

Enhancing international partnership and co-operation in Friuli Venezia Giulia, Italy

In recent years, international development co-operation has undergone a transition from a conventional donor-recipient model to a partnership-centred approach, including with regions and cities. Friuli Venezia Giulia, a small region in north-eastern Italy with extensive policy autonomy, has been active in international co-operation and is seeking to get more out of its actions both for the region and with its co-operation partners around the world. This paper evaluates its strategy on international partnership and co-operation and proposes recommendations, including more targeted initiatives that leverage the expertise of the region for greater impact in partner countries and for local benefits.

JEL: F35, F63, H70, O19, R10, R58

Keywords: Decentralised Development Co-operation, Regional Development, 2030 Agenda for Sustainable Development, Official Development Assistance, multi-level governance, multi-stakeholder partnership, Friuli Venezia Giulia, Italy

ABOUT THE OECD

The OECD is a multi-disciplinary inter-governmental organisation with member countries which engages in its work an increasing number of non-members from all regions of the world. The Organisation's core mission today is to help governments work together towards a stronger, cleaner, fairer global economy. Through its network of specialised committees and working groups, the OECD provides a setting where governments compare policy experiences, seek answers to common problems, identify good practice, and co-ordinate domestic and international policies. More information available: www.oecd.org.

ABOUT OECD LOCAL ECONOMIC AND EMPLOYMENT DEVELOPMENT (LEED) PAPERS

The OECD Local Economic and Employment Development (LEED) Programme Papers present innovative ideas and practical examples on how to boost local development and job creation. A wide range of topics are addressed, such as employment and skills; entrepreneurship; the social economy and social innovation; culture; and local capacity building, among others. The series highlights in particular policies to support disadvantaged places and people, such as the low skilled, the unemployed, migrants, youth and seniors. This paper is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and the arguments employed herein do not necessarily reflect the official views of OECD member countries.

This paper was authorised for publication by Lamia Kamal-Chaoui, Director, Centre for Entrepreneurship, SMEs, Regions and Cities, OECD.

This document, as well as any statistical data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

© OECD 2023

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <https://www.oecd.org/termsandconditions>.

Acknowledgments

This paper has been produced by the OECD Centre for Entrepreneurship, SMEs, Regions and Cities (CFE), led by Lamia Kamal-Chaoui, Director, as part of the Local Employment and Economic Development (LEED) Programme. The author, Mattia Corbetta, prepared this paper and managed the underlying project, supervised by Alessandra Proto, Head of the OECD Trento Centre for Local Development. It further benefited from the broader OECD work on decentralised development co-operation under the auspices of the OECD Regional Development Policy Committee.

This paper marks the culmination of a two-year project conducted in collaboration with the Friuli Venezia Giulia Autonomous Region (Italy), a longstanding partner of LEED. The project's primary objective was to evaluate the regional strategy on international partnership and co-operation and lay the foundation for future enhancements. The project encompassed diverse activities, including a survey, interviews and focus group discussions, as well as capacity-building workshops targeting regional practitioners engaged in international development co-operation. Additionally, an international workshop with peer-learning among policy-makers of several European regions, and a mission to Serbia and Montenegro, contributed to the project outcomes. To facilitate statistical analysis of the regional project record in DDC, a multi-variable dataset was created and populated manually. This involved coding of over 600 non-editable administrative project files.

The OECD acknowledges the support provided by the Friuli Venezia Giulia administration, with special thanks extended to Sandra Sodini, Director, Giulio Tarlao and Emanuele Zaia from the International Relations and EU Programming Department. Great appreciation is also expressed to the representatives of over 50 entities from Friuli Venezia Giulia engaged in international development co-operation, including municipalities, research institutions, social enterprises and non-profit organisations, for their involvement in the various project activities.

This paper is indebted to several colleagues and experts. The author extends thanks to Stefano Marta and Lorenz Gross from the Cities, Urban Policy and Sustainable Development Division, which leads CFE's work on decentralised development co-operation, for providing the conceptual and analytical framework for Section 1 based on OECD-established literature and offering valuable feedback on the paper. Nadim Ahmad, Deputy Director of CFE, and Karen Maguire, Head of the Local Employment, Skills and Social Innovation Division at CFE, reviewed the paper, providing valuable input. Agustí Fernández de Losada, Senior Research Fellow and Director of the Global Cities Programme at the Barcelona Centre for International Affairs, substantially contributed to the research conducted for Section 1. Ruggero Tabossi, an international consultant, offered invaluable advice throughout the project and significantly contributed to the analysis presented in Section 2. Paolo Rosso, an international consultant formerly part of the OECD Trento Centre for Local Development, made an important contribution in designing the project structure and delivering capacity-building sessions, along with Ruggero Tabossi. Ginevra Cola and Giovanni Polli, interns at the OECD Trento Centre for Local Development, provided valuable support in data generation and analysis, while Gaia Anselmi, intern, provided editorial support. Thanks are also extended to Elisa Campestrin from the OECD Trento Centre for Local Development for overseeing the formatting and publication process.

Table of contents

Acknowledgments	3
Executive summary	6
1 Conceptual and policy framework	9
A conceptual approach to decentralised development co-operation (DDC)	9
Towards an international policy framework conducive for DDC	19
The Italian policy framework on DDC	22
2 A comprehensive assessment of FVG's strategy on DDC	24
Friuli Venezia Giulia's law on international partnership and co-operation	24
Assessment of DDC in FVG: sources and findings in focus	27
How big is DDC in FVG, and how is it financed?	29
Who are FVG's DDC actors?	33
What are the thematic and geographic areas targeted by FVG's DDC?	36
What are the capacities available for DDC in FVG?	45
How is DDC governed in FVG?	46
3 Policy recommendations	51
How FVG could better support DDC	51
Policy recommendations	55
Annexe A. Project structure and methodology	67
Overview	67
Description	67
Tables	
Table 1.1. Spain devotes the largest share of ODA to DDC among a sample of OECD member countries, followed by Belgium and Germany	10
Table 1.2. Four modalities of DDC	12
Table 2.1. Micro projects are by far the most numerous, but total regional co-financing is evenly distributed across micro, framework and strategic projects	30
Table 2.2. Sub-Saharan Africa is a major target for micro projects, whereas framework projects are relatively more frequent in South America and the Western Balkans	41
Table 2.3. Non-profit organisations lead among the actors operating in Sub-Saharan Africa	42
Table 2.4. The Western Balkans were the most frequent target region for strategic projects, followed by North and South America	44
Table 2.5. Most of the surveyed organisations claim to have good skills in project design and management, whereas a minority demonstrate proficiency in communication	45

Table 2.6. Most survey respondents regard their interaction with the regional administration to have improved or remained unchanged, but DDC budget is a widespread concern	49
Table 2.7. The lack of co-ordination among DDC actors and limited dissemination of knowledge are the factors reported to most hinder the efficiency of regionally supported DDC activities	50
Table 2.8. Lack of impact measurement and support to DDC initiatives are most frequently regarded as hindering the effectiveness of FVG	50
Table A.1. Project activities and related objectives	67

Figures

Figure 1.1. Mapping stakeholders involved in DDC	15
Figure 2.1. Friuli Venezia Giulia is a high spender in DDC by Italian regional standards	29
Figure 2.2. Regional co-financing and, albeit to a lesser extent, the number of projects co-financed shows meaningful variation across the years	32
Figure 2.3. Non-profit organisations manage by far the largest share of projects compared to other types of DDC actors	33
Figure 2.4. DDC actors led only one project between 2010 and 2021	34
Figure 2.5. DDC actors from Udine account by far for the largest share of projects and related funding, followed by Trieste	35
Figure 2.6. Micro and framework projects are highly segmented in terms of the thematic areas addressed, based on the themes used until 2018	39
Figure 2.7. Few countries hosted more than three projects each between 2010 and 2021	40
Figure 2.8. DDC projects targeting Food Security and Poverty are the most common in Sub-Saharan Africa, whereas Institutional Strengthening is a focus in the Western Balkans and South America	42
Figure 2.9. Non-profit organisations focus on Gender Equality and Food Security, whereas local public entities and research-based organisations embrace a more diversified approach	43
Figure 3.1. A SWOT analysis of FVG's strategy on DDC	53
Figure 3.2. Policy recommendations for an enhancement of FVG's strategy on DDC	56

Boxes

Box 1.1. The Basque Country (Spain), where different forms of co-operation co-exist	14
Box 1.2. The case of Île-de-France (France), where public-private partnership is a key feature of international co-operation	17
Box 1.3. The case of Catalonia (Spain), a comprehensive governance system for DDC	18
Box 2.1. Friuli Venezia Giulia at a glance	24
Box 2.2. A selection of stylised facts on DDC in FVG, 2010-2021	28
Box 2.3. Field visits in the Western Balkans: assessing the impact of DDC and identifying areas for improvement	48

Executive summary

In recent years, international development co-operation has evolved from a donor-recipient model to a partnership-driven approach. The traditional emphasis on aid transfer has given way to a more inclusive and collaborative vision engaging diverse stakeholders from the public and private sectors, with an emphasis on benefiting all parties involved. International development co-operation among regions and cities, commonly referred to as decentralised development co-operation (DDC), is gaining recognition as a valuable instrument to assist communities worldwide. Subnational governments are on the frontline of providing responses to the pressing challenges posed by the green transition and an ageing population, and often operate under limited resources, exacerbated by recent health and geopolitical crises. Therefore, co-operation represents an opportunity to pool resources and collectively address these challenges.

However, policy frameworks have encountered difficulties in keeping up with this evolving concept of international development co-operation. While the United Nations 2030 Agenda acknowledges the crucial role of subnational governments in achieving the Sustainable Development Goals, and 70% of them engage in peer-to-peer initiatives, the perception of international co-operation as primarily the responsibility of central governments persists. Consequently, policy frameworks may not fully recognise and encourage the potential of DDC as an effective mechanism for achieving development. In 2021, among a panel of 12 developed countries, DDC accounted for merely an average of 3.6% of bilateral Official Development Assistance (ODA).

Italy's legal framework recognises the role of regions and cities in international development co-operation. Over the last two decades, the country has shifted towards a highly regionalised governance model, encouraging regions and cities to undertake their own initiatives aligned with national principles in a number of policy areas, including international development co-operation. However, the contribution of DDC to Italy's ODA remains limited, staying at 1% in 2021. Moreover, significant variation exists among regions concerning their financial commitment to international development co-operation.

Friuli Venezia Giulia, an autonomous region in north-eastern Italy, has been involved in DDC for over 20 years, but its policy framework could be updated for greater impact. The regional law on international partnership and co-operation predates megatrends such as climate change and digitalisation, and the restrictions on private sector engagement in project partnerships contrast with recent international trends and national legislation. Furthermore, interdepartmental collaboration is not formally established and does not appear to support FVG's DDC strategy, dispersing potential synergies with other policy areas. While FVG's annual investment in DDC of EUR 2 million is relatively high by Italian standards, both in absolute terms (ranking as the fifth-largest regional budget based on the 2019-2021 average) and in relation to the gross regional product (placing fourth among Italian regions), it is modest when compared to Italy's most active region in DDC, Emilia-Romagna (EUR 6 million), or other leading regions in the EU.

The regional DDC landscape is characterised by both high dynamism and fragmentation, evident through the significant number of actors, diverse practices and a wide range of targeted thematic areas. Over the past decade, the region has co-financed 341 DDC projects, spanning across 63 countries on four continents. On average per year, FVG has co-financed 30 projects, with 20 of them having a budget of EUR 50 000 or less. During this period, a total regional investment of EUR 18.8 million has mobilised

an additional EUR 9.9 million, primarily driven by self-funding, with alternative channels like EU funding remaining largely untapped. Regional co-financing has supported 111 entities based in FVG in managing publicly selected DDC projects, with three out of every four projects focusing on promoting gender equality, ensuring food security or fostering local development.

A SWOT analysis of the regional policy framework on DDC reveals areas for improvement, drawing on multiple sources, including administrative data on projects co-financed by the region, an online survey, focus group discussions and individual interviews with local stakeholders:

- **Strengths:** the regional administration has demonstrated a strong commitment to DDC over the past decade, irrespective of changes in the government's political orientation. This has helped strengthen practices for project selection, financing and reporting. Consequently, DDC actors from FVG, mainly consisting of non-governmental organisations and social economy entities, report high levels of satisfaction with the administrative support provided by the region. The consistency in regional co-financing, along with flexible financing options, has provided development actors with the needed continuity to conduct their activities.
- **Weaknesses:** these include a lack of a clear strategic vision, which is reflected in a tendency for funded projects to be geographically and thematically dispersed; limited progression of proponents from smaller to larger projects over time, suggesting that regional financing does not effectively stimulate a growth pattern; inadequate monitoring and evaluation mechanisms, with a limited use of digital tools for data collection, hindering the ability to assess project results and performance; inefficient multi-level governance, as shown by a limited involvement of FVG's main cities, and a lack of a communication strategy, which may limit the impact of regional efforts in this area.
- **Opportunities:** regional actors' willingness to engage in project co-design and knowledge sharing offers opportunities for efficiency and critical mass, as joint projects can achieve greater scale and leverage larger capacities. Involving the private sector can bring additional resources and expand technical and financial capabilities on the ground. Aligning regional DDC with the SDGs provides a sound framework for setting priorities and connecting local needs to the global agenda.
- **Threats:** top-down approaches to project selection, solely motivated by political goals, along with possible resistance to change from established actors, may result in a disconnect from community needs or lead to inertia, respectively. Budget constraints may also affect the impact of policy reform and the effectiveness of DDC projects. Adverse cultural trends, such as growing protectionism and distrust of multilateralism, may also limit engagement in DDC if local returns are not adequately achieved and communicated.

FVG would benefit from enhancing its engagement in DDC, increasing its visibility and aligning it with policy actions. This intensified effort promises benefits for the region, spanning political, economic and social domains. FVG's commitment to global issues and active participation in realising the SDGs can elevate its reputation on the world stage. By pursuing DDC initiatives, FVG can forge stronger political and economic ties with partner regions, cultivate cross-cultural skills for young professionals, and unlock novel international pathways for the regional innovation ecosystem and SMEs. Through greater involvement of the private sector, FVG can effectively address current shortcomings and bring DDC initiatives state-of-the-art technologies, substantial funding and invaluable expertise. The Western Balkans, which already play a prominent role as partners in strategic projects accounting for 43% of them, can serve as a focal point for FVG, given the region's strong economic ties and substantial migrant community, as well as the critical significance of peace-building efforts and the path towards EU accession.

Recommendations to enhance FVG's DDC strategy and policy approaches cover five main areas:

1. **Planning:** establish clear thematic and geographic priorities for the new regional DDC strategy, aligning them with the region's expertise and local development needs. Engage in comprehensive and systematic consultations with stakeholders representing the regional DDC ecosystem, creating

a community of practitioners to facilitate co-designing ambitious projects and strengthen coordination efforts for successful implementation.

2. **Multi-level governance:** promote coordination between FVG, neighbouring regions, cities within the region, and departments within the regional administration to promote consistency and leverage on potential synergies in DDC initiatives across various levels of government. Actively include the private sector to achieve greater impact in DDC.
3. **Accountability:** digitise data collection procedures to expand the knowledge base on regionally financed projects and their implementing entities. Develop a cost-effective system for monitoring and evaluating project outcomes, enabling more targeted regional investment in DDC without imposing excessive burdens.
4. **Advocacy:** establish an effective communication strategy to disseminate data on, raise awareness of, and garner political support for DDC. Create a digital platform to showcase projects to a wider audience, organise prominent events and engage with global networks.
5. **Capacities:** align the regional financial commitment to DDC with the SDGs and enhance regional DDC skills in areas such as project design, management and monitoring and evaluation. While this may require larger investments from the regional budget, it has the potential to yield greater returns for communities in FVG and partner regions; leveraging untapped EU funding instruments can assist in mitigating costs.

1 Conceptual and policy framework

A conceptual approach to decentralised development co-operation (DDC)

SNGs face growing challenges in a context of limited resources

As the levels of government closest to citizens, subnational governments (SNGs) have gained recognition in international development. They play a key role in providing essential services in areas such as health, education, water, energy, housing and public transport and ensuring fundamental rights. Almost 65% of the targets included in the 2030 Agenda for Sustainable Development can only be achieved with the engagement of SNGs (OECD, 2020^[1]).

Regions and cities across the world are the arenas where some of the most pressing challenges linked to globalisation arise and are tackled (OECD, 2022^[2]). Rapid urbanisation, for instance, calls for local solutions in housing, water management and public transport. Climate change requires local policies to pave the way towards climate neutrality, environmental protection and resilience. A sound and pervasive internet and broadband infrastructure is key to unlocking the full potential of digitalisation in places, to name another example.

In a context of multiple crises, SNGs are at the forefront of providing responses to citizens but often lack financial and technical resources. SNGs are pivotal actors in setting priorities, drawing up and implementing plans, mobilising resources, monitoring results, reporting on results and engaging with local stakeholders. SNGs have the advantage of tailoring their policies to local circumstances and aligning them with the interests, needs and aspirations of local communities. As a result, SNGs are in an ideal position to bridge national priorities with regional and local concerns. Peer learning and alternative resources through decentralised development co-operation can serve as tools to assist subnational governments around the world in bridging the gaps in financial and technical resources.

Decentralised development co-operation is a tool for knowledge and resource sharing

SNGs are increasingly participating in international development co-operation, commonly known as decentralised development cooperation (DDC) when involving regional and local governments. In the face of shared challenges, DDC can play a significant role in leveraging the expertise and technical capacities of SNGs in both developed and developing countries. According to the (OECD, 2019^[6]), approximately 70% of SNGs worldwide engage in peer-to-peer exchanges, including cross-border partnerships.

While the primary value of DDC lies in knowledge exchange, its financial importance is notable in certain OECD countries. Of all bilateral Official Development Assistance (ODA), the portion originating from subnational governments (DDC) averaged 5.61% annually in a sample of twelve OECD countries with available data for the years 2017, 2019 and 2021. However, this ratio tends to be higher in federal

and highly regionalised countries (refer to Table 1.1), which also exhibit higher levels of expenditure in absolute terms.¹

Table 1.1. Spain devotes the largest share of ODA to DDC among a sample of OECD member countries, followed by Belgium and Germany

Share of Decentralised Development Co-operation funds in total ODA committed by a sample of OECD member states in 2017, 2019 and 2021 (%)

Country	2017	2019	2021
Austria	7	4	6
Belgium	6	6	7
Canada	10	7	4
Czech Republic	1	-	-
France	1	1	1
Germany	5	7	7
Italy	0	1	1
Japan	0	0	0
Portugal	0	1	1
Spain	10	35	38
Switzerland	2	3	2
United Kingdom	0	0	0
Year average	3	3.5	3.6

Note: The volumes indicated in the table include in-donor costs.

Source: OECD DAC CRS database (accessed on 26 January 2023) (OECD, 2023^[7]).

The variation in the financial significance of DDC across countries can be partly attributed to the political organisation, national-specific regulations and budgeting practices. Regions in Spain and Belgium have a longstanding commitment to the UN General Assembly’s 0.7% ODA/GNI target, agreed upon in 1970 and endorsed by the OECD DAC. Consequently, regions such as the Basque Country (EUR 51.6 million in 2021), Catalonia (EUR 48 million in 2021) and Flanders (EUR 31.8 million in 2021) possess substantial budgets for international development co-operation. DDC plays a relevant role in Spain’s national development ecosystem, with its financial contribution experiencing significant fluctuations due to fiscal policies implemented after the financial crisis. For example, DDC in Spain amounted to USD 570.1 million in 2010, declined to USD 259.3 million in 2015 (OECD, 2019^[6]), and rebounded to USD 388.7 million in 2021. The contributions of German and Austrian states in ODA exhibit a high level of specialisation, with limited overseas transfers. German states focus on providing scholarships to students from partner countries, while Austrian SNGs primarily allocate their ODA to refugee assistance indicating that DDC expenditure in both countries is mostly spent within their national borders (so-called “in-donor spending”) rather than in regions abroad.

¹ Germany emerged as the country with the highest expenditure in 2021, spending EUR 1 901.3 million, followed by Spain (EUR 388.7 million), Canada (EUR 171 million) and France (EUR 143.1 million). The rest of the countries listed in Table 1.1 reported lower expenditures, all below EUR 100 million, and in certain cases (Italy, Japan, and Portugal), below EUR 10 million. All data reported include in-donor spending (OECD, 2023^[63]).

An evolving concept of DDC

The concept of DDC has undergone substantial evolution over time, and a universally accepted definition has yet to be established among scholars and practitioners. The origins of DDC can be traced back to the post-World War II era, where twinning initiatives among SNGs emerged as a means to foster peace and unity in Europe. However, it was in the 1980s that the term gained prominence as a method of development co-operation undertaken by subnational entities, typically involving a developing country. These entities encompass a wide range of actors, including economic entities, civil society organisations (CSOs), deconcentrated state services, autonomous public institutions such as universities, and decentralised public authorities (OECD, 2018_[8]).

The evolution of DDC can be characterised as progressive transition from a traditional donor-recipient approach to a more complex multi-stakeholder partnership framework. Vertical forms of co-operation, which previously focused on aid and knowledge transfer from developed countries in the North to developing countries in the South, have given way to contemporary horizontal partnerships (OECD, 2018_[8]). In these partnerships, knowledge and experience flow in multiple directions, including from the North to the South, South to South, and even South to North. The territorial dimension serves as the hub for exchanges among the key actors of development, primarily led by SNGs (Fernández de Losada, 2017_[9]). The shift from financially driven forms of DDC to a partnership-driven approach arises from the recognition of the ineffectiveness of the traditional model of development co-operation, which has primarily focused on aid transfer. The emerging approach emphasises inclusivity and horizontal co-operation, centred around knowledge and experience exchange among peers. In this context, SNGs have a role to play in driving sustainable development in their respective communities through a more active involvement of diverse local stakeholders.

