are the main global agenda shaping the federal states' DDC models and approaches. Thirteen out of the 14 federal states responding to the OECD survey stated that the 2030 Agenda shapes their DDC model and approach. In four states, the guidelines for development co-operation were or are currently being developed based on the SDGs. The state of Hesse, for example, prepared its Guidelines on Development Co-operation and its sustainability strategy in line with the 2030 Agenda. Another example is Saxony-Anhalt's Guidelines for Co-operation and Development, which were first issued in 2000 and revised according to the SDGs in 2019. In three federal states, DDC projects must be linked to the SDGs to be eligible for funding. In Lower Saxony, projects have to contribute to at least one SDG. In Bavaria and Saarland, for each funded project, the implementing organisation must list which SDGs are supported by the realisation of the project. In Saarland, different ministries such as the Ministry of Economy, Innovation, Digital and Energy and the Ministry for the Environment, Climate, Mobility, Agriculture and Consumer Protection support municipalities in their efforts to use the SDGs as a framework for local sustainable development and DDC projects. Saxony-Anhalt examines the impact of its development co-operation activities on all relevant SDGs.

Most of the sustainability strategies contain a reference or dedicated section on the states' development co-operation projects or objectives, mostly as part of their activities on SDG 17 "Partnerships for the goals". Several states have also developed indicators to measure their contribution to SDG 17, often linked to their DDC activities (e.g. spending on development co-operation projects). Other states stress the relevance of development co-operation for the achievement of their sustainability goals more generally in the development policy guidelines. In Schleswig-Holstein, every project by the state government needs to pass a sustainability check. This means for example that before the approval of a DDC project, it has to be declared to which SDG it contributes via a questionnaire with different chapters and multiple-choice options. Hesse and Lower Saxony apply similar processes. The co-ordination with civil society actors in the federal states that work on development co-operation is mentioned in several sustainable development strategies as well, for example in Berlin, Brandenburg and North Rhine-Westphalia. However, the states' sustainability strategies often do not make a clear distinction between SDG implementation domestically and externally in developing countries, for example with regards to development awareness raising, education for sustainable development and vocational training.

Other global agendas shaping federal states' DDC models include the Paris Agreement and the UN Summit for Refugees and Migration. Two federal states (Baden-Württemberg and Brandenburg) indicated that their development policy activities seek to support the climate goals of the Paris Agreement. International exchange of knowledge and expertise, communication and education as well as municipal partnerships such as climate partnerships play a key role in that regard. Brandenburg's development policy guidelines refer to the UN Summit for Refugees and Migration and acknowledge the interlinkages between development policy, migration, and integration as well as the important role of migrants in building bridges between their host and home countries.

The majority of German municipalities active in DDC have an overall local development or sustainable development strategy in place that incorporates DDC activities. As is the case for the majority of federal states, German municipalities have also developed local development strategies that integrate DDC programmes. Around two-thirds (30 out of 44) of municipalities responding to the OECD survey stated they have done so. In addition, close to two-thirds of the municipalities (27 out of 42) have aligned this strategy or framework on the 2030 Agenda. For those municipalities, the SDGs can serve as a framework to identify new partners and policy areas for co-operation. Only 14% of the municipalities have not aligned the framework with the SDGs, while more than 20% do not know about it, which emphasises the need to raise further awareness about the 2030 Agenda among German municipalities. However, the increasing number of German municipalities developing sustainability strategies in general also raised the profile of the SDGs and DDC as part of municipal activities to localise the SDGs. Box 2.3 underlines the important role that municipalities worldwide play in the achievement of the SDGs. Some municipalities such as Bonn, Kiel and Mannheim also integrate development co-operation in their Voluntary Local Reviews on the SDGs. While some cities such as Kiel do not have a sustainable development strategy per se, they nevertheless put an emphasis on DDC, e.g. through extensive reporting (City of Kiel, 2022^[45]). One of the challenges that municipalities are facing regarding the integration of the SDGs into their DDC is the thematic focus. Due to limited staff and financial resources, they usually need to decide whether to focus the activities on one specific SDG and provide expert knowledge in one policy area, or if they want to take a broader approach and be more flexible, demand-driven and able to quickly adapt to emerging priorities. If municipalities focus on one thematic issue, they develop expertise but this specialisation might also be very demanding for one single department (e.g. the transport or environment department depending on the specific project context).

Box 2.3. Why a territorial approach to the SDGs?

The 2030 Agenda was not designed specifically for cities and regions but they play a crucial role to achieve the SDGs. The OECD estimates that at least 105 of the 169 targets underlying the 17 SDGs will not be reached without proper engagement and co-ordination with local and regional governments, as cities and regions have core responsibilities that are central to sustainable development and well-being (e.g. water services, housing or transport). They also discharge a significant share of public investment (55% in OECD countries), which is critical to channel the required funding to meet the SDGs. Although the SDGs provide a global framework, the opportunities and challenges for sustainable development vary significantly across and within countries, regions and cities. However, they are also an integral part of the solution as the varying nature of sustainable development challenges calls for place-based solutions, tailored to territorial specificities, needs and capacities. Place-based policies incorporate a set of co-ordinated actions specifically designed for a particular city or region and stress the need to shift from a sectoral to a multi-sectoral approach, from one-size-fits-all to context-specific measures and from a top-down to a bottom-up approach to policy making. Based on the idea of policy co-ordination across sectors and multi-level governance, whereby all levels of government and non-state actors should play a role in the policy process, they consider and analyse functional territories, build on the endogenous development potential of each territory and use a wide range of actions (OECD, 2019^[62]).

The SDGs can help advance conceptually the shift towards a new regional development policy paradigm and provide a framework to implement it, as:

- The 2030 Agenda provides a long-term vision for strategies and policies with a common milestone in 2030, while acknowledging that targeted action is needed in different places since their exposure to challenges and risks vary widely as does their capacity to cope with them.

- The interconnected SDG framework allows the promotion of policy complementarities and the management of trade-offs across goals. Indeed, the SDGs enable policy makers to address the social, economic and environmental dimensions of sustainable development concomitantly, building on the synergies and taking interlinkages into account.
- The SDGs allow to better implement the concept of functional territories, a common framework that neighbouring municipalities can use to strengthen collaborations and co-ordinate actions.
- The SDGs can be used to promote multi-level governance and partnerships, including the engagement of various stakeholders in the policy-making process.

The OECD analytical framework for A Territorial Approach to the SDGs

The OECD has identified four critical megatrends influencing the achievement of the SDGs in cities and regions: i) demographic changes, notably urbanisation, ageing and migration; ii) climate change and the need to transition to a low-carbon economy; iii) technological changes, such as digitalisation and the emergence of artificial intelligence; and iv) globalisation and the related geography of discontent. The SDGs provide a framework for cities and regions to respond systemically to such global megatrends. The proposed OECD framework foresees three key areas for cities and regions to implement a territorial approach to the SDGs: i) policies and strategies; ii) tools; and iii) actors.

Policies and strategies

Cities and regions can use the SDGs as a means to shift from a sectoral to a multi-sectoral approach, both in the design and implementation of their policies. The SDGs can help bring various departments of a local administration together to strengthen collaboration in policy implementation. Regional policy aims to effectively address the diversity of economic, social, demographic, institutional and geographic conditions across cities and regions. It also ensures that sectoral policies are co-ordinated with each other and meet the specific needs of different regions and provides the tools that traditional structural policies often lack to address region-specific factors that cause economic and social stagnation (OECD, 2019^[62]).

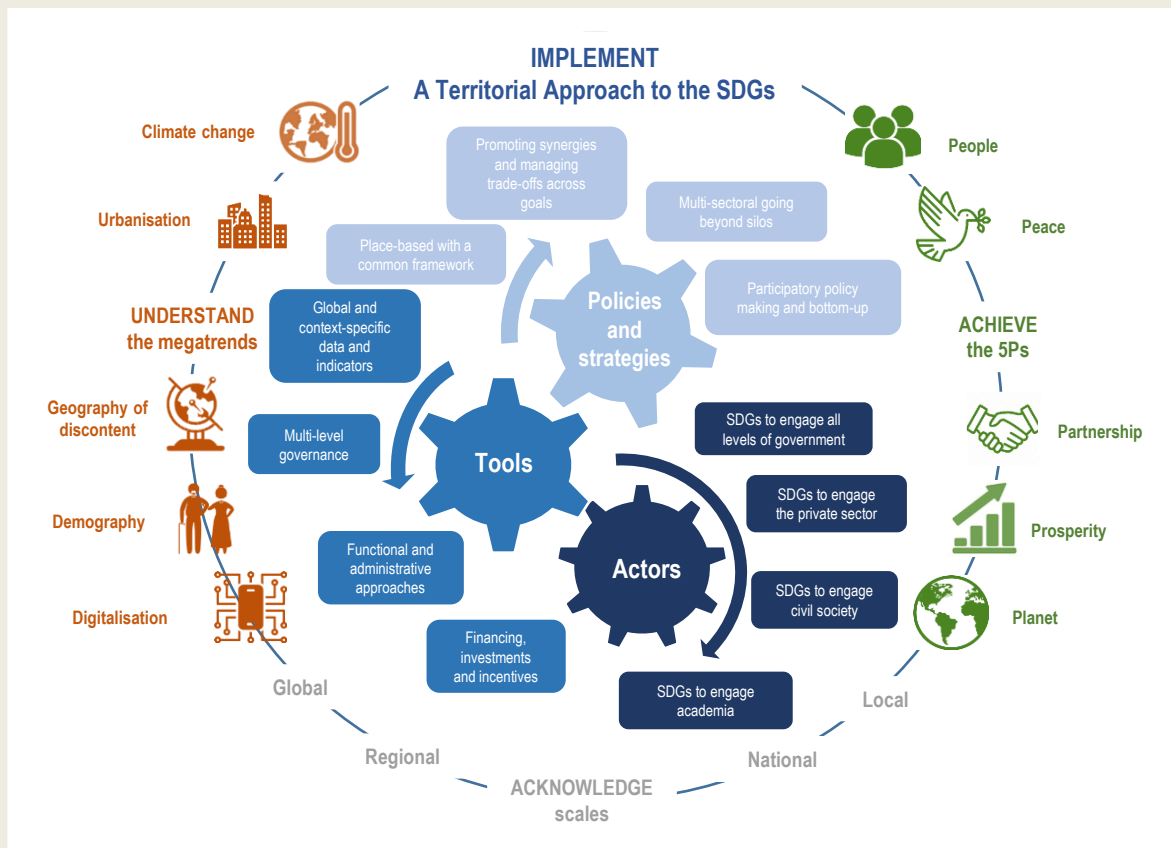
Tools

The effective implementation of a territorial approach to the SDGs implies the combined use of a variety of tools. These span from a solid multi-level governance system to global and context-specific data for evidence-based policies. They also consist of combining functional and administrative approaches to address territorial challenges and opportunities beyond borders, as well as investment and incentives, in particular for the private sector to contribute. Multi-level governance represents a key tool to promote vertical co-ordination (across levels of government) and horizontal co-ordination (across ministries and departments) – both within the local, regional and national governments and between the government and other key stakeholders. National governments can also use the SDGs as a framework to promote policy coherence across levels of government, align priorities and rethink sustainable development through a bottom-up approach.

Actors

Participatory policy making and a bottom-up process are core elements of a territorial approach to the SDGs. Shifting from a top-down and hierarchical to a bottom-up and participatory approach to policy making and implementation is key to the achievement of the SDGs. The 2030 Agenda requires a more transparent and inclusive model that involves the public as well as non-state actors to co-design and jointly implement local development strategies and policies. The SDGs provide cities and regions with a tool to effectively engage in multi-stakeholder dialogues with actors from the private sector, civil society, as well as schools and academia.

Figure 2.17. The OECD analytical framework for A Territorial Approach to the SDGs



Source (figure): OECD (2020^[63]), *A Territorial Approach to the Sustainable Development Goals: Synthesis Report*, <https://doi.org/10.1787/e86fa715-en>.

Source (box): OECD (2019^[62]), *OECD Regional Outlook 2019: Leveraging Megatrends for Cities and Rural Areas*, <https://dx.doi.org/10.1787/9789264312838-en>.

German federal states and municipalities promote coherence across SDGs and between internal territorial development approaches and DDC activities. DDC can be an important tool to address the universal nature of the SDGs and the territorial partnership model, which refers to a form of DDC based on the flexible collaboration of various local and regional stakeholders, e.g. private sector, CSOs, academia, based on shared goals and comparative advantages, allows for the exchange of best practices and peer-to-peer learning among local regional governments in developed and developing countries on the implementation of the SDGs at the local level (OECD, 2018^[11]). The SDGs can help connect a local development strategy to priorities abroad: topics such as the promotion of climate-friendly urban development – in co-operation with partner municipalities – can be embedded within existing local SDG targets and related processes and thus strengthen them. The majority of German states and municipalities responding to the OECD surveys are following such an approach. Twelve out of 14 states responding to the OECD survey use the SDGs as a tool to promote coherence between external actions (DDC) and domestic territorial development. Among the municipalities, this is the case for almost 80% (35 out of 44). SKEW is a key actor that promotes the integration of DDC and the SDGs into municipal development strategies, notably through its project Municipalities for Global Sustainability. A key feature of this project is the involvement of all levels of government, from national through the state to the local level, while connecting with

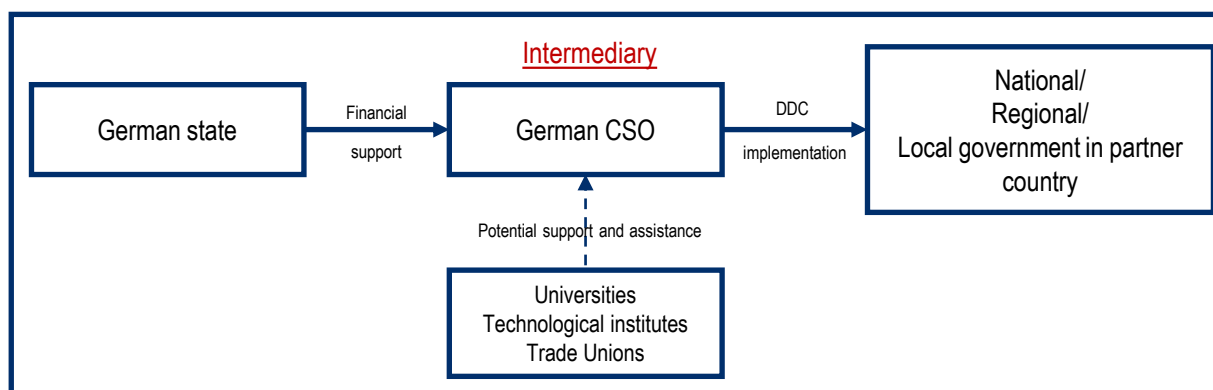
international governance agents like the UN. In the city of Bonn, for example, support from the project has translated into a local sustainability strategy with six prioritised fields of municipal action (OECD, 2020_[14]).

Overview of DDC typology at the state level in Germany

German federal states use a diverse array of development co-operation and sustainability frameworks, agreements, strategies and guidelines to design and implement DDC activities. Generally, one can distinguish four different types to define the German model for DDC at the state level. What is common in all four models is that the federal states play an important role as a co-ordinator between different actors. Furthermore, in all four models, federal states are engaged in the application for funding from various actors for their different projects. Some of the states also combine more than one of the types in their development co-operation activities, e.g. CSO funding and co-operation with federal implementing agencies. The four models are briefly discussed below, with examples of each type in Box 2.4:

- **The first type of DDC model at the state level is “German state to German CSOs”.** Several federal states do not directly implement DDC projects in partner countries but they financially support German CSOs to implement them, mainly due to the lack of personal capacities and staff (Figure 2.18). They can have a dedicated budget for the support of CSOs, as is the case in the state of Hesse. The approach does not necessarily imply a direct connection with the partner country’s local, regional or national governments. Instead, German CSOs act as intermediaries and implementers. This also means that the thematic priorities of the federal state are partially determined by the CSOs’ activities. However, unlike GIZ, CSOs are not contractors of the state government. Universities, technological centres and trade unions can also be involved as intermediaries. DDC activities of the states choosing this model are mainly based on financial flows and co-ordination. In some cases, they might also financially support their municipalities’ DDC activities. The return on investment may be limited due to the lack of peer-to-peer exchanges and direct interaction with local and regional governments in partner countries. However, there are cases where there is a regular exchange between the two governments involved in the partnership channelled through CSOs, e.g. the partnership between Hesse and Viet Nam. One example of this type is the state of Saarland which finances CSOs engaged in different countries in Africa.

Figure 2.18. “German state to German CSO” model



- **The second type of DDC is “German state to the national government in a partner country”.** Some German states directly support the national government in specific developing countries (Figure 2.19). The institutional counterpart of the federal state in the partner country is the national government. The partner government receives financial support to implement the DDC activities in priority sectors identified in one or more of its subnational regions. The nature of this type of support is, similarly to the “German state to German CSOs” model, prone to the lack of or a weak direct

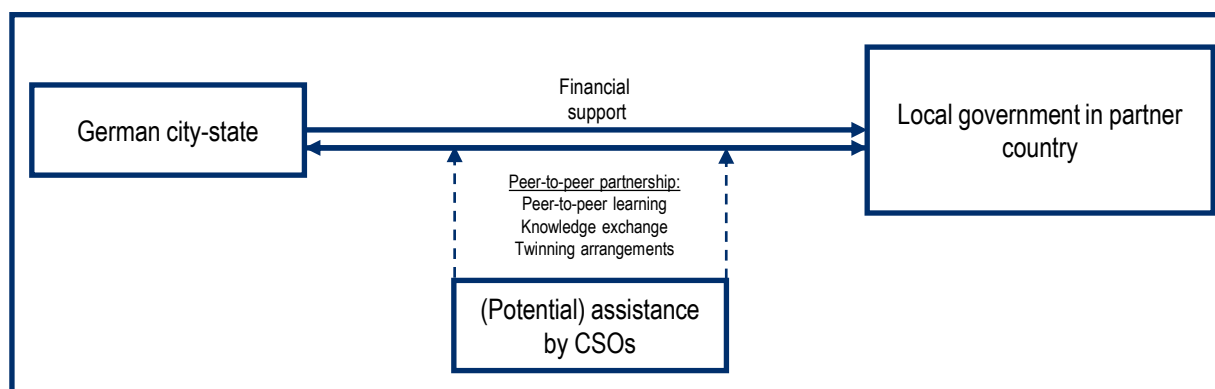
connection with the subnational governments. It does not necessarily allow for knowledge exchange and peer-to-peer learning activities, and therefore also limits the return on investment. This type of development co-operation dates back to the 1950s before the federal government set up the BMZ in 1961. One example of this type is the partnership between the state of North Rhine-Westphalia and Ghana, which is however also fostered by city partnerships, co-operation in the education sector, NGOs and churches.

Figure 2.19. “German state to national government in a partner country” model



- **German city-states engage in a “German city to city in a partner country” type of co-operation.** This third type is based on a peer-to-peer partnership between city-states in Germany and a city in the partner country (Figure 2.20). It is not only based on financial flows between the two partners but also incorporates in-kind DDC activities. These activities include peer-to-peer learning, knowledge exchange and twinning arrangements amongst others. The peer-to-peer exchange allows for a return on investment in terms of knowledge and good practices for the municipalities in donor countries. However, such partnerships often also involve activities by NGOs and are not solely conducted by the local administration. One example of this type is the partnership between the city of Hamburg and the city of Dar es Salaam in Tanzania.

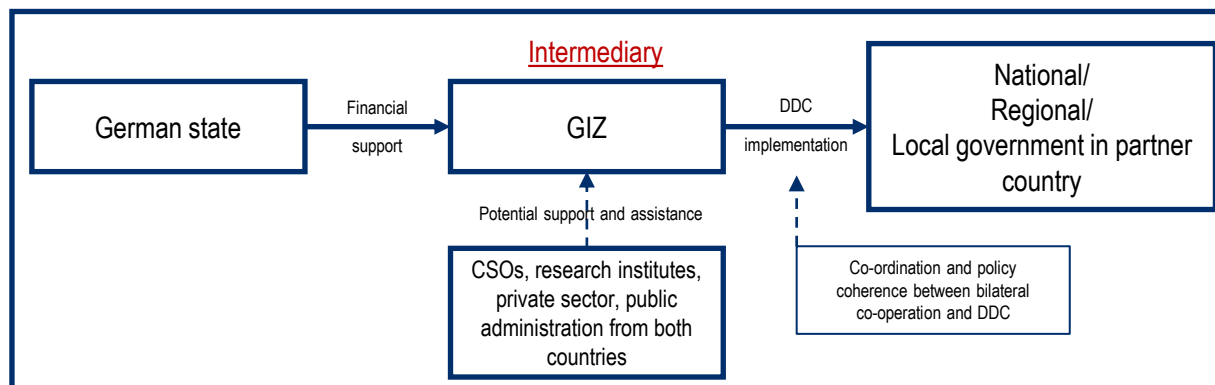
Figure 2.20. “German city-state to city in a partner country” model



- **The fourth type of co-operation is the “German state to federal implementation agency” type.** Some German federal states are providing direct financial support to GIZ, especially via the BLP for the implementation of DDC projects in partner countries (Figure 2.21). This approach enables co-ordination and policy coherence between bilateral co-operation and DDC in developing countries. At the same time, a possible lack of peer-to-peer co-operation may be a main disadvantage of this type of DDC, as the states are not directly connected to the regions and cities in developing countries. While some BLP projects include peer-to-peer activities, they are not a standard feature of these projects. Therefore, some projects might not benefit from the exchange of local knowledge with partners. Consequently, the return on

investment in terms of knowledge and good practices can be limited. One example of this type is the BLP project between Lower Saxony and the Eastern Cape in South Africa to set up a monitoring system for mini-grids in the Eastern Cape.

Figure 2.21. “German state to federal implementation agency” model



Box 2.4. Examples of the typology to define the German federal states' models for DDC

German state to German CSO: Saarland's CSO financing model

In its DDC activities, the state of Saarland does not work with specific partner municipalities, regions or countries or have established partnerships in place. Instead, its DDC model is mainly based on the funding of German CSOs that are active in the Global South. Saarland's Ministry of Education and Culture finances up to 70% of DDC project costs while 30% must be provided by the lead actors (e.g. CSOs or organisations linked to the church). The CSOs that Saarland is supporting usually set up their projects with their long-term partners in the Global South, thus also determining the geographical and thematic scope of the project.

German state to the national government in a partner country: North Rhine-Westphalia and Ghana

The state of North Rhine-Westphalia and the West African republic of Ghana have been linked by a close relationship for decades. A partnership agreement signed in 2007 officialised the co-operation between the two partners, which was renewed in 2016. Within the framework of that co-operation, North Rhine-Westphalia and Ghana conduct bilateral co-operation projects, e.g. an exchange programme between employees of the two administrations to foster peer learning. Furthermore, North Rhine-Westphalia supports the Ghanaian government in its efforts to develop the country economically and make it less dependent on development aid. Furthermore, the partnership focuses on topics such as sustainable economic and employment promotion, climate and resource protection, education (e.g. through a BLP project to strengthen the connection between research and teaching in higher education on the one hand and requirements of the labour market on the other hand), health and science and research. GIZ also implements several projects in Ghana on behalf of the state government. In addition to the state-level partnership and exchange, there are many CSOs, churches and universities from North Rhine-Westphalia engaged in projects and partnerships in Ghana, including through a SKEW project to create and strengthen these partnerships.

German city-state to a city in a partner country: Hamburg and Dar es Salaam

The city partnership between the city-state of Hamburg in Germany and the city of Dar es Salaam in Tanzania was established in 2010, following two joint declarations in 2007 and 2009. Since 2012, the two cities have furthermore been engaged in a climate partnership to target the challenges of climate change in a common effort. As part of the partnership, the city of Hamburg and SKEW supported Dar es Salaam with the construction of a composting plant for market waste among other things. The latest joint declaration the co-operation between Hamburg and Dar es Salaam was signed in 2022 between the mayors and foresees actions in the areas of urban development, research and education and culture. The declaration focuses on administrative co-operation and exchange between the two cities regarding climate change education, city planning, public health and the digitalisation of the local government and public services.

German state to federal implementation agencies: Lower Saxony and the Eastern Cape

Lower Saxony's partnership with the Eastern Cape province in South Africa has been established more than 25 years ago and is one of the state's most active partnerships. One of its main projects implemented in recent years is the Upper Blinkwater smart, renewable mini-grid project. This project is based on a trilateral agreement between the Eastern Cape province, the federal state of Lower Saxony and GIZ Germany, acting on behalf of Germany's BMZ. The main goal of this project, which has been implemented through GIZ's BLP programme since 2015, is to develop and test a decentralised, sustainable energy supply concept for the rural population in South Africa, thus improving the living conditions of the local population and promoting renewable energy. In addition to GIZ, the project involves a variety of stakeholders from the private sector, research and public administration from both Germany and South Africa.

Source: City of Hamburg (2022^[64]), *Joint Declaration on the Cooperation between the Free and Hanseatic City of Hamburg and the City of Dar es Salaam (2022-2025)*, <https://www.hamburg.de/contentblob/16314182/91f6d9b80b5b792aa89573b777d4999eb/data/2022-07-01-sk-dar-es-salaam-download.pdf>; SKEW (2022^[65]), *Bau und Aufwertung des Kompostwerkes Mabwepande [Construction and Upgrading of the Composting Plant Mabwepande]*, <https://skew.engagement-global.de/hamburg-dar-es-salaam.html> (accessed on 23 September 2022); GIZ (2022^[66]), *Zusammenarbeit im Zeichen nachhaltiger Entwicklung [Cooperation Under the Auspices of Sustainable Development]*, <https://www.ghana-nrw.info/kooperation-ghana-nrw/> (accessed on 23 September 2022); GIZ (2022^[67]), *Aufbau eines Monitoringsystems für Minigrids im Eastern Cape [Establishment of a Monitoring System for Minigrids in the Eastern Cape]*, Deutsche Gesellschaft für Internationale Zusammenarbeit; GIZ (2020^[68]), *The Upper Blinkwater Minigrid*, https://www.giz.de/de/downloads/UpperBlinkwaterMinigrid_Brochure_web.pdf; SKEW (2023^[69]), *Kommunaler Fachaustausch im Rahmen der Länderpartnerschaft [Municipal Exchange within the Framework of the Country Partnership]*, <https://skew.engagement-global.de/kommunaler-fachaustausch-nordrhein-westfalen-ghana.html> (accessed on 9 February 2023); 2023^[69]; OECD 2021/2022 survey of the German federal states and municipalities.

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- WUS (2022), *German Federal States in Development Policy*, World University Service - Deutsches Komitee e.V., https://www.wusgermany.de/sites/wusgermany.de/files/content/files/ep_brochure_20220317_english.pdf. [36]
- WUS (2022), *Presentations Development Policy: Bavaria*, World University Service - Deutsches Komitee e.V., <https://ez-der-laender.de/en/node/1585> (accessed on 3 October 2022). [56]
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Notes

¹ As the MPK is not a constitutional body, the agreements between states are fixed in a *Staatsvertrag*, a legal agreement between the federal states. Hence, the agreements are legally non-binding and need to be transformed into law at the federal state level.

² Agenda 21 was ratified by all UN member states except for Australia, Canada, China, Denmark, Egypt, Iran, Iraq, Ireland, Israel, Japan, Malaysia, Mexico, the Netherlands, the Russian Federation, Sweden, Ukraine, the United Kingdom and the United States.

³ Each state decides within which boundaries municipalities are allowed to frame and implement their DDC activities. This question aims to assess the extent to which municipalities are aware of these boundaries.

⁴ For more information, see <https://sez.de/upload/downloads/Handbuch-zu-kommunaler-Entwicklungspolitik-des-Sta%CC%88dtetags-BW-in-Zusammenarbeit-mit-der-SEZ-BW.pdf>.

⁵ For more information, see <https://www.staedtetag.de/files/dst/docs/Publikationen/Positionspapiere/2021/positionspapier-staedte-in-der-welt-2021.pdf>.

⁶ All OECD DAC members include in-donor costs (e.g. imputed tuition costs and refugee hosting) in their DDC reporting, which allows for comparability of data across members.

⁷ The second largest category “Other multisector” can further be split into subcategories. In 2020, two-thirds of the value that was labelled under other multisector benefitted research/scientific institutions. Much of the rest is multisector aid.

⁸ The two in-donor expenditure categories “Administrative costs” and “Promotion of sustainable development” are not sector allocable and thus should not be included in the analysis. The remaining item “Higher education” amounted to around EUR 3 million but does not change the overall picture.

⁹ Even this conservative scenario, however, suggests a larger gender focus than through the analysis by SDG. The algorithm may not have detected a gender focus in instances where such a focus is not mentioned in the description of the project.

¹⁰ ODA reporters have the possibility to use several markers such as the so-called Rio markers (which include climate mitigation, climate adaptation, biodiversity and deforestation) to show the goals of their projects. In the CRS, these are also extended to include a gender marker as well as a general environment marker. Each of these can take a value of 0, 1 or 2. 0 means that the project does not contribute to that particular goal, 1 indicates that the respective topic is a significant objective of the project, and 2 showing that the respective topic is the principal objective.

¹¹ For more information, see <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/daclist.htm>.

¹² This number is higher than the 60 countries mentioned in the BMZ 2030 reform strategy, since those are only the ones with “direct, official (i.e. governmental) co-operation”
<https://www.bmz.de/en/issues/reform-strategy-bmz-2030>

¹³ Eighty percent of in-donor disbursements (other than imputed student costs) in 2020 did not identify a specific country or region as beneficiary. The majority of the expenditure is for education for sustainable development, which is not allocated to a specific developing country. Therefore, including in-donor expenses in the geographical analysis would not likely reveal additional insights on international development co-operation activities.

¹⁴ Almost half of the funding does not specify the partner country further and is labelled “bilateral, unspecified”. This makes it challenging to analyse the data further. There might be several reasons for this large amount for unspecified recipients: i) some projects might have multiple recipient countries that cannot be aggregated to one regional category (e.g. when they are on different continents); ii) the classification for cross-border spending used here includes co-operation modality B (Core contributions and pooled programmes and funds), which possibly also includes funds that are spent within the donor country and might thus receive the label “bilateral, unspecified”; and iii) projects which rather would belong to modality H (Other in-donor expenditures) for instance could be misclassified into a cross-border category (e.g. a project by one state is described as to “raise the awareness of development co-operation”, which might belong to H02 [In-donor development awareness] but is classified as D02 [Other technical assistance]).

¹⁵ While more than 95% of German DDC financing is spent on imputed tuition costs reported under the agency code “Federal states and local governments”, DDC disbursements excluding in-donor tuition costs more than doubled from EUR 25 million in 2014 to EUR 53 million in 2020, thus increasing by an average of 11% annually. The biggest driver of those changes was project-type interventions in partner countries in Bavaria in 2017.

¹⁶ In German: *Entwicklungspolitische Bildungsarbeit*. In fact, more than 70% of in-donor ODA was spent for “Promotion of development awareness” by German states in 2020 (other than imputed student costs). The remainder was split between higher education and administrative costs.

¹⁷ When including in-donor expenses, 60% are not allocated to an income group, with the rest split between LDCs, LMICs and UMICs.

¹⁸ The G20 leadership declaration under the Italian presidency in 2021 with its focus on city-to-city partnerships for example will be integrated in municipal development projects implemented through SKEW.

3

The multi-level governance, co-financing, data, monitoring and evaluation of DDC in Germany

In terms of multi-level governance, the federal government is supporting the states mainly through the German Government and Federal States Programme (BLP) implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and co-operates with municipalities mostly through programmes offered by the Service Agency Communities in One World (SKEW). Yet, various decentralised development co-operation (DDC) multi-level governance challenges range from one-year funding cycles to lack of staff and managerial capacities and limited information sharing across levels of government. In terms of reporting, Germany is one of the few OECD Development Assistance Committee (DAC) members that report data disaggregated by regional or state-level providers of official development assistance (ODA). However, it does not disaggregate municipal financing. States and municipalities usually have monitoring and evaluation systems for DDC but only a few assess the impact on development outcomes and long-term sustainability. They mainly analyse the objectives or efficiency of the project, in particular at the municipal level.

The role of the main actors involved in DDC in Germany and the differences between states and municipalities

Roles of the main DDC actors in Germany

There is a large variety in the number of local actors involved in DDC projects in the different federal states. As reported in the OECD survey, overall, close to 500 municipalities in Germany are engaged in DDC activities. Around 300 municipalities in Germany have established official partnerships with municipalities in the Global South (CEMR, 2022^[1]). Despite accounting for less than 3% of German municipalities overall, the development of the last decades points to growing activity in the field of municipal partnerships (Schmitt et al., 2022^[2]). A frequently updated map and overview of partnerships between German municipalities and municipalities in partner countries is available on the dedicated webpage offered by the German section of the Council of European Municipalities and Regions (CEMR) and SKEW.¹ There are additional actors that collaborate with the federal states in their development co-operation activities as part of Germany's multi-level governance of DDC (Box 3.1) including civil society organisations (CSOs), SKEW, partners from the BLP programme, development policy networks, the German section of World University Service (WUS), schools, universities, churches and the private sector. The number and most common type of actors that states are working with depend on their DDC model. State partnerships with countries from the Global South such as Rhineland-Palatinate's partnership with Rwanda involve interaction at the national level in the partner country but also with municipalities, schools, universities and non-governmental organisations (NGOs) and civil society in Rhineland-Palatinate and Rwanda. Another favourable factor to engaging various actors in DDC is the size of a federal state. For example, in Saarland, which has a population of less than 1 million inhabitants, getting in touch and engaging with important actors may be easier than in larger states.

Box 3.1. Terminology: Multi-level governance

Within this report, the term “multi-level governance” refers to the mutually dependent relationships – whether vertical, horizontal or networked – between public actors across different levels of government. Although relationships can offer ways to work towards coherent policy strategies and priority settings across government, governance itself is not homogeneous among and within countries because there is no unique, single governance system. Nor are there institutions and structures that can apply across different contexts and settings. Instead, there is often a diversity of formal and informal arrangements. Each arrangement is specific and not necessarily transferable due to a given country's policies and rules.

The rationale and benefits of multi-level governance can be described in four main points:

- Multi-level governance implies managing mutual dependence among different levels of government, along with a series of co-ordination failures or gaps that may occur among them. These obstacles may be overcome via the use of governance tools such as dialogue platforms, co-financing arrangements and partnerships/contracts across levels of government.
- Inter-governmental fora have the potential to improve the functioning of multi-order systems with relatively low transaction costs, namely by reaching executive/legislative agreements. Nonetheless, to ensure the durability and wider political acceptance of such compacts, they need to be open to review and subjected to ratification by concerned legislatures.
- Certain mutually dependent conditions can facilitate an effective dialogue among levels of government, such as the simplicity of information and feedback, the transparency of rules, transversal engagement, credibility and ownership.

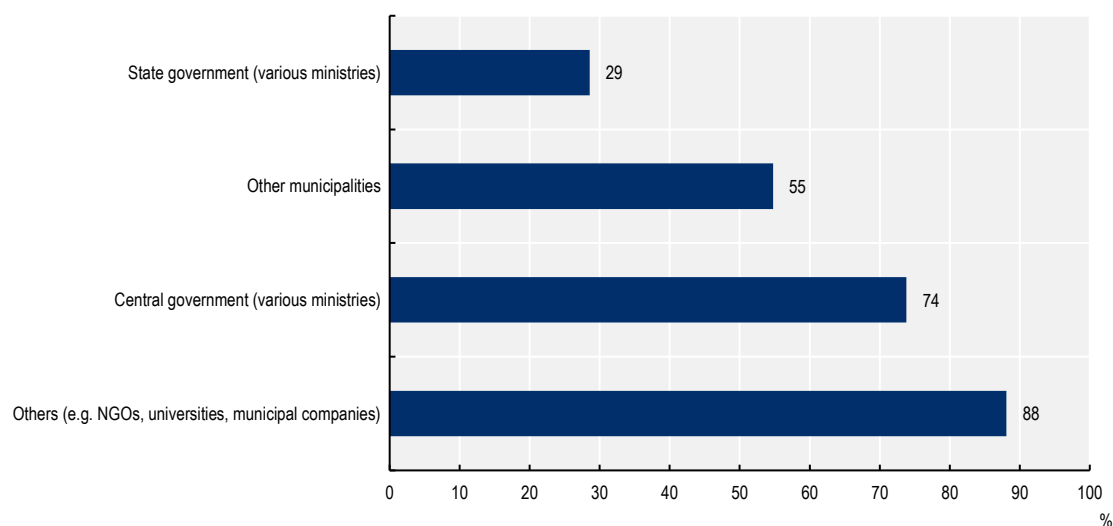
- Countries with well-developed co-ordination arrangements, of the likes of intergovernmental committees and regular formal meetings, have a comparative advantage for the introduction and implementation of governance reforms.

However, in the process of implementing multi-governance mechanisms, it is important to avoid multiplying those with no clear role in the decision-making process, as well as those with important transaction/opportunity costs.

Source: OECD (2018^[3]), *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^[4]), "Making decentralisation work: A handbook for policy-makers", <https://doi.org/10.1787/dd49116c-en>.

Municipalities' main partners in DDC projects are the federal government and NGOs, universities and municipal companies. Almost all municipalities participating in the survey are involved in DDC activities with more than one other actor. This is crucial since interpersonal connections and continuous exchange between different actors are major success factors for the implementation of DDC projects. More than 70% of municipalities are working together with the federal government including its various ministries and implementation agencies like SKEW when it comes to DDC projects (Figure 3.1), in part explained by the high number of municipalities participating in government-funded projects. Examples of SKEW projects that municipalities are engaged in include the projects: i) Global Sustainable Municipality; ii) Municipal Climate Partnerships; and iii) Sustainable Community Development through Partnership Projects (NAKOPA) amongst others. Through these projects, SKEW also facilitates new municipal partnerships between Germany and the Global South for their DDC activities and is thus an important institutional matchmaking actor. Some municipalities also work together with GIZ through the programme „Expert fund for Municipal Partnerships worldwide”, which is jointly implemented by GIZ and SKEW. GIZ also acts as a matchmaker. The Enzkreis district, for example, started a partnership based on an inquiry by GIZ that was shared with the German County Association to find a partner for a district in Tanzania.

Figure 3.1. Actors involved in DDC projects of municipalities



Source: OECD survey of German municipalities 2022.

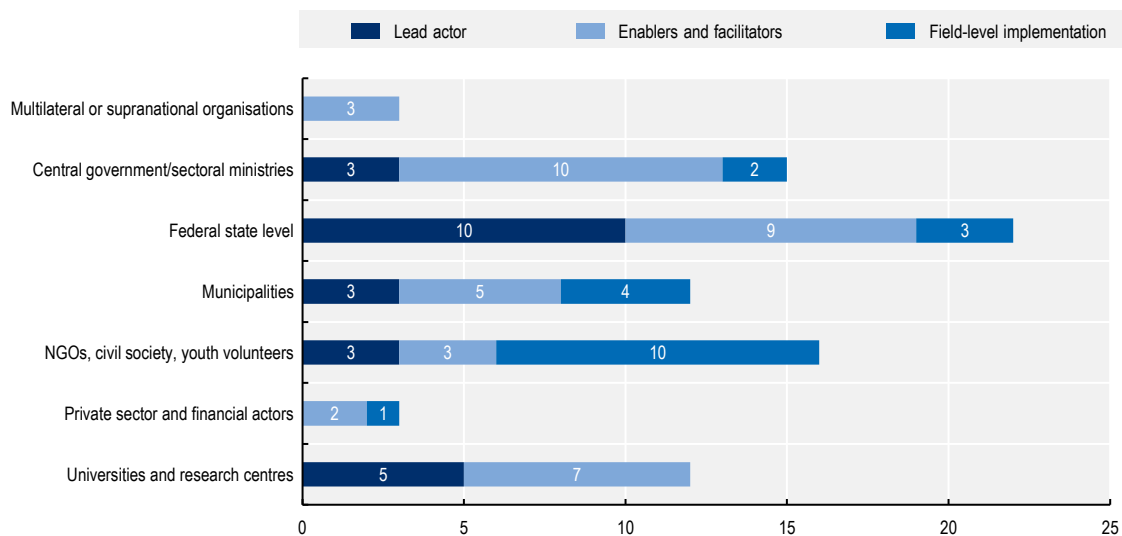
Collaboration between the municipal and the federal state level is more an exception than a norm. The strong collaboration with the federal level is a striking finding if compared with the corresponding share of municipalities that are involved with projects with the state government. Only 29% of municipalities (12 out of 42) work with their federal state. This is in particular the case in municipalities that work together with municipalities from countries in partnership with their federal state. Examples include North Rhine-Westphalia with Ghana, Rhineland-Palatinate with Rwanda or Bavaria with its focus on the African continent. Such a type of partnership also facilitates the exchange and pooling of resources between municipalities from the same state. The federal level is a much more frequent collaboration partner of German municipalities' DDC activities. Fifty-five percent (23 out of 42) collaborate with other municipalities. Partner cities of German municipalities often request the engagement of local public utilities, e.g. in the area of waste and water management. However, since the regulatory framework in German municipalities does not allow local public utilities to use their financial resources in DDC, their engagement is more limited than the potential demand. Lastly, the category "Other", which includes NGOs, CSOs, universities and municipal companies is the most common interaction partner of German municipalities in DDC. Ninety percent of municipalities collaborate with one or more of these actors. The local population that is active in CSOs is often intrinsically motivated and encourages municipalities to engage in DDC activities. In districts that do not necessarily have such a strong connection to NGOs and CSOs as municipalities since they are a level higher in the German institutional framework, staff in the public administration plays a more important role as a driver of DDC activities. At the same time, districts can support municipalities within their territory with advice and personal expertise in the implementation of DDC projects.

Federal states and municipalities perceive themselves as lead DDC actors and the federal government as the main enabler and facilitator of DDC projects. Responses from federal states to the survey show that the federal state level is considered a "lead actor" in a majority of cases (10 out of 14 respondents). The same is the case for municipalities, albeit to a slightly lesser extent (21 out of 43), alongside NGOs, civil society and youth volunteers (12 respondents). The German federal government and sectoral ministries are viewed by the federal states as the main enablers and facilitators (10 out of 14 respondents). This aligns with the responses of municipalities, among which 23 out of 43 perceived the federal government and ministries as main enablers and facilitators. NGOs, civil society and youth volunteers are seen as the most important actors in the field-level implementation of DDC projects by federal states (10 out of 14 respondents) and municipalities (18 respondents out of 43) (Figures 3.2 and 3.3). Other important enablers and facilitators according to municipalities are the federal states (12 respondents). Moreover, the federal government is the main DDC actor providing co-financing for DDC implementation in federal states (14 out of 14 respondents), followed by local/regional governments (11 out of 14 respondents) and CSOs (11 out of 14 respondents). In this sense, municipalities' and states' roles differ: on the one hand, municipalities implement projects and partnerships, and, on the other, states usually act as co-ordinators and providers of funding and capacity-building programmes.

At a municipal level, the main domestic co-operation partners in DDC are civil society, NGOs, universities and municipal companies, along with the federal government. Indeed, the majority of municipalities replying to that question (37 out of 42 respondents) indicate that civil society, NGOs, universities and municipal companies are most involved in DDC projects. This finding is in line with the German Development Institute study (DIE, 2021^[5]), which has highlighted the ever more important role of municipal companies and universities in partnerships for municipal development policy, particularly when it comes to more technology-intensive exchange processes. Beyond the case of Germany, the role of universities can vary from being an active DDC enabler to a facilitator or an implementer (OECD, 2018^[3]). Overall, knowledge-based institutions carry a strong potential to strengthen the knowledge base and evaluation of DDC projects (Fernández de Losada, 2013^[6]). They are key players in data collection at the local level, as well as in drafting reports and strengthening local technical capacity (OECD, 2018^[3]).

Figure 3.2. Roles of the main DDC actors as perceived by the German federal states

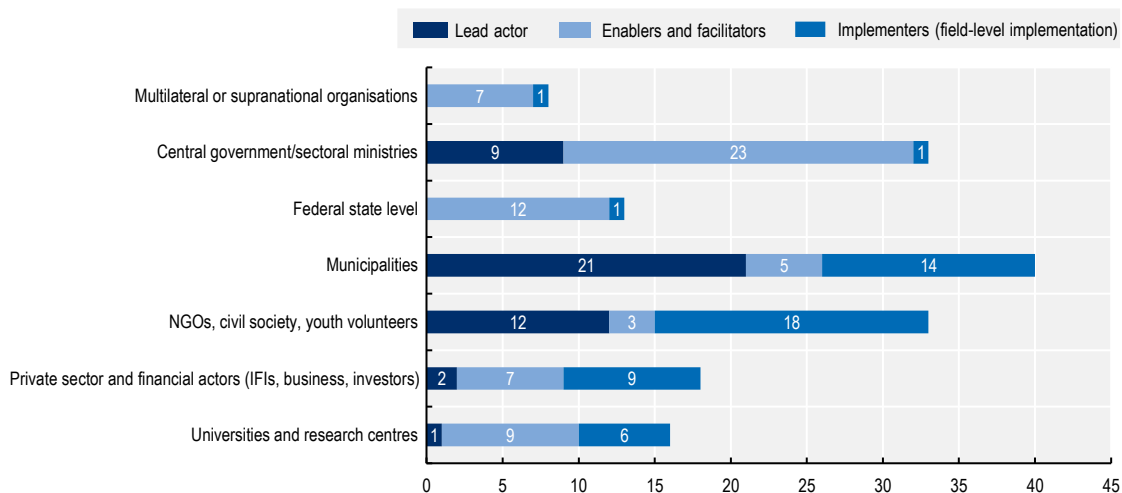
Categorisation of main DDC actors by federal states (number of respondents)



Source: OECD survey of the German Federal States 2021/22.

Figure 3.3. Roles of the main DDC actors as perceived by German municipalities

Categorisation of main DDC actors by municipalities (number of respondents)



Note: IFI – International financial institution.

Source: OECD survey of German municipalities 2022.

CSOs play a key role in Germany's municipal DDC, often acting as an implementer of DDC activities. As mentioned previously, certain municipalities also select the geographical focus of their DDC activities based on existing collaborations and partnerships of CSOs or determine their partnerships jointly with civil society, e.g. through multi-stakeholder workshops and participative processes. CSOs also can play a key role in initiating partnerships, for instance, due to the local population originally coming from the country/region in the Global South/migrant communities. This is often done jointly with municipalities,

making them particularly well-placed for raising awareness on international problems and topics (DIE, 2021^[5]).

In Germany, CSO funding is a core pillar of the DDC model at the state level. The OECD survey highlights that CSOs play a key role in the German landscape as implementers mainly since many states do not have the human resources capacity to implement activities in partner countries themselves. As a result, various federal states do not directly implement DDC projects in partner countries but financially support the projects of their CSOs in partner countries instead. More than half (53%) of municipalities also report co-financing through NGOs and civil society. Further evidence suggests that in large cities in particular, civil society groups put pressure on authorities to take action, for example on issues linked to climate change (DIE, 2021^[5]). Moreover, civil society engagement often provides a starting point for partnerships. At the same time, municipalities will seek to involve civil society in the activities they initiate, bringing municipal North-South co-operation into action.

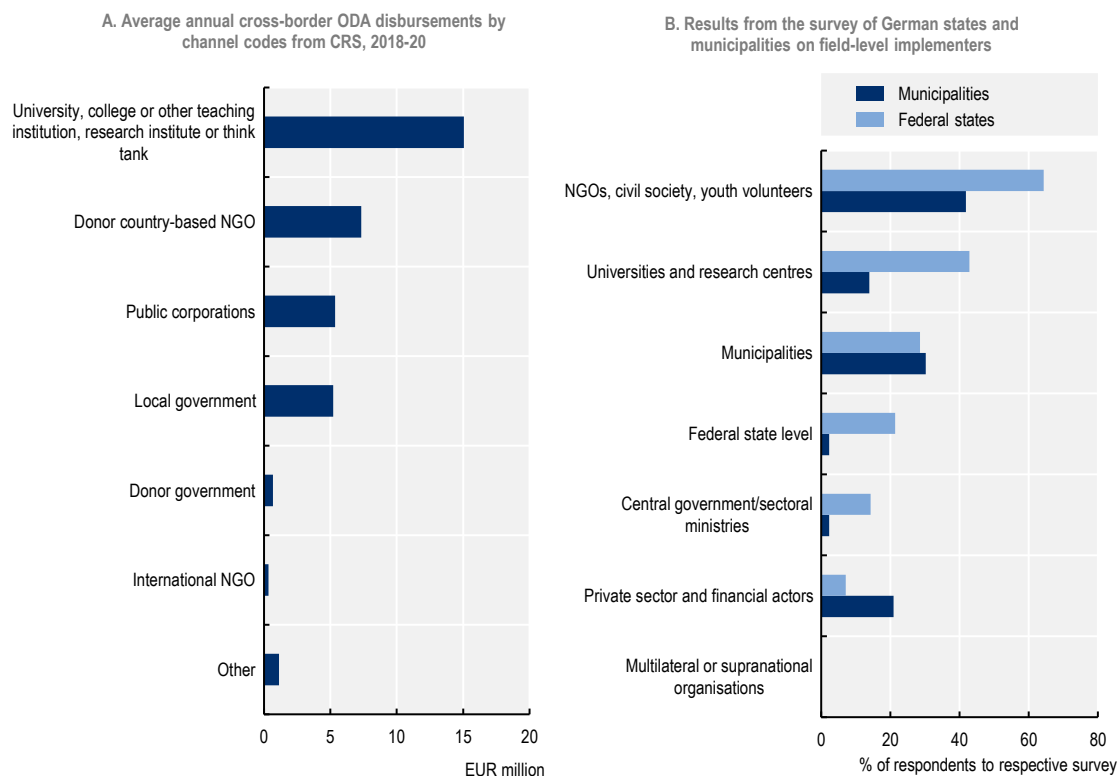
OECD Creditor Reporting System (CRS) data show that ODA provided by German states is primarily channelled through multi-stakeholder partners including universities, CSOs and public corporations.² In the 2018-20 period, 43% of ODA from the states was distributed through universities and colleges, while 21% was channelled through CSOs (Figure 3.4, Panel A). However, the OECD survey of the federal states shows that CSOs were mentioned most often as the main field-level implementers, followed by universities and research centres (Figure 3.4, Panel B).³ Information from municipalities depicts a similar picture, with CSOs mentioned most often as implementers. While the importance of universities and CSOs is reflected both in ODA data and in survey responses, the greater role granted to CSOs in survey responses could be due to the survey question design, as the survey asked respondents to identify the actors responsible for the field-level implementation of projects. ODA data capture a broader measure, which can include actors to whom resources are channelled but who may not necessarily implement the project in the field.