Common principles shape DDC practices worldwide, reflecting diversity. According to (OECD, 2018_[8]), “while there is no common definition of DDC shared within or across countries, there are several common principles identified in the literature that guide DDC actions to varying degrees from one country to another”, including:

- **Reciprocity:** emphasising a two-way relationship between partners, it ensures that the impact and outcomes of DDC actions are mutually beneficial and surpass the traditional donor-recipient dynamic.
- **Proximity:** grounded in the concept of subsidiarity, it acknowledges that local governments and stakeholders are best positioned to address social issues due to their closer proximity to affected populations.
- **Territorial governance:** by fostering collaboration, consensus-building and joint decision-making between decentralised authorities and non-state actors, it focuses on enhancing local governance as the central objective of DDC.
- **Territorial partnership:** a defining principle that distinguishes DDC from traditional development co-operation. DDC increasingly relies on partnerships between SNGs in developed and developing countries, supporting a shared political agenda and objectives, while fostering ownership and yielding results in DDC endeavours.

Modalities of DDC

SNGs approach DDC through different modalities and means of intervention. Three main modalities are widely acknowledged: direct co-operation, indirect co-operation and delegate co-operation (OECD, 2018_[8]). Additionally, induced co-operation is taking root as a fourth modality. In practice, each SNG approaches modalities and means of implementation depending on their historical and institutional characteristics. The combination of direct, indirect and induced co-operation is a usual practice in countries such as Spain, Italy or France. The following table summarises the different options available.

Table 1.2. Four modalities of DDC

Classification of the different modalities of decentralised development co-operation and the different approaches, means of intervention and governance channels

Modality	Approach	Flows	Means of intervention	Channel
Direct co-operation	Vertical (donor-recipient)	North-South, South-South	- Projects - Transfer of technical capacities	Bilateral or multilateral agreements
	Horizontal partnership	North-South, South-South, Triangular	- Projects - Exchange of knowledge and innovation - Peer-to-peer learning - Technical co-operation - Involvement of local stakeholders	Bilateral or multilateral agreements
	Network	North-South, South-South, Triangular	- Advocacy - Exchange of knowledge and innovation - Peer-to-peer learning	Affiliation
	Agency	North-South, South-South, Triangular	- Projects - Exchange of knowledge and innovation - Peer-to-peer learning - Technical co-operation	Bilateral or multilateral agreements, grants, procurement
Indirect co-operation	Through intermediate organisations	North-South	- Projects	Call for proposals
Delegate co-operation	Collaboration agreements between two or more donor SNGs	North-South,	- Projects - Transfer of technical capacities	Collaboration agreements
Induced co-operation	Horizontal partnerships	North-South, South-South, Triangular	- Projects - Exchange of knowledge and innovation	Grants accorded by a third party (e.g. international organisation, national government, philanthropy)

Source: Authors' own elaboration building on (OECD, 2018^[8]).

Direct co-operation refers to the establishment of co-operation partnerships between SNGs. Its aim is to mutually reinforce their institutional and operational capacities to deliver more efficient public policies and solutions to the challenges they face. Vertical co-operation, which is centred on aid transfer, remains prevalent among SNGs, although horizontal forms of direction co-operation, involving structured bilateral or multilateral relationships between SNGs and actors from their respective territories, is taking root. As illustrated in (OECD, 2018^[8]), direct co-operation can follow different approaches, including:

- **Partnership:** this approach refers to the creation of solid and structured bi- and multilateral partnerships between individual SNGs, such as twinning.
- **Network:** SNG networks serve as optimal platforms for designing and implementing decentralised co-operation initiatives. They bring together a diverse range of actors involved in local issues, including philanthropies, knowledge-based organisations and CSOs. These networks facilitate the exchange and transfer of innovations and solutions to address local concerns and challenges.
- **Agency:** this approach involves the use of highly professionalised ad-hoc structures established by SNGs or their associations. Certain European regions, particularly in Spain and Belgium, along with local government associations in Canada and Northern Europe (especially the Netherlands and Scandinavian countries), have developed this modality.

Direct co-operation encompasses a wide range of implementation methods. It typically involves the co-financing of pilot projects, provision of technical assistance, peer-to-peer learning, advocacy efforts, educational initiatives and awareness-raising activities. These actions are facilitated through various forms of agreements, grants and public procurement to ensure the effective delivery of services. Direct funding

is commonly provided, particularly through project grants, where a financial transfer from a subnational authority supports the implementation of a specific action with a defined budget and reporting requirements outlined in a partnership agreement or project proposal. Some regional development agencies, such as the Basque Country in Spain with its Basque Agency for Development Cooperation (GLEA), also provide direct funding in the form of budget support to national authorities in partner countries.

Indirect co-operation involves working through intermediaries such as NGOs, knowledge-based organizations, CSOs and, increasingly, firms, to implement projects (Bossuyt and Steenbergen, 2014^[10]). SNGs, particularly in Europe, provide financial support to CSOs in their region to carry out activities in partner countries. This process is often managed through a call for proposals and does not necessarily involve engagement with sub-regional authorities in the partner country or other local stakeholders through formal agreements between SNGs.

Indirect co-operation raises concerns regarding efficiency and effectiveness. Calls for proposals may better reflect the needs and requirements of eligible actors in the countries where they are designed and issued, i.e. donor countries, rather than aligning with territorial strategies in partner countries. This can lead to support for isolated initiatives, contributing to fragmentation and undermining local community ownership. Furthermore, competitive mechanisms can be intricate and may pose challenges to the participation of small organisations, which are comparatively less equipped to navigate complex legal requirements, thus potentially favouring larger, specialized agencies.

Delegate co-operation refers to a delivery mechanism where a subnational authority delegates the management of its DDC agenda to another national or subnational authority or aid agency. This approach is used by certain regions in federal countries with significant power and financial capacity for DDC, applying tools typically adopted by national development agencies. An example is the delegate co-operation agreement between the regional development agencies from Flanders (Belgium) and Catalonia (Spain) to implement projects in Mozambique (Fernández de Losada, 2017^[9]).

Induced co-operation is growingly promoted by international organisations, national development agencies and philanthropic entities. This approach has gained relevance as multilateral organisations launched specific financial programs to support DDC and strengthen urban and territorial policies. Examples include the Urban European and Latin American and Caribbean (URBELAC) network and the European Neighbourhood and Partnership Instrument (EPSI) promoted by the EU, as well as the Cities Alliance by the World Bank. Alongside international organisations, some national agencies and philanthropic institutions are also supporting SNGs in their DDC initiatives. While this support has driven DDC towards more efficient and results-driven horizontal partnerships, concerns arise regarding agenda setting, ownership and sustainability.

Box 1.1 illustrates the diverse implementation methods of DDC adopted by the Basque Country, showcasing the variety of co-operation approaches observed in practice.

Box 1.1. The Basque Country (Spain), where different forms of co-operation co-exist

The Basque Country is one of the most dynamic DDC operators in Europe, combining different modalities (direct, indirect) and channels (calls for proposals, agreements) of co-operation. As in other regions in Spain, Basque co-operation is regulated by a specific regional law promulgated in 2007. In 2021, it earmarked EUR 51.1 million to fund international development co-operation initiatives in 45 countries worldwide. The almost totality of its budget (94.8%) is allocated in different types of grants and 5.2% covers operational costs. Within the Basque administration, nine departments and the Basque Agency for Development Co-operation in designing and implementing initiatives in the field of development co-operation. Different instruments have been put in place to implement the budget:

- Annual call for proposal to support development co-operation projects (EUR 26 million, up to 80% of co-financing);
- Annual call for proposal to support projects in the field of humanitarian action (EUR 10.5 million);
- Annual call for proposal to support education for development projects (EUR 4.8 million, up to 80% of co-financing);
- Annual call for proposal to support productive development projects, training and technological assistance (EUR 1.2 million, up to 80% of co-financing);
- Annual call for proposal to support gender oriented organisational change in Basque NGOs specialised in development co-operation (EUR 250 000);
- Direct grants accorded to different types of public and private non-profit institutions (EUR 6 million) accorded both by the regional government and by the regional parliament;
- Prizes and scholarships (EUR 115 000).

These instruments are regulated by multiple decrees promulgated over the years, which for each set objectives, scope, eligibility of costs and beneficiaries. Policy priorities are defined in a multiannual strategy that is implemented through annual plans. Within this framework, different calls are published by the government every year. Only non-profit organisations based in the Basque Country can submit projects, whose value cannot exceed EUR 600 000 within the calls. However, the government is also entitled to pass agreements with international organisations to address the priorities and goals defined in the multiannual plan. In 2022, agreements were signed with the United Nations Relief and Works Agencies for Palestine Refugees in the Near East (UNRWA) and the Central Emergency Response Fund (UN CERF).

The current multiannual strategy, which is aligned with the 2030 Agenda for Sustainable Development, focuses on ensuring policy coherence (e.g. strengthening inter-departmental collaboration), promoting human rights and gender balance as well as addressing situations of conflict and violence. It also points out the importance of strengthening co-operation with Africa (together with areas with which relations are more established, such as Latin America) and the relevance of investing in knowledge and learning as key tools for the Basque DDC. The latter allows to reinforce the collaboration with universities and research centres.

Source: eLankidetzeta-Agencia Vasca de Cooperación para el Desarrollo, <https://elankidetzeta.euskadi.eus>

A wide range of local stakeholders involved

Addressing the complex challenges faced by SNGs requires the mobilisation of capacities and commitments. There is an increasing recognition of the importance of involving local communities and stakeholders in decentralised cooperation, transitioning from top-down approaches to multi-stakeholder

partnerships (OECD, 2023^[11]). However, moving towards a more inclusive model of decentralised co-operation poses governance-related challenges that need to be tackled in order to achieve concrete sustainable development outcomes.

Figure 1.1 illustrates the various stakeholders involved in DDC. Subnational governments, the private sector, academia and civil society all have the potential to contribute to development and drive transformative changes that surpass the capabilities of any individual organisation or individual.

Figure 1.1. Mapping stakeholders involved in DDC



Source: Authors' own elaboration.

Engaging local stakeholders in a manner aligned with their potential contribution to sustainable development can enhance the impact of DDC. Consequently, mapping relevant actors and defining their roles and responsibilities gains relevance. This approach helps maximise their contributions, minimise bottlenecks and prevent duplication and inadequate resource allocation (OECD, 2018^[8]). The specific roles and responsibilities of DDC actors may vary across countries and even within countries, depending on administrative structures (federal, unitary, or hybrid) as well as historical, social, political and economic factors. In countries with federal or quasi-federal systems such as Austria, Germany and Spain, where SNGs possess significant authority, DDC activities are likely to be more prominent (OECD/UCLG, 2016^[12]).

SNGs make valuable contributions to DDC through various means. Their distinct role arises from their status as public entities endowed with specific powers and budgets, responsibilities within the policy-making process (including strategy design, program implementation, monitoring and evaluation), as well as their leadership and capacity to mobilise and engage local communities and stakeholders. In practice, they undertake diverse activities, such as providing direct or intermediary project funding, facilitating technical co-operation and peer-to-peer exchanges, conducting education campaigns and advocating for improvements in the institutional and legal framework within which they and their partners operate.

There is a growing trend of international organisations and national governments forging stronger connections with SNGs. This collaboration can take various forms, including funding partnerships and initiatives led by SNGs within specific programme frameworks. Additionally, SNGs may receive funding to implement projects in partner countries, acting as both beneficiaries and implementers of delegated co-operation. In addition to governments, multiple actors are increasingly participating in DDC.

CSOs have established partnerships with SNGs over the years, aiming to engage local communities in DDC, foster solidarity among public opinion and bridge the gap between DDC strategies and local concerns and challenges. Several European countries, including Spain, Italy, Belgium, Germany and Poland, have managed to build a robust network of non-governmental organisations (NGOs) specialised in international co-operation (OECD, 2018^[8]). The mobilisation of local and regional funds has facilitated the proliferation of local NGOs, which have become crucial assets for many SNGs. However, this extensive involvement has also led to a situation where the distribution of available funds is concentrated within these NGOs, resulting in a sense of ownership. As a consequence, it has become challenging to engage other stakeholders in financial allocations.

In addition to NGOs, other CSOs can provide significant value to DDC.² Enhancing the participation of grassroots organisations, the third sector and trade unions can lead to the development of strategies and initiatives that are deeply rooted in local communities and, thus, better aligned with the interests and concerns of vulnerable groups, such as youth, women, people with disabilities and migrants. Non-institutionalised social movements and activists are increasingly demonstrating leadership in addressing global challenges, including climate change, gender equality and technological disruption. Locally specialised NGOs and other CSOs are key focal points in DDC strategies in many countries. For instance, SNGs in Spain and Italy often allocate a significant portion of their budgets through open calls for proposals that primarily target CSOs. However, in some cases, they are also involved in direct co-operation partnerships between two or more SNGs.

Knowledge-based organizations, including universities, research centres and think tanks, play a crucial role in DDC as facilitators, enablers and even implementers. Their expertise, capacity for innovation, and technological advancements have the potential to enhance the quality and impact of DDC practices through evidence-based approaches. Additionally, these organisations contribute to training highly skilled professionals in the field of international co-operation and promoting critical thinking among citizens. While their involvement is often established through direct co-operation partnerships, certain SNGs, such as Catalonia in Spain, have established specific programmes to finance projects led by their universities and research centres in collaboration with partners in donor countries. Such support is increasingly channelled through targeted calls for proposals.

Furthermore, the private sector is playing an increasingly central role in development co-operation strategies led by SNGs. While initiatives that prioritise the social economy, with their focus on pursuing social goals beyond mere profit, are widely perceived as a natural fit for DDC, the engagement of profit-driven companies may pose challenges in aligning their objectives with the broader goals and values of DDC. However, there are ongoing efforts to identify pathways for private sector involvement that promote sustainable responsible business practices within the context of development co-operation. Small and medium-sized enterprises (SMEs) are now recognised as key drivers of local and regional development,

² NGOs (Non-Governmental Organizations) are non-profit organisations that operate independently from government entities. They are driven by a specific mission or cause and typically work on social, environmental, or humanitarian issues. NGOs often rely on public support, donations, and grants to carry out their activities. CSOs (Civil Society Organizations) encompass a broader category that includes NGOs. CSOs are non-governmental, non-profit entities that operate at the grassroots level and aim to advance social, cultural and political objectives. They play a critical role in advocating for citizens' rights, promoting democracy and addressing various societal challenges. CSOs can include NGOs, community-based organisations, labour unions, professional associations and other similar groups working towards social change and public welfare.

prompting dedicated efforts to involve them in DDC initiatives. Box 1.2 provides a relevant example from Île-de-France, showcasing the involvement of SMEs in a specific context.

Box 1.2. The case of Île-de-France (France), where public-private partnership is a key feature of international co-operation

SPRINT (Start-up Paris Region International) is a network of incubators, accelerators, start-ups and local authorities set up by the Île-de-France Region. Its goal is to support eight regions across the world, most of which are French speaking, in the response to the most pressing social and environmental challenges. Partners include Casablanca-Settat Region (Morocco), Abidjan District (Ivory Coast), Rufisque Department (Senegal), Antananarivo Urban Municipality (Madagascar), Erevan (Armenia), Algiers Wilaya (Algeria), Tunis Municipality (Tunisia) and Beirut Municipality (Lebanon). The project is the result of a partnership of the Île-de-France Region with two private entities, namely INCO, a leading organisation that supports and invests in innovative companies within the new economy, and RATP Dev, a global public transportation operator.

SPRINT provides start-ups and other participating firms with individual strategic monitoring, collective intelligence workshops and other training and coaching opportunities as well as learning expeditions, access to network activities and local and international visibility (e.g. prizes, events). Nine incubators and accelerators and more than 315 start-ups and entrepreneurs have benefited from the support of the network so far, gaining new opportunities for development and connecting with new local and international innovation ecosystems. The initiative has also brought international visibility to the Île-de-France Region, given its role in activating a global network, with a clear positive impact on the digital, social, and environmental francophone economy.

Source: SPRINT Network's official website: <http://www.sprint-network.co/>

The need for sound governance frameworks

Enhancing inclusivity within DDC requires the establishment of suitable governance frameworks. Irrespective of the forms of engagement and assigned roles, these frameworks should actively involve local stakeholders, fostering coordination and synergy. This inclusive approach harnesses augmented financial and human resources, thereby enhancing the formulation and execution of DDC strategies for more impactful outcomes.

Box 1.3 presents the governance architecture implemented by the Catalan Government, highlighting their approach to promoting participation, policy coherence and accountability in their development co-operation policy.

Box 1.3. The case of Catalonia (Spain), a comprehensive governance system for DDC

According to the Catalan Law on Development Co-operation promulgated in 2001,³ the Catalan system of international development co-operation operates under the guidance of the Catalan Parliament and the Government. Within the latter, the General Direction of International Development Co-operation (DGCD), part of the Foreign Affairs Department, has specific responsibilities in the field of DDC. The Catalan system includes an operational body, namely the Catalan Agency for International Development Co-operation (ACCD), which was created in 2002 to implement the development co-operation strategies adopted by the Government every four years. Other departments are also entitled to contribute. Together with the governing structures, the Law establishes the role of a consultative body as well as three co-ordination bodies.

- The Development Co-operation Council is a consultative body formed by representatives of the government (i.e. the General Direction and the Agency mentioned above), NGOs, labour and employer organisations, universities, local governments as well as organisations representing youth, women, migrants. The Council meets twice a year in ordinary meetings and whenever it is considered necessary in extraordinary meetings. Its opinions are not binding.
- The Interdepartmental Commission for International Development Co-operation, a co-ordination body that facilitates the involvement of different departments of the Government in development co-operation. It is headed by the Regional Minister of Foreign Affairs.
- The Co-ordination Commission with Local Entities is a further co-ordination body that fosters collaboration and mutual assistance with Catalan local governments.
- The Catalan Committee of Humanitarian Emergency Aid aims at co-ordinating the collective action of public institutions and private entities in the face of emergency situations.

Within the scope of the Law for the Promotion of Peace promulgated in 2003, the Catalan Council for the Promotion of Peace operates as a consultative and participatory body whose aim is to promote peace through the action of the Catalan public administrations. It is integrated by representatives of the Government, local entities, CSOs specialised in peace.

Since 2017 and with the aim of aligning with the priorities set in the multiannual strategic plan, the DGCD, together with the ACCD and the various departments of the government involved in international development co-operation (12), agree upon joint biannual working plans. These plans, one per department, focus on three main working domains:

1. **Co-ordination and quality** (28% of the actions developed), including Education for Development programmes, scholarships, support to refugees, internal capacity building as well as training and monitoring and data collection procedures.
2. **Policy coherence for development** (18% of the actions developed), including the definition of a joint roadmap for policy coherence within the government and activities in the field of responsible public procurement, ethical finance, business and human rights, migrations and sustainable development.
3. **Technical cooperation** (54% of the actions developed), including the mobilisation of knowledge, technical capacities, and resources within the government in order to strengthen the quality and impact of international co-operation and education activities implemented.

Departments are key players of the Catalan system, being responsible for the implementation of 43.56% of the regional ODA (the remaining 56.44% rests on the ACCD).

Source: Cooperació Catalana. Generalitat de Catalunya's official website: <https://cooperaciocatalana.gencat.cat/>

Towards an international policy framework conducive for DDC

Policy frameworks have not kept pace with the advancement of DDC at the operational level. Although certain OECD member countries have implemented dedicated legislation,⁴ and numerous SNGs have developed well-defined plans to address DDC as a public policy, international co-operation is still largely perceived as the primary responsibility of central governments. However, the United Nations' 2030 Agenda offers a global framework that enables SNGs to align their DDC policies with universally accepted goals of sustainable development. Additionally, the European Union (EU) has played a crucial role in promoting and supporting DDC on a global scale.

A territorial approach to sustainable development as the roadmap for DDC

The UN Sustainable Development Goals (SDGs) provide a universal framework for governments, including SNGs, to align policies with a new sustainable development paradigm. In this framework, current megatrends such as inequalities, climate change, digitalisation or urbanisation are addressed from a universal, holistic, inclusive and action-oriented perspective in the context of a multi-stakeholder effort that should produce context-specific and place-based responses. The implementation of the SDGs should be considered in a systemic way and rely on a whole-of-society and a whole-of-government approach to fully reap expected benefits (OECD, 2020^[1]).

A territorial approach to the SDGs holds the promise of unleashing the full potential of SNGs as catalysts for sustainable development. Rather than an additional agenda, the SDGs should be embraced as tools to shape, enhance and implement the visions, strategies and plans of cities and regions (OECD, 2020^[1]). This framework offers the means to pinpoint location-specific priorities, guide budgetary allocations, foster coordination across government tiers, encourage policy coherence, facilitate private sector involvement, engage civil society and citizens, and gauge policy outcomes for accountability.

Aligning strategies of DDC with the universally recognised framework of the SDGs has the potential to bolster the effectiveness of DDC endeavours. This alignment can promote ownership by prioritising strategies and plans, reduce fragmentation through multi-level governance approaches, and enhance accountability by reporting on quantifiable outcomes and leveraging shared experiences. Additionally, the SDGs facilitate the integration of DDC into other global agendas where subnational governments are poised to make substantial contributions. This synergy between DDC and the SDGs offers a major avenue to magnify the impact of sustainable development initiatives.