Universities and research centres are often active DDC enablers, facilitators and implementers. Knowledge-based institutions also carry a strong potential to strengthen the evidence base and evaluation of DDC projects (Fernández de Losada, 2017^[7]). They are central players in drafting reports, collecting data at the local level, as well as strengthening local technical capacity (OECD, 2018^[3]). In addition, universities and research centres can contribute to better evaluation and monitoring on top of being key partners to carry out education-related DDC activities. They are also often engaged in knowledge exchange activities. The state of North Rhine-Westphalia, for example, uses universities, schools and their students to further promote networking and the exchange of know-how. Bremen has a partnership in place with the Namibia University of Science and Technology to support vocational and educational training, notably in the area of mechanics. Similarly, in Saxony-Anhalt, the Otto-von-Guericke University of Magdeburg is engaged in technical and vocational education and training with partners in the Global South. The state's universities are also engaged in stakeholder committees that co-ordinate the implementation of the state's guidelines for co-operation and development. During the COVID-19 pandemic, the state of Hesse worked together with partners in Viet Nam on a BLP project through researchers from the Technical University of Darmstadt, who are collaborating with the Vietnamese-German University (VGU), the University of Tübingen and the Vietnamese-German Center of Excellence in Medical Research on the implementation of a system for SARS-CoV-2 surveillance in wastewater as a tool for monitoring the incidences of infections in Viet Nam.

Similarly, the private sector can also take part in DDC implementation in Germany. Public-private partnerships, for instance, represent an opportunity to engage the private sector in development co-operation activities. Examples in Germany include a programme in Serbia with the state of Schleswig-Holstein, through which private sector actors offer internships and career orientation to young people, and the project in Ghana with the state of North Rhine-Westphalia as part of the BLP, to increase business orientation and develop teaching capacities at a technical university (GIZ, 2020^[8]). Nonetheless, the implementation of projects with the private sector can be strenuous, given that some states have a strong

focus on engaging companies from their states, and the need to follow procurement regulations can lead to challenges (OECD, 2019^[9]).

Figure 3.4. German states rely on multi-stakeholder partners such as universities and CSOs to assist them in carrying out development co-operation projects



Note: Panel B shows the percentage of respondents per group. Several answers were possible so that values can add up to more than 100%
 Source: OECD (2022^[10]), *Creditor Reporting System (CRS)*, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>; survey of German federal states and German municipalities.

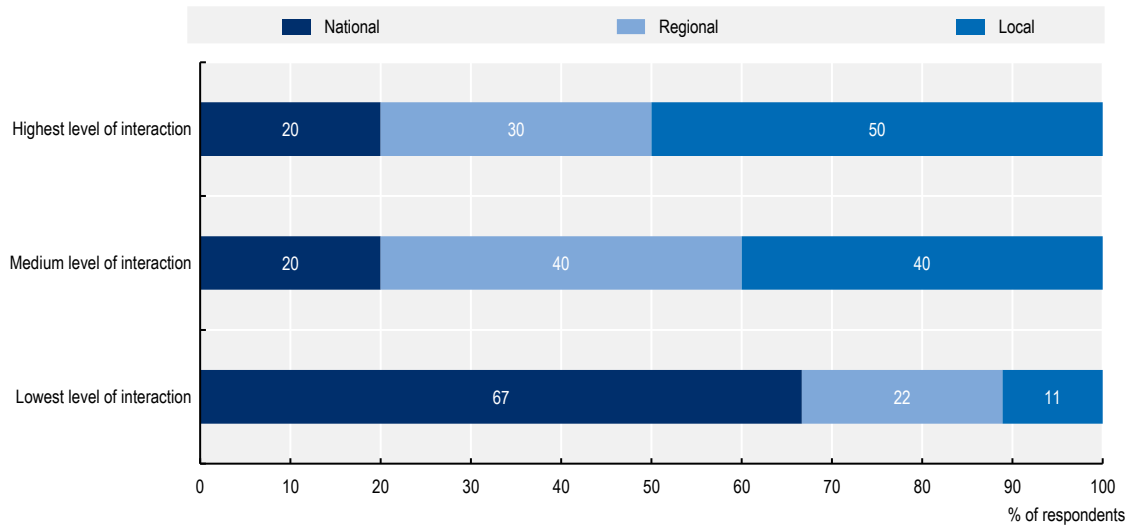
Levels of interaction with the main DDC actors in partner countries

In partner and recipient countries, German municipalities and states mostly interact at the local level. Half of the German municipalities and states responding to the OECD survey stated that the local-level government is their most common interaction partner in their partner country (Figure 3.5). More than 30% of municipalities mentioned the national level as their main collaboration partner abroad, against 20% of states. At the same time, more than 40% of municipalities and almost 70% of states mentioned the national level as the least common interaction partner. Just under a third of states (30%) indicated that their highest level of interaction was with the regional level, whereas only 2.4% of municipalities reported it was their first level of choice. These figures underline considerable differences in the DDC approaches of German municipalities and states in the partner countries: although states and municipalities tend to prioritise interaction with local counterparts, interactions with regional and national partners vary.

For municipalities, another important actor in partner countries are CSOs. Around 17% of German municipalities mostly interact with CSOs (Figure 3.6). For more than 40%, they are the second most important partner abroad. One of the challenges regarding CSO engagement in partner municipalities is the increasing age of partners in the partner municipalities and the lack of youth engaging in such CSO-led partnerships. Lastly, the regional level plays a more modest role. Only 2% of municipalities named the

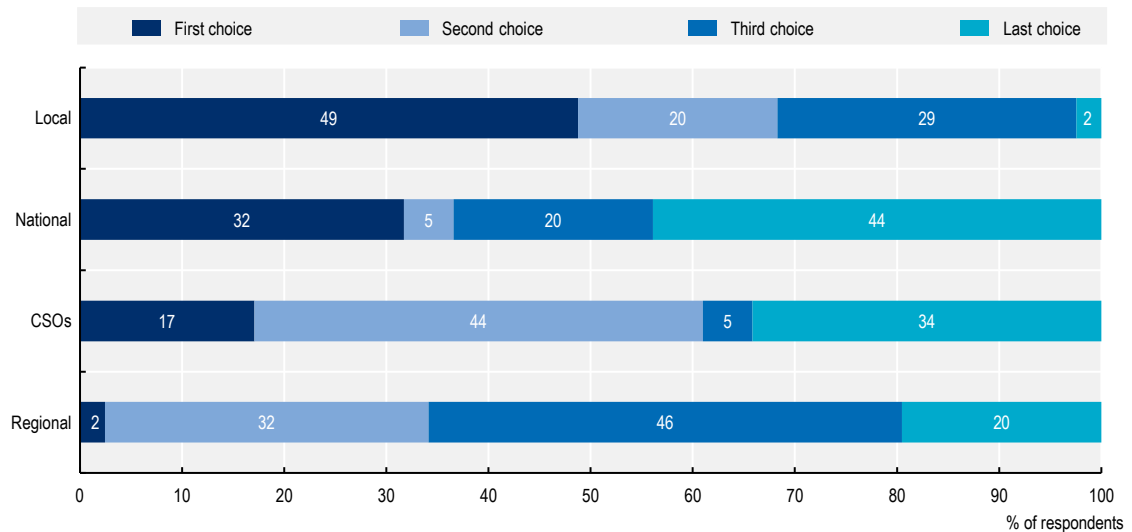
regional level as their main interaction partner abroad. For about 30% however, the regional level represents the second most important partner. Private sector companies in partner municipalities are also potential collaboration partners for German municipalities.

Figure 3.5. Main DDC interaction partners of German federal states



Source: OECD survey to the German Federal States 2021/22.

Figure 3.6. Main DDC interaction partners of German municipalities



Source: OECD survey of German municipalities 2022.

Co-ordination mechanisms, co-financing for DDC and alignment of DDC actions across levels of government

The majority of federal states define and/or co-ordinate their strategic and geographical priorities for DDC across levels of government. Federal states are using various mechanisms to co-ordinate their DDC activities across levels of government. In Baden-Württemberg and Berlin, for example, the state's development policy guidelines are used as a tool to co-ordinate actions across levels of government. In addition, the state of Baden-Württemberg has established a Council for Development Co-operation. This multi-stakeholder platform supports the state government with the implementation of its development policy guidelines. There is also an inter-ministerial working group for development policy. In the state of Saarland, the coalition agreement points out strategic priorities such as the United Nations (UN) Sustainable Development Goals (SDGs) and DDC partnership, but not yet geographical priorities. Federal-level priorities such as the Africa Strategy of the federal government are taken into consideration if applicable. The state of North Rhine-Westphalia is using its memorandum of understanding on development policy priorities⁴ as a co-ordination mechanism. Informal stakeholder dialogues can also be means to determine where CSOs and private sector companies are active to determine geographic and strategic priorities.

The Conference of Federal State Prime Ministers and the Federal Government and Federal States Committee on Development Cooperation (BLA-EZ) are two institutions and mechanisms that facilitate the co-ordination of strategic and geographic priorities for DDC. The MPK mainly deals with horizontal co-ordination between the 16 federal states. The BLA-EZ co-ordinates DDC activities between the federal states and the federal government.

Between the federal government and the states

The German Government and Federal States Programme (BLP) is a joint-funding and co-ordination mechanism for DDC between the federal government and federal states. Generally, BLP projects in partner countries are financed by the federal level (maximum 60%) and the state level (minimum 40%, contributed either in kind or financially or as a combination of both) but some programme elements (such as capacity building for the federal states and their institutions) are entirely covered by the federal level. Thus, the BLP promotes co-ordination and coherence between a given DDC project and bilateral co-operation initiatives in partner countries. Furthermore, the BLP promotes knowledge exchange and networking between the federal states by offering seminars and conferences to stakeholders from the federal states. In GIZ's Decentralised Development Lab, federal states and partner issues collaborate on topics that will shape the future of development co-operation such as e-mobility and digitalisation using agile methods like lean management and design sprints (GIZ, 2022_[11]). The four regional offices of GIZ in Germany support the BLP through project co-ordination and support for the implementation of projects in specific policy areas that are split between the four offices. The current term of the BLP runs until 2023 (GIZ, 2022_[11]).

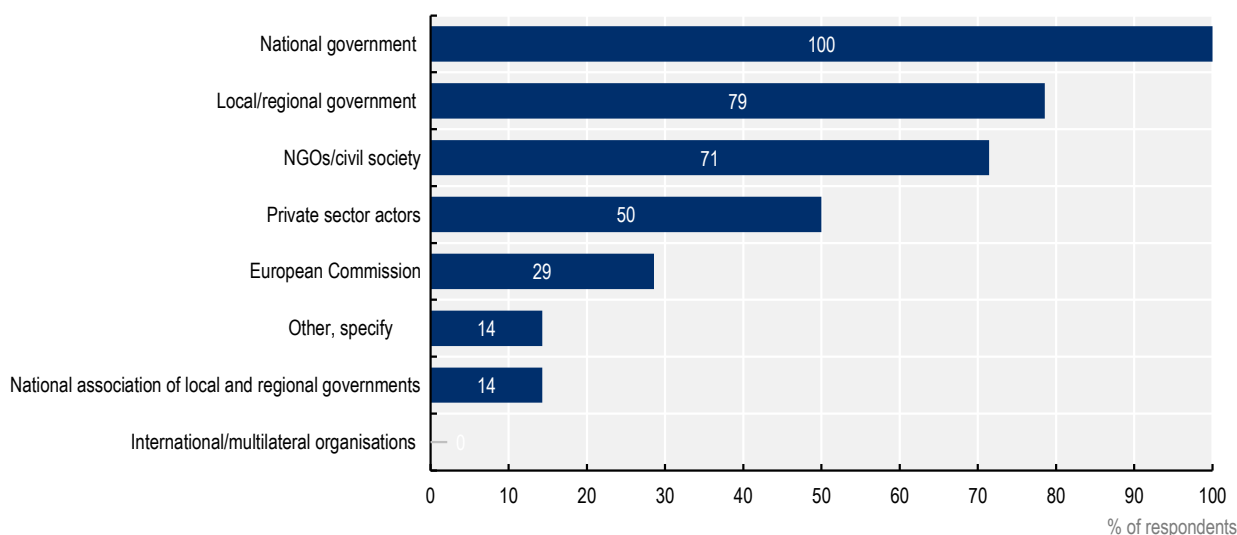
The BLP is a key instrument to support DDC activities in German states, yet certain obstacles need to be overcome. All federal states responding to the OECD survey (14 out of 14) received co-financing for DDC from the federal government, notably through the BLP programme, which for the 2019-23 period is partly financed by the German Federal Ministry for Economic Cooperation and Development (BMZ) through GIZ (EUR 14 140 000) and partly by the states themselves (EUR 6 180 083) (GIZ, 2022_[11]). Although states highlight the fact that it is a key channel through which the BMZ encourages development co-operation activities by the states, some obstacles are mentioned by the federal states, for example the fact that geographic and thematic priorities of the federal government and the German states might not be the same and that the administrative procedures for project management are perceived as complex.

Beyond the BLP, there are other co-ordination mechanisms between the federal and state levels. The federal government organises strategic annual meetings and bilateral talks with German states. One of them is the meeting of the ministers of the federal states responsible for development co-operation with

the federal government, which takes place on an occasional basis with the last meetings being held in February 2023 and December 2020. In this meeting, the ministers of the federal states with responsibility for development co-operation meet with the Federal Minister for Economic Cooperation and Development to exchange on political priorities. While these meetings are more of a political nature, the federal government and the federal states co-ordinate more technical aspects of their development co-operation activities in the BLA-EZ. The BMZ leads the committee via its unit responsible for the states' and municipalities' development co-operation. A similar working group covers the topic of sustainable development. However, one of the challenges is the existence of different channels of communication between the state level and federal levels.

All states taking part in the survey highlight the federal government as a key actor providing co-financing for DDC project implementation. Other key actors include local/regional government (79%), NGOs and civil society (71%) and private sector actors (50%). At the same time, national associations of local and regional governments are only mentioned by 14% of German states, whereas international and multilateral organisations are mentioned by none (Figure 3.7).

Figure 3.7. DDC actors providing co-financing for DDC implementation with federal states



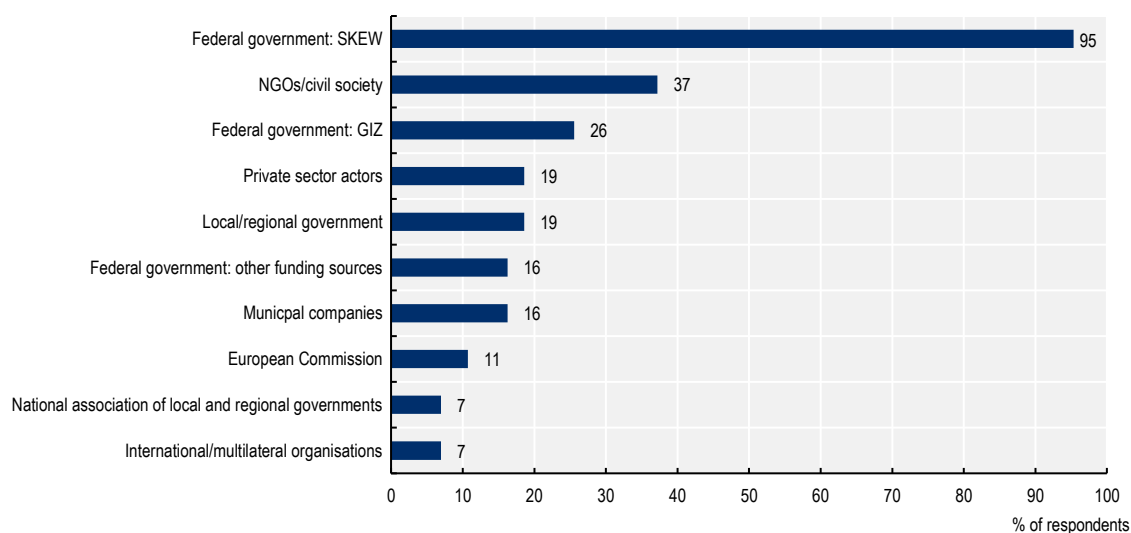
Source: OECD survey to the German Federal States 2021/22.

Between the federal government and municipalities

The German federal government and municipalities co-operate on DDC activities mainly through SKEW. Ninety-five percent of municipalities taking part in the OECD survey highlight SKEW as a key actor providing co-financing for DDC implementation. Funding is provided by way of proportionate funding. SKEW funds up to 90% of the total eligible expenditure of a given project. At least 10% of the total expenditure must be provided by the applicant in the form of their own funds and/or those of a third party. SKEW is also perceived as a key starting point for DDC activities in German municipalities, namely for its networking events – including the SKEW climate partnership programme, aiming to strengthen co-operation between German municipalities and municipalities in the Global South in the fields of climate change mitigation and adaptation (SKEW, 2022_[12]). Finally, SKEW also supports DDC at a local level by activating its network and mobilising municipalities to take part in the reporting process. Previously, SKEW also provided an online reporting tool on ODA called *ODA Kommunal* (<https://www.oda-kommunal.de/>) that was used by North Rhine-Westphalia and Schleswig-Holstein to capture and report ODA collected by their municipalities.⁵ The section on data and monitoring provides further details on the SKEW reporting

tool, which is currently under discussion for being replaced with a new mechanism. NGOs and civil society are the second most important actor for co-financing, with 49% of the municipalities reporting co-financing through NGOs and civil society. Other important institutions in this regard include GIZ (26%), private sector actors (19%) and local/regional governments (19%) (Figure 3.8).

Figure 3.8. DDC actors providing co-financing for project implementation with municipalities



Source: OECD survey to German municipalities 2022.

Between the states and municipalities

States and municipalities are very active in DDC but their interaction and co-ordination remain limited. States mainly are supported by GIZ while municipalities are mainly supported by SKEW – as mentioned above. According to the OECD survey, 15 out of 41 municipalities reported that the lack of information sharing across levels of government was a “relevant obstacle” for DDC in Germany and another 6 identified it as a “major obstacle”. This was also reflected in the fact that municipalities are often not aware of DDC activity at a state level. Moreover, as seen in Chapter 1, the boundaries for municipal DDC as defined by the states sometimes remain unclear. Federal actors such as GIZ also suggested that activities at the federal level could be better linked with the state and municipal levels. Vertical co-ordination between the federal, state and municipal levels is, therefore, a key area of DDC in Germany where improvement is needed.

Although collaboration between municipalities and federal states level emerges as a gap in DDC in Germany, there are certain exceptions. For example, North Rhine-Westphalia has a partnership with Ghana, which helps German municipalities create new partnerships with local governments in Ghana, fostering a network among them. Municipalities can also contact the federal state’s local office in a partner country, which serves as an important provider of support services, as seen with the example of Rhineland-Palatinate in Kigali, Rwanda.

Multi-level governance gaps

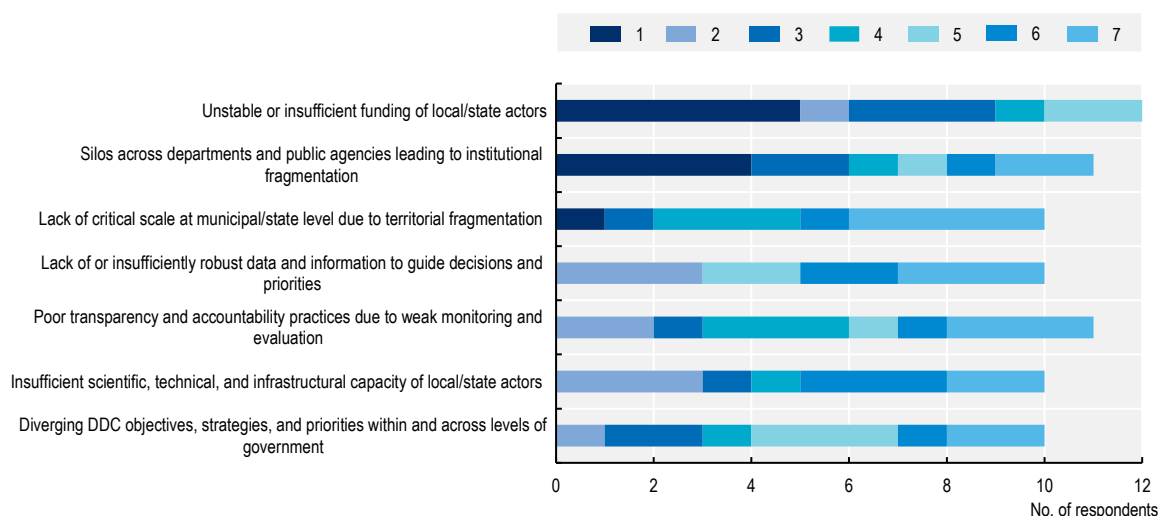
Federal states

An important challenge for DDC in Germany is related to funding, for states and municipalities alike. There are different budgets available for development co-operation across federal states. For instance, the share of BLP projects as a percentage of total DDC projects in federal states varies and depends on the extent to which their priorities align with those of the German development co-operation at the federal level. Some federal states struggle to raise the 40% co-financing required for BLP projects yet have the option to contribute their 40% partly or fully as an in-kind contribution. Generally, funding for DDC at the state level comes from various ministries (e.g. Ministries of the Environment, Economy, among others) and there has been increased federal government financing for DDC in the context of COVID-19 solidarity funding. However, federal states can only mobilise funds on an annual or biennial basis rather than a multi-annual basis, creating difficulties for long-term planning. Nonetheless, some states have a long-term commitment for projects, even though it is not binding – contracts usually run for a year, with a possibility for renewal depending on the funding situation. The main funding for municipal projects comes from SKEW. Yet these funding programmes are reported to be complex, calling for a simplification of bureaucracy and application procedures, in particular to facilitate access to funding for German municipalities. Interviewees also raised the option of offering capacity-building activities and workshops for public servants in German municipalities to train them on applications for funding and support schemes.

When designing and implementing DDC activities, several multi-level governance challenges come to the fore in German states. First, respondents from five states mentioned unstable or insufficient funding for local/state actors (Figure 3.9). The budgets available for development co-operation vary across federal states. Moreover, the share of BLP projects as a percentage of total DDC projects in federal states depends on the specific states and the extent to which their priorities align with the BLP priorities. Other challenges mentioned among the top challenges include silos across departments and public agencies leading to institutional fragmentation (ranked as the most important challenge by four states) and the lack of critical scale at the municipal/state level due to territorial fragmentation (one state). Two other challenges feature prominently as the second most important multi-level governance challenge for designing and implementing DDC in German states: insufficient scientific, technical and infrastructural capacity of local/state actors (3 states) the lack of or insufficiently robust data and information to guide decisions and priorities (3 states as well).

Figure 3.9. Prominence of multi-level governance challenges in federal states for designing and implementing DDC activities

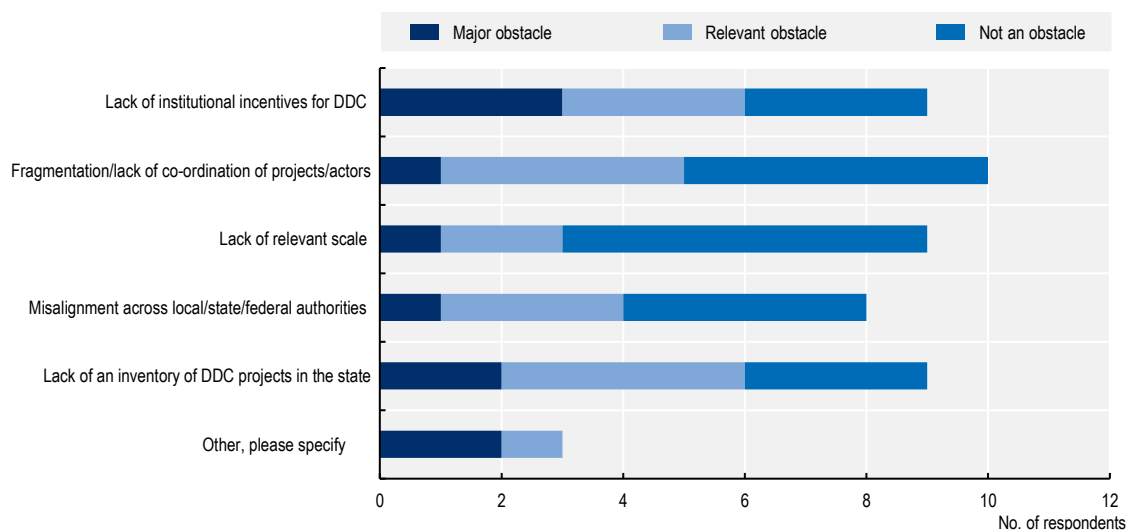
Ranked from 1 (most important) to 7 (least important)



Note: Twelve federal states answered the question and respondents could choose the same ranking for several options.
 Source: OECD survey to the German states 2022.

A lack of institutional incentives and the misalignment across different levels also hinder the effectiveness⁶ of DDC interventions in German states. The lack of institutional incentives for DDC (reported by 3 out of 12 respondents) was the most commonly identified major obstacle challenging the effectiveness of federal state DDC interventions and joint-second most commonly identified relevant challenge (Figure 3.10). Another major obstacle identified in the survey is the lack of an inventory of DDC projects at a state level (2 out of 12 respondents) – this obstacle was considered relevant by another 4 states. Further relevant obstacles include the fragmentation/lack of co-ordination of projects and actors (4 out of 12 states) and the misalignment across local/state/federal authorities (3 out of 12). “Insufficient funding” was raised as a major challenge as part of the “Other” category by two states.

Figure 3.10. Challenges hindering the effectiveness of the DDC interventions of federal states



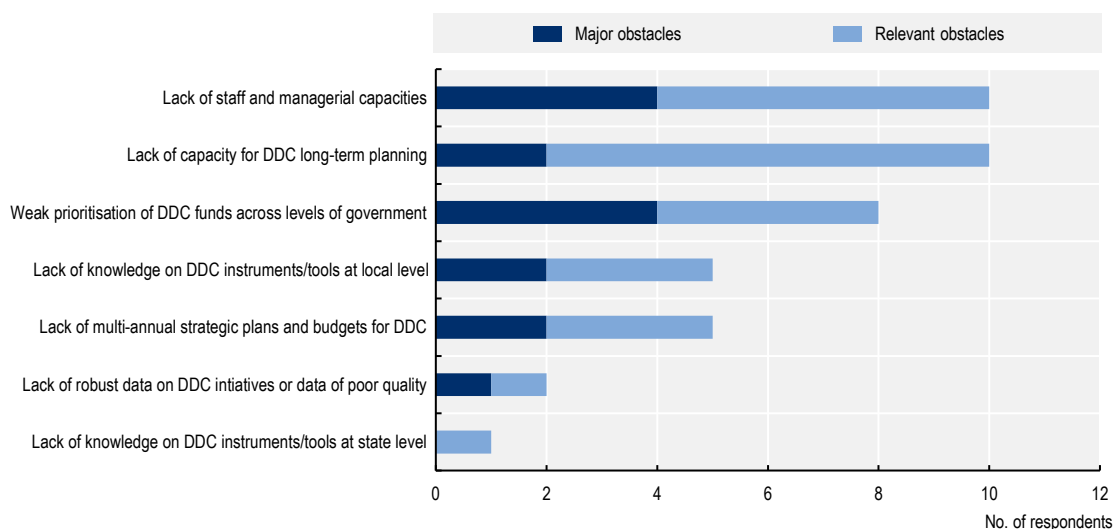
Source: OECD survey to the German states 2022.

Regarding the challenges affecting the efficiency of DDC interventions in German states, respondents indicated that the lack of staff and managerial capacities and the weak prioritisation of DDC funds across levels of government are major obstacles. They were both mentioned by 4 out of 14 respondents (Figure 3.11). These obstacles often undermine the capacity of local institutions, including in terms of project management and implementation (OECD, 2018^[3]). Further challenges include the lack of capacity for DDC long-term planning, the lack of multi-annual strategic plans and budgets for DDC and the lack of knowledge of DDC instruments/tools at a local level. Therefore, capacity-building activities on how to co-ordinate different partners and how to implement long-term development planning would contribute to boosting DDC efficiency.⁷

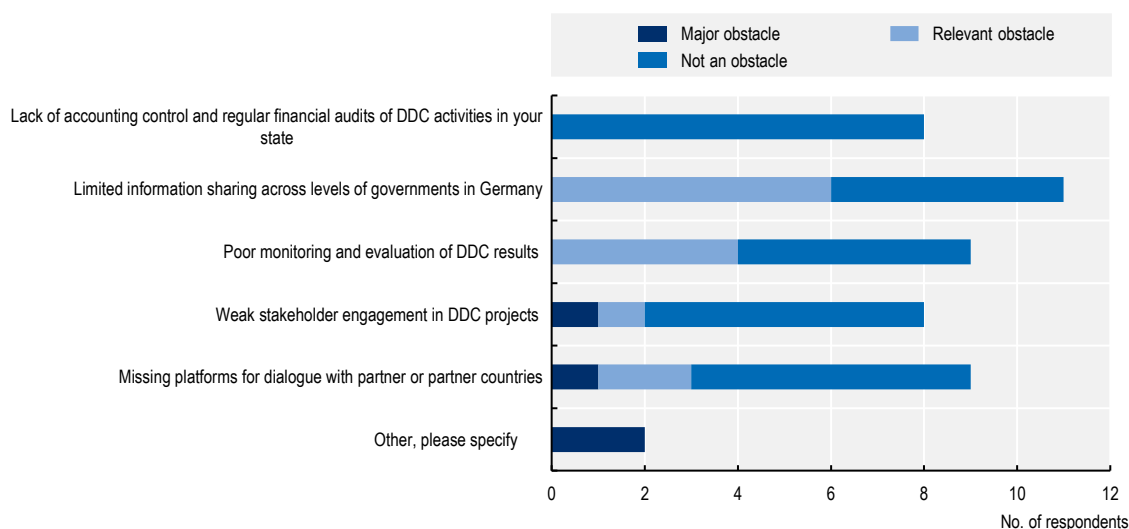
Regarding the challenges affecting the efficiency of DDC interventions in German states, respondents indicated that the lack of staff and managerial capacities and the lack of capacity for long-term planning in DDC are major obstacles (Figure 3.11). The lack of capacity for DDC long-term planning was the most common relevant obstacle, highlighted in 8 out of 13 answers by federal states. These obstacles often undermine the capacity of local institutions, including in terms of project management and implementation (OECD, 2018^[3]). Therefore, capacity-building activities on how to co-ordinate different partners and how to implement long-term development planning would contribute to boosting efficiency.⁸

Limited information sharing across levels of government in Germany is a major or relevant obstacle hindering the inclusiveness of DDC. Although a majority of states (8 out of 14) do not observe any major challenge hindering the inclusiveness of DDC in their federal state, respondents to the survey highlighted a lack of transparency and communication between different levels of government, calling for improved information sharing (Figure 3.12). More than half of respondents (6 out of 11 federal states) indeed identified “limited information sharing across levels of government in Germany” as a relevant obstacle. Although the communication on development co-operation across states is functional, communication at the federal level is reported to be more complicated. Those responsible for development co-operation in the different states communicate well amongst one another, but communication with the federal level is more complicated – despite several existent channels, including the BLA-EZ. The OECD survey also reveals a lack of “informal conversation” between states, with exchanges mainly focused on policy measures in Germany. The COVID-19 pandemic has made the exchange more challenging and states report that annual exchanges both with the BMZ and among themselves do not leave enough time to discuss individual projects, leading to limited interaction and knowledge about municipalities’ activities, for instance.

Figure 3.11. Challenges hindering the efficiency of DDC in federal states



Source: OECD survey of German Federal States 2021/22.

Figure 3.12. Challenges hindering the inclusiveness of DDC in federal states

Source: OECD survey to the German Federal States 2021/22.

Several mechanisms are in place to overcome multi-level governance challenges for DDC activities in Germany. They include mechanisms to co-ordinate DDC activities across departments and agencies at the state level (e.g. bilateral talks, strategic annual meetings such as the BLA-EZ and the advisory council for development co-operation at the state level to integrate CSOs and development policy organisations) and across levels of government (for instance the BLP and the SKEW programme advisory board), to build the capacity of municipalities, states and even civil society for DDC. There are also mechanisms aimed at sharing data and information across DDC players. Common practices in this regard include websites, the monthly brochure by the WUS, newsletters and regular meetings among specific actors. Pooling DDC initiatives at the relevant territorial scale is also an ongoing effort in Germany, namely through the BLP as it aims to develop a strategic approach to use the specific competencies of the states for DDC.

Municipalities

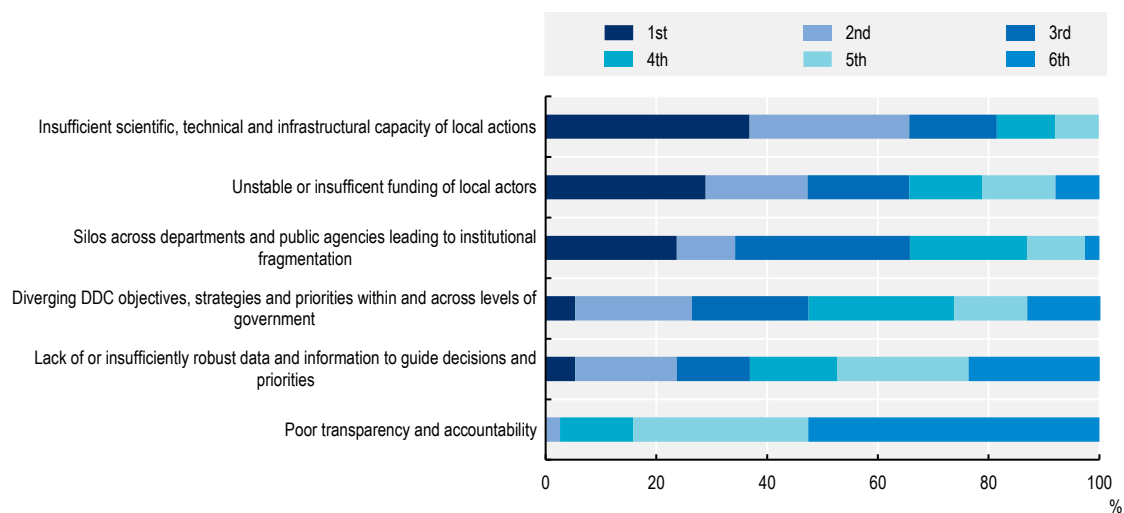
Financing and insufficient personnel resources are the two main challenges that municipalities are facing concerning DDC implementation. Insufficient personnel resources represent a challenge for more than 30% of German municipalities responding to the OECD survey. This refers both to the necessary skills as well as to the availability of staff in general (Figure 3.13). At the same time, since there are relatively few employees involved in DDC activities, the departure of an employee can mean an impediment to the continuity of projects both at the state and municipal levels. Oftentimes, the responsible person for development co-operation in a municipal administration also has to cover a broad range of other topics, which can make it more difficult to acquire expert knowledge and profound experience in development co-operation projects. Furthermore, more than 20% of German municipalities consider insufficient financing as a main challenge for their DDC activities. Since DDC is not a compulsory task, municipalities can face strong pressures to justify expenses for DDC under scarce budgetary resources. This is a particular challenge for DDC projects that last for more than a year. In those cases, projects might be stopped due to the lack of financing for the following year, thus making it difficult to reach its objectives. The focus of municipalities' DDC projects is therefore often on small-scale projects with a limited financial volume.

Other challenges for municipalities are different political priorities as well as administrative processes. Several municipalities stated that DDC is considered to be a niche topic and therefore not prioritised in the local policy agenda. There is also often a lack of knowledge of DDC among the local population in Germany

but also among different departments of the local administration and the local government, which predominantly focuses on domestic local issues rather than international co-operation. Finding the right partners that support a municipality's development co-operation activities is therefore crucial. It is particularly important to raise awareness among municipalities and districts about the opportunities and benefits that DDC activities provide. Municipalities also mentioned the time-consuming application and processing and accounting of funds as a challenge for their DDC activities. This is especially the case for EU-funded projects. Furthermore, applications to different donors require a different language and wording as well as different content-related requirements, all time-consuming to get acquainted with.

Communication and cultural differences represent challenges for German municipalities. Differences in administrative systems between project partners as well as diverging expectations between the German municipality and its partner in the Global South may hinder municipal development co-operation activities. In addition, changing governments and public servants in the partner municipality can impede the continuity of projects and partnerships. Engaging in the local language, including through partners who know the local context and the way people communicate, is an important success factor for DDC. However, communication and language barriers appear to be another factor challenging the DDC of German municipalities, partially linked to the geographic distance or different time zones. Due to time constraints, public communication about the projects, e.g. through the municipal webpage or awareness-raising events, can also be a challenge for municipalities.

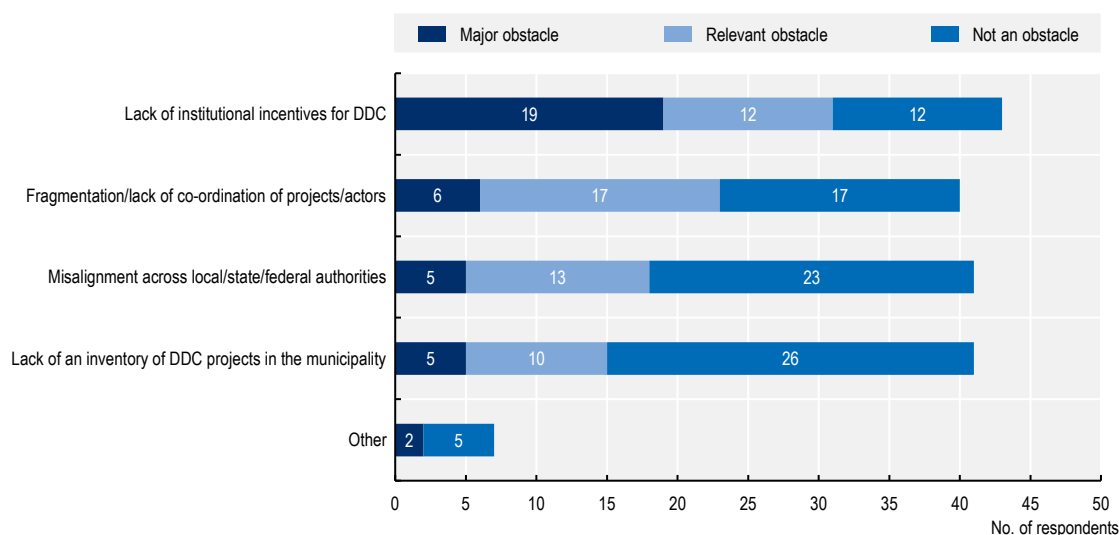
Figure 3.13. Main multi-level governance challenges for DDC in German municipalities



Source: OECD survey of German municipalities 2022.

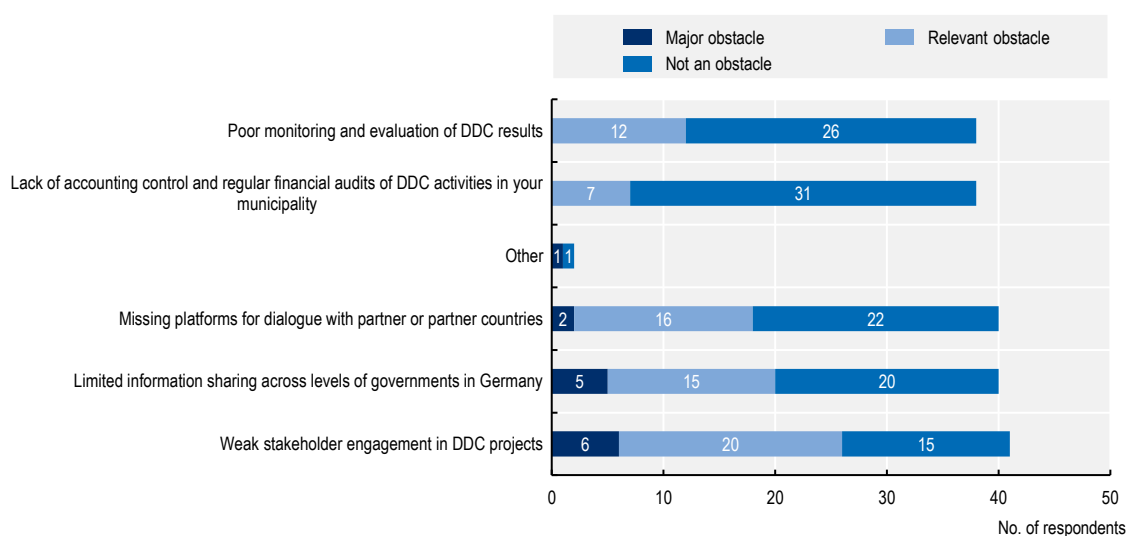
In terms of challenges to effectiveness and inclusiveness in DDC activities, German municipalities report a lack of institutional incentives and limited information sharing. The lack of institutional incentives for DDC is raised as either a major or a relevant obstacle to the effectiveness of DDC interventions in more than two-thirds of German municipalities (31 out of 43 respondents) (Figure 3.14). Moreover, 12% of German municipalities consider that limited information sharing across levels of government is a major challenge hindering the inclusiveness of DDC – particularly regarding the implementation of the 2030 Agenda. Another 14% highlight weak stakeholder engagement as the major obstacle (Figure 3.15). Finally, the collaboration between states and municipalities could be strengthened, as various municipalities report little collaboration with their respective federal states.

Figure 3.14. Challenges to the effectiveness of municipal development co-operation



Source: OECD survey of German municipalities 2022.

Figure 3.15. Challenges to the inclusiveness of municipal development co-operation



Source: OECD survey of German municipalities 2022.

DDC data collection and reporting

Official development assistance is used to measure decentralised development co-operation

ODA is a measure of official financial flows provided by public reporting agencies that aims to advance the economic development and welfare of developing countries. ODA data provide a unique set of information used to analyse official development finance provided to developing countries (e.g. the geographical, regional, sectoral/policy, vulnerability-linked or other focus of funding) and to track donor commitments to finance sustainable development (e.g. 0.7% ODA/gross national income [GNI] commitment).⁹ To ensure

the timeliness and transparency of data, the OECD collects ODA data annually, enters them into the Creditor Reporting System (CRS) database and ensures that it is freely accessible on the OECD website (Box 3.2). The OECD DAC, composed of 30 donors, with the support of its Working Party on Development Finance Statistics (WP-STAT) and the OECD Secretariat, maintains the quality and relevance of ODA eligibility criteria and standards for reporting on ODA. At the time of writing, 2020 is the last year for which complete ODA data are available and include financing provided to 142 countries and territories. Total ODA provided by Germany rose from EUR 10.3 billion in 2014 to EUR 22.7 billion in 2020. In relative terms, German ODA reached 0.7% of its GNI in both 2016 and 2020.

As a measure of DDC, ODA data provide information on financing disaggregated by donor agencies (e.g. by state or local governments) and serves as a proxy to assess the DDC financing trends of reporting DAC and non-DAC members. The section below provides further details on ODA data disaggregated by donor agencies, including local and regional actors, in the German context. In addition, the CRS database further distinguishes between in-donor aid (e.g. refugee-hosting costs, imputed tuition costs for students, such as scholarships, or education for development) and cross-border aid (i.e. aid disbursed for activities carried out within recipient countries such as technical assistance). The analysis of cross-border aid provides further insights into the motivations and aims of subnational governments to carry out international co-operation with developing countries, in comparison to in-donor aid, which is sometimes provided in response to financing needs within German borders.

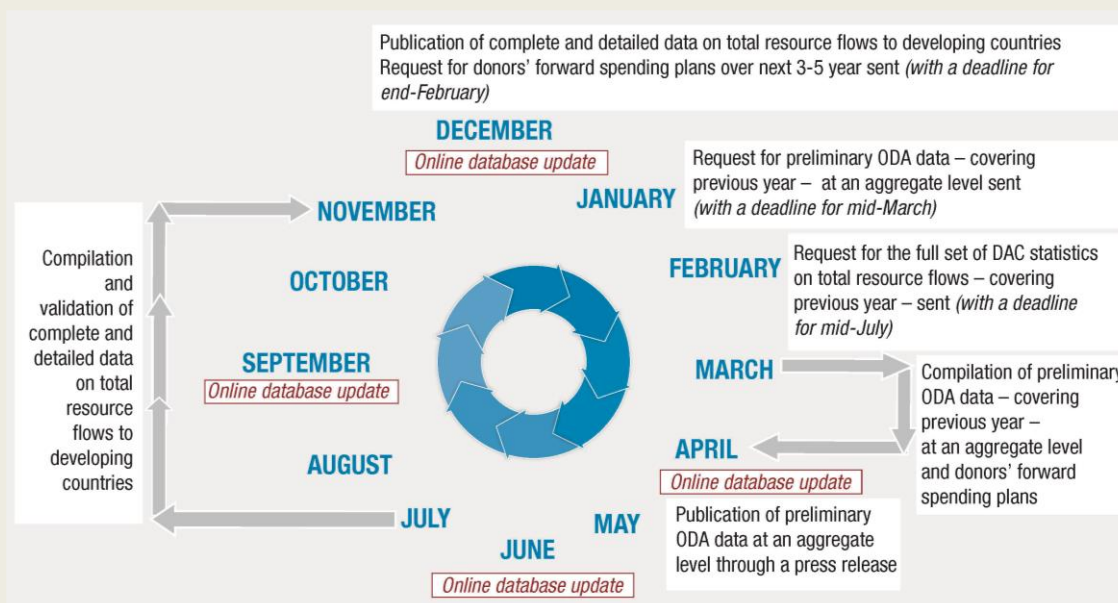
Box 3.2. The OECD ODA data collection process

Data on ODA by DAC members and other reporters are maintained by the OECD and updated annually. Following a request for reporting early each year, individual member countries collect their data and are asked to submit their information to the OECD in mid-July. The OECD then compiles all data, checks every entry and publishes the detailed data in December for the previous year.

Some countries, such as France, carry out a phone campaign to encourage reporting by local governments and to train them on DAC codes and reporting. In the case of France, reporting has increased from 196 local governments in 2012 to 482 in 2017. In 2019-20, thanks to the annual awareness campaign, the number of French regions and local authorities reporting on ODA increased from 470 to 1 040, mainly due to increased reporting by cities with fewer than 100 000 inhabitants (Ministere de l'Europe et des affaires etrangeres, 2020^[13]). France believes this aid is still under-reported. Each year, the French national government involves the French Association of Local Governments and the prefectures to complement the data (OECD, 2019^[14]).

In Germany, the Federal Statistical Office (Destatis) carries out the official data collection for reporting to the OECD CRS. Destatis sends the survey in a spreadsheet format to focal points of the individual states in February. The states in turn co-ordinate responses from their ministries that are involved in DDC. States also have the discretion to forward the survey to their municipalities and two states currently do so using a survey on a website (also referred to as the online tool hereafter) developed with the help of SKEW. Destatis normally asks for responses to be handed in at the end of April, after which the data get reviewed and checked, and sent back to states for validation. Thereafter, all data are combined to be submitted to the OECD.

Figure 3.16. Development finance statistics data cycle



Source: OECD (n.d.^[15]), *Data Collection and Resources for Data Reporters*, <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/data-collection-and-resources-for-data-reporters.htm> (accessed 29 June 2022); discussion with German states and agencies.

ODA reporting by states and municipalities in Germany

The co-ordination of the ODA data collection is carried out by Destatis. Destatis double-checks submissions by the states to ensure a high quality of the data. This communication between the states and the statistical office seems to work well. In surveys and interviews, almost all states mentioned that they are certain about the eligibility criteria for ODA and it was also mentioned that Destatis could be contacted in case of questions. Having one agency co-ordinate the submission is important to avoid overlaps or double reporting, especially when many layers of actors engage in co-financing schemes. Destatis mentioned that there are clear rules that those actors spending the money report on it and that they can crosscheck thanks to their central role as data collectors.

Germany provides complete coverage of all German states in its ODA data collection process since 2014.¹⁰ As of 2020, Germany reported ODA data according to 36 distinct agency codes (including development finance institutions, main aid agencies, other extending agencies and export credit agencies), with 17 of those providing DDC data (i.e. local governments), including each of the German states (see Table 3.1 below). Among those, Agency Code 12 “Federal states and local governments” does not indicate a specific German state as it almost exclusively¹¹ denotes imputed tuition costs described as “Financing tuition in higher education for students from developing countries in Germany”.^{12,13} The remaining 16 agency codes include ODA data reported by all of the states individually since 2014, other than imputed tuition costs. Contributions by each state can therefore be identified clearly in the data. This is consistent with the OECD survey carried out with the states, to which all participants responded that they report ODA data.

Table 3.1. Subnational German agency codes used in the CRS data

Agency code	Name of agency
12	Federal states and local governments
80	Federal State of Schleswig-Holstein
81	City State of Hamburg
82	Federal State of Lower-Saxony
83	City State of Bremen
84	Federal State of North Rhine-Westphalia
85	Federal State of Hesse
86	Federal State of Rhineland-Palatinate
87	Federal State of Baden-Württemberg
88	Federal State of Bavaria
89	Federal State of Saarland
90	City State of Berlin
91	Federal State of Brandenburg
92	Federal State of Mecklenburg-West Pomerania
93	Federal State of Saxony-Anhalt
94	Federal State of Saxony
95	Federal State of Thuringia

Note: An additional agency code 14 “Federal institutions” was used from 2001 to 2003.

Source: OECD (2022^[10]), *Creditor Reporting System (CRS)*, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>.