Localising the development effectiveness principles

The principles outlined by the Global Partnership for Effective Development Co-operation, formally established in 2012 after the Busan Partnership Agreement,⁵ provide a framework for more equal and empowered partnerships and more sustainable development outcomes. The principles, which reflect an underlying unity of purpose to the Global Partnership, include:

³ For more information visit:

https://cooperaciocatalana.gencat.cat/web/.content/continguts/01accd/04normativa/02llej_cooperacio/20190114_llej_cooperacio.pdf

⁴ For example, France, with its International Solidarity Act, and Germany, with its Bund-Länder-Programm, established in 2014 and 2015, respectively (OECD, 2023, pp. 22-24^[63]).

⁵ For more information, visit:

https://effectivecooperation.org/system/files/2020-06/OUTCOME_DOCUMENT_-_FINAL_EN2.pdf

- **Country ownership:** countries set their own national development priorities, and development partners align their support accordingly while using country systems.
- **Focus on results:** development co-operation seeks to achieve measurable results by using country led results frameworks and monitoring and evaluation systems.
- **Inclusive partnerships:** development co-operation partnerships are inclusive, recognising the different and complementary role of all actors.
- **Transparency and mutual accountability:** countries and their development partners are accountable to each other and to their respective constituents. They are jointly responsible for ensuring development co-operation information is publicly available.

The Nairobi outcome document, prepared under the Global Partnership in 2014, provides a useful framework for conceptualising development effectiveness at the local level, offering an opportunity for SNGs to align their DDC efforts with global goals. The document encourages stronger collaboration between all levels of government to ensure better alignment with national development plans, emphasising the need to address fragmentation and avoid duplication of efforts. Establishing enabling institutional environments, fostering local-level platforms for collaboration, engaging in SDG-based local development planning, implementing effective multilevel governance mechanisms and developing localised results frameworks are considered crucial elements with major potential to enhance development effectiveness at the local level (Global Partnership for Effective Development Co-operation, 2020^[13]). This approach strongly aligns with peer-to-peer partnerships, which are among the modalities of DDC described above. These partnerships have great potential to mobilise local stakeholders and empower SNGs through the exchange of experiences and know-how, provision of technical assistance and promotion of a shared political agenda (UNDESA, 2013^[14]).

The EU, a global enabler of DDC

The EU has long played a significant role in enabling DDC. The European Committee of the Regions actively contributes to shaping EU policies and initiatives related to DDC, advocating for the recognition of the role and capacities of SNGs in international development cooperation efforts. Since the launch of city-to-city programmes such as URBACT, MedUrbs and AsiaUrbs in the 1990s,⁶ the EU budget has consistently financed DDC initiatives. Notable examples within the 2014-2020 Multiannual Financial Framework include the thematic Programme Civil Society Organisations and Local Authorities (CSO-LA)⁷ and the European Neighbourhood Instrument for Cross Border Co-operation (ENI CBC).⁸ These financial tools demonstrate the EU's strong commitment to promoting international development co-operation.

From a political standpoint, the EU has progressively recognised the concept of DDC and the role of SNGs in sustainable development. In 2008, the European Commission issued the Communication "Local Authorities: Actors for Development",⁹ emphasising the significant contribution of DDC to development co-operation. The Commission acknowledged that, in addition to contributing to bilateral ODA, DDC plays a key role in supporting SNGs in partner countries, particularly in sectors such as territorial development, decentralisation and democratic governance. The EU's approach to DDC further evolved with the 2013 Communication "Empowering Local Authorities in Partner Countries for Enhanced

⁶ For more information, visit: <https://urbact.eu/>; <https://cordis.europa.eu/article/id/1478-medurbs-programme-call-for-proposals>; <https://cordis.europa.eu/article/id/9232-asiaurbs-strengthening-links-between-local-authorities/fr>

⁷ For more information, see the Multiannual Indicative Programme for the Thematic Programme "Civil Society Organisations and Local Authorities" for the period 2018-2020.

⁸ For more information, visit: https://neighbourhood-enlargement.ec.europa.eu/european-neighbourhood-policy/cross-border-cooperation_en

⁹ For more information, visit: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0626:FIN:en:PDF>

Governance and More Effective Development Outcomes".¹⁰ This communication called for unlocking the potential of SNGs in development co-operation through capacity building, devoting special attention to sustainable urbanisation. The European Consensus on Development adopted in 2017 further emphasised the relevance of SNGs for the implementation of the SDGs,¹¹ as reaffirmed by the European Commission's Communication "A Sustainable European Future: The EU Response to the 2030 Agenda for Sustainable Development".¹²

Recently, the launch of the 2021-2027 Neighbourhood, Development and International Co-operation Instrument (NDICI)¹³ has reaffirmed the EU's dedication to sustainable development. European institutions have agreed to incorporate support for SNGs into country programmes, with an allocation of EUR 500 million.¹⁴ While country programmes are devised and managed at the national level, and the NDICI places significant emphasis on CSOs, regional and local authorities remain integral to promoting effective implementation and cultivating cross-sectoral partnerships.

National approaches to DDC

OECD member countries provide for a wide set of legal and institutional approaches to DDC. Three main groups of countries can be identified (OECD, 2018^[8]):

1. **The first group consists of countries, like Italy, that have passed legislation on international development co-operation, recognising DDC or the participation of SNGs.** Among these, France stands as the sole nation with specific laws governing DDC and the global involvement of SNGs. Conversely, Belgium, Hungary, Italy, Latvia, Poland, Romania, Spain and Sweden include SNGs among entities sanctioned by national legislation for international co-operation.
2. **The second group encompasses countries that do not have a dedicated framework for DDC but rely on local and/or decentralisation regulations to promote the role of SNGs.** This group includes Austria, Bulgaria, Germany, Estonia, Finland, Ireland, Lithuania, the Netherlands, Slovenia and the Slovak Republic. In most cases, DDC is embedded in the national development co-operation policy, whereby DDC is a vehicle to implement the national strategy for development co-operation. Finland, Germany and the Netherlands have specific programmes to support DDC within national financial frameworks.
3. **The third group is formed by countries where development co-operation is considered an exclusive competency of the central government.** Countries that have neither supporting DDC legal frameworks nor conducive decentralisation regulations include the Czech Republic, Denmark, Greece and Luxembourg.

Subnational governments in several countries have adopted a public policy approach to development co-operation. In federal and highly decentralised countries like Belgium, Spain and Italy, specific laws have been enacted to establish a contextualised legal framework that regulates not only the regional government's programmes and budgets but also initiatives led by other stakeholders such as

¹⁰ For more information, visit:

<https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52013DC0280&from=GA>

¹¹ For more information, visit:

https://international-partnerships.ec.europa.eu/policies/european-development-policy/european-consensus-development_en

¹² For more information, visit:

<https://www.consilium.europa.eu/en/press/press-releases/2017/06/20/agenda-sustainable-development/>

¹³ For more information, visit:

https://ec.europa.eu/info/funding-tenders/find-funding/eu-funding-programmes/global-europe-neighbourhood-development-and-international-cooperation-instrument_en

¹⁴ For more information, visit: <https://platforma-dev.eu/eu-dedicates-e500-million-for-towns-and-regions-under-ndici/>

municipalities, CSOs or businesses. Additionally, an increasing number of regions and cities, both in donor and partner countries, have developed specific strategies in collaboration with local stakeholders (refer to Box 1.2 for an example). These strategies aim to define DDC priorities, intervention modalities, as well as concrete programmes, activities and budgets. However, measuring the impact of these strategies poses a significant challenge and requires substantial efforts from many subnational governments. As discussed earlier in this chapter, the emergence of DDC as a public policy also necessitates a significant focus on professionalising the involved staff.

The Italian policy framework on DDC

According to the Italian Constitution, like in most countries worldwide, the State holds exclusive competence over foreign policy and international relations. International development co-operation, which is considered an integral and qualifying part of foreign policy, is regulated through a dedicated piece of legislation, namely law 125/2014. This law aims to achieve a set of objectives in alignment with international and EU agreements, including:

1. Uprooting poverty and narrowing inequalities, with a focus on improving the living conditions of peoples and promoting sustainable development;
2. Defending and upholding human rights, individual dignity, gender equality, equal opportunities and the principles of democracy under the rule of law;
3. Preventing conflicts, supporting peacebuilding and reconciliation processes, as well as contributing to post-conflict stabilisation and the consolidation and strengthening of democratic institutions.

The law encompasses education, humanitarian aid, awareness rising and citizen participation in international solidarity as part of its purposes.¹⁵

The law recognises regions, including Friuli Venezia Giulia, as actors within the Italian system of international development co-operation, jointly with the national government, autonomous provinces, municipalities, universities, civil society and for-profit organisations. This acknowledgement aligns with the principle of subsidiarity, which was incorporated into the Constitution through a reform in 2001. According to this principle, social and political issues should be addressed at the most immediate or local level that can resolve them effectively. When applied to development co-operation, the principle of subsidiarity implies that regions' international relations should be based on demands arising within their territories and be within the scope of their competences. Legislation adopted within this framework clarifies that regions and other subnational entities can enter into agreements with other countries to promote economic, social and cultural development. However, such agreements must adhere to international standards of social responsibility, environmental protection and human rights in the context of international investments.¹⁶

Territorial partnership is indeed a fundamental component of Italy's international development co-operation system, as outlined in the law. Regional activities within this realm are required to adhere to the principles established by the national legal framework. Specifically, projects with a value exceeding EUR 2 million must receive approval from the Joint Development Co-operation Committee. This committee serves as a coordinating body that brings together representatives from the Italian Ministry of Foreign Affairs and International Co-operation, the Italian Agency for Development Co-operation, and, when relevant, the respective regions involved in the project. The committee's role is to ensure effective coordination and oversight of development cooperation efforts.

¹⁵ For the full text of the law in English, visit:

https://www.aics.gov.it/wp-content/uploads/2018/04/LEGGE_11_agosto_2014_n_125_ENGLISH.pdf

¹⁶ For more information, visit: <https://www.normattiva.it/uri-res/N2Ls?urn:nir:stato:legge:2003-06-05;131!vig=>

Italian regions have the authority to enact their own legislation to guide and regulate international development co-operation initiatives, while adhering to the principles established at the national level. With the exception of Sicily,¹⁷ all Italian regions and autonomous provinces have implemented their own laws on DDC. While a large part of these laws (nine out of 20) were passed in the 1990s, six were adopted in the 2000s, three in the 1980s and two in the 2010s.¹⁸ This distribution indicates a potential need for widespread updates to align with current trends.

Regions are invited to participate in the deliberations of two committees that oversee international development co-operation within the Italian institutional system. While they do not possess voting rights, their presence is sought when the topics being discussed pertain to their projects falling under their territorial jurisdiction. This system follows a three-year programming cycle that corresponds to a policy orientation plan put forth by the Ministry of Foreign Affairs and International Co-operation and approved by the Council of Ministers. The coordination of this plan is entrusted to the Inter-ministerial Development Co-operation Committee, and it materialises through country-specific annual plans that receive approval from the Joint Development Co-operation Committee.

Italy's governance system of international co-operation also includes an advisory and advocacy body called the National Development Co-operation Council, in which the regions are represented. The Council convenes once a year to provide its opinions on development co-operation matters, such as the effectiveness of adopted policies and their alignment with broader strategic directions. The Ministry of Foreign Affairs and International Co-operation co-ordinates the Council, which comprises stakeholders recognised by law as key participants in the system, including the regions.¹⁹

Hence, a two-way relationship exists between the state and the regions in shaping policies on international development co-operation. On one hand, the strategic priorities defined in national planning provide a reference framework for regional policies (downward relationship). On the other hand, the regions can influence national strategies by participating in multi-stakeholder bodies such as the National Development Co-operation Council and, in specific matters, the Joint Development Co-operation Committee (upward relationship).

The annual budget law outlines Italy's contribution to ODA, which includes the contributions from regions, autonomous provinces and local entities. Despite previous contributions of EUR 22.8 million in 2015, Italian decentralised co-operation decreased to EUR 8 million in 2021, as indicated in (OECD, 2023, p. 20^[7]). As mentioned earlier in this chapter, this figure falls significantly behind other countries where DDC constitutes a substantial proportion of national ODA, such as Spain, Belgium and Germany (Table 1.1).

¹⁷ Conversations with regional officials confirm that, despite significant dynamism from civil society and sporadic activities supported by the administration over time, there is a lack of a recognised and unified institutional strategy.

¹⁸ For more information, visit: <http://www.oics.it/index.php/it/spazio-italia/legislazione-italia/leggi-regionali> (note that the source does not include Campania's recent regional law).

¹⁹ Once every three years, the Minister of Foreign Affairs and International Co-operation convenes a National Conference to promote the participation of citizens in defining development co-operation policies. In its last edition held in June 2022, regions played a marginal role, with only two representatives among the speakers.

2 A comprehensive assessment of FVG's strategy on DDC

Friuli Venezia Giulia's law on international partnership and co-operation

Box 2.1. Friuli Venezia Giulia at a glance

Located in the far north-eastern part of Italy, bordering Austria and the Balkan Peninsula, Friuli Venezia Giulia (FVG) is a small region with strong devolved legislative and fiscal powers. It encompasses a population of 1.19 million spread across 7 900 square kilometres. Historically, the region is divided into two areas: Friuli, situated in the western part with major towns Udine and Pordenone, consisting of an Alpine area and a southern plain, and Venezia Giulia, denoting the Italian-speaking areas in the former Austro-Hungarian Empire. After the Second World War, the boundaries of FVG expanded to include the city of Trieste (approximately 200 000 residents), the regional capital, along with its immediate surroundings on the Adriatic Sea and the Karst plateau.

FVG is a relatively affluent region, ranking fourth among Italian regions in terms of disposable income per capita. Regarding regional well-being indicators, FVG takes the first place among Italian regions in housing, second in terms of perceived social support network, third in education, and fourth in jobs and safety. The region demonstrates high income equality and relatively strong employment rates across all demographic groups. A substantial proportion of its working population holds university degrees, and the region displays noteworthy R&D expenditures as a share of GDP within the Italian context. The public sector plays a significant role in supporting research and innovation through direct investments and collaboration with higher education institutions.

FVG faces demographic shifts, with an ageing population and low birth rates. As a result of a shrinking workforce, there are labour shortages in industries such as health and social care, construction and crafts. Moreover, its strategic location as a gateway to Europe makes it susceptible to the pressures of immigration, requiring robust measures to foster the integration of migrants. Finally, the region must navigate complex international dynamics, given its role as an interface between Eastern and Western Europe. Its proximity to the Western Balkans adds to the challenge, as instability in the region can have spill-over effects on FVG's geopolitical situation.

Source: (OECD, 2020^[15]); <https://www.oecdregionalwellbeing.org/ITH4.html>

General framework

Friuli Venezia Giulia, an autonomous region in north-eastern Italy, enacted a law in 2000 to regulate its involvement in international partnerships and co-operation, which closely aligns with the notion of DDC described in the previous section.²⁰ The law aims to contribute to equitable and sustainable development, poverty reduction, solidarity and the democratisation of international relations. It outlines twelve target areas for regional DDC, including:

1. Protection of human life;
2. Fulfilment of basic needs;
3. Food self-sufficiency;
4. Promotion of democracy and civil, political and workers' rights;
5. Enhancement of human capital;
6. Cultural identity;
7. Protection of environmental heritage;
8. Economic, social and cultural growth;
9. Gender equality and the improvement of children's conditions;
10. Reconstruction and rehabilitation after natural disasters or conflicts;
11. Right to stay in one's country with an adequate quality of life and the freedom not to migrate;
12. Right to assisted voluntary return and reintegration in one's homeland.

As the regional law was enacted over 20 years ago, it does not fully address some of the challenges facing the world today, such as climate change and digitalisation. Nevertheless, these themes have been included in the regional implementation programmes since 2010, which serve as regulatory sources subordinate to the law and establish updated targets for DDC during the five-year regional government mandate.

The regional law establishes two means of intervention:

- **Strategic projects:** these projects are initiated and led by the regional administration based on strategic priorities outlined in five-year programmes. However, their implementation involves close partnerships with third parties, typically public entities, such as universities, research bodies and international organisations. The region maintains overall supervision ("*progetti a regia*" in Italian). These projects tend to have larger scales than most projects assigned through public calls for proposals.²¹ Geographically, their scope may extend beyond developing countries.
- **Projects selected through annual public calls:** public and not-for-profit organisations operating in the region can participate, while for-profit organisations, such as most enterprises, are excluded. The selected DDC projects receive co-funding from the region. Importantly, while strategic projects are not limited by geographic boundaries, the current regional programme specifies that projects selected through public calls can only target low- and middle-income countries listed as recipients of ODA according to the DAC List of ODA Recipients.²²

²⁰ Regional law 19/2000, retrieved from:

<https://lexview-int.regione.fvg.it/fontinormative/xml/xmllex.aspx?anno=2000&legge=19>

²¹ As shown in Table 2.1, regional co-financing, which serves as a proxy for project size, is approximately EUR 100 000 for strategic projects, compared to EUR 83 000 for framework projects and EUR 29 000 for micro projects.

²² For more information, visit: <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/daclist.htm>

Projects selected through public calls are further categorised into two types:

- **Micro projects:** these projects are carried out by at least one local DDC actor in partnership with at least one foreign partner. They should not exceed a total budget value of EUR 50 000, and regional co-financing can cover up to 60% of this amount. The duration of these projects should not exceed 12 months.
- **Framework projects:** these projects involve at least two FVG-based actors, which may typically include NGOs, municipalities and research institutions (hereinafter referred to as "DDC actors" or "local actors"), and at least two foreign partners. Their total budget value must be higher than EUR 100 000 and lower than EUR 150 000. The regional contribution can cover up to 60% of the total project amount. The duration of these projects should be between one and three years.

Indirect co-operation is the prevailing modality of DDC in FVG, as indicated in Table 1.2. The provision of institutional support to locally generated projects selected through calls for proposals (which represent the great majority of DDC projects promoted by the region, as shown in Section 2) is an indirect form of co-operation. Although strategic projects are initiated by the region and offer opportunities to establish direct partnerships with subnational entities in third countries, their implementation is carried out in close co-operation with third parties, typically knowledge-based organisations such as universities and research centres, as well as multilateral initiatives and organisations.

The regional law foresees clear parameters regarding the types of activities included in DDC. Local actors are authorised to carry out development projects, education and training initiatives, humanitarian aid efforts, conflict prevention, peacebuilding activities and support for infrastructure development, among others. The law emphasises the importance of aligning DDC activities with the frameworks established by the Italian system, as well as those defined by the EU and international organisations in which Italy participates. All activities should aim to promote self-development among the local population, leveraging citizen participation, local professionals, knowledge and technologies. Conversely, the law explicitly excludes funding for projects that promote international trade and investments, as well as defence and military activities. It also excludes public and private organisations that do not respect human rights, democracy and international laws related to decent work, the environment, and health.

A regional DDC programme is approved at the start of each five-year political term and is updated annually based on budget availability.²³ The programme implements key aspects of the regional strategy on DDC, including:

- Objectives, budget, thematic and geographic priorities;
- Criteria for engaging public and private partners;
- Procedures for public calls for applications;
- Criteria for selecting proposals eligible for co-funding.

To ensure transparency and accountability, the law requires the regional government to report on the outcomes of the previous year's regional DDC projects. It also states that initiatives undertaken or funded by the region must consider their impact on the climate; however, no specific requirements or criteria are specified in this regard. Additionally, the law stipulates that regional programming should be guided by an information system that provides evidence on the DDC activities carried out by the region, enabling informed decision-making.

The Regional Committee for Development Co-operation and International Partnership serves as an advisory body to assist the regional administration in programming and reporting. However, its role has been reduced since 2019, and it now provides only advisory opinions on projects selected through calls for proposals. This multi-stakeholder committee comprises high-ranking regional administrators, an

²³ Regional DDC programmes had a duration of four years until 2019, as reflected in following analysis.

appointed DDC expert from the regional assembly, representatives from FVG's universities, municipalities and the third sector (since 2019), but does not include representatives from the business sector. Moreover, the committee has the authority to convene "focus groups" to coordinate the activities of local DDC actors in specific thematic or geographic areas.

Public selection of DDC projects

DDC project proposals submitted through public calls undergo a three-step evaluation and ranking procedure. An evaluation commission, appointed by the regional Director of International Relations and composed of regional administration staff, manages this procedure, which aligns with the annual cycles of the public calls. The initial assessment step focuses on determining the formal eligibility for regional co-financing. Proponents must fulfil certain requirements, such as being a public or not-for-profit organisation headquartered in FVG. Additionally, criteria such as project duration, total value, requested contribution, the number of local partners and the completeness of provided data are considered. The second step aims to evaluate project efficiency. The evaluation commission verifies if the project proposal includes measurable indicators for monitoring and evaluation, as well as the alignment between expected costs and outcomes. Projects that allocate staff costs in the partner country exceeding 40% of the total staff costs and where at least 70% of all expenses occur in the partner country receive higher scores. The third step involves a qualitative assessment based on a scoring system that utilises five criteria. Each criterion carries a different weight, and project proposals can receive a maximum of 100 points. Additionally, proposals failing to reach a threshold of 50 points are directly excluded from the final ranking. The evaluation criteria consist of the following:

1. **Thematic area (up to 30 points):** the relevance of the project to the priorities outlined by the law and defined in the three-year DDC action plans. This category also includes an assessment of needs and feasibility.
1. **Partnership with other entities (up to 15 points):** collaboration with relevant public and private entities located in FVG or the target countries, as the presence of an organised network increases the project's likelihood of success.
2. **Financial sustainability (up to 20 points):** the project's ability to achieve long-term viability and financial stability.
3. **Complementarity (up to 20 points):** alignment with other regional projects and goals, as well as broader strategies at the supra-national and national levels, to ensure consistency and coherence across policy efforts.
4. **Communication (up to 15 points):** the project's capacity to effectively communicate and inspire positive societal change.