Germany is one of the few DAC members that report data that are disaggregated by regional or state-level providers of ODA. Among the 11 DAC members that report on DDC in 2020, only 5 disaggregate ODA data by regional or state-level agency, including Germany. In terms of the quality of data reported, several German states carry out screening based on gender and climate markers. In Spain, for instance, all 17 autonomous regions are reporting on ODA and are separated in the database. Additionally, Spanish municipalities are individually listed so that their contributions can be separately assessed.¹⁴ Similarly, all Belgian regions submit data on ODA, including municipalities, each in their own category. In the United Kingdom, the devolved governments of Scotland and Wales are separately listed for their DDC contributions. Finally, Japan separates prefectures and cities in its submissions. All other countries that report on DDC do so on a consolidated basis, such as France, which has one category including all DDC financing.

While reporting on federal states is comprehensive, municipal financing is not disaggregated in ODA reporting by German agencies and could represent an area for further improvement. German federal states have the authority to include municipalities in ODA data collection. However, few states include municipalities in their collection. Among those that do include municipalities in their ODA reporting, data are not disaggregated to identify which municipalities have contributed (see Box 3.3 for further information on the city of Kiel’s approach to granular ODA reporting). Among the municipalities that report, there are also differences in the detail of their reporting, e.g. whether projects are grouped or listed separately. Challenges and opportunities related to ODA reporting at the municipal level are further discussed in the following section.

Box 3.3. Best practices in German states and municipalities ODA reporting

State of North Rhine-Westphalia

As one of the largest donors in absolute terms of ODA of all German states, North Rhine-Westphalia is also among the most comprehensive in its ODA reporting. In the 2018-20 period, North Rhine-Westphalia screened about 90% of (cross-border and in-donor) disbursements against the gender and environment marker. Only Berlin and Saxony-Anhalt screened more.¹⁵ What also makes North Rhine-Westphalia's reporting noteworthy is the state's inclusion of municipalities for about a decade using the SKEW website. The state's reporting can thus be seen as one of the most detailed and comprehensive.

City of Kiel

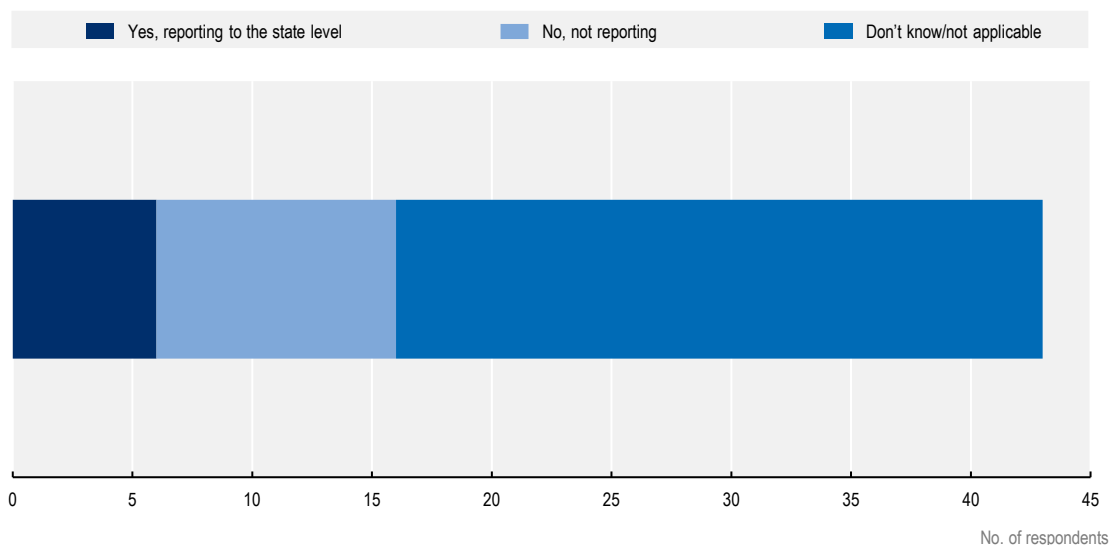
The city of Kiel is one of a few municipalities that report ODA data in Germany. The level of detail and granularity of Kiel's reporting is notable due to its inclusion of several very small projects in monetary terms, described with granular detail. One project described in detail was valued at just EUR 500. It is also notable that despite reporting on many small projects, Kiel did not indicate any significant challenges for ODA data collection in its survey response.

Source: OECD (2022_[10]), *Creditor Reporting System (CRS)*, <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>; City of Kiel (2022_[16]), *Voluntary Local Review Kiel 2022*, https://www.kiel.de/de/kiel_zukunft/nachhaltigkeitsziele/dokumente_VLR/Global_Engagement_ENG-digitale_Version.pdf.

OECD survey data show low coverage of reporting on municipal ODA activities. Of the 43 municipalities that answered this question, only 6 responded that they report ODA data (Figure 3.17). In further discussions, it became clear that indeed only about ten municipalities report on their ODA activities. In addition, 63% of the respondents (27 out of 43) replied that they do not know if they are invited by their federal state to report ODA data. Several of those were located in a state which in principle provided the online tool for municipal ODA reporting. From the interviews, it emerged that this inconsistency might be mainly due to two reasons: i) activities on municipal development co-operation are split across administrative divisions, so respondents are unsure whether another division might have been invited to report; and ii) respondents are uncertain what the term ODA refers to (despite the clarification provided in the survey).¹⁶

Figure 3.17. Few German municipalities report ODA data to the CRS database

Number of respective responses to the survey to municipalities to the question: “Is your municipality reporting ODA data?”



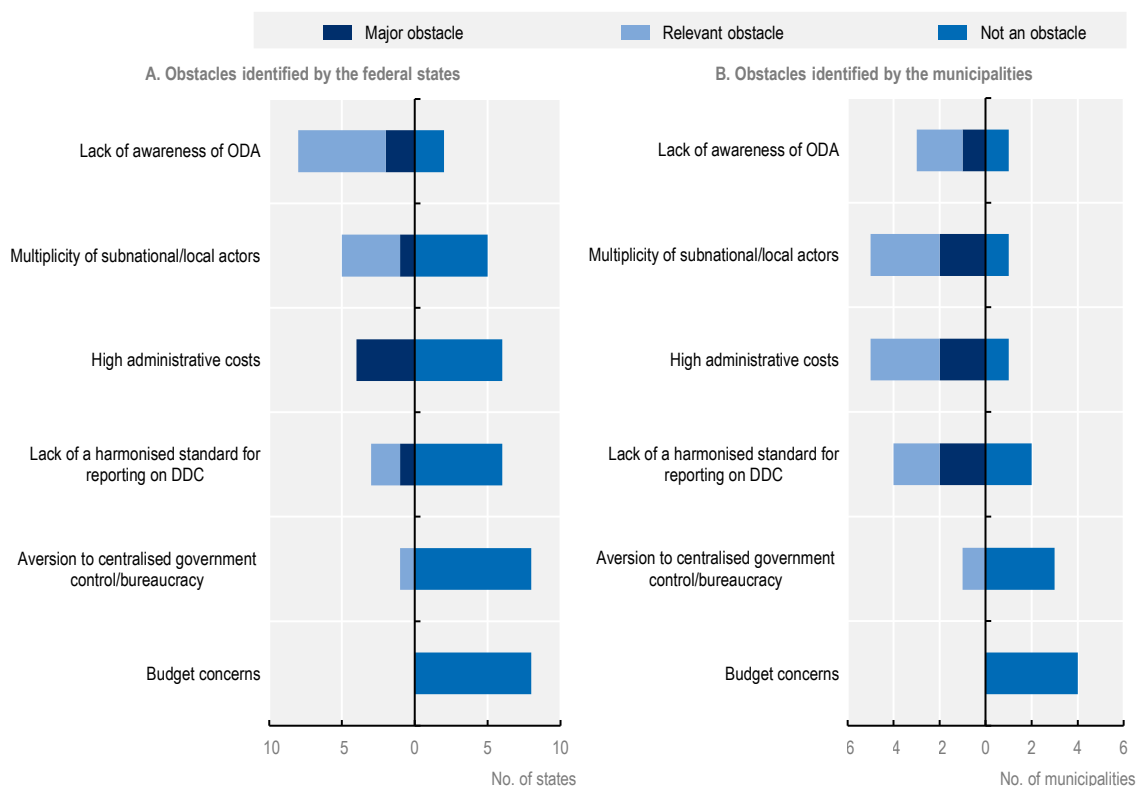
Source: OECD survey to German municipalities 2022.

SKEW has undertaken an initiative to create a website to facilitate municipal ODA reporting. This has helped municipalities in reporting, making the process more intuitive and less daunting. A web interface for reporting had the added benefit that it can include help functions and explanations, aiding people who are not very used to ODA reporting. It can also nudge towards complete submissions, for example by not allowing entries without the recipient country. To help facilitate reporting by German federal states on ODA carried out by municipalities, SKEW introduced an online survey and municipal online portal to facilitate ODA data collection. In addition to the classic spreadsheet that was used in all other states the online survey has been used from 2012 by North Rhine-Westphalia and more recently by Schleswig-Holstein until 2022.¹⁷ Based on interviews and the survey, several additional states indicated further interest in utilising a harmonised and simpler approach in order to take part in ODA reporting. The portal is no longer active since a more user-friendly web-based solution will be piloted by the BMZ building on the SKEW web portal and lessons learned.

Challenges faced by German states and municipalities to report ODA

Challenges indicated by states to collect ODA data are often related to a lack of awareness of ODA, high administrative costs and prioritisation (Figure 3.18). Neither states nor municipalities view budget concerns as an obstacle. However, a lack of awareness of ODA and high administrative costs are often obstacles. For example, when co-ordinating data collection between state ministries, some colleagues might not be aware that their activities could qualify as ODA, which complicates the work of co-ordinators and misses some information. In that regard, the multiplicity of actors seems to complicate reporting by the states further, e.g. when data are dispersed making it more difficult to get an overview. Data collection requires time and personnel resources, and given other seemingly more pressing and important tasks, is not always the main priority. One state further mentioned that the collected data have to be copied manually to the ODA database, which can be time-consuming.

Figure 3.18. States and municipalities identify various obstacles that make ODA data collection challenging



Note: Based on 14 participants in the states survey and 43 participants in the municipalities survey, of which only those that report are included in the graph. Budget concerns refer to concerns that reporting may shift funding from central to DDC actors.

Source: OECD survey of German states and municipalities 2021/22.

Municipalities view the multiplicity of actors as a main challenge, to the same extent as high administrative costs. Regarding the multiplicity of actors, an additional challenge might be to know who is reporting on what and further reinforce the importance of institutional mapping. A lack of awareness of ODA, while still an obstacle, is mentioned by comparatively fewer municipalities, which rather see the lack of a harmonised standard for reporting as a problem. The fact that lack of awareness of ODA does not feature more prominently might be explained by the fact that only municipalities which do report are included in this analysis since they might have a better overview of the challenges. Compared to federal states, it might be easier to mainstream development issues in municipal administrations due to their smaller size, thus in turn facilitating ODA reporting by the few states that do report. Indeed, during the interviews with a wider range of municipalities, it became clear that several respondents were not sure about the term ODA itself. One municipality explicitly mentioned during the interview their general willingness to report but not being able to because they are not invited by their state to do so. Another difficulty regarding ODA reporting by municipalities is the specific timeline for reporting. As has been mentioned during exchanges with SKEW, updating the website to align with each year's ODA survey takes time and municipalities then do not have sufficient time to fill out the survey.

The guidance provided by the federal government to the states has reduced the challenges of ODA eligibility requirements. The OECD survey revealed that eligibility requirements are not viewed as a challenge to reporting by states. Most states (11 out of 14) are certain about the eligibility criteria to report DDC. It was mentioned that in case of uncertainties, the federal statistical office provides support. Only one state mentioned that they are uncertain, saying that the survey has become too complex and detailed with frequently changing eligibility criteria for ODA, which makes it hard to convince others to participate in the data collection.

States remain uncertain regarding the need for capacity building to facilitate reporting on ODA activities while more than half of municipalities have requested this form of support. Five out of the 14 states that responded were in favour of capacity building, with 6 being unsure. One respondent mentioned that data collection worked well, with the main obstacle being a lack of staff. Another mentioned that filling an Excel file is burdensome and could be facilitated through access to an online tool. On the municipal level, approval was higher, with 23 out of 42 in favour, 2 not in favour and 17 unsure. Only one state and municipality were against this suggestion. The high number of uncertain answers might come from the fact that respondents might not always be the same person who is in charge of the data reporting itself, as has been confirmed during interviews on several occasions.

Views among the states differ as to whether municipal ODA is sufficiently significant to warrant reporting. Several respondents suggested that only the largest active municipalities should be the main focus of reporting. However, some states contend that complete coverage of municipal DDC should still be the goal to provide the most comprehensive ODA data possible. For example, there has been an increase in requests by smaller German municipalities for twinning with Ukrainian cities. Reporting by municipalities active in DDC has therefore become more important after Russia's attack on Ukraine. Another reason for including municipalities in ODA reporting is the potential for co-ordination and peer learning. In addition, as explored further in Chapter 4 on recommendations, a central database can help municipalities find peers that engage in similar projects and start an exchange.

Monitoring and evaluation of DDC results

To improve the effectiveness of development co-operation and its alignment with the SDGs, continuous monitoring and evaluation (M&E) are crucial. Evaluation is herein considered as the systematic and objective assessment of an ongoing or completed project, programme or policy, its design, implementation and results. Previous studies, however, have shown that especially in the area of DDC, M&E mechanisms are often insufficient or lacking (OECD, 2018_[3]). In discussions with German states and municipalities, the OECD has thus tried to evaluate how effective their M&E systems are and what can potentially be improved. The federal government in Germany has several evaluation frameworks in place by agency. For example, BMZ projects include external evaluations. There are two or three thematic evaluations per year on topics like good governance and the projects assessed are selected randomly.

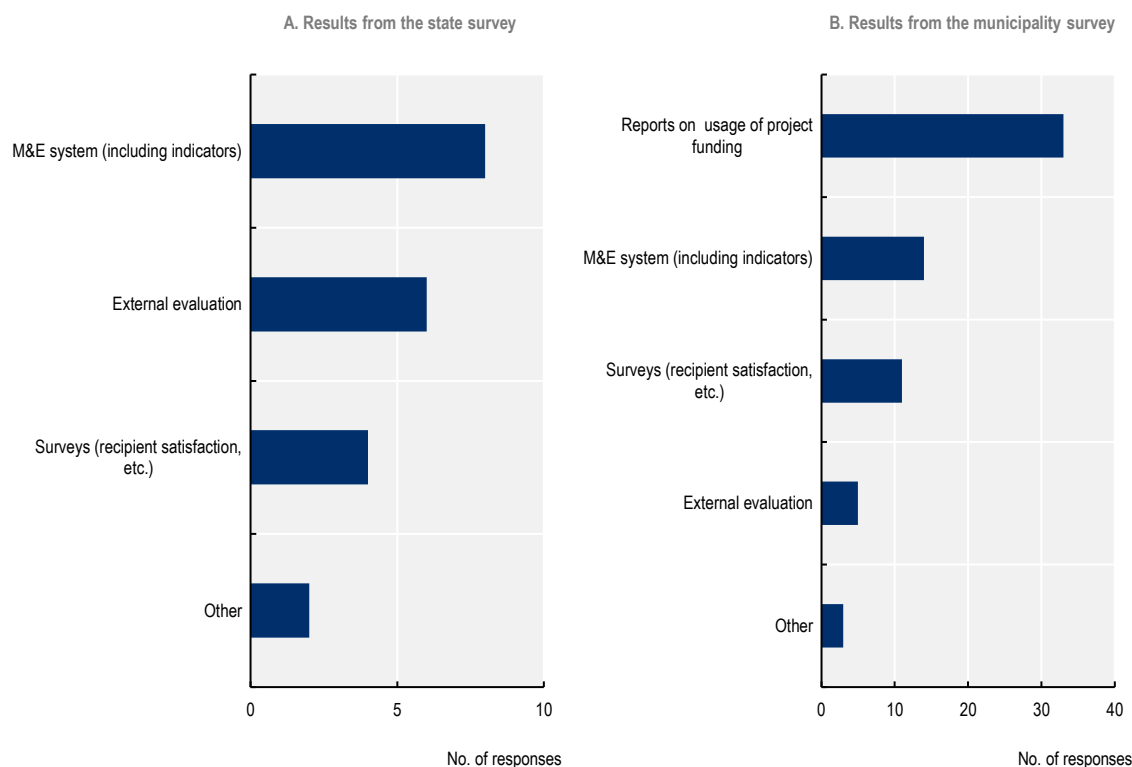
M&E mechanisms can enable partners involved in DDC projects to carry out dialogue and identify opportunities for improvement. The information gathered through M&E offers a valuable learning mechanism that helps decision makers put in place preventive and corrective actions where needed, learn from past experiences and ensure accountability toward relevant stakeholders (EC, 2022_[17]). Dialogue on M&E among stakeholders can promote sharing of best practices on how to reduce costs and to better incentivise reporting mechanisms (OECD, 2019_[9]). The availability of solid data on the partnerships compiled through M&E mechanisms can also improve transparency and accountability since they allow tracking of how effective resources have been spent. However, there is relatively little culture of evaluation and monitoring of the outcomes of city-to-city partnerships as opposed to the results of individual projects, which constitutes a challenge in DDC (OECD, 2018_[3]). A recent OECD project, therefore, seeks to develop an evaluation framework for sustainable city-to-city partnerships as well as their contribution to the SDGs

through a two-component methodology consisting of a self-assessment framework and an indicator framework (OECD, forthcoming^[18]).

State and municipal M&E systems

Most states have an M&E system to assess key indicators within DDC projects, while most municipalities report mainly on project funding. Among the states that responded to the survey, more than half (9) of them have M&E systems in place (Figure 3.19). These M&E systems can take the form of SDG indicators, reporting through indicators and indicator reports, indicators included in funding guidelines, project audits and reporting through CSOs, proof of use of funded CSO projects and evaluations/reports of BLP projects, technical monitoring of funding projects, and regular audits. Six of the states have external evaluators and four undertake surveys. Several of the smaller states indicated the challenges due to a lack of capacity to monitor and evaluate, the small scale of certain projects and the importance of federal government agencies (e.g. GIZ) to carry out such an evaluation. Municipalities predominantly (33 of 43 respondents) reported assessing a project through the usage of funding reports (*Verwendungsnachweise*).¹⁸ This is likely to be the case because SKEW, which is co-financing many of these projects, requests those reports. This was followed by M&E systems and surveys. Only a few municipalities (4) mentioned undertaking external evaluations.

Figure 3.19. Monitoring and evaluation systems by states and municipalities



Note: The option to report on the use of funding was only used in the municipality-level survey to reflect the unique requirements for reporting carried out with SKEW. Multiple answers were possible.

Source: OECD survey to German states and municipalities 2021/22.

Scope and transparency

Regarding the scope of the evaluations, few states assess the impact or long-term sustainability of the project and mainly assess the objectives or efficiency of the project, including any SDG focus (8 out of 14), followed by an analysis of the efficiency of the DDC project (7 out of 14) and the impact of the DDC project in the recipient country (5 out of 14). Both on municipal and state levels, the evaluation mechanisms often do not seem to be harmonised. This complicates a comparison of impact between projects and hinders learning from potential best practices. Additionally, only 5 out of 14 states assess the long-term sustainability of their DDC projects. One state, however, mentioned that the long-term sustainability of a project is a condition at the outset of the funding and can include information such as how materials are used.

The results of the evaluations are not always made public. About half of the municipal respondents indicated that they make results available to the public in some form (e.g. through press releases, the municipality's webpage, newsletters and sustainability reporting). At the same time, only 2 of the 14 federal states that responded make the evaluation results available on their websites or in sustainability reporting. Some others do not publish all results or are in the process of implementing a webpage.

Synthesis documents that provide an overview of DDC activities are not produced regularly and can take many forms. Less than half of federal states (6 out of 14) have produced a synthesis document that takes stock of DDC initiatives in the last 5 years. In addition, synthesis documents are not standardised across states and can therefore take different forms, e.g. reporting to the parliament, development co-operation report, a progress report on development guidelines or brochures. Regarding municipalities, only 4 (or 1/10 of respondents) have contributed to a synthesis document. Interestingly, three of those are in Baden-Württemberg.

Data and reporting on DDC results

Comparable and quantitative data are lacking to better monitor and evaluate the SDG impact of DDC projects (OECD, 2018^[3]). Devolution of expenditure responsibilities to subnational governments in developing countries creates greater demand for partnerships that deliver financing, capacities and expertise at the subnational level (OECD, 2019^[9]). However, transparency and accountability of financing remain longstanding barriers to effective DDC. Tracking how effectively resources have been spent and their impact on development outcomes is another challenge for city-to-city partnerships and DDC more broadly. For example, regarding the efficiency of how resources are spent, while 10 out of 232 SDG indicators (roughly 4% of total indicators) rely on ODA data to monitor progress toward the goals, fewer than half of the OECD DAC members report ODA data on DDC (13 out of 30 DAC members) (OECD, 2019^[9]). Sufficient accountability and transparency of financing are the first steps to ensure that DDC resources are used rationally, reliably, consistently and with high-quality standards. The small size and large number of decentralised actors active in development co-operation, alongside a lack of incentives, also impede the collection and reporting of data at the subnational level (OECD, 2018^[3]; 2019^[9]). Voluntary Local Reviews (VLRs) could be one solution to strengthen M&E of the impact of DDC projects as well as to promote peer-to-peer knowledge and exchanges among cities (Box 3.4)

Box 3.4. Using Voluntary Local Reviews to strengthen monitoring and evaluation of DDC

VLRs are one vehicle used by local governments worldwide to respond to demand for tracking contributions to the SDGs and communicating on progress toward the 2030 Agenda. The 2022 European Handbook of VLRs notes a recent surge in reporting by local governments including German cities (Bonn, Düsseldorf, Hannover, Mannheim, Stuttgart) that have already carried out VLRs. Others such as Bad Köstritz, Cologne and Freiburg are currently developing their VLRs. The city of Kiel, which carried out its first VLR with SKEW in 2022, also utilises ODA data in reporting. SKEW provides targeted guidance to municipalities on indicators and reporting methods to facilitate VLRs. Although ODA data are not specifically mentioned in their guidance, it recommends that “expenditure on projects in the context of development co-operation” be included in VLRs.

Source: Siragusa, A. et al. (2022^[19]), *European Handbook for SDG Voluntary Local Reviews - 2022 Edition*, <https://publications.jrc.ec.europa.eu/repository/handle/JRC129381>; City of Kiel (2022^[16]), *Voluntary Local Review Kiel 2022*, https://www.kiel.de/de/kiel_zukunft/nachhaltigkeitsziele/ dokumente_VLR/Global_Engagement_ENG-digitale_Version.pdf; SKEW (2022^[20]), *Material Voluntary Local Reviews*, https://skew.engagement-global.de/files/2_Mediathek/Mediathek_Microsites/SKEW/Publikationen/4_Material/Material_111_bf.pdf.

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Notes

¹ See <https://www.rgre.de/partnerschaft/online-datenbank>.

² Public corporations are corporations over which the government secures control by owning more than half of the voting equity securities or otherwise controlling more than half of the equity holders' voting power; or through special legislation empowering the government to determine corporate policy or to appoint directors.

³ Given the importance of CSOs more generally to achieve the 2030 Agenda, in 2021, DAC agreed on the *DAC Recommendation on Enabling Civil Society in Development Co-operation and Humanitarian Assistance* (<https://legalinstruments.oecd.org/Instrument%20s/instruments/OECD-LEGAL-5021>). These recommendations are divided into three pillars aimed respectively at: i) respecting, protecting and promoting civic space; ii) supporting and engaging with civil society; and iii) incentivising CSO effectiveness, transparency and accountability.

⁴ For more information, see <https://mbei.nrw/sites/default/files/asset/document/entwicklungspolitische-schwerpunkte.pdf>.

⁵ As suggested by the municipalities of Kiel and Solingen, in particular.

⁶ The term “effectiveness” refers to the extent to which DDC/the envisaged objectives can be reached.

⁷ Five states did not see any major obstacles that hinder the efficiency of DDC (Baden-Württemberg, Bremen, Hamburg, Rhineland-Palatinate, Saxony-Anhalt). All 14 states named at least 1 relevant obstacle.

⁸ The term “efficiency” refers to the extent to which DDC activities are implemented at the least cost.

⁹ For more information on ODA eligibility requirements, see the definition and coverage of ODA at <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/officialdevelopmentassistanceandcoverage.htm> and the ODA eligibility resources for data reporters at <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/data-collection-and-resources-for-data-reporters.htm>.

¹⁰ The agency code “Federal states and local governments”, which summarises imputed student costs, was included in 2001.

¹¹ Only in 2014, “Federal states and local governments” included refugee-hosting costs. Today such costs are reported under Agency Code 99 “Miscellaneous”.

¹² For the rationale of including imputed student costs in statistics of development assistance, see: “In countries with a non-fee charging educational system, or when the fees do not cover the total cost of the studies, students usually do not receive individual grants in the form of scholarships but can benefit from educational services in the same manner as the nationals of the country. This can also be considered as support to students, but its financial value can only be estimated [...]”, <https://www.tossd.org/docs/7a-Scholarships-imputed-costs-WEB.pdf>.

¹³ This, however, does not include direct grants to students, which is why student costs can also appear in the entries of the individual states if those expenses benefit students directly.

¹⁴ The autonomous cities of Ceuta and Melilla are also listed separately in the database but they do not report under their individual item.

¹⁵ All data here are without imputed student costs.

¹⁶ Theoretically, it is also possible that the state might not forward the invitation to report ODA data to all municipalities. Given that SKEW knows about which cities engage in development co-operation and co-ordinate reporting through the dedicated website, this is rather unlikely.

¹⁷ For more information on the SKEW municipal ODA portal, see <https://skew.engagement-global.de/rueckblick-oda-kommunal-in-schleswig-holstein-2021.html>.

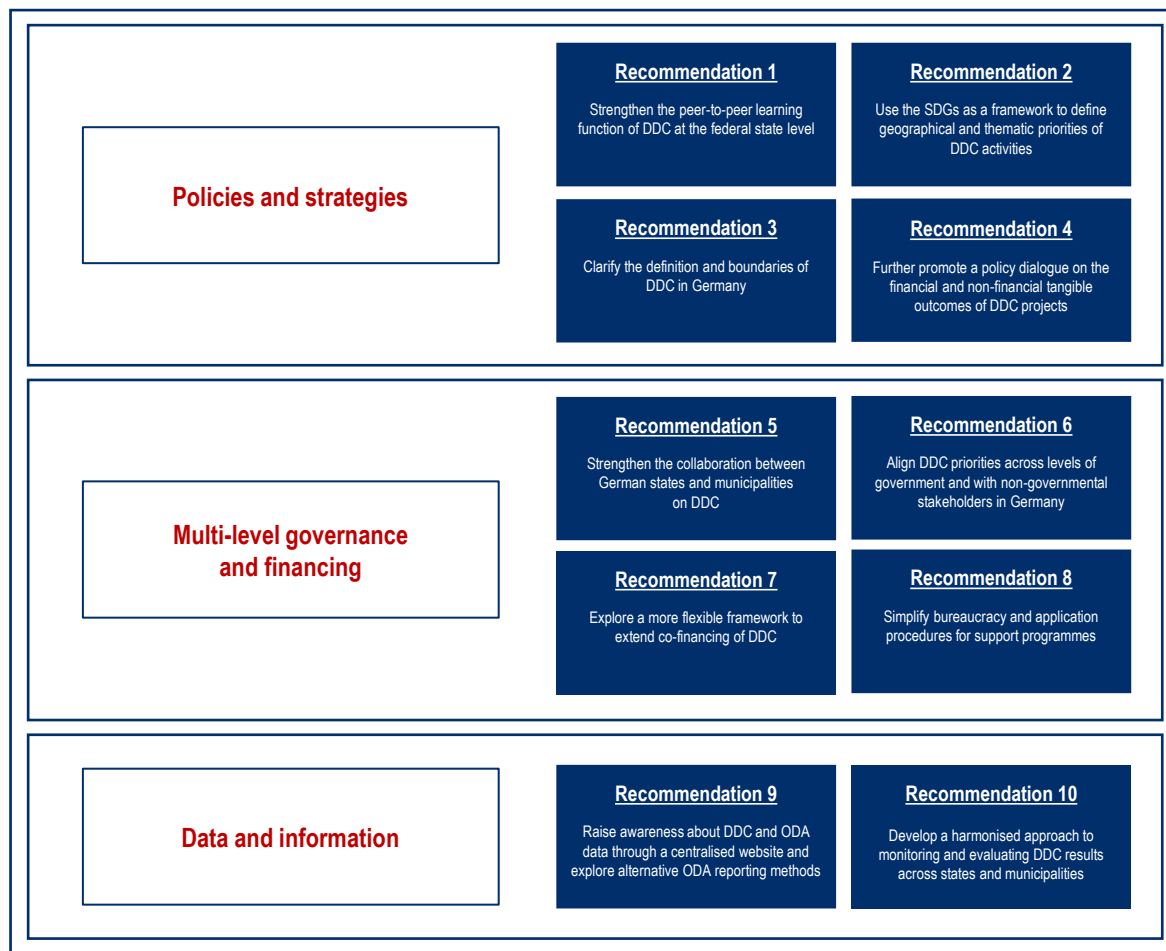
¹⁸ This category was not an option in the survey for the states, so number of respondents for those categories cannot be compared between states and municipalities.

4 Policy recommendations

This chapter provides policy recommendations and an action plan for the German federal government, states and municipalities on how to strengthen the impact, effectiveness and monitoring of their decentralised development co-operation (DDC) policies and programmes. The recommendations range from strengthening the peer-to-peer function of DDC and promoting policy dialogue on the financial and non-financial tangible outcomes and benefits of DDC projects to strengthening the collaboration between German states and municipalities on DDC and leveraging the catalytic potential of official financing sources to mobilise broader resources. Furthermore, the recommendations suggest further raising awareness of DDC and official development assistance (ODA) data and developing a harmonised or standardised approach to monitoring and evaluating DDC results across states and municipalities.

The following recommendations on DDC policies, strategies and priorities, multi-level governance, financing and data and information aim to show to strengthen the impact, effectiveness and monitoring of DDC policies and programmes across all levels of government in Germany in the short term (less than 1 year), medium term (more than 1 year, less than 3 years) and long term (more than 3 years) (Figure 4.1).

Figure 4.1. Ten key recommendations to reshape decentralised development co-operation in Germany



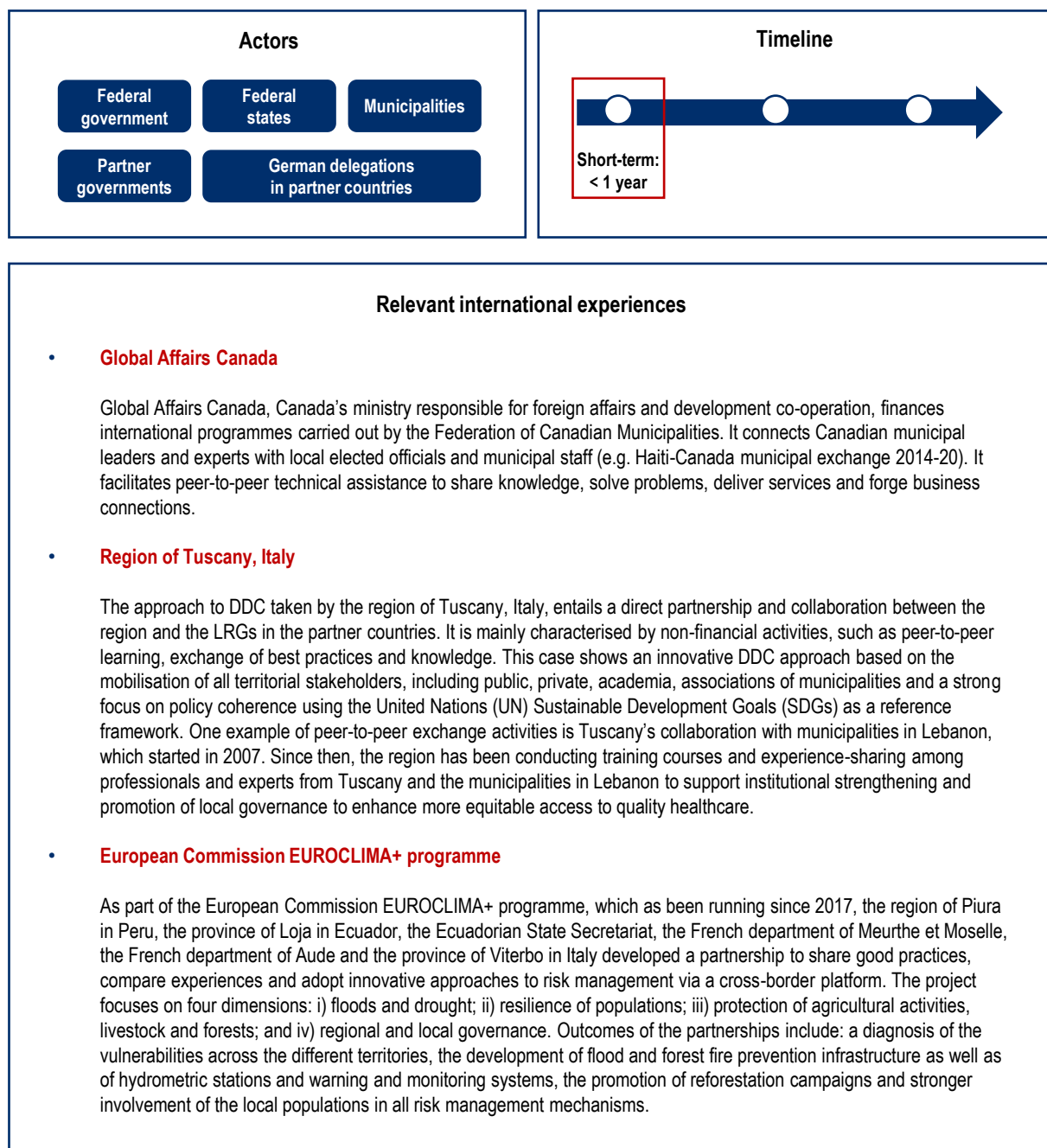
DDC policies, strategies and priorities

Peer-to-peer learning function of DDC

Figure 4.2. Action plan to implement Recommendation 1 to strengthen the peer-to-peer learning function of DDC at the federal state level – Part I

<p>Recommendation 1</p> <p><i>Strengthen the peer-to-peer learning function of DDC at the federal state level by promoting more direct co-operation with local and regional governments in partner countries</i></p>
<p>The DDC model at the state level in Germany is in many cases strongly based on the funding of civil society organisations (CSOs). Strengthening the peer-to-peer learning function of DDC and direct co-operation between German federal states and the local and regional governments in partner countries, as already implemented in many partnerships at the municipal level, could help generate higher returns on investment and benefits for states in Germany and partners in the Global South. Since peer-to-peer activities are comparatively less cost-intensive than infrastructure projects for example, they also allow states and municipalities with smaller budgets for development co-operation to engage in DDC activities.</p>
<p>Actions</p> <ul style="list-style-type: none"> • Provide incentives and technical support in the BLP programme to support federal states in developing direct partnerships with regions and cities in partner countries that go beyond the funding of CSOs. Including a dedicated peer-to-peer learning component, building on examples at the municipal level such as in several SKEW programmes, could be one of the criteria to access the co-funding of the BLP programme for federal states. • Mobilise experts from various ministries that can share knowledge with partner countries and regions in the policy sectors where they have a comparative advantage to transfer skills and experience to the partner country. • Build on the study visits of local and regional governments from developing countries to Germany to strengthen the peer-to-peer learning function of DDC. This would also help promote synergies between bilateral programmes and DDC activities. Those study visits should be connected and integrated into specific DDC programmes and focused on policy areas relevant for the DDC programmes. • Make peer-to-peer learning activities a core component of state and municipal staff's professional development through training and networking events, including on intercultural competencies and knowledge about the partner territory rather than seeing it as an add-on or additional burden. • Set up regular in-person exchanges between German states and municipalities and local and regional governments in partner countries to foster knowledge transfer, e.g. organise joint workshops to share good practices of the operational implementation of DDC projects, on project management and communication between project partners for example. • Pilot the provision of temporary staff on loan from German states to work in the administration of the partner cities and regions in a developing country. This could allow the partner to benefit from staff expertise but also provide learning opportunities for the German staff. This could build on the Experts fund for municipal partnerships worldwide programme through which the Federal Ministry of Economic Cooperation and Development (BMZ) and Service Agency Communities in One World (SKEW) fund experts to support the partner governments of German municipalities in the Global South.

Figure 4.3. Action plan to implement Recommendation 1 to strengthen the peer-to-peer learning function of DDC at the federal state level – Part II



For more information: Canada: [Global Affairs Canada – Home \(international.gc.ca\)](https://international.gc.ca); Tuscany: [Reshaping Decentralised Development Co-operation: The Key Role of Cities and Regions for the 2030 Agenda | en | OECD](https://www.expertisefrance.fr/fiche-projet?id=625239); EC: <https://www.expertisefrance.fr/fiche-projet?id=625239>.

SDGs as a framework

Figure 4.4. Action plan to implement Recommendation 2 to use the SDGs as a framework to define priorities of DDC activities and foster peer-to-peer learning – Part I

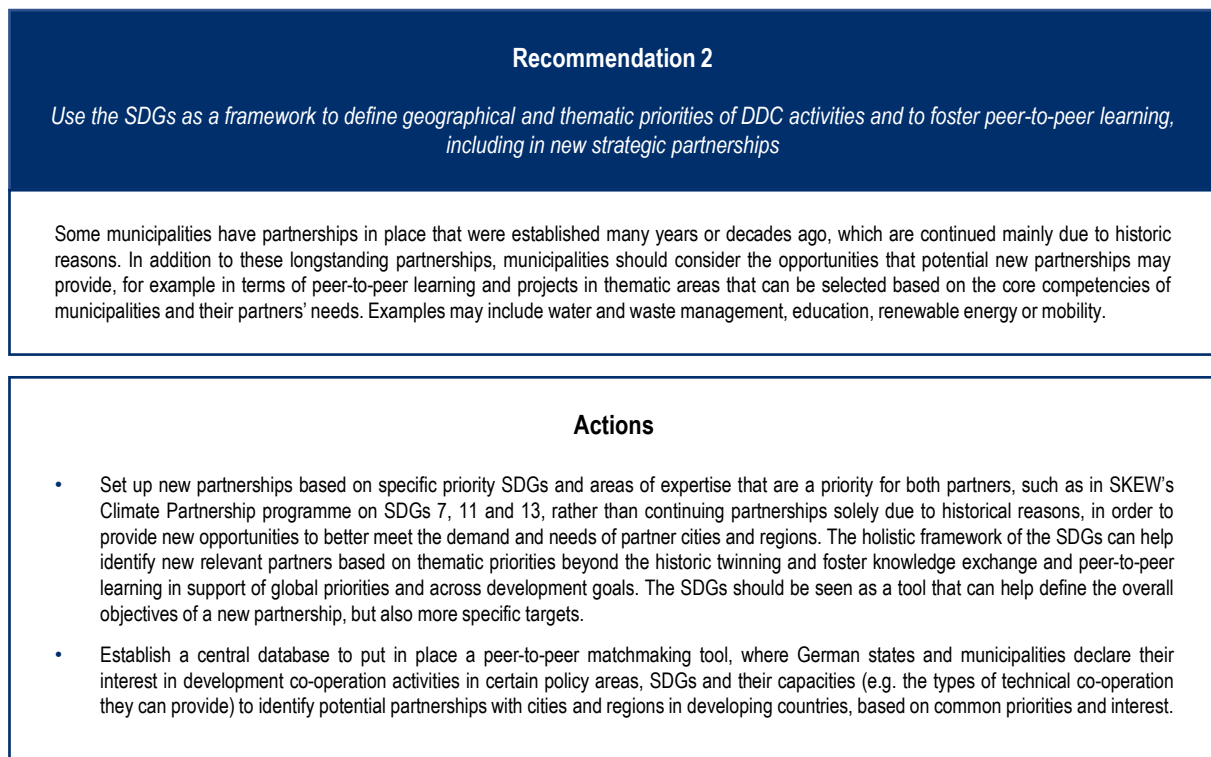
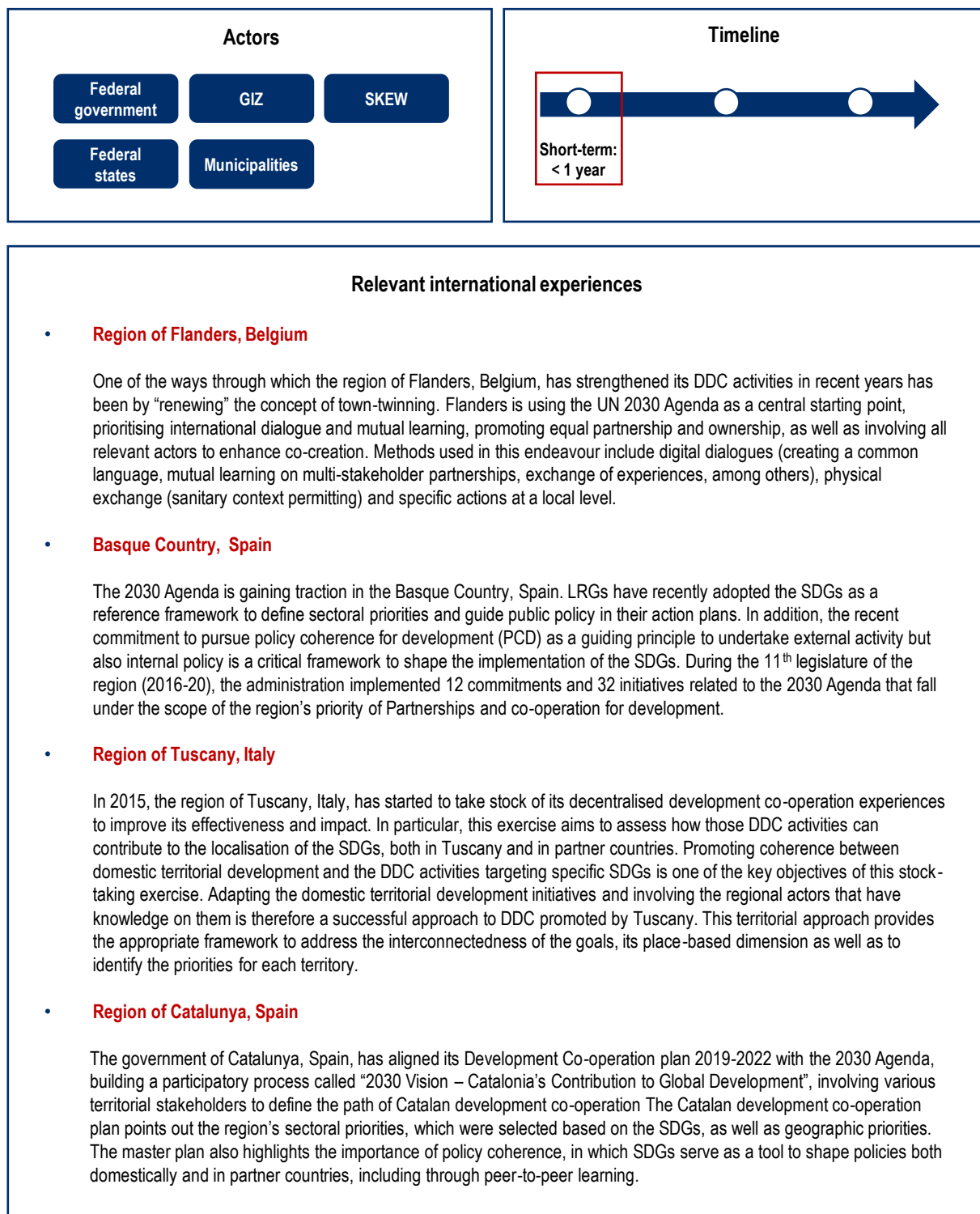


Figure 4.5. Action plan to implement Recommendation 2 to use the SDGs as a framework to define priorities of DDC activities and foster peer-to-peer learning – Part II



For more information: Belgium, Spain (Basque Country), and Italy: [Reshaping Decentralised Development Co-operation: The Key Role of Cities and Regions for the 2030 Agenda | en | OECD](#); Spain (Catalunya): [National Plan for the implementation of the 2030 Agenda in Catalonia. Advisory Council for Sustainable Development \(gencat.cat\)](#).

Definitions and guidelines

Figure 4.6. Action plan to implement Recommendation 3 to clarify the definition and boundaries of DDC in Germany to strengthen external actions and existing DDC guidelines – Part I

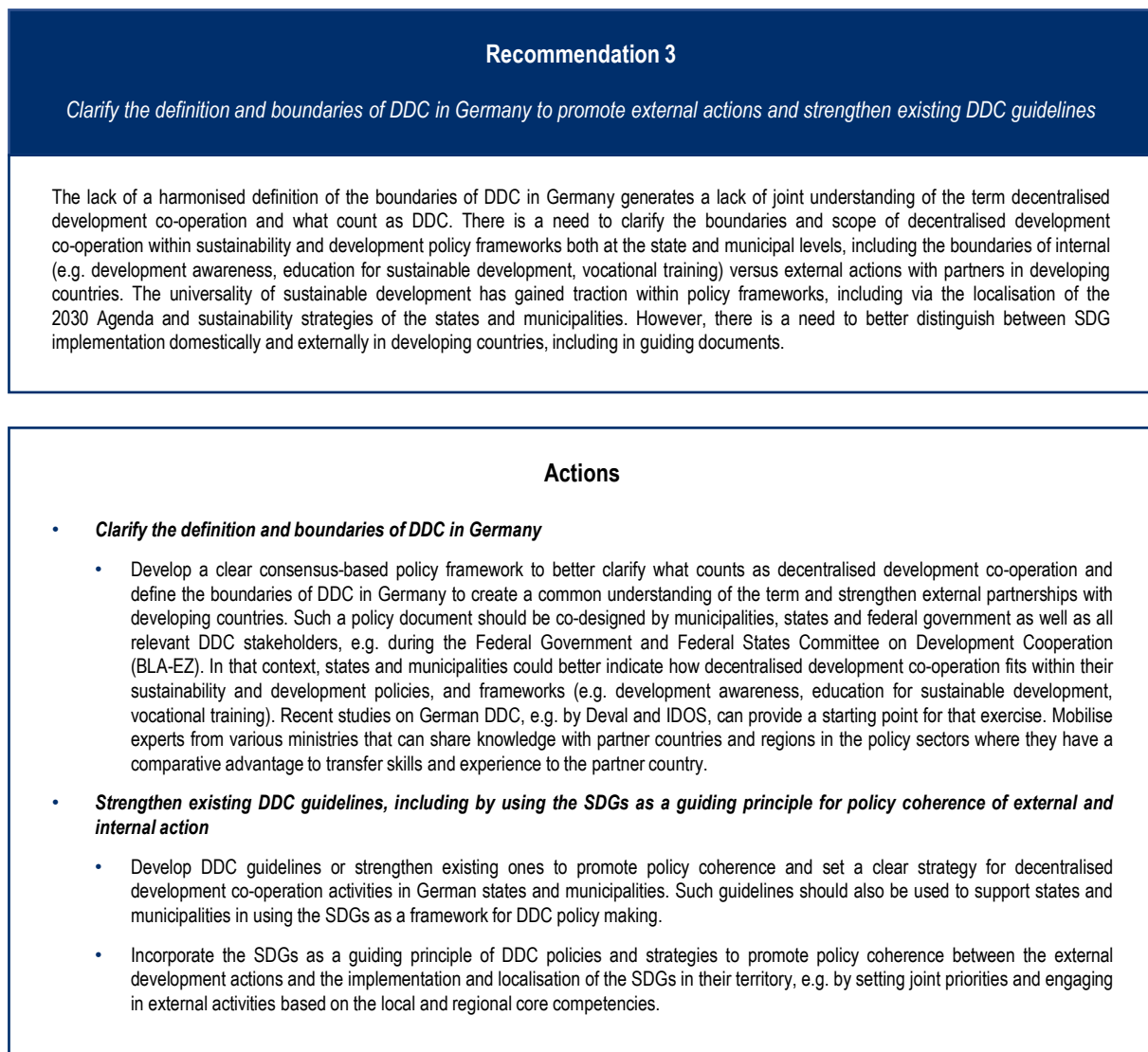
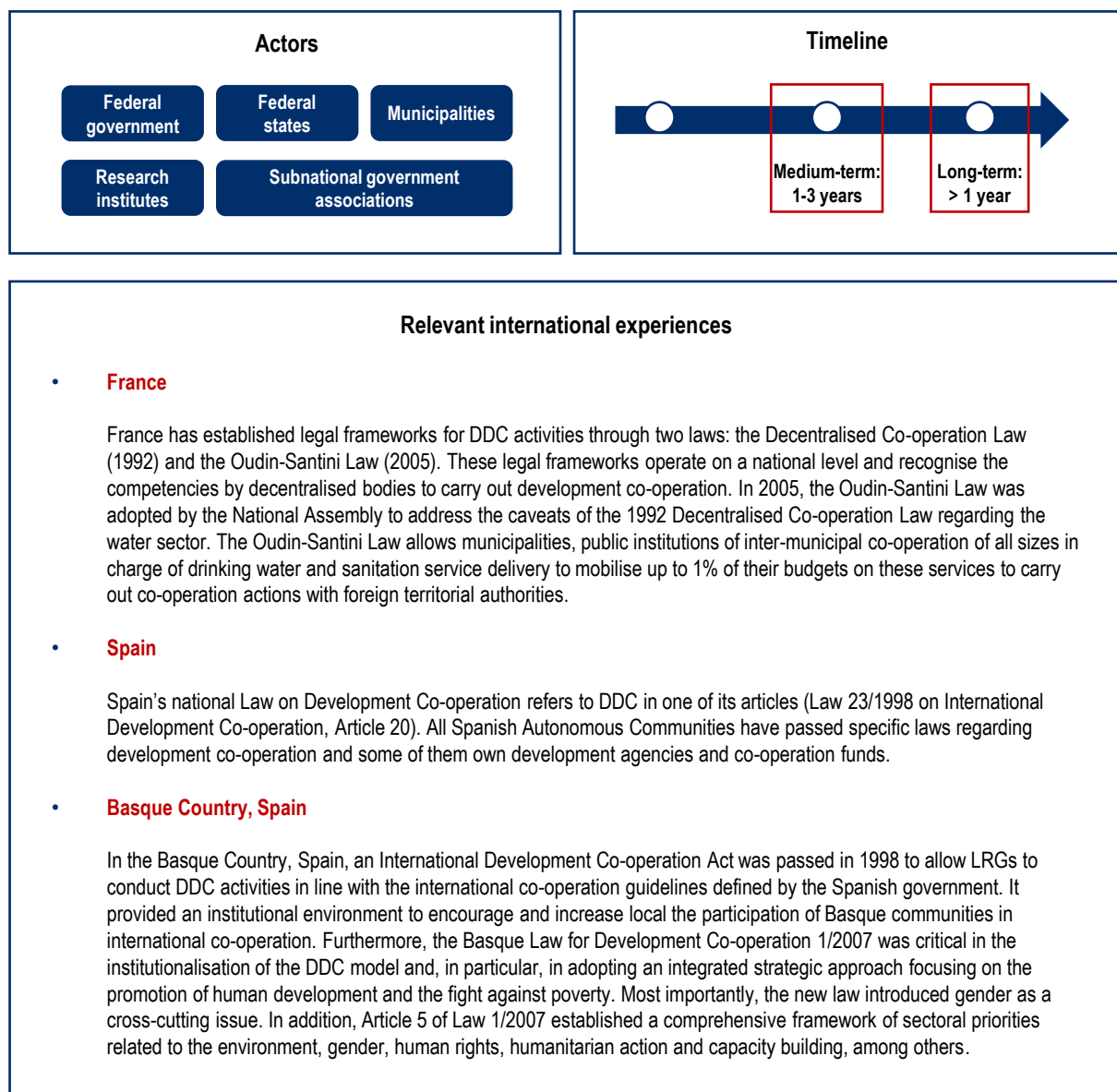


Figure 4.7. Action plan to implement Recommendation 3 to clarify the definition and boundaries of DDC in Germany to strengthen external actions and existing DDC guidelines – Part II



For more information: [Reshaping Decentralised Development Co-operation: The Key Role of Cities and Regions for the 2030 Agenda | en | OECD](#).