As previously mentioned, the Regional Committee for Development Co-operation provides advisory opinions on the ranking resulting from the evaluation carried out by the administration. Regional funds are allocated to DDC proponents based on the final ranking, starting from the top-ranked projects. This allocation process continues until the available funds are exhausted. Therefore, the number of projects receiving co-financing is not predetermined but varies each year depending on the projects that achieve the highest scores.

Assessment of DDC in FVG: sources and findings in focus

The following sections provide a comprehensive assessment FVG's strategy on DDC, examining the projects carried out from 2010 to 2021. The main factors guiding the analysis include geographic and thematic areas targeted by projects, financial aspects, stakeholder involvement, and the management

and assessment methods used by DDC actors in FVG. Box 2.2 presents a selection of stylised facts on DDC in FVG during the observed period.²⁴

Box 2.2. A selection of stylised facts on DDC in FVG, 2010-2021

The key figures of DDC in FVG over the last decade can be summarised as follows:

- FVG co-financed 341 DDC projects, spanning across 63 countries on four continents.
- Three out of every four projects aimed at gender equality, food security, or local development.
- The total regional investment amounts to EUR 18.8 million.
- Such investment mobilised additional public and private financing of EUR 9.9 million.
- Non-profits received 80% of regional co-financing allocated through public calls for proposals.
- Co-financing supported 111 FVG-based entities in managing publicly selected DDC projects.
- Nearly half of the projects were managed by a DDC entity located in the province of Udine.
- The municipality of Monfalcone was the most active DDC actor, with nine projects managed.

The following figures provide insights into key policy issues that impact DDC in FVG, including:

- **Fragmentation:** on average annually, FVG co-financed 30 DDC projects, out of which 20 were valued at EUR 50 000 or less. Half of the entities receiving public financing led only one project over the years, indicating a limited number of entities re-applying and being selected through public calls.
- **Bias in project size from regional co-financing rules:** the region covered 59.5% of the value of projects selected through annual calls, approaching the regional law's 60% ceiling. Staff size in DDC entities shows no correlation with the size of managed projects, raising questions about the need for the distinction between micro and framework projects.
- **Limited funding alternatives:** self-funding is the primary source for supplementing regional resources, used by 45 out of the 59 surveyed DDC entities, while other channels, including EU funding, are largely unexplored.
- **Lack of spatial concentration:** Sub-Saharan Africa and South America account for two-thirds of all publicly selected projects, but no specific region or group of countries stands out as playing a prominent role. Research and local entities' projects demonstrate greater spatial and thematic diversity compared to non-profits'. Among the surveyed entities, 29 believe the region should establish spatial priorities, while 18 do not.

Source: Authors' elaborations based on FVG data.

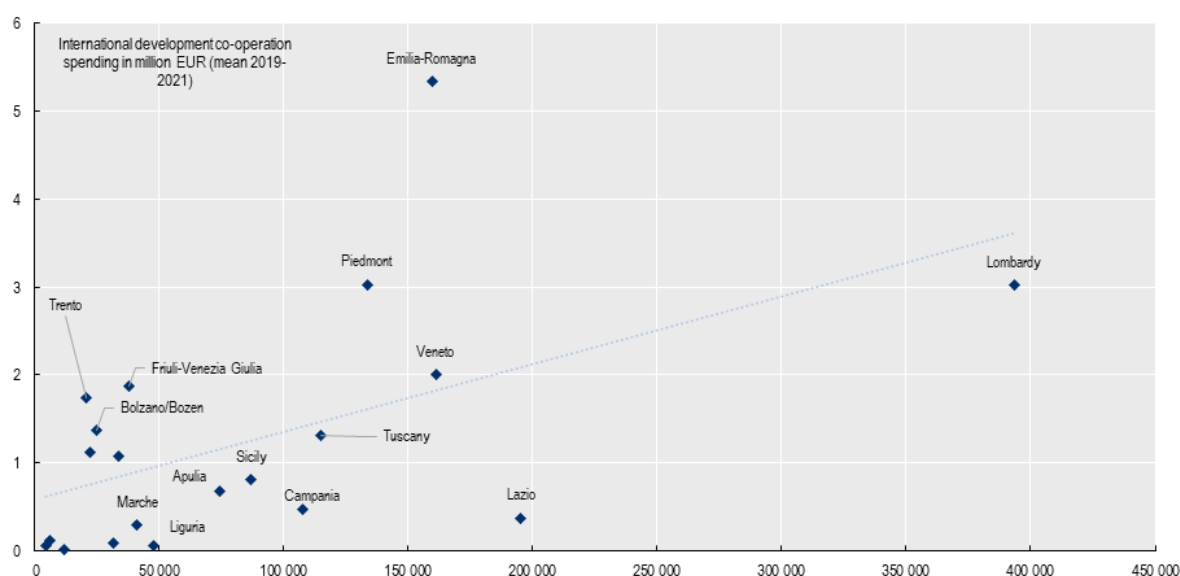
²⁴ The analysis draws upon various sources of information. Firstly, data from administrative files related to the projects, including funding applications and progress reports, were compiled into a single dataset to gather key statistics for this section. Secondly, the OECD conducted a survey to gather perspectives from local DC stakeholders regarding the regional strategy and their own strengths and weaknesses. Thirdly, a series of focus group discussions and individual interviews (see Annexe A) were conducted throughout the project to gather first-hand opinions on the challenges faced by DDC in FVG and explore solutions.

How big is DDC in FVG, and how is it financed?

FVG demonstrates a relatively high level of expenditure in DDC compared to Italian standards, both in absolute terms (ranking fifth among the 21 regions and autonomous provinces during the 2019-2021 period) and in proportion to its Gross Regional Product (ranking fourth in this case). Figure 2.1 illustrates that FVG commits approximately EUR 2 million per year, surpassing many wealthier and more populous regions in Italy. However, FVG falls significantly behind Italy's leading region, Emilia-Romagna (EUR 6 million), as well as prominent EU regions mentioned earlier, such as the Basque Country (EUR 51 million), which has a comparable level of income (EUR 27 700 per capita against EUR 26 900 per capita in FVG in 2020).²⁵

Figure 2.1. Friuli Venezia Giulia is a high spender in DDC by Italian regional standards

Scatterplot correlating the 2019-2021 mean in international development co-operation spending in million EUR (y-axis) and the 2019-2021 mean of Gross Regional Product in million EUR (x-axis)



Note: Most of the data reported in the x-axis draw from consolidated regional budgets. The expenditure item to which the data refer is the "International Relations and Development Co-operation" Programme within Mission 19 "International Relations", based on the national standard for regional financial statements (retrieve it from [here](#)). Budget estimates were used only in a few cases where consolidated regional budgets were impossible to retrieve. Publicly available budgets for Calabria do not allow for a view of expenditure by macro-aggregates (Missions and Programmes), therefore this region is not included in the analysis.

Source: I.Stat (x-axis) and regional financial statements and annual budget estimates (y-axis)

FVG co-financed 341 DDC projects between 2010 and 2021, with 278 projects selected through public calls for proposals and 63 projects directly assigned by the region. Table 2.1 provides an overview of the project types co-financed by the region in each year during the observed period. Excluding 2019,²⁶ FVG has co-financed an average of 30 DDC projects per year, of which 25 were selected through

²⁵ For more information, visit: <https://www.oecd.org/regional/regional-statistics/>

²⁶ A change of regional government in 2018 led to a postponement of the approval of the multiannual programme on DDC for the current period. As a result, calls for proposals were not issued in 2019. The absence of a call for proposals in 2019 led to an increase in applications submitted in 2020. The COVID-19 pandemic outbreak did not substantially

public calls and five were not. This consistent ratio of five-to-one suggests the regional administration's preference for indirect co-operation. Additionally, micro projects have been 2.3 times more frequent than framework projects among the projects selected through public calls, and this distribution has remained relatively stable over time. Hence, it can be inferred that the regional strategy primarily focuses on ensuring continuous funding for a significant number of projects, albeit with relatively small financial values. Strategic projects, on the other hand, appear to have a secondary role and are activated by the region to address specific DDC-related needs as they arise.

While micro projects are more numerous, framework and strategic projects receive higher regional co-financing in terms of aggregate financial value. During the observed period, framework projects received a total of EUR 6.9 million in regional co-financing, while strategic projects received EUR 6.3 million and micro projects received EUR 5.5 million. The larger financial value of framework projects is intentional, but for strategic projects, the difference in size can be attributed to the possibility of matching regional funding with EU and national sources. This flexibility allows the region to design larger projects, as there are no size restrictions for strategic projects. Although the average value of strategic projects (EUR 121 000) is lower than that of framework projects (EUR 139 000), it is noteworthy that there are eight strategic projects valued at over EUR 200 000, including one project worth approximately EUR 485 000 (Central European Initiative).

Table 2.1. Micro projects are by far the most numerous, but total regional co-financing is evenly distributed across micro, framework and strategic projects

Number of DDC projects and value of related regional co-funding by type of project in 2010-2021

	Micro projects		Framework projects		Strategic projects		All projects	
	No.	Financing (EUR)	No.	Financing (EUR)	No.	Financing (EUR)	No.	Financing (EUR)
2010	12	339 216	5	317 785	13	1 568 750	30	2 225 751
2011	21	611 828	11	903 171	8	650 000	40	2 164 999
2012	21	554 729	9	725 270	6	601 404	36	1 881 403
2013	6	164 776	3	240 000	5	220 000	14	624 776
2014	10	296 905	4	313 895	5	220 000	19	830 800
2015	15	413 827	6	528 320	5	320 000	26	1 262 147
2016	26	754 790	9	764 900	6	578 500	41	2 098 190
2017	27	786 375	9	777 857	6	925 546	42	2 489 778
2018	24	692 010	10	837 125	5	688 020	39	2 217 155
2019	0	-	0	-	1	150 000	1	150 000
2020	20	576 956	9	771 411	2	249 033	31	1 597 400
2021	12	358 384	9	800 560	1	130 000	22	1 288 944
Grand Total	194	5 549 796	84	6 980 294	63	6 301 253	341	18 831 343

Note: Strategic projects, led by the regional administration based on strategic priorities, often encompass larger scales than publicly proposed projects, and their reach can extend beyond developing countries. Micro projects, undertaken by a single local DDC actor in collaboration with at least one foreign partner, have a budget cap of EUR 50 000 and a 12-month duration, with regional co-financing up to 60%. Framework projects involve a minimum of two FVG-based actors and two foreign partners, requiring budgets above EUR 100 000 and below EUR 150 000, with regional funding covering up to 60%, and a project duration ranging from one to three years.

Source: Authors' elaborations based on FVG data.

affect FVG's DDC turnover, because of two measures introduced by the Region: on the one hand, the call was managed entirely online, excluding the paper-based mode of application; on the other hand, the administration allowed project implementers to suspend activities for up to six months, which allowed many entities to conclude projects as soon as the health situation improved.

On average, FVG funded approximately 59.5% of the total value of projects selected through public calls for proposals from 2010 to 2021, nearing the maximum funding threshold set by regional law (60%). Only a small number of projects (13 out of 278) received support below 55% of their costs, and just five micro and framework projects received co-financing below 50% of their total value. It is important to note that the regional law allows for co-financing of up to 60% of the total project value for projects selected through public calls. This suggests that the regional administration rarely exercises its discretion to provide a lower share of project costs, instead opting to cover the maximum allowable share. Additionally, project proponents appear to design their proposals in a way that maximises potential financial support from the region. This implies that regional co-financing rules may influence the size and scope of projects proposed.

The strong influence of regional co-financing rules on determining project size applies to both micro and, to a slightly lesser extent, macro projects. Out of 194 micro projects co-financed by the Region, 168 (87%) have a value ranging between EUR 48 000 and EUR 50 000, which is the legal ceiling for this project type. Only 27 have a value lower than EUR 40 000. Similarly, 64 (76%) out of 84 framework projects have a value between EUR 140 000 and EUR 150 000, which is the ceiling established by law for this project type.

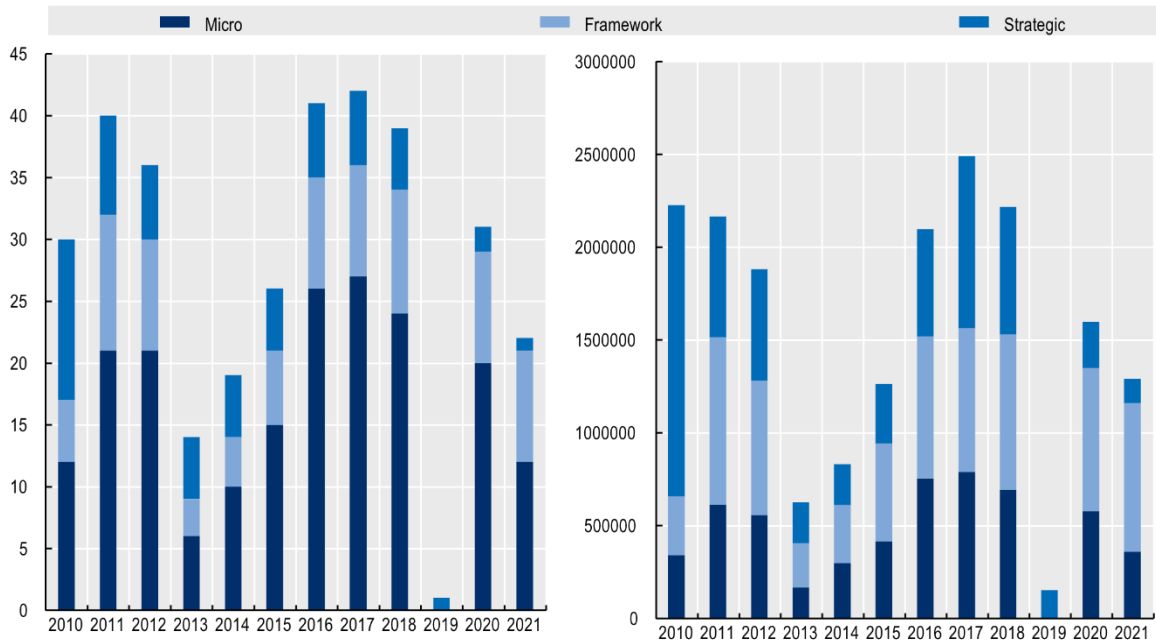
At present, no clear trends can be observed regarding the progression of proponents from micro to framework projects over time, indicating that smaller projects do not consistently pave the way for larger projects. While this pattern is occasionally observed, the opposite is also occasionally seen in historical series derived from administrative files, with proponents transitioning from framework to micro projects. Therefore, it can be argued that there is no inherent distinction between proponents of micro and framework projects, as the characteristics and motivations of entities involved in these endeavours may not fundamentally differ despite the varying scales of their projects. The choice between these modalities and the respective project size likely depends on contingent circumstances, such as project objectives and the availability of own resources to match regional co-financing at the time of application.

In strategic projects, regional co-financing accounts for an average of 92% of the total project value, as the ceilings on the allowable share of regional investment were removed starting from 2014. Since 2018, the region has fully financed this type of projects, resulting in a decrease in their number. This shift reflects the administration's stated goal to concentrate resources in order to improve efficiency.

The total regional investment between 2010 and 2021 amounts to EUR 18.8 million. However, this investment is not evenly distributed across the years observed. Figure 2.2 provides an illustration of the financial flows for different project types throughout the observation period. In total, funding exceeded EUR 1.5 million in seven out of the 11 observed years (and surpassed EUR 2 million in five years), while it remained below EUR 1 million in three out of the remaining five years. Variations in the financial amounts mobilised for DDC do not follow a cyclical pattern across the observed period. During the 2010-2013 cycle, larger resources were initially allocated, gradually decreasing each year, and reaching a record-low value in 2013. The significant drop in available funds in 2013 could be attributed to the recession that affected Italy during that period. In contrast, the trend in the 2014-2017 period was the opposite, with investment starting from very low sums and progressively reaching record-high amounts. As for the ongoing 2019-2023 cycle, clear patterns cannot be established yet due to the availability of data only until 2021 and the disruption caused by COVID-19. The strict lockdown measures during the pandemic hindered project implementation, further impacting financial planning.

Figure 2.2. Regional co-financing and, albeit to a lesser extent, the number of projects co-financed shows meaningful variation across the years

Number of DDC projects (left panel) and value in EUR of related regional co-funding (right panel) by type of project in 2010-2021



Note: Strategic projects, led by the regional administration based on strategic priorities, often encompass larger scales than publicly proposed projects, and their reach can extend beyond developing countries. Micro projects, undertaken by a single local DDC actor in collaboration with at least one foreign partner, have a budget cap of EUR 50 000 and a 12-month duration, with regional co-financing up to 60%. Framework projects involve a minimum of two FVG-based actors and two foreign partners, requiring budgets above EUR 100 000 and below EUR 150 000, with regional funding covering up to 60%, and a project duration ranging from one to three years.

Source: Authors' elaboration based on FVG data.

The financial amounts allocated by annual law varied over time, likely due to the interplay of three factors, including:

1. **Budget availability** and constraints, combined with the level of political commitment underpinning DDC, as the financial resources to be allocated through public calls for proposals are earmarked by the FVG's annual budget law;
2. The different combinations of **types of projects** co-financed by the region through public calls in different years, also in light of the budget available, as a larger share of more expensive framework projects automatically translates into fewer resources for micro projects;
3. The **political needs** that may arise in given circumstances, to be addressed through dedicated, often large-scale, strategic projects.²⁷

²⁷ For example, several strategic projects with a focus on China were launched as of 2016 in the framework of the broader Italian involvement into the Belt and Road Initiative.

Regarding the third issue highlighted, it should be noted that all types of projects received similar support until 2018. Since 2020, the funding for micro and framework projects has remained fairly consistent with past trends, whereas the number of strategic projects experienced a significant decrease due to their reduced financial contribution.

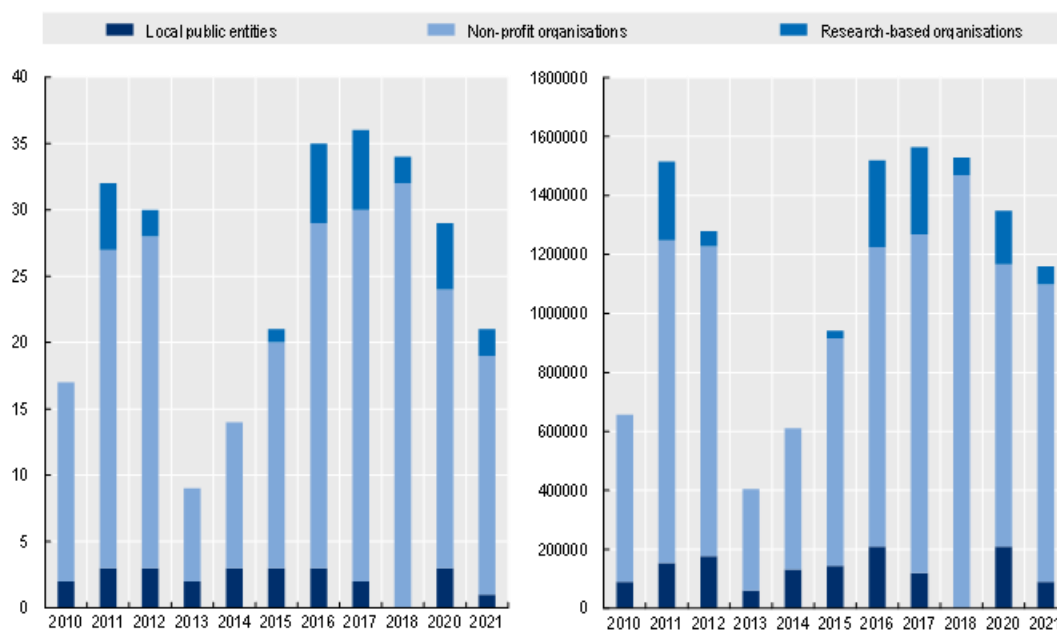
Who are FVG's DDC actors?

Distribution by type of DDC actor

Non-profits, mainly consisting of NGOs, account for eight out of every ten projects co-financed by the region (224 out of 278) through public calls, while the remaining projects are evenly distributed among knowledge-based (29) and local public entities (25). Similarly, non-profits constitute the majority of actors that received regional co-financing (88 out of 111), followed by knowledge-based (12, including 10 research institutions and two universities) and local public entities (11, including nine municipalities, a port authority and a provincial government). These ratios remain consistent throughout the entire analysed period, including when considering the amounts received by each type of actor, as shown in Figure 2.3. In aggregate, non-profits managed 80% of all projects co-financed by the region and received a similar share (79%) of the total regional co-financing during the observed period. In terms of co-financing share, the lowest and highest peaks were 66% in 2016 and 96% in 2018, respectively. Despite the non-profit sector being the most dynamic, the municipality of Monfalcone was the single entity to report the highest number (nine) of projects co-financed by the region, worth a total of around EUR 0.6 million in co-financing over the period.