Policy dialogue on the benefits of DDC

Figure 4.8. Action plan to implement Recommendation 4 to promote a policy dialogue on the financial and non-financial tangible outcomes of DDC projects – Part I

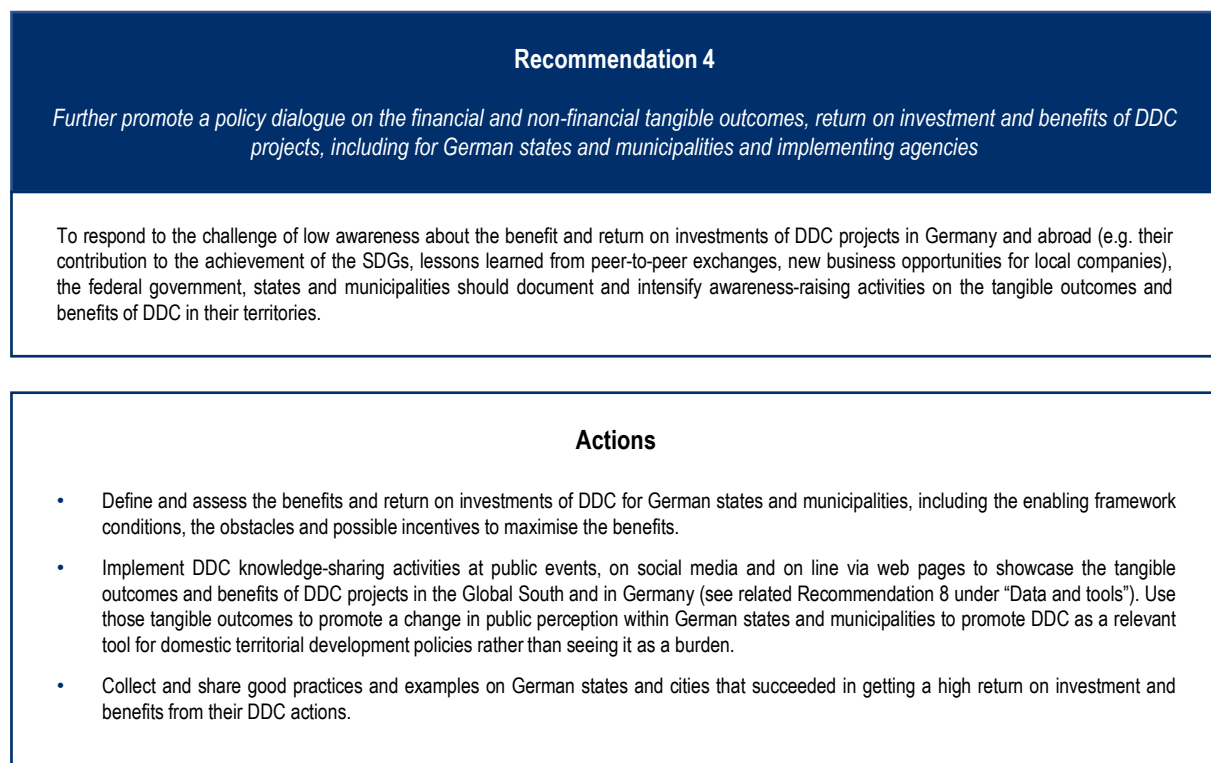
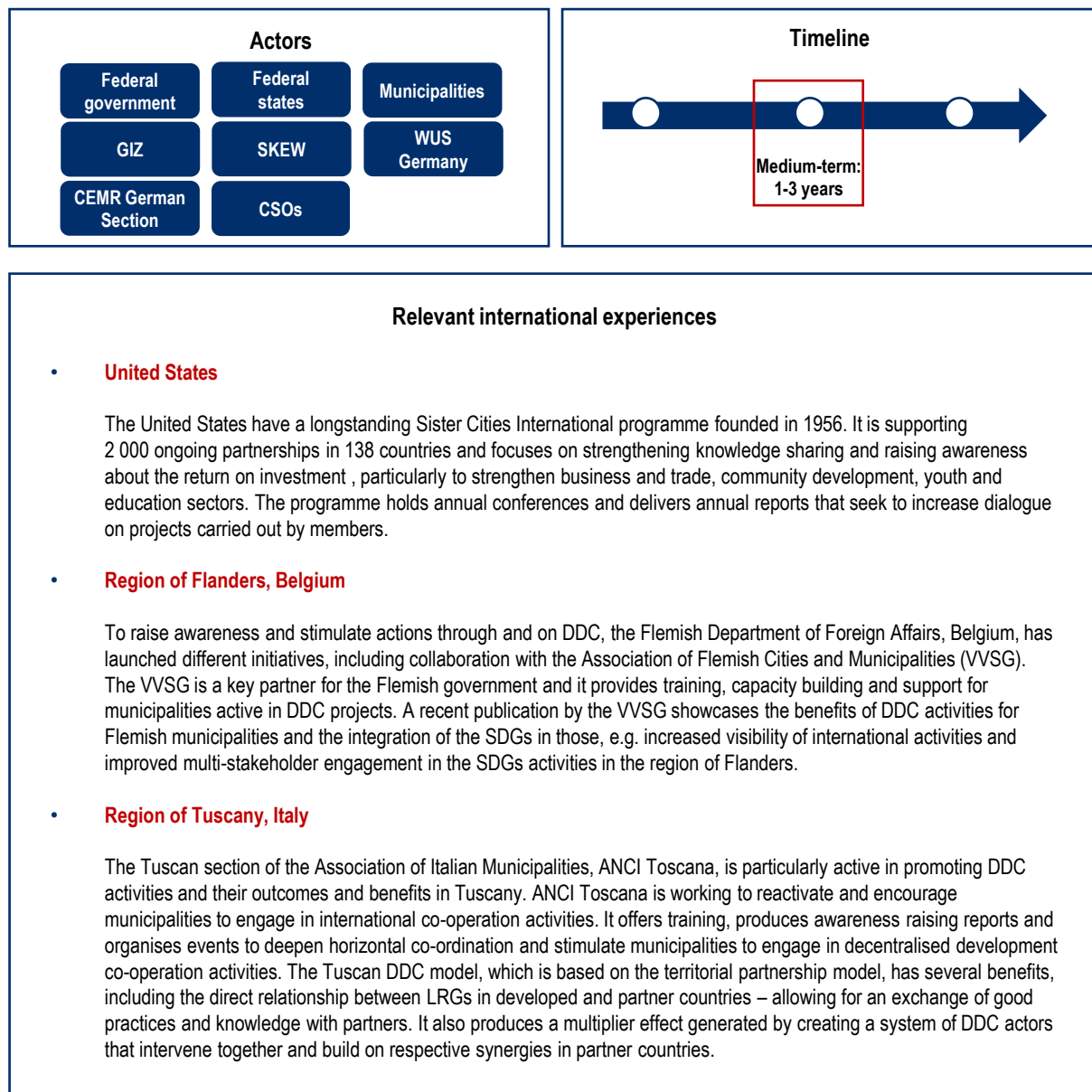


Figure 4.9. Action plan to implement Recommendation 4 to promote a policy dialogue on the financial and non-financial tangible outcomes of DDC projects – Part II



For more information: United States: <https://sistercities.org/annual-report/>; Belgium: [VVSG Kennisnetwerk](#); Italy: [Reshaping Decentralised Development Co-operation: The Key Role of Cities and Regions for the 2030 Agenda | en | OECD](#).

Multi-level governance and financing

Strengthen collaboration

Figure 4.10. Action plan to implement Recommendation 5 to strengthen the collaboration between German states and municipalities on DDC – Part I

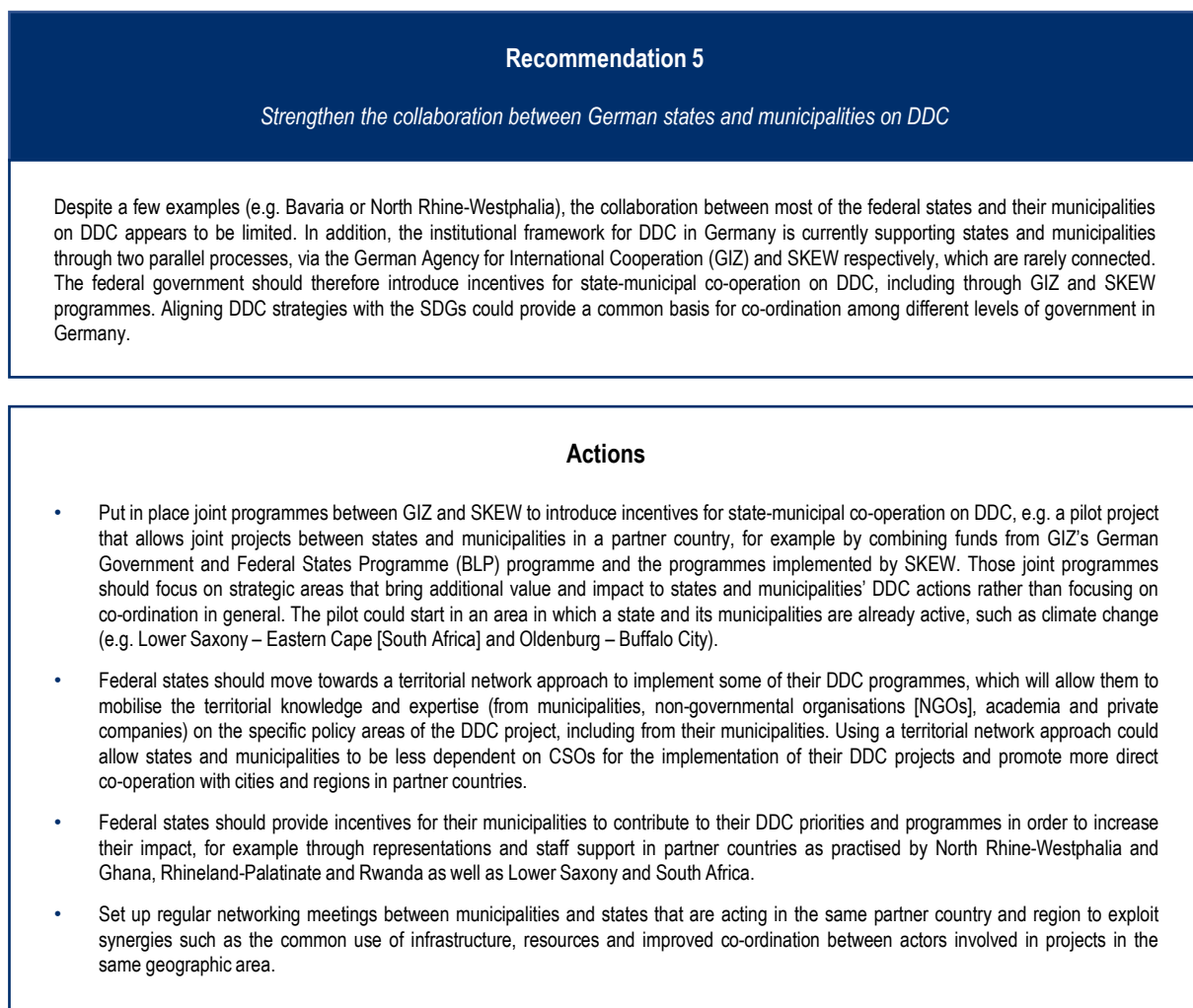
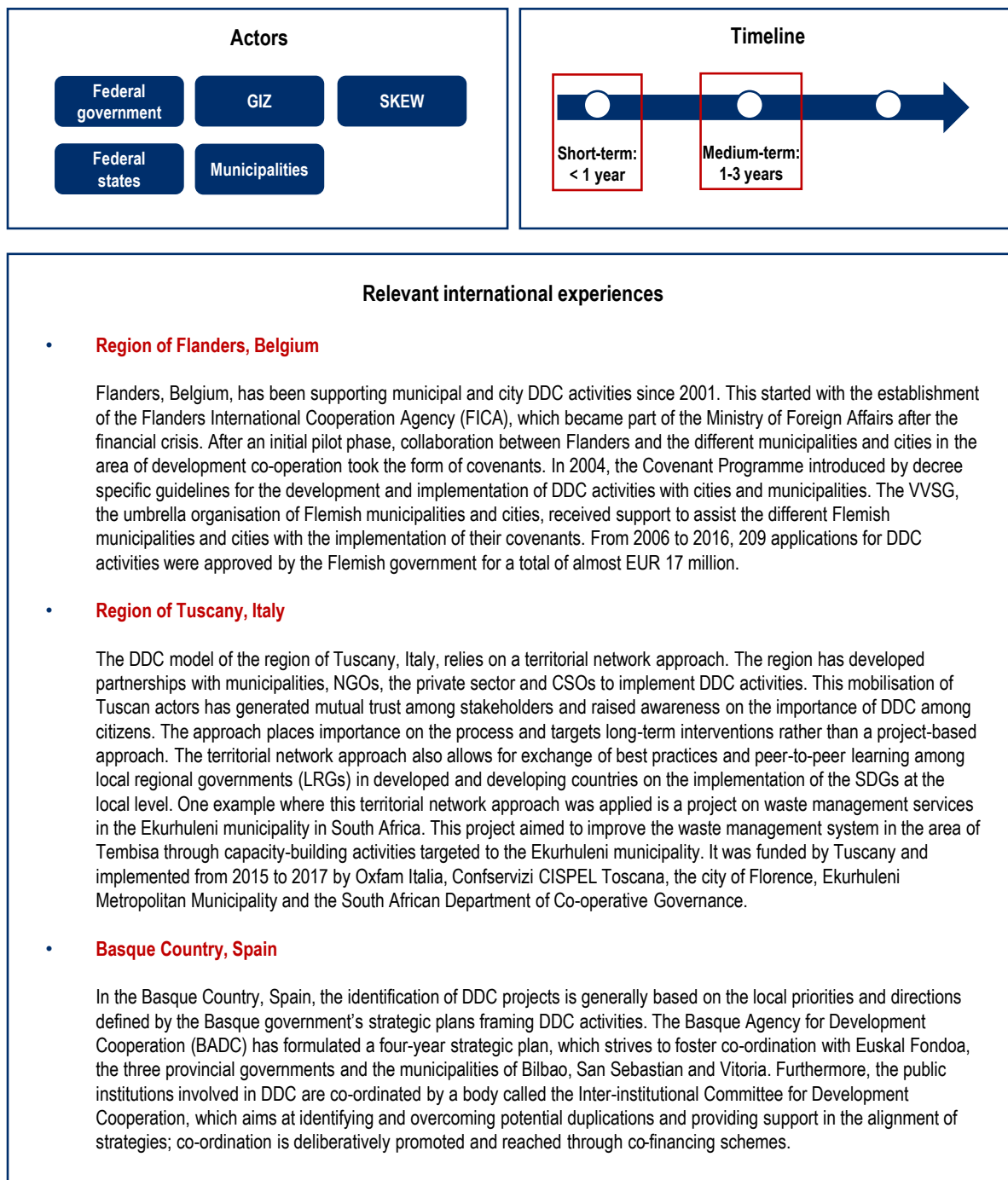


Figure 4.11. Action plan to implement Recommendation 5 to strengthen the collaboration between German states and municipalities on DDC – Part II

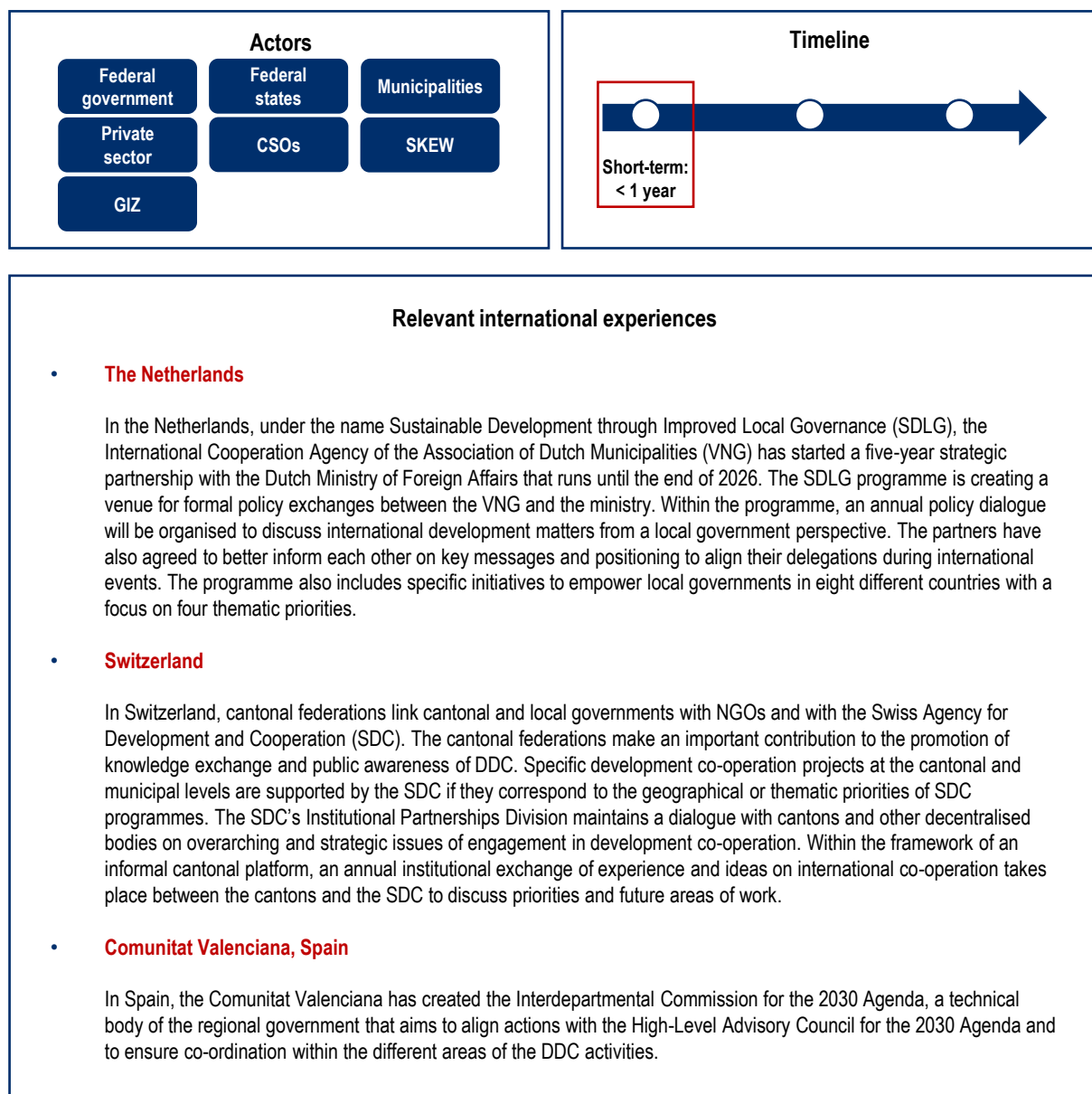


For more information: [Reshaping Decentralised Development Co-operation: The Key Role of Cities and Regions for the 2030 Agenda | en | OECD](#).

Figure 4.12. Action plan to implement Recommendation 6 to align DDC priorities across levels of government and with non-governmental stakeholders in Germany – Part I



Figure 4.13. Action plan to implement Recommendation 6 to align DDC priorities across levels of government and with non-governmental stakeholders in Germany – Part II



For more information: The Netherlands: [SDLG: Sustainable Development through improved Local Governance | VNG \(vng-international.nl\)](#); Switzerland: [Partnerships with cantons and communes \(admin.ch\)](#); Spain: [Reshaping Decentralised Development Co-operation: The Key Role of Cities and Regions for the 2030 Agenda | en | OECD](#).