Figure 2.3. Non-profit organisations manage by far the largest share of projects compared to other types of DDC actors

Number of projects (left panel) and value in EUR of related regional co-financing (right panel) by type of actor (2010-2021)



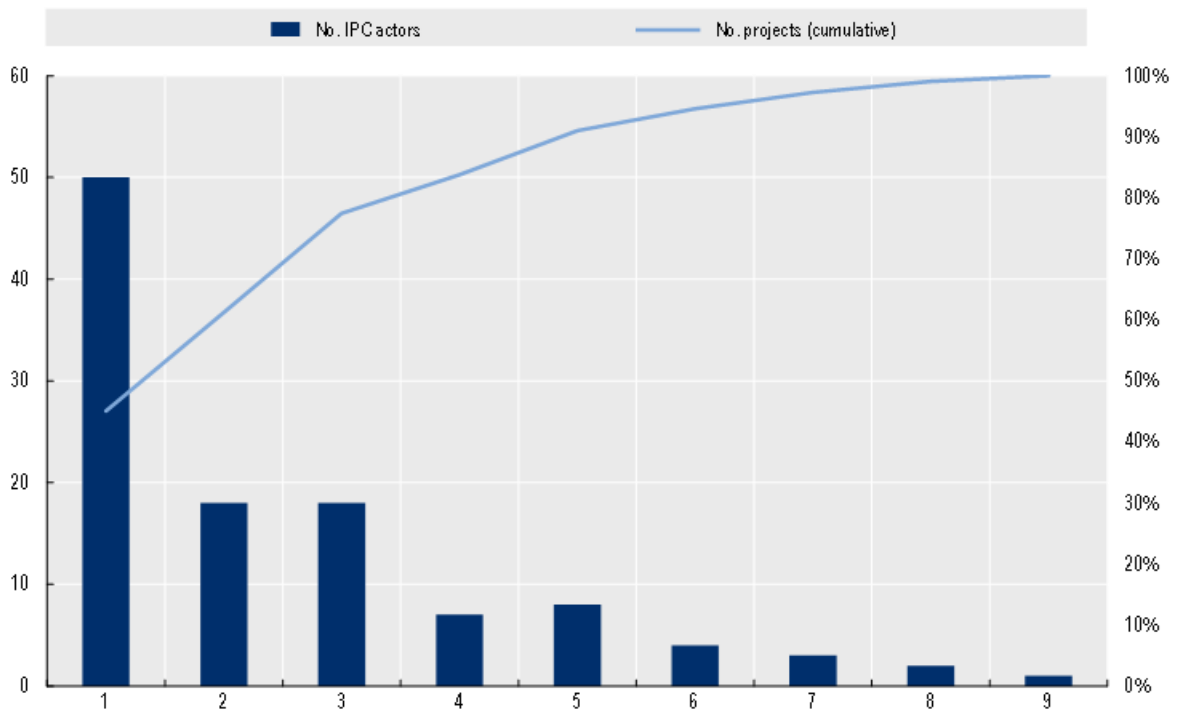
Note: Only projects selected by public call are included.

Source: Authors' elaboration based on FVG data.

About three out of four DDC actors (86 out of 111 or 77.4%) carried out three or fewer projects co-financed by the region after a public call, and nearly half ran only one project (i.e. 50 actors or 45%), pointing to a high turnover in public calls for proposals. Conversely, 9% of all DDC actors (ten out of 111) carried out between six and nine projects during 2010-2021. These findings do not change when considering local public entities, knowledge-based and non-profit-organisations separately. Overall, the most active DDC actor is the municipality of Monfalcone, with seven framework and two micro projects managed. Aviano also stands out among local public entities with four projects managed, while six further municipalities, all very small sized, managed two (one occurrence) or one (five occurrences) project each. It is relevant to note that FVG's main cities (Trieste, Udine, Pordenone and Gorizia) never participated in a project co-financed by the Region.²⁸

Figure 2.4. DDC actors led only one project between 2010 and 2021

Distribution of DDC actors by number of projects implemented and related cumulative number of projects



Note: Only projects selected by public call are included.

Source: Authors' elaborations based on FVG data.

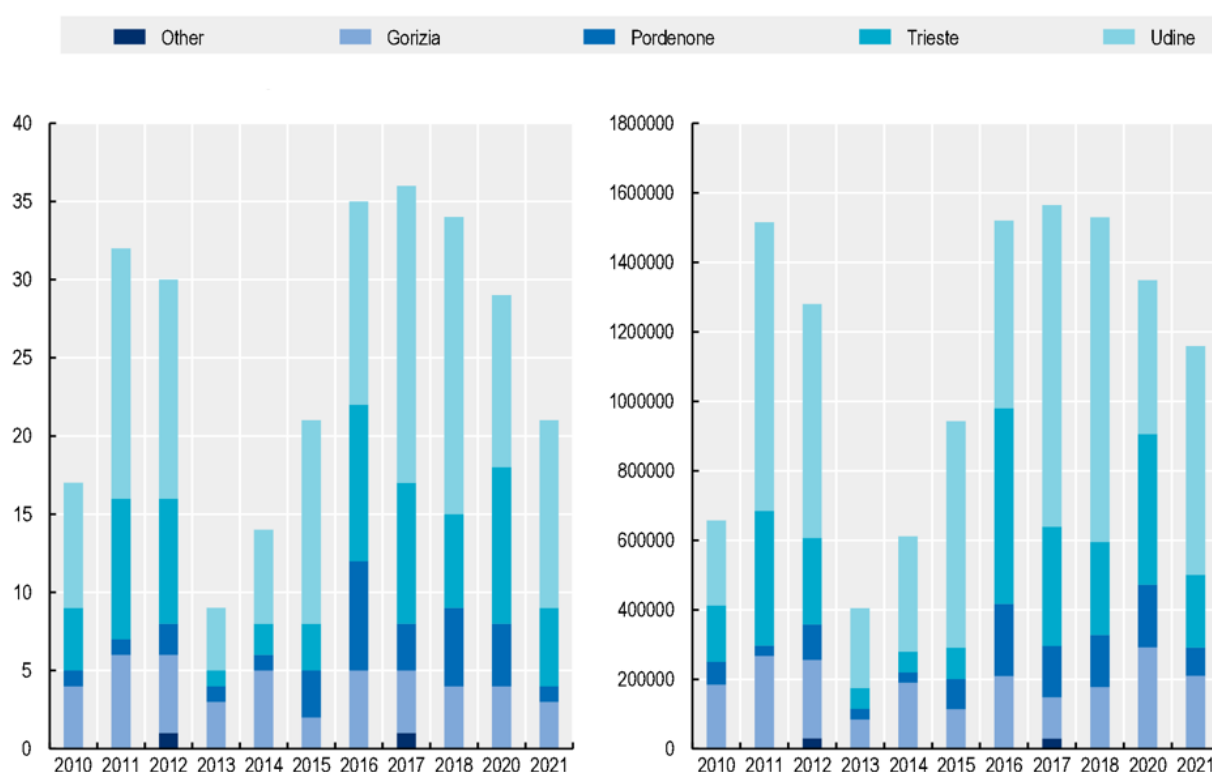
²⁸ Informal interviews with civil servants from the administrations of Gorizia, Pordenone, Trieste and Udine highlighted a decline in political support for DDC as a major reason behind the lack of participation of these municipalities in regional calls for proposals. Some of these municipalities were involved in DDC in the early 2000s, but political support has waned over time. This trend can be attributed to a context where local needs are prioritised over international goals due to recent economic crises. None of these municipalities have their own strategy, law, or dedicated budget for DDC. National or supranational funding sources for DDC are rarely utilised, if at all, by any of these municipalities. Trieste, which is the regional capital and by far the largest municipality in FVG (with a population of 200 000, including over 7 300 nationals from Western Balkan countries), does not deviate from this pattern.

Distribution by DDC actors' province of origin

Udine, one of the four constituent provinces of FVG,²⁹ accounts for half of the DDC projects co-financed by the region through public calls (49%), followed by Trieste, which represents half of the remainder (24%). These shares are higher than the respective shares of the regional population, at 43.34% and 19.13%, respectively.³⁰ The prominence of these two provinces has remained constant over time, with Udine leading and Trieste following at a distance. Pordenone and Gorizia lag far behind in terms of the number of projects and related co-financing (Figure 2.5). On average, DDC actors from Udine and Trieste coordinate 12.2 and six projects per year, respectively, while Gorizia and Pordenone manage only four and 2.6 projects, respectively. A similar pattern can be observed in terms of regional co-financing. On average, Udine and Trieste receive financial contributions of EUR 580 000 and EUR 250 000 per year, respectively, compared to EUR 188 000 in Gorizia and EUR 100 000 in Pordenone. The region has not implemented any measures to influence the spatial allocation of co-financed projects, thus the current distribution may reflect the actual number of active DDC actors in each province, or at least the number of actors whose capacities align with the size of the projects co-financed by the region.

Figure 2.5. DDC actors from Udine account by far for the largest share of projects and related funding, followed by Trieste

Number of (left panel) and value in EUR of regional co-financing (right panel) for DDC projects by FVG province between 2010 and 2021



Note: Only projects selected by public call are included.

Source: Authors' elaborations based on FVG data.

²⁹ Although the provinces were formally abolished by a 2016 regional law, which transferred their competences to the region and the municipalities, they continue to be a useful tool for descriptive purposes.

³⁰ For more information, visit: [ISTAT, 2023](#).

Strategic projects show a more balanced spatial distribution across actor types and provinces compared to micro and framework projects. International organisations, which play a marginal role in other project types, oversee 14% of all projects. Non-profits play a less significant role (24%) compared to projects selected through calls, while local public and knowledge-based entities play a more substantial role, managing 33% and 29% of all strategic projects, respectively. The provinces contributing the highest number of strategic projects are Trieste (36%) and Gorizia (27%). Trieste's contribution is due to the presence of various international and regional organisations, such as the Central European Initiative and SISSA (International School for Advanced Studies). In the case of Gorizia, the city of Monfalcone plays a significant role, followed by Informest (an agency for regional development and international economic co-operation). Udine closely follows Gorizia, accounting for 22% of all strategic projects, while Pordenone lags far behind with only 5% contribution.

What are the thematic and geographic areas targeted by FVG's DDC?

DDC projects co-financed by FVG demonstrate a significant degree of dispersion, both in terms of thematic coverage and geographic reach (56 countries). As mentioned earlier in this section, regional strategic programmes define the priorities of DDC in FVG; however, project proponents are not bound to limit their scope to these areas. This, along with a high level of flexibility in project selection and the absence of a scoring system that assigns greater value to projects aligned with regional priorities, results in no specific themes or countries clearly dominating FVG's DDC projects. Over the decade studied, projects were conducted in all areas identified by strategic programmes.

Barriers to assessing the thematic priorities of projects

The thematic priorities outlined in the multiannual strategic programmes align with the most urgent challenges for sustainable development, as framed in international conventions and development agendas. While they generally align with the priorities identified in regional law 19/2000, their nature of a periodic programming instrument to be updated in correspondence with a new political cycle also provides flexibility to address emerging trends or place greater emphasis on existing trends, such as climate change, which have gained increased relevance since the enactment of the law. In regional calls for co-financing, project proponents are required to indicate one or more areas to be addressed from those specified in the active multiannual programme.

During the 2010-2013 and 2014-2017 programming periods, FVG set out twelve thematic priorities that generally reflected those featured in the regional law, including:³¹

1. Local economic and social development;
2. Protection and enhancement of natural, environmental, and cultural resources;
3. Education, vocational training, knowledge development and inter-cultural co-operation;
4. Institutional strengthening;
5. Mother and child healthcare;
6. Mental health;
7. Fighting extreme poverty and hunger;
8. Fighting HIV/AIDS, malaria, and other epidemics;
9. Food security and rural development;

³¹ Mental health (no. 6) and fundamental rights (no. 11) were introduced among the thematic priorities only in the 2014-2017 implementation programme.

10. Gender equality and protection of vulnerable groups;
11. Promotion and protection of fundamental rights, with a focus on children and the youth;
12. Democratic participation and dialogue.

The thematic priorities for the (2019-2023) programming period reflect the UN and EU framework for international development co-operation known as People, Planet, Prosperity, Peace and Partnerships or "5Ps".^{32,33} These are areas of critical importance for humanity and the planet, according to the UN 2030 Agenda for Sustainable Development. FVG has adopted the 5Ps as a framework for the 2019-2023 programming period to ensure that regional DDC aligns with international standards. However, there appears to be limited awareness among regional actors regarding the relationship between the 5Ps and the SDGs, a key concept in the UN framework. According to OECD survey results, only half of the respondents believe that the regional administration is utilising the SDGs as a tool to guide DDC in FVG, and the same proportion considers the potential contribution of their projects to the SDGs in the design phase.

Two-thirds of the micro and framework projects co-financed by FVG address multiple themes, which continues under the thematic framework in 2019. It is notable that 55% of the projects assigned through public calls are linked to two or three themes simultaneously, while an additional 10% encompass a range of four to eight priorities. In contrast, only 35% of the projects specifically target a single area of intervention. This leads to a uniform distribution and makes it challenging to identify the priorities pursued. Furthermore, there is no direct link between the categories included in the two classifications of thematic areas used over the years. As a result, conducting a harmonised analysis throughout the entire observation period becomes challenging. Additionally, the current framework appears overly generic. The 5Ps framework, with each encompassing a different set of SDGs,³⁴ may not be fully suitable for providing a detailed descriptive account of projects' goals, which contributes to the difficulties in offering an intuitive description of the goals pursued by DDC projects in recent years. Linking projects to specific SDGs, instead, would provide a clearer illustration of the pursued priorities.

³² The "New European Consensus on Development 'Our world, our dignity, our future'" is the joint statement by the Council of the EU, the European Commission and the European Parliament which set out the shared vision and the action framework for development cooperation at the EU level. The agreement can be retrieved here: https://international-partnerships.ec.europa.eu/policies/european-development-policy/european-consensus-development_en

³³ "People" refers to ending poverty and hunger in all their forms and dimensions, and to ensuring that all human beings can fulfil their potential in dignity and equality and in a healthy environment; "Planet" concerns the protection of the planet from degradation, so that it can support the needs of present and future generations; "Prosperity" aims at ensuring that all human beings can enjoy fulfilling lives and that economic, social and technological progress occurs in harmony with nature; "Peace" relates to actions fostering just and inclusive societies which are free from fear and violence; finally, "Partnership" is a cross-cutting concept referring to all the means required to achieve all SDGs in an integrated manner.

³⁴ Each "P" represents a group of related SDGs that share similar themes and objectives. The mapping of SDGs to each of the 5Ps is as follows: "People": SDG 1: No Poverty; SDG 2: Zero Hunger; SDG 3: Good Health and Well-being; SDG 4: Quality Education; SDG 5: Gender Equality; SDG 6: Clean Water and Sanitation; SDG 8: Decent Work and Economic Growth; SDG 10: Reduced Inequality; SDG 16: Peace, Justice and Strong Institutions. "Planet": SDG 6: Clean Water and Sanitation; SDG 7: Affordable and Clean Energy; SDG 11: Sustainable Cities and Communities; SDG 12: Responsible Consumption and Production; SDG 13: Climate Action; SDG 14: Life Below Water; SDG 15: Life on Land. "Prosperity": SDG 1: No Poverty; SDG 2: Zero Hunger; SDG 8: Decent Work and Economic Growth; SDG 9: Industry, Innovation and Infrastructure; SDG 11: Sustainable Cities and Communities. "Peace": SDG 5: Gender Equality; SDG 16: Peace, Justice and Strong Institutions. "Partnership": SDG 17: Partnerships for the Goals.

Diverse themes addressed by projects

Until 2018, the most frequently targeted themes were **Gender Equality (relevant to 76 FVG's co-financed projects), Food Security (72) and Local Development (52)**. These themes accounted for nearly three-quarters of the projects funded by FVG through public calls. Other thematic areas, such as Fight Poverty (49) and Education and Training (45), followed at a slightly lower frequency. On the other end of the spectrum, Mother and Child Healthcare and Mental Health were addressed by fewer than 30 projects each. Figure 2.6 provides an illustration of the distribution of micro and framework projects across the thematic areas during the 2010-2018 and 2019-2023 periods.

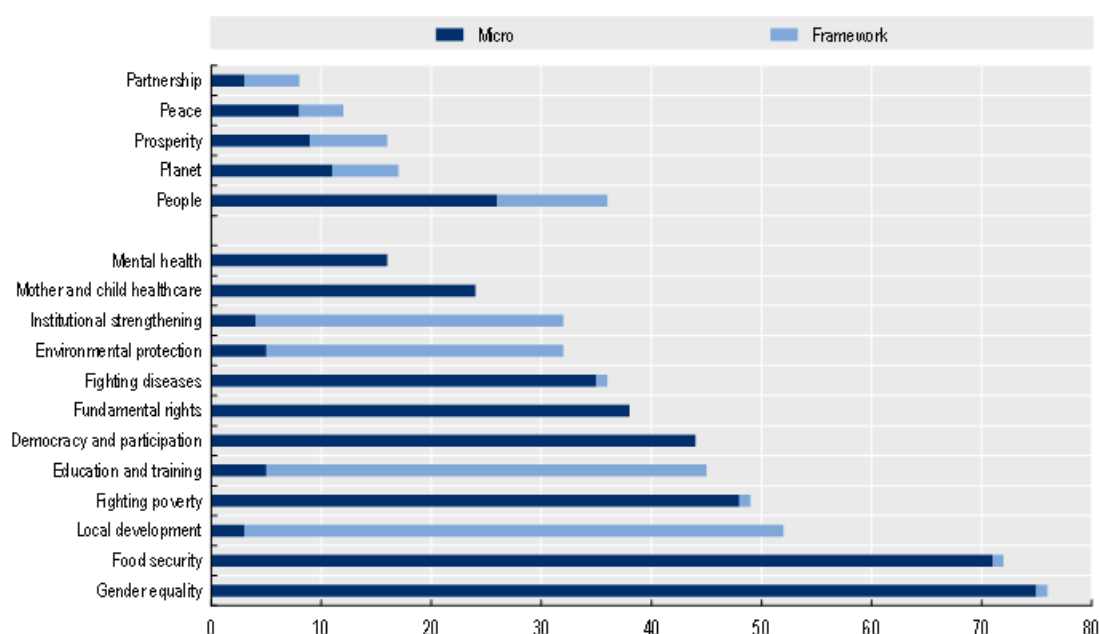
Different project types (micro versus framework) tend to concentrate on distinct sets of areas. Strategic projects primarily focus on Local Development, Education and Training, Safeguard of Resources and Institutional Strengthening, while the remaining eight categories are predominantly addressed by micro projects, with only a few exceptions. This segmentation likely stems from specific indications provided in both the 2010-2013 and the 2014-2017 strategic programmes, where each thematic area was prioritised for either micro or framework projects. The underlying rationale behind this distinction was presumably that certain thematic areas, such as fighting extreme poverty and hunger, require greater resources and longer time frames to achieve successful outcomes, thus favouring framework projects. However, the privileged thematic areas for micro projects pose their own significant challenges, raising questions about the decision to rigidly align a predetermined group of themes with a specific project type.

One implication of this setting is that the distribution of projects is skewed towards the thematic areas favoured for micro projects, which, as discussed earlier, constituted the most prevalent type of project throughout the examined period. This distribution may be partially attributed to the fact that non-profit organisations, which are the most numerous DDC actors in FVG, are less inclined to undertake larger projects due to internal capacity limitations. This capacity constraint will be further discussed later in this section.

Since the adoption of the 5Ps taxonomy, the "People" area has emerged as the most recurrent theme, aligning with the observation that poverty, hunger and gender equality were prominent in the previous period. Furthermore, the previous segmentation between micro and framework projects based on thematic areas has been eliminated. Both project types now encompass all the thematic areas outlined in the regional programming. This shift can be attributed to the comprehensive nature of the thematic areas comprised within the 5Ps framework.

Figure 2.6. Micro and framework projects are highly segmented in terms of the thematic areas addressed, based on the themes used until 2018

Number of projects by type of thematic area of intervention and by type of project in 2010-2018 (12 themes) and in 2019-2021 (5Ps)



Note: The 5 Ps (2019-2023 typology) are presented in the upper part of the figure, while the 12 themes part of the 2010-2013 and 2014-2017 typology are below. Themes are ordered according to their relative frequency. Micro projects, undertaken by a single local DDC actor in collaboration with at least one foreign partner, have a budget cap of EUR 50 000 and a 12-month duration, with regional co-financing up to 60%. Framework projects involve a minimum of two FVG-based actors and two foreign partners, requiring budgets above EUR 100 000 and below EUR 150 000, with regional funding covering up to 60%, and a project duration ranging from one to three years.

Source: Authors' elaborations based on FVG data.