Financing

Figure 4.14. Action plan to implement Recommendation 7 to explore a more flexible framework to extend co-financing of DDC projects – Part I

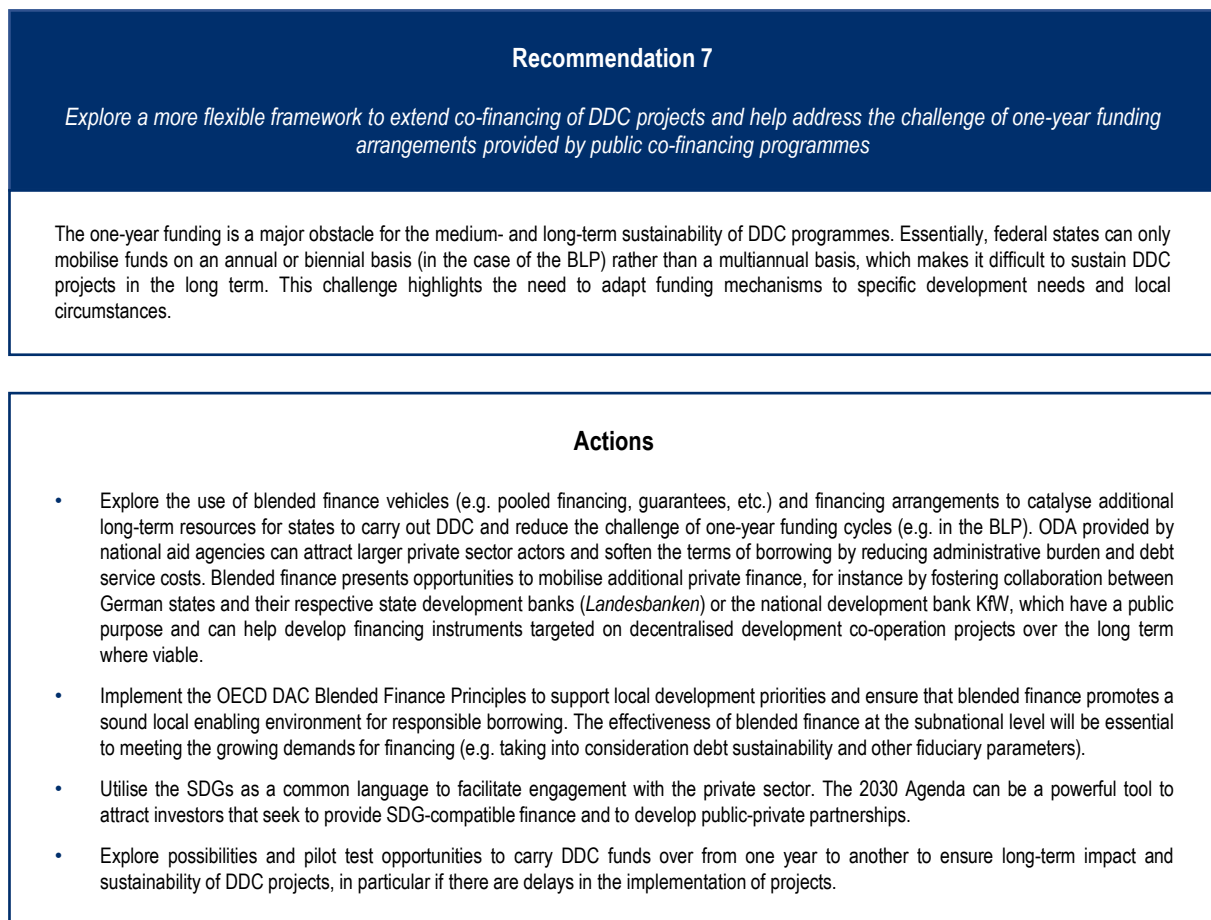
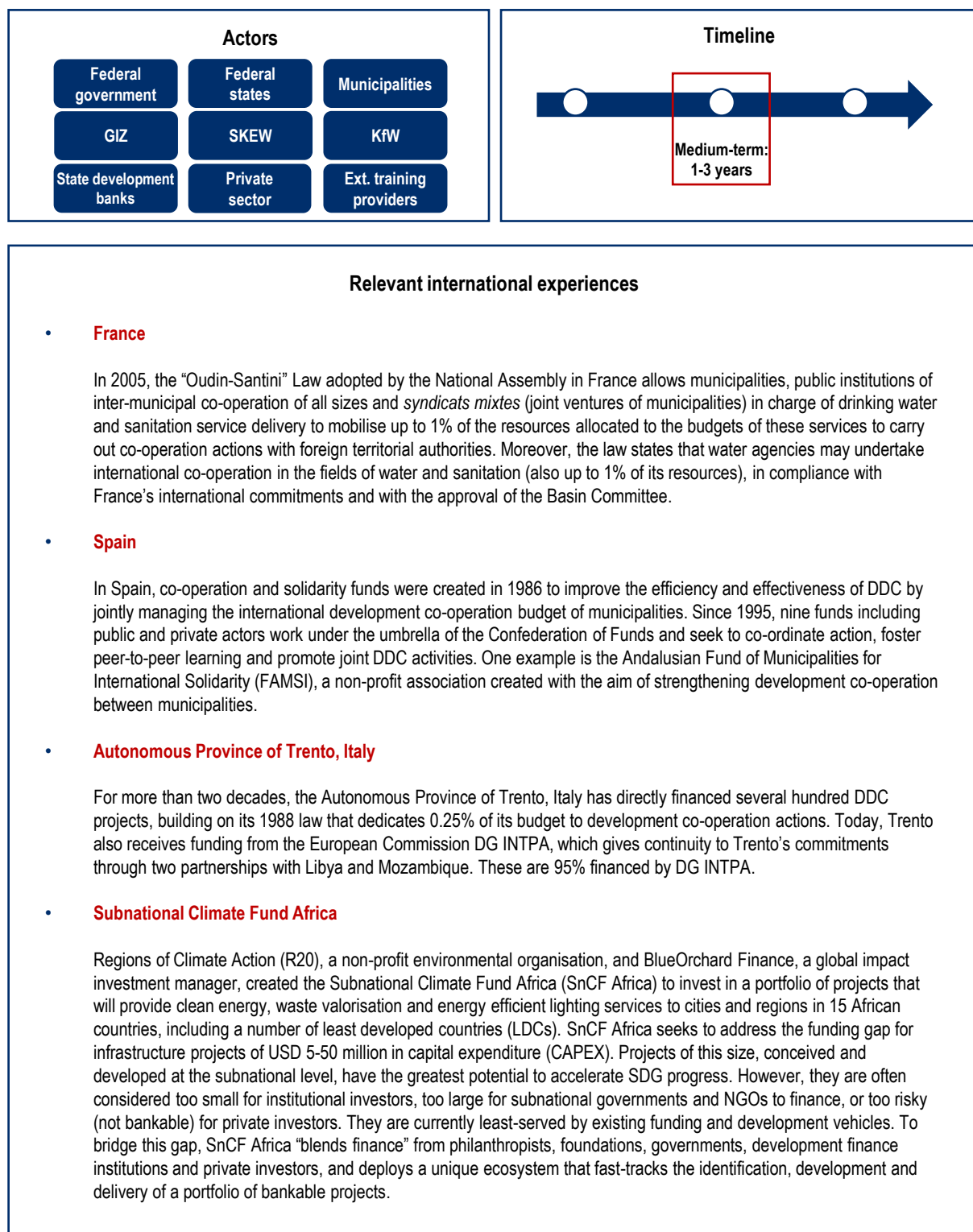


Figure 4.15. Action plan to implement Recommendation 7 to explore a more flexible framework to extend co-financing of DDC projects – Part II



For more information: France: [Reshaping Decentralised Development Co-operation: The Key Role of Cities and Regions for the 2030 Agenda | en | OECD](#); Spain: [Andalucía Solidaria \(andaluciasolidaria.org\)](#); Italy: [Trento: Libya, cities and sustainable development at the Festival of Economics - Libya Rebuild](#); SnCF Africa: [The Sub national Climate Fund | R20 - Regions of Climate Action \(regions20.org\)](#).

Figure 4.16. Action plan to implement Recommendation 8 to simplify bureaucracy and application procedures for support programmes and strengthen the capacity of personnel – Part I

Recommendation 8

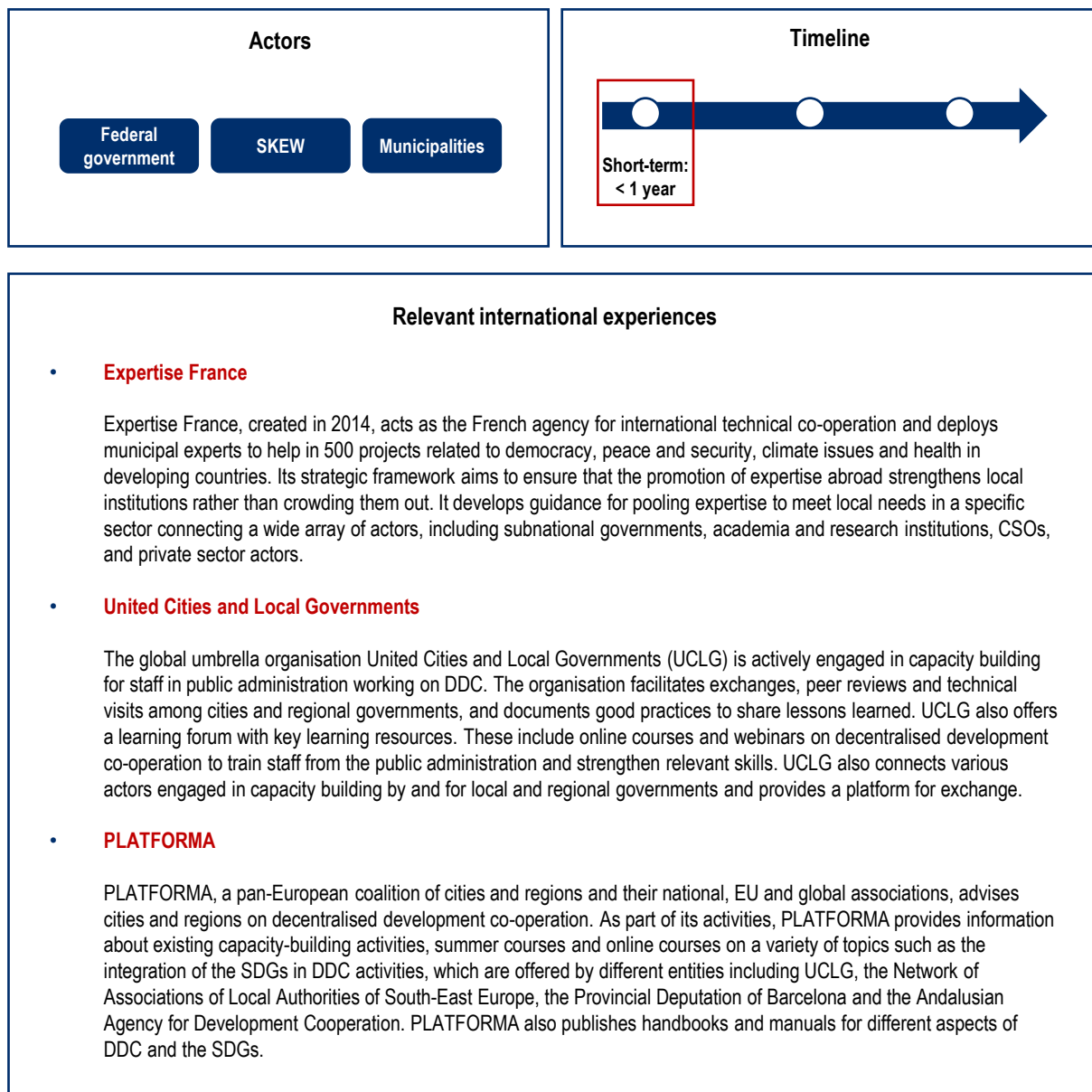
Simplify bureaucracy and application procedures for support programmes and strengthen the capacity of personnel to steer and co-ordinate DDC actions at the municipal level

The lack of staff and managerial capacities, high staff turnover at the local level, the lack of capacity for DDC long-term planning and the complexity of existing funding schemes offered by GIZ and SKEW emerged as key obstacles for states and municipalities working on DDC. They call for the simplification of funding applications and the need to improve DDC capacities in the public administration. Since 2016, the *Koordination Kommunale Entwicklungspolitik* (KEPOL) programme, funded by SKEW, has been providing funding for personnel for development policy engagement of German municipalities. It aims to overcome the lack of dedicated and specialised personnel resulting from the voluntary nature of development co-operation at the local level.

Actions

- Simplify bureaucracy and application procedures for different state funding schemes, e.g. a reduction of steps and time required from the application to the beginning of the implementation of a project. Simplifying application procedures and follow up procedures such as the proof of use, e.g. through the increasing application of digital tools could reduce the administrative burden on municipalities that can prevent from engaging additional municipalities and increase the engagement of the ones already active in DDC. It could also free up time and resources for the actual implementation of projects.
- Provide capacity-building activities and further assistance for public servants in German municipalities in drafting their applications and produce guidelines on how to apply for the DDC funds available to them, both at the national level (e.g. SKEW programmes) and for European funds that are difficult to access for smaller municipalities because the funding budgets are relatively large, beyond the scope of small municipalities, both in terms of the projects but also administrative requirements. In addition, the capacity-building activities should also integrate the management of funds, including financial reporting that is relevant, to ensure successful project management. Finally, municipalities can also draw inspiration from the capacity-building programmes offered by the BLP.
- Provide additional training and capacity building for municipal staff to increase knowledge and necessary skills in fields relevant for DDC projects (language, communication, administrative processes, knowledge about global agendas, in particular the 2030 Agenda and the SDGs) to ensure that qualified staff is available to steer and co-ordinate DDC actions at the municipal level.

Figure 4.17. Action plan to implement Recommendation 8 to simplify bureaucracy and application procedures for support programmes and strengthen the capacity of personnel – Part II



For more information: France: [Home - Expertise France](#), United Cities and Local Governments: [UCLG - United Cities and Local Governments](#), PLATFORMA: [Platforma \(platforma-dev.eu\)](#)

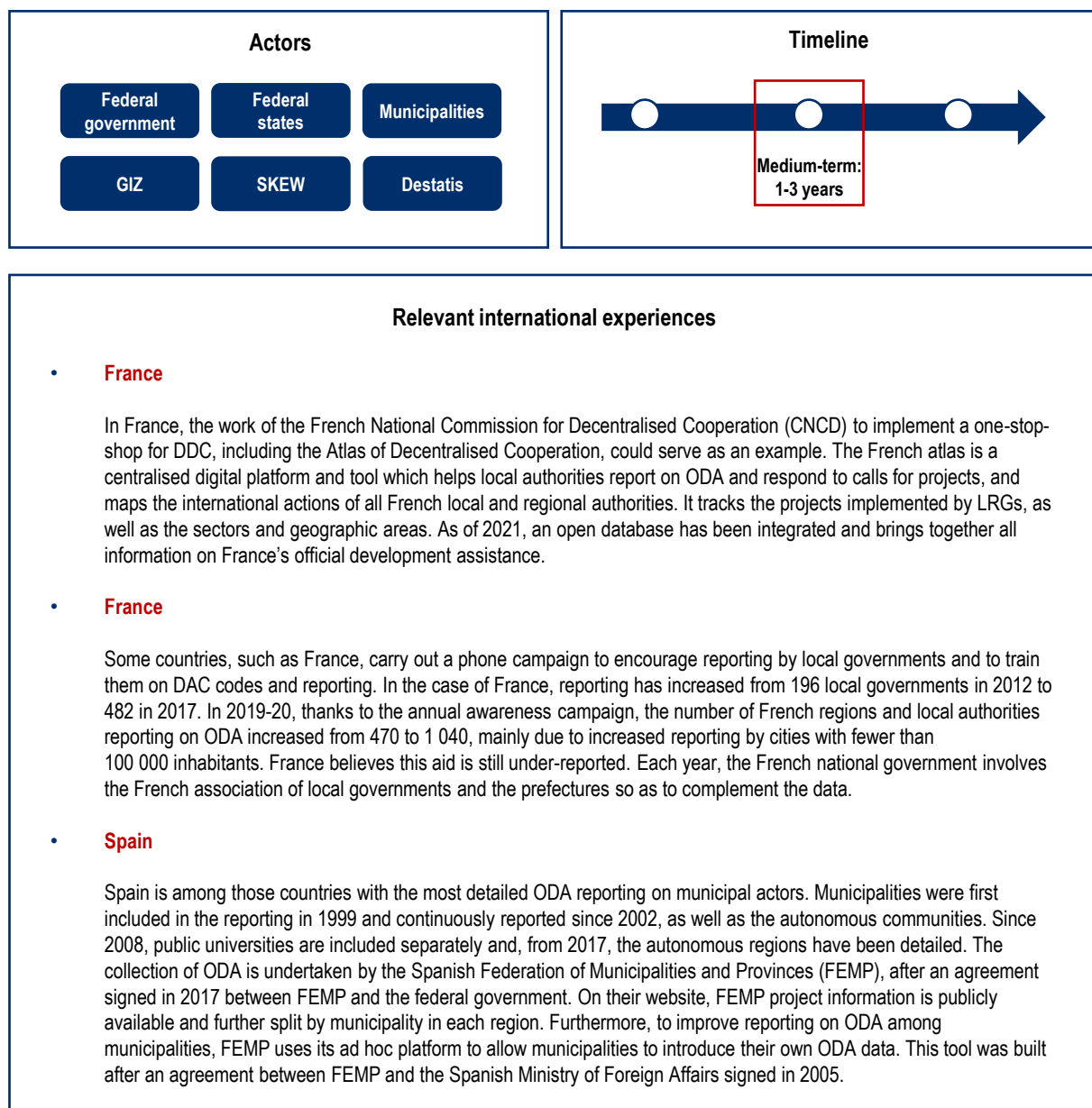
Data and information

Tools and processes

Figure 4.18. Action plan to implement Recommendation 9 to raise awareness about DDC and ODA data – Part I



Figure 4.19. Action plan to implement Recommendation 9 to raise awareness about DDC and ODA data – Part II



For more information: France: data.aide-developpement.gouv.fr and https://www.diplomatie.gouv.fr/IMG/pdf/rapport_apd_2020_-_donnees_2019_cle49ab16.pdf; Spain: [Reshaping Decentralised Development Co-operation: The Key Role of Cities and Regions for the 2030 Agenda | en | OECDf](#).

Monitoring and evaluation

Figure 4.20. Action plan to implement Recommendation 10 to develop a harmonised or standardised approach to monitoring and evaluating DDC results across states and municipalities – Part I

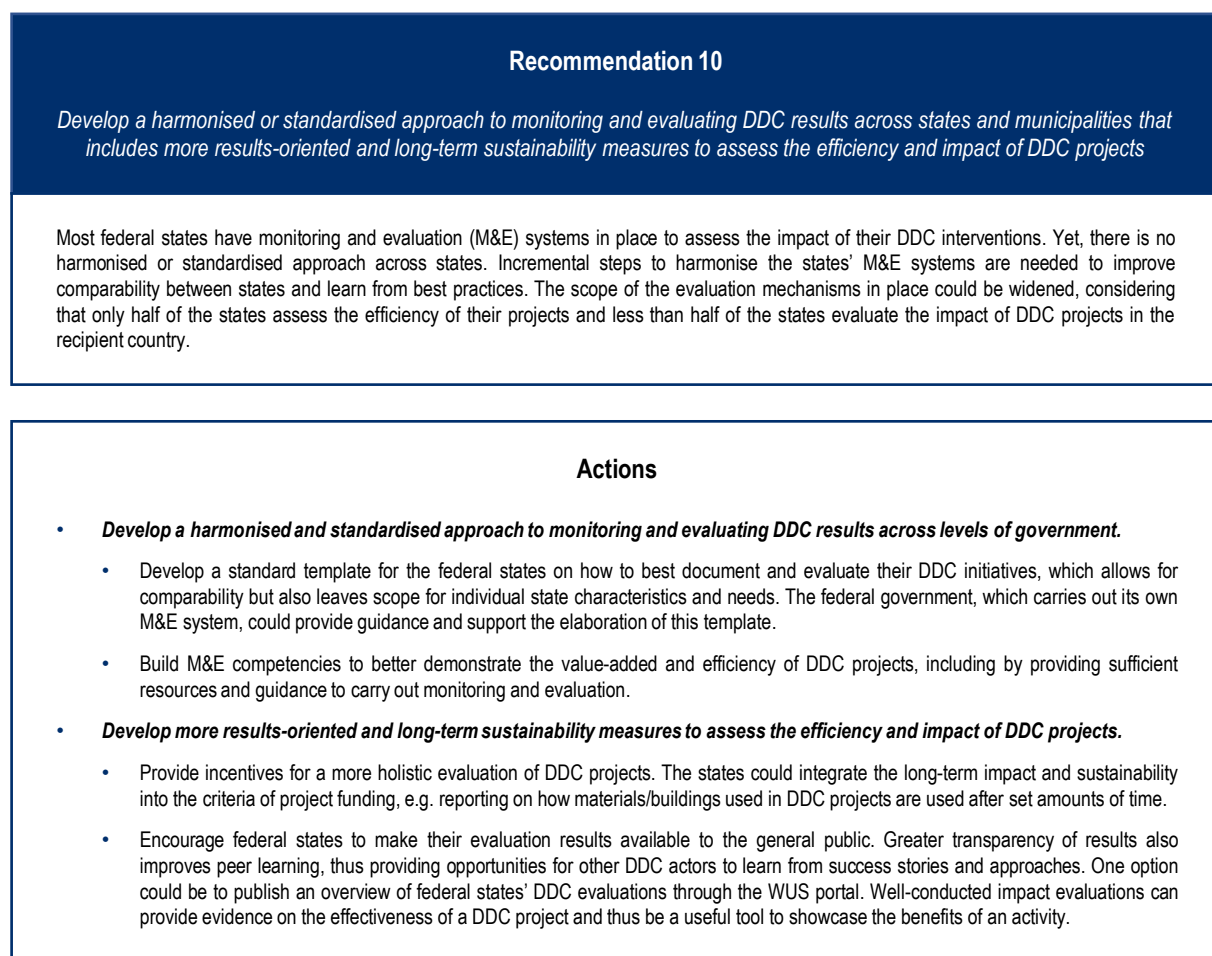
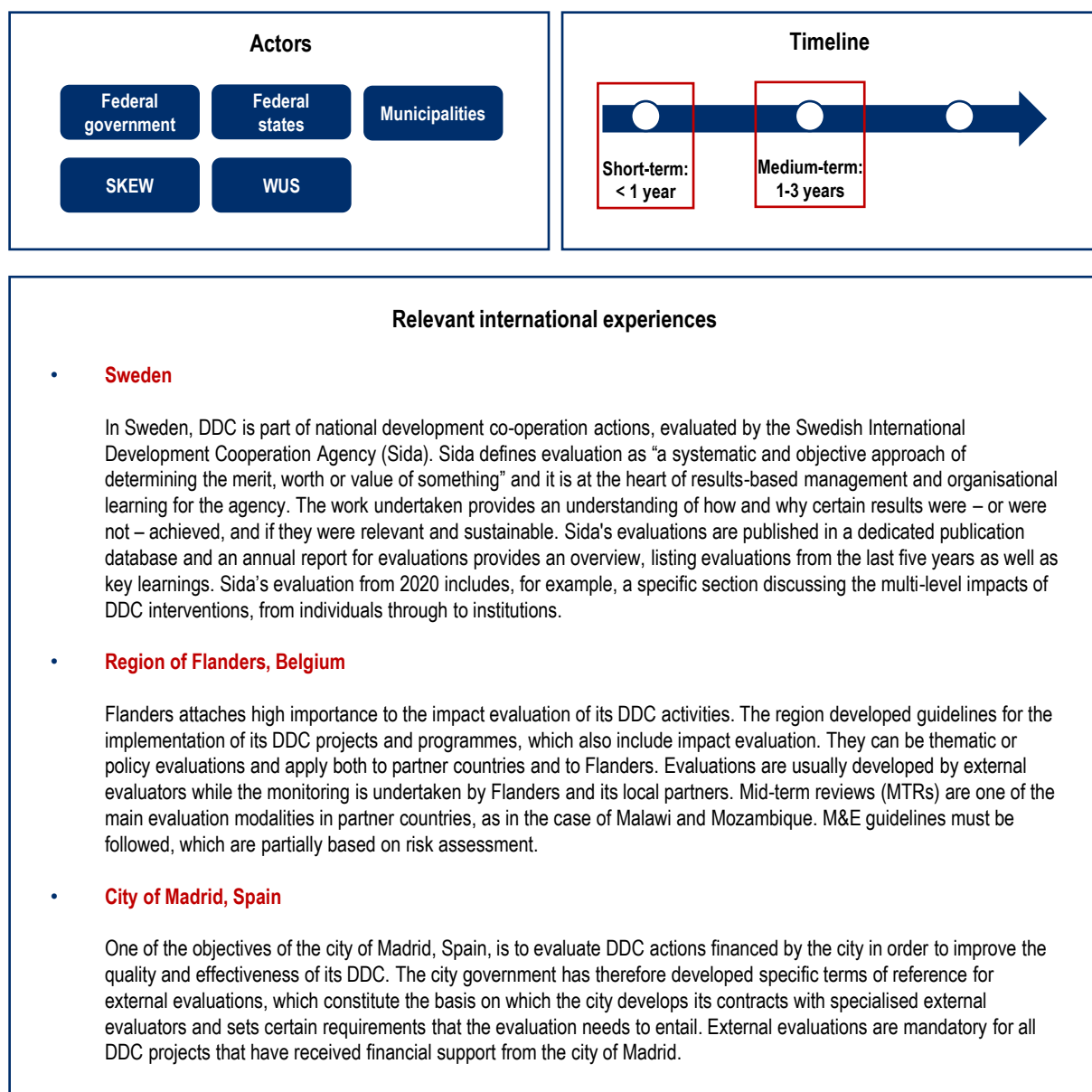


Figure 4.21. Action plan to implement Recommendation 10 to develop a harmonised or standardised approach to monitoring and evaluating DDC results across states and municipalities – Part II



For more information: Sweden: [Start page | Sida](#); Belgium: [Reshaping Decentralised Development Co-operation: The Key Role of Cities and Regions for the 2030 Agenda | en | OECD](#); Spain: [Development cooperation | Madrid's community \(comunidad.madrid\)](#).

Annex 4.A. Respondents to the OECD surveys of the German Federal states and municipalities on decentralised development co-operation

Annex Table 4.A.1. Respondents to the OECD survey of German federal states

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

Annex Table 4.A.2. Respondents to the OECD survey of German municipalities

Name	Municipality/District
Baruth/Mark	Municipality
Aalen	Municipality
Ascha	Municipality
Böblingen	District
Bonn	Municipality
Brühl	Municipality
Burgenlandkreis	District
Cochem-Zell	District
Donau Ries	District
Dresden	Municipality
Düren	District
Düsseldorf	Municipality
Eichenberg	Municipality
Eltville am Rhein	Municipality
Enzkreis	District
Erlangen	Municipality
Gießen	Municipality
Gotha	Municipality
Gudensberg	Municipality
Heimenkirch	Municipality
Herford	District
Jena	Municipality
Kassel	District
Kiel	Municipality
Köln	Municipality
Lahr/Schwarzwald	Municipality
Leipzig	Municipality
Lippe	District
Ludwigsburg	Municipality
Mannheim	Municipality
Mettmann	District
Miltenberg	District
München	Municipality
Münster	Municipality
Neu-Isenburg	Municipality
Nohfelden	Municipality
Nürnberg	Municipality
Offenbach	Municipality
Reutlingen	District
Saalfeld/Saale	Municipality
Saarbrücken	Municipality
Traunstein	District
Tübingen	Municipality
Wolfsburg	Municipality

OECD Urban Studies

Reshaping Decentralised Development Co-operation in Germany

German federal states and municipalities have engaged in decentralised development co-operation (DDC) since the 1950s. Together, they provide over half of total official development assistance (ODA) in the world. However, most of this support remains within German borders. To incentivise further international partnerships, the federal government has established dedicated programmes and financial support schemes for states and municipalities. This report presents key data on the DDC landscape in Germany and offers guidance on how to strengthen its role in enabling peer-to-peer learning and improve collaboration between German states and municipalities. It also showcases how to further raise awareness about the mutual benefits of DDC partnerships, including through better ODA data reporting and a harmonised approach to monitoring and evaluating its results across levels of government.



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