Evidence of geographic dispersion

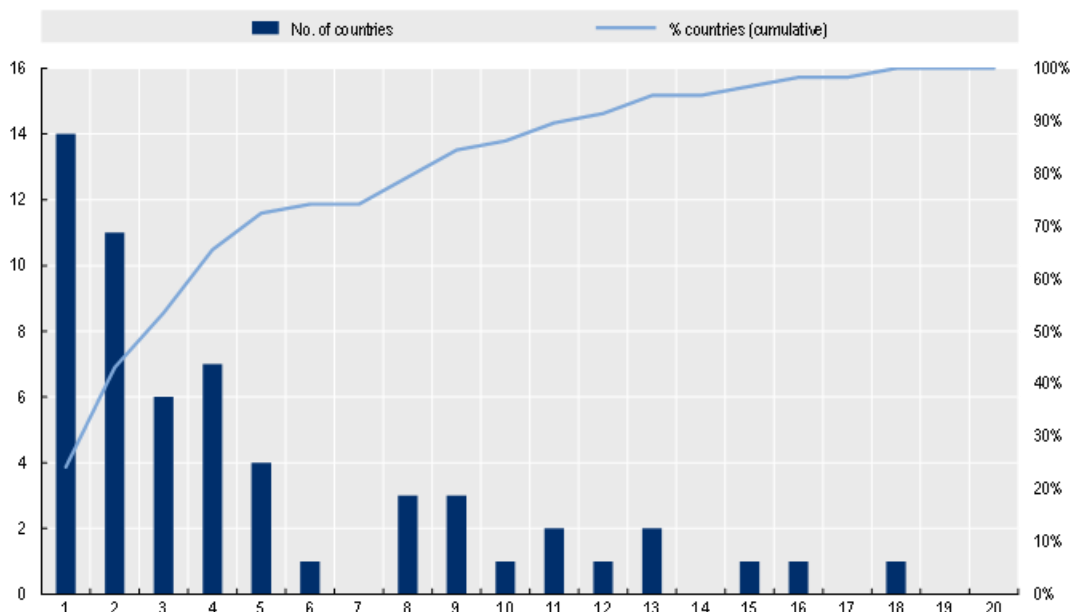
DDC projects selected through public calls targeted a relatively large number of countries (56) within the observed period, which is noteworthy for a region as small as FVG. More than half of these countries (53.5%) hosted three or fewer projects, and no country or group stands out in terms of the number of projects hosted. However, there were nine projects that involved multiple countries, mainly focusing on activities in the Western Balkans. These findings indicate a limited geographic concentration, as evidenced by a right-skewed distribution of the number of projects per country (Figure 2.7). One-third of the countries (34%) hosted five or more projects, while only 15.5% of countries hosted between 10 and 18 projects. Although some weak evidence of concentration emerges when considering groups of countries, it is important to note that these groups are not necessarily culturally similar or spatially proximate to each other. For instance, the most frequently targeted countries in Sub-Saharan Africa were Cameroon (18 out of 116 projects, i.e. 15.5%), Togo and the Democratic Republic of the Congo (13 projects each), Ivory Coast (12) and Burundi (9), which collectively account for 56% of all projects in this macro-region.³⁵ In South America, Argentina and Brazil represent 50.8% of the projects, with 16 and 15 projects, respectively.

³⁵ Ivory Coast and Togo are located in Western Africa, the Democratic Republic of the Congo and Cameroon in Central Africa, and Burundi in Eastern Africa.

Additionally, India and Albania were the most frequent beneficiaries in Asia and the Western Balkans, respectively, each with 11 projects.

Figure 2.7. Few countries hosted more than three projects each between 2010 and 2021

Distribution of countries by number of DDC projects implemented and related cumulative distribution



Note: Only projects selected by public call are included.

Source: Authors' elaborations based on FVG data.

The loose definition of geographic priorities, as outlined in the multiannual planning programmes, may account for the lack of country-specific concentration. These programmes require micro and framework projects to target developing countries in general. While multiannual strategic programmes emphasise the prioritisation of DDC projects in countries of strategic interest and with established partnerships, there is no specific list of strategic countries provided. As a result, the geographic distribution of projects appears to reflect the preferences of DDC actors more than any other factor.

When considering broader macro-regions, sub-Saharan Africa and South America collectively account for two-thirds of the DDC projects co-financed by FVG through public calls, with 116 and 61 projects respectively (Table 2.2). Despite relative spatial proximity and stronger cultural ties with FVG, macro-regions such as the Western Balkans³⁶ and Middle East and North Africa significantly lag behind, with 35 and 29 projects respectively. Asia, former USSR states not part of the EU and Central America account for 21, 10 and 6 projects respectively.

When focusing solely on framework projects and analysing the spatial distribution of regional co-financing, the gap between the leading macro-regions becomes less pronounced. Sub-Saharan Africa, South America and the Western Balkans account for 26, 23 and 17 framework projects respectively; however, the overall figures are biased towards Sub-Saharan Africa due to the largest proportion of micro projects (49%, i.e. 90 out of 194) implemented in that macro-region. The varying combination of micro and

³⁶ Projects falling within this category targeted Albania, Bosnia and Herzegovina, Croatia, Kosovo, Montenegro, North Macedonia and Serbia.

framework projects across the targeted regions further contributes to this difference. For instance, while Sub-Saharan Africa hosts 41.7% of all projects, its share in regional financial support decreases to 37.7% due to the greater number of micro projects in that region.

Table 2.2. Sub-Saharan Africa is a major target for micro projects, whereas framework projects are relatively more frequent in South America and the Western Balkans

Number of projects and value of related co-financing by geographic area of intervention and type of project

	No. Projects	Micro	Framework	Co-financing (EUR)	Projects (%)	Co-financing (%)
Sub-Saharan Africa	116	90	26	4 726 284	41.7	37.7
South America	61	38	23	3 015 715	21.9	24.1
Western Balkans	35	18	17	1 907 417	12.6	15.2
Asia	21	13	8	1 083 365	7.6	8.6
Middle East	18	14	4	725 080	6.5	5.8
North Africa	11	8	3	444 391	4.0	3.5
Former USSR (non-EU)	10	8	2	393 678	3.6	3.1
Central America	6	5	1	234 160	2.1	1.9
Grand Total	278	194	84	12 530 090	100	100

Note: Micro projects, undertaken by a single local DDC actor in collaboration with at least one foreign partner, have a budget cap of EUR 50 000 and a 12-month duration, with regional co-financing up to 60%. Framework projects involve a minimum of two FVG-based actors and two foreign partners, requiring budgets above EUR 100 000 and below EUR 150 000, with regional funding covering up to 60%, and a project duration ranging from one to three years.

Source: Authors' elaborations based on FVG data.

Links between geographic and thematic areas and types of DDC actors

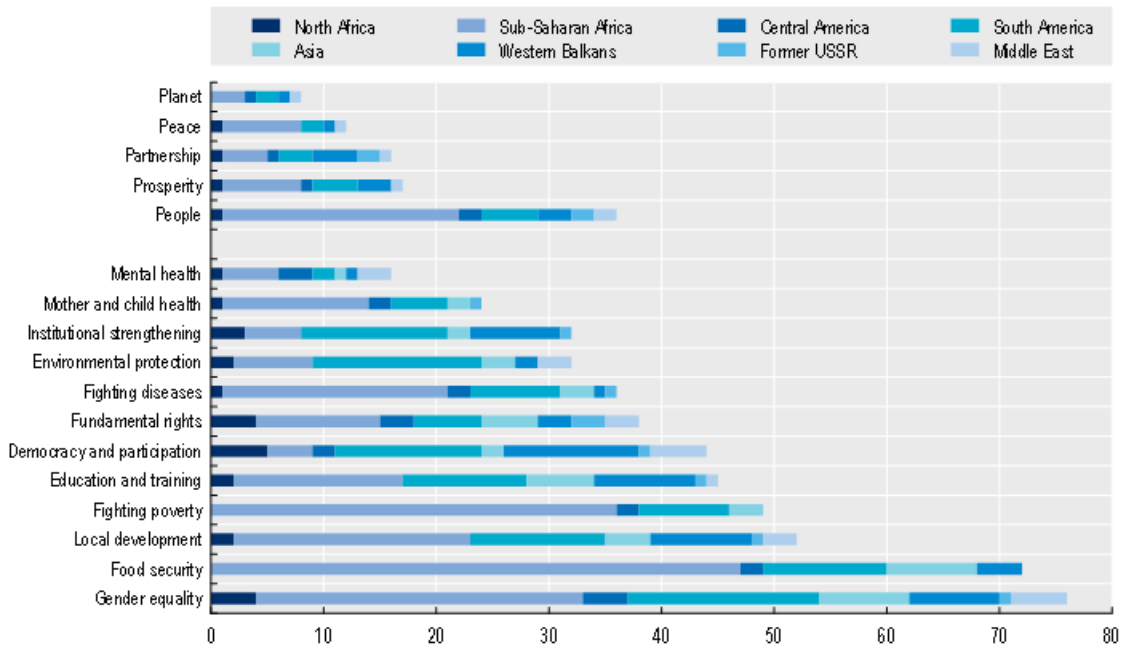
Sub-Saharan Africa represents an absolute majority of projects in the areas of Food Security, Fighting Poverty and Fighting Diseases, based on the framework in effect until 2017.³⁷ Additionally, it holds a relative majority in most other thematic areas, as illustrated in Figure 2.8. Projects targeting Sub-Saharan Africa primarily focus on Food Security, Fighting Poverty, Fighting Diseases and Gender Equality.

Despite FVG's geographic proximity and strong cultural ties with the Western Balkans, the region hosted only 12.5% of the micro and framework projects. This can be attributed to the prioritisation of other thematic areas by a smaller number of framework projects. However, the Western Balkans rank second in terms of Democracy and Participation as well as Institutional Strengthening, closely following South America, which leads in Environmental Protection. Moreover, the Western Balkans represent the primary target area for strategic projects co-financed by FVG.

³⁷ Given the limited data available, analysing the links between geographic and thematic areas within the current framework would yield little significance.

Figure 2.8. DDC projects targeting Food Security and Poverty are the most common in Sub-Saharan Africa, whereas Institutional Strengthening is a focus in the Western Balkans and South America

Number of DDC projects by thematic and geographic area of intervention



Note: The 5 Ps (2019-2023 typology) are presented in the upper part of the figure, while the 12 themes part of the 2010-2013 and 2014-2017 typology are below. Themes are ordered according to their relative frequency.

Source: Authors' elaborations based on FVG data.

Non-profit and knowledge-based organisations tend to focus their efforts on Sub-Saharan Africa, while the Western Balkans emerge as a significant target for local public entities. This preference is mainly driven by the substantial number of projects conducted by Monfalcone in the Western Balkans, with seven out of twelve projects implemented in this region, predominantly in Montenegro. The preference for Sub-Saharan Africa among non-profit organisations aligns with their inclination to undertake micro projects, which constitute the majority of projects in this macro-region. In contrast, the projects conducted by local public entities and knowledge-based organisations are more evenly distributed across macro-regions.

Table 2.3. Non-profit organisations lead among the actors operating in Sub-Saharan Africa

Number of projects and total value of FVG co-financing within each geographic area of intervention by type of actor

	Local public entities		Non-profits		Knowledge-based org.		Grand total	
	No.	EUR	No.	EUR	No.	EUR	No.	EUR
Sub-Saharan Africa	5	136 395	101	4 294 789	10	295 100	116	4 726 284
South America	5	312 931	52	2 489 802	4	212 982	61	3 015 715
Western Balkans	12	691 233	20	1 074 457	3	141 727	35	1 907 417
Asia	1	90 000	15	729 265	5	264 100	21	1 083 365
Middle East	-	-	17	695 305	1	29 775	18	725 080
North Africa	1	60 000	6	207 791	4	176 600	11	444 391
Former USSR (non-EU)	1	90 000	7	184 629	2	119 049	10	393 678
Central Africa	-	-	6	234 160	-	-	6	234 160
Grand Total	25	1 380 559	224	9 910 198	29	1 239 333	278	12 530 090

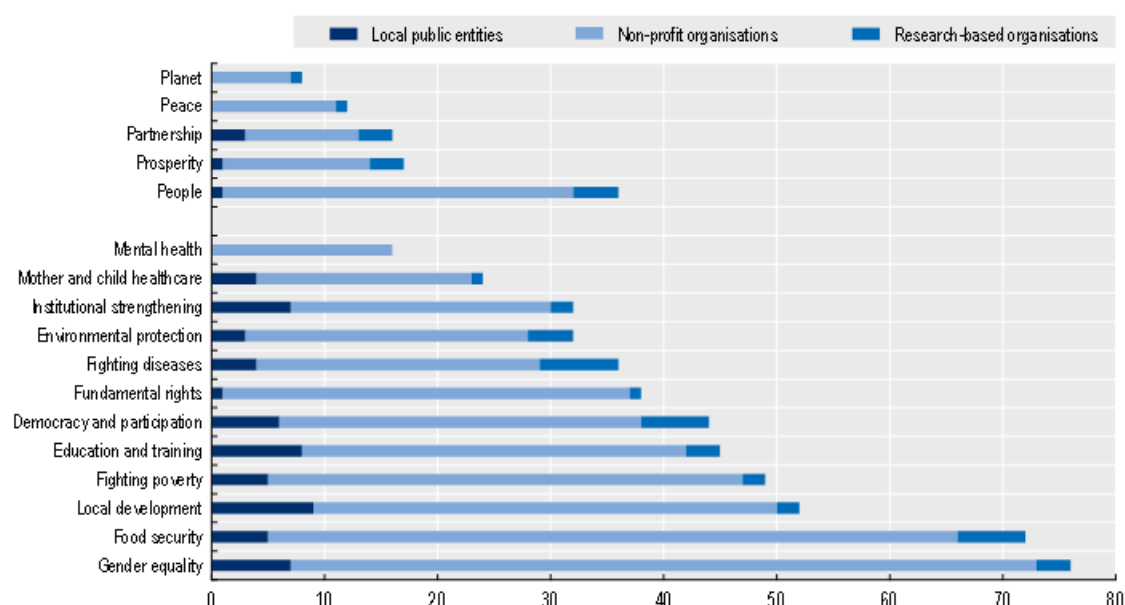
Source: Authors' elaborations based on FVG data

Non-profit organisations conducted a vast majority of projects across all the areas but focused particularly on Gender Equality and Food Security issues. Local public entities and knowledge-based organisations spread their efforts more evenly across topics. More than 80% of the projects focusing on Gender Equality, Fighting Poverty and Food Security were implemented by non-profits. These themes were deemed priorities especially in the macro-region of Sub-Saharan Africa, where, in fact, non-profit organisations conducted 45% of their total number of projects.

Non-profit organisations were responsible for most projects across all thematic areas, with a focus on Gender Equality and Food Security. Local public entities and knowledge-based organisations show a more balanced distribution of efforts across various topics. Non-profits accounted for over 80% of projects in the areas of Gender Equality, Fighting Poverty and Food Security. These themes were deemed priorities, particularly in the Sub-Saharan Africa macro-region, where non-profit organisations implemented 45% of their total projects.

Figure 2.9. Non-profit organisations focus on Gender Equality and Food Security, whereas local public entities and research-based organisations embrace a more diversified approach

Number of DDC projects by thematic area and type of actor



Note: The 5 Ps (2019-2023 typology) are presented in the upper side of the figure, while the 12 themes part of the 2010-2013 and 2014-2017 typology are below. Themes are ordered according to their relative frequency.

Source: Authors' elaborations based on FVG data.

The unique features of strategic projects

Opportunities for expanding economic relations and the establishment of partnerships with certain regions or actors are key factors driving strategic projects. Until 2018, these projects primarily focused on Local Development and Institutional Strengthening. However, since 2019, Prosperity and Partnership have become the driving forces. As a result, the motivations behind strategic projects appear significantly different from other types of projects.

The Western Balkans, which includes several EU accession candidates, are prominent partners in strategic projects, showing that the regional administration is keen to collaborate with this area. In

fact, 43% of strategic projects took place in the Western Balkans (Table 2.4), involving multiple countries in eleven cases. Montenegro and Bosnia and Herzegovina each hosted five projects. It is noteworthy that local public entities played a major role in the Western Balkans, unlike any other area. This suggests that the strong links between FVG and its partners in the Western Balkans enable more structured and integrated project implementation, which may explain the higher proportion of strategic (and framework) projects in this region. The prospect of EU accession for these countries also enhances the potential for future partnerships, potentially synergising with other international initiatives such as the EU Instrument for Pre-Accession.

In strategic projects, whose scope exceeds developing countries, North America, particularly the US, plays a prominent role, accounting for 13% of all projects. This trend is largely driven by the recent partnerships established between the universities of Udine and Trieste, including the International School for Advanced Studies (SISSA) in the region, with the Massachusetts Institute of Technology (MIT) in Boston. On the other hand, Sub-Saharan Africa plays a smaller role in strategic projects, representing only 2% of projects, in contrast to its significant presence in micro and framework projects (41%). Hence, strategic projects significantly differ from other types of projects in terms of the geographic areas they target. This reinforces the notion that strategic projects are rooted in a partnership approach, reflecting the regional strategic orientations, while projects selected through public calls are expressions of bottom-up proposals by DDC actors.

Table 2.4. The Western Balkans were the most frequent target region for strategic projects, followed by North and South America

Number of projects and value in EUR of regional co-financing by macro-region

	No.	Co-financing (EUR)
North Africa	2	150 000
Sub-Saharan Africa	1	30 000
Central America	1	180 000
North America	8	885 000
United States	8	885 000
South America	6	685 402
Argentina	4	556 046
Brazil	2	129 356
Asia	6	762 375
Western Balkans	27	2 483 223
Multiple countries	11	1 047 004
Serbia	4	563 697
Montenegro	5	416 333
Bosnia and Herzegovina	5	276 190
Albania	2	180 000
Former USSR (non-EU)	2	119 200
Middle East	5	576 252
No geographic target	5	429 801
Grand Total	63	6 301 253

Source: Authors' elaborations based on FVG data.

What are the capacities available for DDC in FVG?

Financial capacities

The majority of DDC actors rely primarily on their own resources to supplement regional funding, indicating a deficiency in fundraising from alternative sources. Out of the 59 survey respondents, 45 use their own means as a supplement to regional funding for project implementation, 27 rely on NGOs, civil society and philanthropic organisations, 22 receive support from local administrations and only 17 engage with enterprises. National and supranational sources of financing play a minor role, as does crowdfunding. Discussions with focus groups revealed that smaller DDC actors heavily rely on regional financing, which directly impacts project design and scale. However, while DDC actors acknowledge the constraint of being dependent on public funding, they have limited capacity to seek alternative sources of financing, with EU funding sources playing a marginal role.

Human capacities

DDC actors report confidence in their ability to design, manage and implement projects. As shown in Table 2.5, a large majority of respondents (73%) claim to have good or excellent project design skills. A similar proportion (71.4%) report using structured techniques for project management, including scenario and SWOT analyses. An even higher proportion of respondents consider their technical and financial project management skills to be good or excellent (79% and 81% respectively).

On the other hand, there is room for improvement in terms of communication skills among DDC actors. Only a smaller proportion of respondents (43%) consider their communication skills to be good or excellent, while more than half find them sufficient (51%) or limited (6%). Traditional media such as radio, television and printed materials are still used by many respondents. Simple online tools like websites and social media are the most popular channels for public communication, but a sizeable minority (22% and 31% of respondents respectively) still do not use them. Additionally, only a small minority of DDC actors (ten) are accustomed to drafting communication plans in the early stages of project implementation.

Table 2.5. Most of the surveyed organisations claim to have good skills in project design and management, whereas a minority demonstrate proficiency in communication

Number of respondents that have assessed their skills based on a Likert scale ranging from very bad to excellent

		Very bad	Limited	Sufficient	Good	Excellent
Project design	no.	-	2	11	33	3
	%	-	4	23	67	6
Project management	no.	-	2	9	34	8
	%	-	4	17	64	15
Financial management	no.	-	-	10	35	8
	%	-	-	19	66	15
Communication	no.	-	3	27	20	3
	%	-	6	51	37	6

Note: 49 respondents out of 59 in project design. 54 respondents for the remainder.

Source: Author's elaboration on OECD-FVG survey data.

A significant portion of DDC actors (44.7%) organise and fund training and development activities for their staff. Training focused on project management was offered by 19 respondents, while workshops on administrative issues were provided by 17. Consistently, 54% of training-providing organisations claim

to have good capacities in managing DDC projects, and only a minority of respondents (15%) employ external experts to manage their projects.

Staff employed by DDC actors represents a minority of the human resources involved, as many organisations report a larger number of volunteers participating in project implementation. While official records are not available, the survey indicates that 64% of respondent organisations have nine employees or fewer. Volunteers from FVG play a significant role in ensuring the effective delivery of daily activities, as one in three respondents involve between 10 and 29 volunteers. Overall, about 60% of surveyed organisations have fewer than 30 individuals when considering both employees and volunteers, highlighting the generally small scale of most DDC actors in FVG.

The number of staff involved is not associated with project size. Despite the assumption that a larger number of staff and volunteers would positively influence the size and number of projects, a simple linear regression analysis reveals no significant relationship between these variables, even when controlling for the type of actor and its place of origin. This finding supports the interpretation that the regional policies for DDC has a greater influence on project size than the capacity of the entity conducting the project.

How is DDC governed in FVG?

Duration of DDC projects

Micro projects are allowed a maximum duration of one year, while framework projects can have a maximum duration of three years according to regional guidelines; however, a significant difference in the actual project duration is observed. Around 94% of micro projects use the entire one-year period, whereas only 15% of framework projects use the possible three-year timeframe. On average, micro projects have a duration of 11.8 months, while framework projects last for an average of 23.6 months. Among framework projects, approximately 73% have a duration ranging from 18 to 24 months. The convergence in duration between micro and framework projects supports the idea that there are limited differences between these two types of projects.

In the case of strategic projects, the duration varies significantly depending on the specific needs addressed by the region. The shortest strategic project took two months to complete, while the longest lasted on average around three years. Most strategic projects (81%) were completed within a two-year timeframe, with half of them not exceeding one year. Unlike micro and framework projects, where funding tends to be correlated with project duration, there is no clear correlation between funding and duration in strategic projects.

Project governance and partnerships

Most DDC actors rely on their own staff and partner organisations' staff for project management, and project administration is prominently handled in-house by the organisations. Most respondents (81%) assign a project leader from their own organisation, and 78% build their project team around volunteers and individuals associated with their organisation. Two-thirds of both groups (64%) believe they possess good project management skills. Consistently, the administration of projects is mainly handled in-house by the organisations. Only a small percentage of respondents (6%) outsource project administration to external experts, and none report limited or insufficient financial management skills. This suggests that organisations have developed administration-related skills through experience gained from implementing multiple projects. However, the limited co-operation among DDC organisations in project management is noteworthy, considering their average small size and the potential benefits of joining forces and sharing capacities to achieve critical mass in terms of project administration and impact.

A large majority of DDC actors (82%) express interest in participating in a community of practice, with 80% of them willing to actively contribute to its development. This signifies a strong desire among DDC actors to engage in a collaborative platform where they can share their expertise and contribute to joint projects. Considering the current lack of co-operation among DDC actors throughout project phases, a community of practice would bring innovation to the regional DDC landscape, providing an opportunity for increased collaboration and knowledge sharing among DDC actors in the region.

DDC actors in FVG primarily leverage established relationships to identify project partners in the destination country and maintain coordination with them during project implementation. They frequently keep in touch with partners through direct contact, remote and in-person working groups, and share progress reports with each other. Partners are often identified through international networks and organisations (e.g. NGOs, universities), while institutional contacts of the FVG Region and local authorities are less commonly used as partners. Scouting and field visits are popular methods for identifying partners, particularly among respondents with good project design capabilities (55%). While hardly any of those with limited or sufficient project design capability do so.

The project partners selected by FVG's DDC actors encompass a diverse range of organisation types and roles. Most partners are NGOs and other CSOs (87%) or local administrations (76%). NGOs and CSOs often assume leading and operational roles (77%), while local administrations primarily contribute as project facilitators (56%). The extensive network of project partnerships developed by respondent organisations offers potential for the regional administration to expand its international activities.

In strategic projects, partners are selected by the FVG Region based on their specific missions. Universities, research organisations and, to a lesser extent, non-profit organisations are frequently involved in strategic project implementation. The strong partnership between SISSA in Trieste and MIT in Boston plays a key role in the involvement of knowledge-based organisations. Other partners involved in strategic projects include the municipality of Monfalcone, Informest, the Central European Initiative, Area Science Park (a science and technology park) and UNIDO's Investment and Technology Promotion Office in Italy, highlighting established partnerships with the FVG Region.

Project monitoring and evaluation (M&E)

The information and reporting system used by the region for project monitoring and evaluation shows space for improvement. According to the law, the regional administration is responsible for establishing and maintaining an up-to-date and publicly accessible information system for DDC projects. However, the current system has limitations in effectively capturing project progress and outcomes. The administration publishes brief summaries of selected project proposals on its website, but these summaries lack detailed information and are prepared prior to project implementation. Additionally, the reporting process requires offline submission of scanned PDF copies, hindering the use of categorised data for analysis.³⁸ The provided report templates do not include indicators for measuring project outputs or outcomes, focusing more on budget allocation and expense verification. Furthermore, the regional administration lacks alternative means or procedures, such as field visits, to assess project impacts on the ground (**Box 2.3** discusses the potential of field visits as a tool to complement the knowledge base for assessing project outcomes). In the case of strategic projects, final reports vary considerably in length and format, lacking standardisation, and the regional administration does not have plans to make these reports publicly available online. DDC projects co-financed by the region are notified annually to the Italian Ministry

³⁸ Since 2020, the regional administration has adopted an IT application that requires proposers to complete funding applications in electronic format. However, to date, this tool has not yet been extended to the phase of reporting and accounting.

of Foreign Affairs and International Co-operation as ODA. However, the reporting responsibility does not translate into any communication and dissemination efforts surrounding DDC projects.

Most survey respondents nevertheless employ systematic monitoring systems for their projects (83%) and conduct structured evaluations using pre-defined indicators (55%). In-house expertise is commonly utilised for evaluation purposes (86%). Some respondents integrate ex-ante (51%) and environmental impact (16%) evaluations into their preliminary project plans. Most respondents adopting monitoring systems and structured evaluations of their projects deem themselves as having good project design skills, as well as good technical and financial project management skills. However, there is resistance among local DDC actors to institutionalise advanced M&E mechanisms within the regional co-financing system. The costs associated with such activities are perceived as burdensome for small entities, which make up the majority of actors in FVG. Moreover, regional co-financing is seen as insufficient to support comprehensive M&E efforts. As a result, the current project selection procedure may tend to favour proposals that build upon existing projects without thoroughly assessing their outcomes.

Box 2.3. Field visits in the Western Balkans: assessing the impact of DDC and identifying areas for improvement

In February 2023, the OECD and FVG organised a field visit aimed at gathering evidence on the impact of selected DDC projects in the Western Balkans. Recognising that the current reporting procedures offer limited insight into the projects' on-the-ground outcomes and value for money, the mission served as a test to assess the effectiveness of field visits in expanding knowledge about the impact of DDC projects supported by the Region, going beyond desk-based analysis. Serbia and Montenegro, with their strong social, economic and geographic ties to FVG, were identified as ideal locations to conduct such an investigation. The mission involved staff from both organisations, as well as representatives from project partners from FVG and the host country.

Consorzio Operativo Salute Mentale (COSM) from Udine, Italy, has long been engaged in projects aimed at promoting the deinstitutionalisation and social inclusion of people with mental disorders in Šabac and Bogatić, Serbia. The main project assessed led to the establishment of a daily care centre for young people with mental disorders and triggered national-level policy reform in the field of social care and social entrepreneurship. The mission included visits to two daily care centres that promote social inclusion for people with mental disabilities. However, discussions with local partners highlighted that such centres remain scarce, with only seven in the entire country of Serbia. The country still maintains psychiatric hospitals, which perpetuates the segregation of people with mental disabilities, underscoring the need for reforms aimed at demedicalising disability assessment and deinstitutionalising individuals with disabilities.

Monfalcone, the most active municipality in FVG in the field of DDC, has undertaken multiple projects in the Western Balkans over the past few decades. In the tourist destination of Kotor, Montenegro, which is heavily affected by seasonality, the municipality focuses on promoting social inclusion and active citizenship among young people. One notable project resulted in the establishment of a centre aimed at addressing drug addiction among young individuals. Visiting the youth centre provided insights into the importance of initiatives addressing the negative impacts of the tourism industry on the economic and social fabric, including excessive dependence on tourism in the labour market and imbalances caused by an extended winter season with a sluggish economy, followed by an extremely active summer season that strains local capacities, particularly affecting the youth.

The mission highlighted several areas for improvement in FVG's DDC strategy, including the need for greater awareness within local communities about the region's financial support for projects and a focus

on building capacity to better measure project impact. Overall, it demonstrated that field visits can play a crucial role in supplementing the information provided by administrative reports required by regional financial procedures, provided that key stakeholders are adequately involved, and project partners are willing to engage in open and structured discussions about project impact and the challenges faced during implementation. Establishing institutional partnerships with local governments would also be a key step towards enhancing the impact of DDC projects.

Strategic governance

Half of DDC actors surveyed (29 out of 59) believe that the regional administration should take an active role in setting geographic targets. However, there is also a notable minority (18) who think otherwise. Some respondents argue that the current multiannual strategic programs already serve the purpose of establishing clear priorities. Among those in favour of the region's proactive role in selecting geographic targets, there are varying views on the criteria that should guide the selection. The majority consensus (37 preferences) is for a process driven by priorities defined in high-level political agendas at the international or national level. In 24 cases, addressing extreme poverty should be considered the primary factor. Cultural and geographic linkages are highlighted as important by 20 responses. Opportunities for business and trade relations are mentioned by 12 respondents, while other factors have a marginal influence.³⁹

Most respondents express positive views on their collaboration with the regional administration, noting that it has improved over time. Table 2.6 illustrates this, showing progress in areas such as setting DDC objectives, managing the implementation of law 19/2000, and assistance with co-financing requirements. However, several areas require further improvement, particularly in terms of bureaucratic procedures and the availability of resources. Thirteen respondents indicate that the availability of resources has worsened, representing the area where negative opinions are most prevalent.

Table 2.6. Most survey respondents regard their interaction with the regional administration to have improved or remained unchanged, but DDC budget is a widespread concern

Number of survey responses assessing whether different types of interaction with the region have improved, remained unchanged or worsened over time

	Improved	No significant change	Worsened	Not applicable
Identification of the objectives, aims and methods of implementation of law 19/2000	36	17	-	3
Overall allocated budget	13	27	13	3
Information and assistance provided by the Region in the implementation of DDC projects	34	18	-	4
Administrative requirements in managing DDC projects	20	28	2	6
Role of the Regional Committee for DDC foreseen by law	25	14	3	14

Note: 59 respondents out of 59.

Source: Author's elaboration on OECD-FVG survey data.

The limited dissemination of knowledge on available DDC instruments and the lack of co-ordination between project actors are among the greatest obstacles to enhancing the efficiency of the regional strategy. However, the lack of impact measurement is the main barrier to its effectiveness. Although there seems to be a widespread awareness of how to access regional co-financing resources, there is

³⁹ Survey respondents had the chance to provide multiple answers.

room for improvement in fostering co-ordination among projects as well as in providing better quality data on their outcomes and impacts. Hence, the main obstacles to the efficiency of the FVG Region's activities are more frequently associated to managerial and governance issues than to a lack of resources. Similarly, the lack of both support to DDC projects and measurement of their impact are among the most frequently claimed obstacles to the effectiveness of the DDC strategy pursued by the Region. Noticeably, in terms of effectiveness, more respondents regard every factor to be a "main" or "significant obstacle" than "not an obstacle", compared to efficiency, where respondents identified more factors as "not an obstacle" than as obstacles.

Table 2.7. The lack of co-ordination among DDC actors and limited dissemination of knowledge are the factors reported to most hinder the efficiency of regionally supported DDC activities

Number of responses identifying the concerned factor as an obstacle to the efficiency of the DDC projects promoted by the FVG Region, whereby efficiency is understood as the ability to implement projects with optimal use of resources relative to the results achieved

	Main obstacle	Significant obstacle	Not an obstacle	Does not know
Lack of project management support skills	2	22	32	3
Imprecise instructions on how to access DDC funds	5	12	39	3
Lack or poor quality of available data on DDC projects	2	26	28	3
Lack of co-ordination among DDC actors	8	29	19	3
Limited dissemination of knowledge on available DDC instruments	7	36	13	3

Note: 59 respondents out of 59.

Source: Author's elaboration on OECD-FVG survey data.

Table 2.8. Lack of impact measurement and support to DDC initiatives are most frequently regarded as hindering the effectiveness of FVG

Number of responses the concerned factor as an obstacle to the effectiveness of the DDC projects promoted by the Region, whereby effectiveness is understood as the ability of the funded projects to contribute to set objectives

	Main obstacle	Significant obstacle	Not an obstacle	Does not know
Action on DDC is not sufficiently supported	11	22	23	3
No lessons are drawn from previous Decentralised Co-operation experiences	7	25	24	3
The impact of interventions is not measured	6	34	16	3
The priorities expressed by the various authorities (local/regional/State) are not aligned	4	26	26	3
Shortcomings in the long-term planning of Decentralised Co-operation actions	10	20	26	3

Note: 59 respondents out of 59.

Source: Author's elaboration on OECD-FVG survey data.

3 Policy recommendations

Despite the tangible results achieved since the enactment of regional legislation in 2000, FVG's strategy on DDC would benefit from a comprehensive update to fully realise its potential. Over the years, it has provided support for a diverse range of development co-operation projects worldwide, demonstrating continuity in public financing and support. However, in light of increased financial pressures on the regional budget, emerging global challenges and the identified inefficiencies in Section 2, improvements could be made. The overarching goal is to enhance the effectiveness of the regional DDC strategy through an attainable and cost-effective reform process. There are multiple reasons why FVG could maintain and ideally expand its commitment to DDC. Conducting a SWOT analysis will assist in prioritising areas for improvement.

How FVG could better support DDC

FVG may seek to maintain or even increase its engagement in DDC to achieve different regional goals. By doing so, FVG can showcase its dedication to addressing global issues such as poverty reduction, socio-economic inequalities and environmental sustainability while contributing to the attainment of the SDGs. Promoting FVG as a highly engaged and responsible global region can positively impact its reputation. Conversely, disengaging from co-operation would reduce an instrument for expanding its international presence. It should be noted that SNGs are gaining prominence as political actors and are expected to play a larger role in implementing the UN 2030 Agenda for Sustainable Development and fulfilling other global commitments going forward, such as the Paris Agreement on Climate Change.

DDC offers opportunities for enhancing political and economic relations with partner regions worldwide. This can involve establishing a foundation for deeper integration and knowledge exchange among participating regions. Strengthening economic relations with regions across the globe holds potential for facilitating the internationalisation of local businesses. By expanding networks abroad, new trade routes can be created, and existing ones reinforced. Additionally, DDC can provide valuable avenues for the region's students and young professionals who participate in projects as volunteers, trainees or staff to gain international experience and develop cross-cultural skills, contributing to their personal and professional growth. Simultaneously, FVG has the potential to attract foreign talent, thereby expanding the pool of skilled workers available to the regional business network. To promote successful outcomes, other societal groups could be involved, particularly the private sector, in DDC initiatives.

FVG could capitalise on its inherent potential as a gateway to the Western Balkans, considering the numerous benefits it would bring in areas such as trade, security and migration. Strengthening relations with the Western Balkans presents an opportunity for FVG to foster new development prospects for local small and medium-sized enterprises. Additionally, the Italian government has expressed interest in bolstering its institutional role in the Western Balkans,⁴⁰ creating a favourable opening for FVG to take a leading role in this endeavour. The geographical proximity, growing trends in bilateral trade and the

⁴⁰ The Italian prime minister's speech at the "Italy and the Balkans" conference held in Trieste in January 2023 can be retrieved here: <https://www.governo.it/it/articolo/vidiomessaggio-del-presidente-meloni-alla-conferenza-nazionale-l-italia-e-i-balcani>

presence of a significant migrant community in FVG all indicate favourable conditions upon which to build. Notably, the Western Balkans offer economies of scale in DDC due to the region's relatively small size, allowing for the possibility of multi-country projects.

- **FVG has established robust economic ties with the Western Balkans, which have witnessed significant growth in recent years.** Bilateral trade reached EUR 1.2 billion in 2022, reporting a 70% increase compared to 2021 in the aftermath of the COVID-19 pandemic. Noteworthy growth in exports to Serbia, more than doubling from 2015 to 2019 (109%),⁴¹ underscores FVG's focus in this area. Italy ranks as the second-largest exporter to the Western Balkans, holding an 11.7% market share, trailing only Germany (13.1%). FVG alone accounts for a notable 0.7% share of the entire market.
- **FVG hosts a substantial migrant community from the Western Balkans, which can support integration and social cohesion efforts.** The Albanian community represents 8.4% of the foreign population in FVG, while Serbians, Croatians and Kosovars make up an additional 11.9%.⁴² The majority of migrants from these three countries reside in the Trieste and Udine provinces, with Serbians predominantly concentrated in Trieste. Consequently, several DDC projects in the region involve individuals with a migratory background from the Western Balkans.
- **Enhanced integration efforts can address international security concerns through DDC initiatives focused on peacebuilding.** FVG has a strong track record in DDC projects aimed at building institutional capacities and promoting democratisation in the Western Balkans. By persisting in these efforts, FVG can make a vital contribution to peace and stability in the region. Recent unrest in northern Kosovo, where significant Serbian minorities reside, has raised concerns in Europe about the potential for escalating violence.⁴³ The enduring effects of the 1992-1995 and 1998-1999 wars are still evident, highlighting the importance of peacebuilding for regional stability. Furthermore, forging strong partnerships with local governments is likely to result in more effective migration management and improved compliance with migrants' human rights, particularly considering that the Western Balkans serve as a key migration route to the EU.
- **The ongoing path towards EU accession sets the stage for long-term integration.** The FVG region can play a crucial role in promoting the adoption of the *acquis communautaire* among accession candidates. Strengthened economic and political ties can expedite progress towards meeting the requirements for EU membership, while pre-accession integration can yield economic benefits (e.g. economic growth, market access and integration and eligibility for EU funding) for countries joining the European single market.

Expanding the partnership and harnessing the value of diverse actors can significantly contribute to the success of DDC initiatives in FVG. While civil society organisations currently play a prominent role in the regional DDC landscape, there is a significant opportunity to enhance the involvement of municipalities and knowledge-based organisations. Moreover, despite the explicit encouragement of the national law on international development cooperation since 2014, the private sector has yet to be actively engaged in these efforts. Social enterprises, which have a demonstrated tendency to participate in socially-driven co-operative initiatives, and export-oriented SMEs, which could greatly benefit from DDC as a

⁴¹ For more information, visit: <https://www.coeweb.istat.it/>

⁴² At the start of 2022, resident foreigners accounted for 9.5% of the regional population, compared to 8.5% at the national level. For more information, visit: https://www.istat.it/it/files//2022/03/Focus_Censimento-permanente-della-popolazione_Friuli_Venezia-Giulia.pdf

⁴³ During the last months of 2022 further tensions between Kosovo and Serbia arose following political turmoil related to local elections in the northern provinces of Kosovo, where the majority of the population is ethnically Serb. For more information, visit: <https://www.politico.eu/article/serbia-kosovo-eu-western-balkan-miroslav-lajcak-eu-frets-crisis-cycle-will-derail-deal/>

gateway to new markets, could be early adopters. However, it is crucial to tap into the potential of a broader range of private sector actors.

By leveraging the expertise, resources and market knowledge of diverse private sector entities, such as large corporations, technology startups and innovation-driven companies, FVG can unlock new opportunities for collaboration and innovation in the DDC landscape. Active involvement of the private sector will allow traditional actors to leverage their expertise in fundraising, data management, and communication, thereby enhancing the effectiveness of DDC efforts. Additionally, FVG's robust innovation ecosystem (OECD, 2020^[15]) provides a solid foundation for further engagement with participants from the innovation ecosystem, fostering knowledge transfer and talent acquisition. Noteworthy successful projects, such as the collaboration between SISSA and the Massachusetts Institute of Technology, as well as Pordenone's Polo Tecnologico project in Armenia, have already highlighted the positive outcomes achievable through co-operation in this domain.

Lastly, DDC can serve as a strategic tool to facilitate migrant integration. FVG's strategic location as a gateway on the Balkan Route makes it a critical hub for migration flows. Strengthening co-operation with countries of origin, both on institutional and social levels, can foster immigration management, benefiting both parties and encouraging integration in the destination region even prior to departure. This approach could be particularly valuable in addressing local skills and labour shortages. Consequently, greater collaboration among different levels of government is essential, with immigration being primarily the responsibility of the national government, while effective co-operation between departments within the regional administration can harness the potential of DDC as a migration policy tool, paving the way for improved migrant integration.

A SWOT analysis can be instrumental in formulating a strategy to enhance DDC in FVG. Strengths and weaknesses pertain to inherent characteristics of the system, while opportunities and threats encompass external factors that can positively or negatively impact DDC in FVG (Figure 3.1).

Figure 3.1. A SWOT analysis of FVG's strategy on DDC



Source: Authors' own elaboration.

The main **strengths** of FVG's DDC system include:

- **Continuity over time:** regional administrations invested in DDC continuously over the last decade, regardless of changes in the government's political orientation;
- **Consolidation of practices:** the modalities of implementation of the regional law (particularly, the administrative procedures related to project co-financing) are well known by local actors, which are largely satisfied with the administrative support provided by the Region;
- **Predictability of regional co-financing:** project proponents can expect enduring financial support by the region and plan accordingly;
- **Dynamism of the regional DDC landscape,** characterised by a relatively high number of actors (111 recipients of regional financing across 2010-2021), richness of practices (e.g. humanitarian aid, training, institutional support, technology transfer) and diversity in targeted thematic areas;
- **Flexibility of financing modalities:** public calls for regional co-financing of bottom-up projects and more agile procedures for strategic projects commissioned by the regional administration co-exist, contributing to a balanced mix;
- **Wide breadth of projects run by local actors,** in terms of both geographical coverage (spanning 63 countries in four continents) and types of partners in target countries, ranging from public sector to civil society organisations and private actors.

On the other hand, the DDC system in FVG presents multiples **weaknesses**:

- **Lack of a clear strategic vision:** the objectives and priorities of the multiannual programmes on DDC are not clearly defined and effectively implemented, leading to a high dispersion in project selection both geographically and thematically. Additionally, the regional administration's direct engagement in partnerships with SNGs where DDC projects are implemented is limited;
- **Regulatory bias on project size:** the law's set ceilings for regional co-financing result in almost all projects being close to these limits, which may hinder their impact. Furthermore, the distinction between micro and framework projects is more nominal than practical, and limited progression of proponents from smaller to larger projects over time suggests that regional financing does not effectively stimulate a growth pattern;
- **Limited involvement of municipalities,** as shown by a lack of co-operation between the region and its major cities, which are little engaged in DDC if at all. Filling this gap would lead to an expansion of the local partnership;
- **Limited interdepartmental collaboration:** interdepartmental collaboration is not formalised or observed as a significant factor in supporting FVG's DDC strategy, as indicated by interviews conducted with the regional administration. Strengthening connections between regional efforts in DDC and initiatives in areas such as education, migration and economic development could enhance consistency across policy fields in regional action;
- **Lack of a communication strategy,** as no tools are in place to showcase the projects co-financed by the Region, limiting visibility vis-à-vis citizens and decision makers' and their awareness of DDC;
- **Inadequacy of M&E mechanisms:** reporting is largely focused on financial accounting, and there is little evidence of projects' actual results and performance. Although project proponents are encouraged to outline measurable performance indicators, these are often overly generic and are disregarded in reporting without tangible repercussions.

The main **opportunities** for enhancing the regional DDC system include:

- **Potential for economies of scale:** a more efficient use of existing resources would be possible by pursuing projects' geographic concentration and thematic specialisation, requiring incentives for DDC actors to co-operate in specific areas;

- **Local actors' willingness to co-operate** by engaging in project co-design and knowledge sharing (82% of survey respondents claimed such interest), which may lead to gaining critical mass across projects' life cycle;
- **Availability of untapped resources** from both the public (EU and national level) and the private sector to supplement and leverage the current financial endowment;
- **Private sector engagement** would expand the technical and financial capacities available on the ground, in line with national legislation;
- **SDGs can be used as a reference framework** to set the priorities of the regional strategy on DDC and link it to global agendas, local needs and territorial development goals.

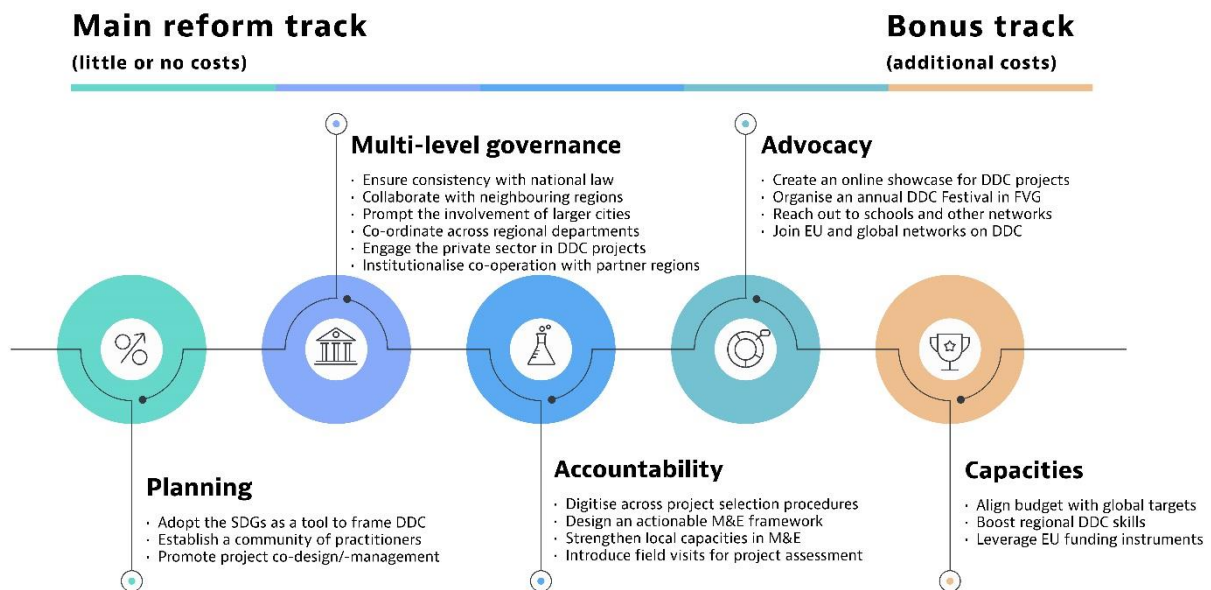
The main **threats** identified include:

- **Solely top-down strategic approaches**, subordinated to short-term political goals, might result in a disconnect from community needs and constrain the breadth and dynamism of the regional DDC landscape;
- **Resistance to change by traditional DDC actors**, whose practices are deep seated and who might be unwilling to adopt new modalities or align with innovative approaches, such as a more binding use of monitoring and evaluation tools, as focus group discussions pointed out;
- **Budget constraints** might downsize the regional commitment to DDC, limiting projects' impact and dissipating the capital of knowledge accumulated over the years;
- **Limited capacities in M&E** across the regional DDC landscape, including both public and private actors. This limitation is evident from a technical standpoint and is compounded by the absence of a commonly agreed framework for measuring and assessing project outcomes;
- **Adverse cultural trends**, such as a growing protectionism and distrust of multilateralism might fuel a disengagement from DDC if local returns are not clearly perceived.

Policy recommendations

The following policy recommendations are grouped into five areas of intervention, four of which entail little or no financial costs, whereas the remaining one would require an increase in DDC budget.

Figure 3.2. Policy recommendations for an enhancement of FVG's strategy on DDC



Source: Authors' own elaboration.

Planning

Set clear thematic and geographic priorities for the new regional strategy on DDC, aligning with the region's expertise and local development needs; engage in thorough consultation with stakeholders representing the entire regional DDC ecosystem and establish a community of practitioners to facilitate the co-design of ambitious projects and strengthen coordination efforts for successful implementation.

1. **Adopt the UN 2030 Agenda for Sustainable Development as a framework for planning future DDC initiatives and explore other relevant global agendas for potential contributions.** By adopting the SDGs as a guiding framework for its DDC strategy, FVG can align its efforts with the global agenda and contribute to the achievement of a more sustainable future. Using the SDGs as a reference point would also provide a comprehensive approach to development, encompassing economic, social and environmental aspects. It would also provide a common language and shared understanding with partner regions and stakeholders, facilitating co-ordination and cooperation in the pursuit of shared goals. Furthermore, the SDGs are regularly reviewed and updated, ensuring that they remain relevant and responsive to changing needs and circumstances. A clear framework also helps in the attempt to evaluate the effectiveness of the strategy, which the OECD DAC Network on Development Evaluation defined as the extent to which the (DDC) intervention achieved its objectives and its results.⁴⁴ FVG could also consider other global agendas in which SNGs are called to play a significant contribution. Its DDC could align, among others, with the New Urban Agenda as the tool designed to accelerate urban sustainable development;⁴⁵ with the goals set in the Paris Agreement on Climate Change as the main driver of a global and multi-stakeholder

⁴⁴ For more information, visit:

<https://www.oecd.org/dac/evaluation/daccriteriaforevaluatingdevelopmentassistance.htm>

⁴⁵ For more information, visit: <https://habitat3.org/the-new-urban-agenda/>

commitment towards climate neutrality;⁴⁶ with the Sendai Framework for Disaster Risk Reduction as the roadmap to prevent and mitigate climate episodes with a significant local impact;⁴⁷ and with the Global Compact for Migration as the first inter-governmental agreement covering all dimensions of international migration.⁴⁸

2. **Support the establishment of a community of practitioners to foster public-private dialogue in strategic planning.** By joining forces, DDC actors can speak with a stronger voice and have a greater impact on the regional administration's decisions regarding geographic and thematic priorities. This type of collaboration can also encourage knowledge sharing and foster a supportive network among DDC actors. Having a third party steering the community of practitioners can contribute to more objective and independent decision-making. This can help build trust among DDC actors and allow the community to operate in a transparent and accountable manner. To effectively establish this community, it is important to engage all relevant stakeholders, including municipalities, the private sector and any other actors that may have not played a role in regional programmes so far, and clearly communicate the objectives and benefits of the initiative. This can include hosting workshops and other forms of outreach to gather input and create buy-in from DDC actors. It is also important to develop clear guidelines and rules of engagement for the community to promote its effectiveness and efficiency.
3. **Promote co-design and joint project implementation within the community of practitioners to achieve economies of scale and address skills gaps in DDC.** The advancement of DDC can be significantly enhanced by promoting the utilisation of co-design and joint project management strategies. These tools aim to optimise economies of scale and address persistent skills gaps in the DDC domain, such as in the field of fundraising and monitoring and evaluation. The community of DDC practitioners would likely be motivated to foster collaboration in designing project portfolios, in which each participant can bring their own unique value, such as networks, expertise, manpower and other resources. This collaborative approach has the potential to result in larger-scale DDC projects, surpassing the size of individual projects that are currently selected for co-financing. It also presents an opportunity to re-evaluate the requirements for framework projects, fostering more impactful initiatives. However, it is essential to preserve public calls, particularly for micro projects, to foster inclusiveness and leverage the diverse range of thematic and geographic specialisations that naturally exist within the regional DDC landscape.

Governance

Promote coordination between FVG, neighbouring regions, cities within the region and departments within the regional administration to enhance consistency in DDC initiatives across various levels of government; foster the active inclusion of the private sector to achieve greater impact in DDC.

4. **Promote consistency between regional initiatives and national priorities.** This can be pursued through the strengthening of regional engagement in consultation forums and other multi-level co-ordination mechanisms that are provided for by national law. It is essential to verify that regional standards are in line with the latest national developments. This may include, for example, relaxing current legal constraints that may limit the participation of the private sector in DDC. By promoting coherence across different levels of government, national and regional authorities can work together to create a more unified approach to DDC that is better aligned with the respective needs and priorities. This will help to make DDC initiatives more impactful and sustainable.

⁴⁶ For more information, visit: <https://www.un.org/en/climatechange/paris-agreement>

⁴⁷ For more information, visit: <https://www.undrr.org/publication/sendai-framework-disaster-risk-reduction-2015-2030>

⁴⁸ For more information, visit: <https://www.iom.int/global-compact-migration>

5. **Strengthen co-ordination with neighbouring regions.** To enhance the impact and sustainability of DDC initiatives, it is important to strengthen co-ordination efforts with neighbouring regions, such as the Veneto region in Italy, as well as Slovenian and Austrian regions that are part of common European Groupings of Territorial Co-operation. Based on interviews conducted with the regional administration, it has been found that coordination between FVG and its neighbouring regions has been limited in the context of DDC initiatives. Inter-regional dialogue can play a critical role in facilitating the identification of potential partners and promoting collaboration in areas such as technical co-operation, training and dissemination. Through collaborative efforts, such as awareness-raising campaigns, capacity building, joint project programming and funding, and the development of integrated networks and partnerships among DDC actors, neighbouring regions can join forces to address common challenges and leverage each other's strengths to achieve their DDC goals. Inter-regional cooperation will provide opportunities for the exchange of best practices, joint capacity building activities and the development of joint DDC initiatives.
6. **Involve cities and other municipalities in consultations around the regional agenda.** In line with the goal of strengthening DDC, it is recommended to involve cities and other municipalities in consultations around the regional DDC agenda. The regional capital of Trieste, with its long-standing international reputation, and other provincial capitals such as Udine, Gorizia and Pordenone, have thus far been underrepresented in the regional DDC project record. The region is encouraged to explore ways to incorporate cities and municipalities into the DDC system, as they have the potential to bring new perspectives, ideas and resources to the table. Actions may include establishing municipal representatives, facilitating city-to-city partnerships, providing capacity-building support and offering financial incentives. This will not only enhance the diversity of the DDC initiatives, but also increase the capacity and impact of the region's overall efforts.
7. **Promote cross-office co-ordination within the regional administration.** DDC is a cross-cutting issue that affects various policy domains, such as labour, education and immigration. Therefore, it is important for the various departments within the regional administration to work together to achieve the full benefits of DDC initiatives. For example, civil society organisations that are involved in DDC can play a crucial role in promoting global citizenship among students through educational programmes, requiring coordination between the departments responsible for DDC and education. Furthermore, DDC can provide opportunities for better migrant integration, e.g. through support for skills training and education and partnerships between countries of origin and destination for coordinated efforts, which in turn can help to address local labour and skills shortages. This highlights the importance of inter-departmental collaboration in maximising the impact of DDC initiatives and achieving the desired outcomes.
8. **Promote institutional co-operation with regions and cities in partner countries.** FVG could explore the potential of establishing partnerships with national and subnational governments in the regions where projects are implemented, in order to develop and implement joint co-operation strategies aimed at effectively addressing the most pressing challenges. DDC offers opportunities for diverse forms of collaboration, such as advocacy campaigns, technical cooperation, capacity building, peer-to-peer learning, and the implementation of directly coordinated pilot projects. It is important, however, to carefully consider the political and social circumstances in potential partner countries, as co-operation efforts may be constrained in contexts where democratic values and human rights are not upheld. Furthermore, identifying priority geographical areas for interventions would strengthen the relevance of prioritising region-to-region partnerships.
9. **Expand the local partnerships by including the private sector and strengthening the role of knowledge-based organisations.** Involving the private sector would pull in know-how, networks and financial resources that other actors may lack. This also implies exploring the potential for further involvement of organisations acting as a conduit between research and business, such as technology transfer bodies and start-up incubators. Other stakeholders, such as migrant-led organisations or universities, could also be included, as they can facilitate integration and

networking with regional partners in their countries of origin. The private sector's incentives to engage in DDC can be manifold, ranging from market expansion and access to new talent pools to reputation enhancement and the fulfilment of corporate social responsibility objectives.

Accountability

Digitise data collection procedures to expand the knowledge base on regionally financed projects and their implementing entities. Develop an actionable system for monitoring and evaluating project outcomes, enabling more targeted regional investment in DDC.

10. **Digitise all steps (i.e. application, selection and reporting) of the administrative procedures related to regionally co-financed DDC projects.** This would entail multiple positive spillovers, in addition to obvious efficiency gains compared to paperwork. Firstly, it would facilitate the storage and analysis of project data by the regional administration, improving the evidence base for DDC budgeting and planning. Secondly, publishable data could be fed into a public reporting system, making the region even more accountable for the projects selected and co-financed. Thirdly, such a knowledge repository could be made available to knowledge-based and civil society actors for research purposes. Fourthly, non-confidential data could be used to populate an online portal to showcase the projects co-financed by the region (see, for instance, the database of DDC projects funded by the Emilia-Romagna Region, Italy)⁴⁹, thus improving public communication and decision-maker's awareness on the importance of DDC.
11. **Establish a comprehensive and actionable monitoring and evaluation system.** Applications for regional co-funding should clearly outline the objectives of the project, along with specific and measurable performance indicators, and demonstrate how available resources will be utilised to achieve these objectives and benefit partner communities. This will enable the region to evaluate the clarity and feasibility of the objectives and promote proper utilisation of resources. Upon completion, the project implementing entity should report on their progress based on the indicators specified in the application or provide justification for any deviations. The regional administration will use these evaluation results to make informed decisions in future project selections. A monitoring system should be implemented for strategic projects as well, including those directly managed by the region, to facilitate accountability and proper supervision.
12. **Foster local capacity in monitoring and evaluation.** Setting up a robust monitoring and evaluation system will enhance the region's ability to evaluate the impact and value for money of projects and their benefits for the local community. Building local expertise and encouraging active engagement in monitoring and evaluation is a crucial step in fostering a seamless transition. To prevent smaller actors from incurring excessive costs in adopting state-of-the-art monitoring and evaluation tools, the region and its stakeholders can collaborate to provide training opportunities and engage in discussions to find an optimal balance between the need for measurable evidence in reporting project outcomes and promoting the participation of organisations with limited resources.
13. **Introduce field visits for project assessment.** Field visits in DDC projects can add value to desk-based monitoring and assessment by providing a first-hand experience of the project's impact on the ground. During field visits covering a sample of regionally co-financed projects, the regional administration can gather information that may not be available in project reports, such as the perspectives and opinions of beneficiaries and stakeholders, the feasibility of project activities and the level of community engagement. Moreover, field visits allow project managers to observe and address any issues in real-time, such as delays in implementation or unexpected challenges, which

⁴⁹ For more information, visit:

<https://wwwservizi.regione.emilia-romagna.it/progetticooperazioneinternazionale/Progetti/Ricerca>

can improve project outcomes. Furthermore, field visits can foster stronger relationships with local partners and promote accountability, contributing to the sustainability of project interventions.

Advocacy

Establish a clear and effective communication strategy to disseminate information, raise awareness and garner political support for DDC. This includes creating a digital platform to showcase projects to a wider audience, organising prominent events and engaging with global networks.

14. **Enhance external stakeholder communication through a digital platform.** The region and its community of DDC practitioners could establish a web platform dedicated to the dissemination of materials and information regarding DDC projects co-financed by the Region, enabling effective communication and engagement with key stakeholders such as policy makers, the private sector and volunteers. This platform will serve as a showcase for past and current projects, displaying simple reports and evaluations that measure the impact and outcomes of the activities. By communicating ongoing projects and efforts, the region increases transparency and legitimacy, thereby encouraging further investment in this area. In the future, the platform may also be used as a digitalised process for accessing public tenders for regional financing.
15. **Organise an annual festival of DDC.** The FVG region, in collaboration with its community of DDC practitioners, could establish an annual event aimed at disseminating information on and advocating for regionally co-financed DDC projects. Such a festival would provide a platform to engage key stakeholders and the general public, raising awareness about the significance and impact of DDC initiatives. It could draw inspiration from the "*Festival des solidarités*" in France, an annual event organised by the Center for Research and Information on Development, which brings together solidarity actors to mobilize citizens for the SDGs.⁵⁰ By organising a similar event, the FVG region can showcase the impact of regional funding and highlight the activities being implemented, while engaging the public and increasing awareness about the importance of DDC.
16. **Maximising the network potential of the Regional Committee for Development Co-operation and International Partnerships.** In addition to its main role as an advisory body for regional programming, the Committee, which brings together different stakeholders from the public and private sectors and civil society, could be utilised as a tool to advertise the annual public tender for DDC projects by engaging with the networks it represents. In addition, it could play a "head hunting" role by identifying new organisations and actors that have not yet been involved in the DDC system. This will help to expand the pool of participants and increase the diversity of DDC projects in the region.
17. **Joining international networks.** The region should strengthen its engagement in international networks,⁵¹ as well as join international gatherings in Europe, such as the European Development Days,⁵² and at the global level, such as the High-Level Political Forum on Sustainable Development.⁵³ By joining these networks, the region can share its experiences with other regional governments and stakeholders, thereby increasing its reputation and recognition across regional administrations. A higher reputation will lead to more opportunities for collaboration, thereby strengthening the Region's efforts in DDC.

⁵⁰ For more information, visit: <https://www.festivaldessolidarites.org/>

⁵¹ For more information, visit: <https://platforma-dev.eu/>

⁵² For more information, visit: <https://eudevdays.eu/>

⁵³ For more information, visit: <https://sustainabledevelopment.un.org/hlpf>

Capacities

Strengthening DDC capacities for effective project implementation entails aligning the regional financial commitment to DDC with global targets and enhancing regional DDC skills in areas such as project design, management, and monitoring and evaluation. While this may require increased investment from the regional budget, it has the potential to yield greater returns for the local community; leveraging untapped EU funding instruments can assist in mitigating costs.

18. **Consider aligning regional commitments to DDC with global targets.** Currently, FVG devotes significant funds to DDC compared to its regional wealth, but it invests less than leading regions in Italy and the EU. Matching the financial commitment in DDC with the UN General Assembly's 0.7% ODA/GNI target, as in other leading regions, could help FVG better address the challenges faced by the region and its partners. Additionally, it could boost FVG's influence in key strategic regions like the Western Balkans.
19. **Boost regional DDC skills.** Supporting the training of regional DDC practitioners in areas such as project design, financial management, monitoring and evaluation is crucial for FVG to maximise the impact of its DDC initiatives. Most traditional DDC actors are small, making public support vital. Public resources, such as the European Commission's "DG NEAR Guidelines on linking planning/programming with monitoring and evaluation",⁵⁴ can serve as a valuable common reference for promoting coherence and accountability in DDC efforts. Providing training opportunities can also act as a catalyst for the local community of DDC practitioners, especially for those organisations that are looking to gain or strengthen specific skills in project and financial management.
20. **Leverage EU funding instruments.** The survey highlighted that DDC actors from FVG currently underuse EU funding instruments as a complement to regional co-financing. It is important for them to identify and capitalise on the potential of ongoing EU funding instruments for international co-operation, such as IPA III and NDICI. These instruments specifically target co-operation with partner countries outside the EU, supporting various areas including economic development, neighbourhood policies and global challenges. Territorial cooperation programs like Interreg Euromed and IPA Adrion also offer potential sources of funding, facilitating cross-border collaboration between EU regions and neighbouring non-EU countries. These programmes provide platforms for joint projects and initiatives, addressing shared challenges and promoting regional development. Additionally, other EU programs such as Erasmus+, EU4HEALTH and Creative Europe, while primarily focused on EU member states, also offer opportunities for participation by non-EU countries in their respective areas of focus.

⁵⁴ For more information, visit:

https://neighbourhood-enlargement.ec.europa.eu/dg-near-guidelines-linking-planning-programming-monitoring-and-evaluation_en

References

- (n.a.) (n.d.), *Figure 5.1. Subnational government expenditure as a percentage of GDP and total public expenditure, 2018*, Organisation for Economic Co-Operation and Development (OECD), <https://doi.org/10.1787/888934190913>. [62]
- Behrens, K., M. Drabo and F. Mayneris (2021), “Cultural and public services as factors of city resilience? Evidence from big plant closures and downsizing”, *Discussion Paper*, No. 16723, CEPR, <http://www.cepr.org>. [29]
- Bertheau, A. et al. (2022), “The Unequal Cost of Job Loss across Countries”, <https://doi.org/10.3386/W29727>. [42]
- Boschma, R. (2015), “Towards an Evolutionary Perspective on Regional Resilience”, *Regional Studies*, Vol. 49/5, pp. 733-751, <https://doi.org/10.1080/00343404.2014.959481>. [37]
- Bossuyt, J. and R. Steenbergen (2014), *Development effectiveness at the local and regional level - Fostering synergies between local and regional governments and the EU in the post-Busan era*, http://www.cib-uclg.org/sites/default/files/development_effectiveness_at_local_regional_level.en_.pdf. [10]
- Brezzi, M., L. Dijkstra and V. Ruiz (2011), “OECD Extended Regional Typology: The Economic Performance of Remote Rural Regions”, *OECD Regional Development Working Papers*, No. 2011/6, OECD Publishing, Paris, <https://doi.org/10.1787/5kg6z83tw7f4-en>. [48]
- Callaway, B. and P. Sant’Anna (2020), “Difference-in-Differences with multiple time periods”, *Journal of Econometrics*, <https://doi.org/10.1016/j.jeconom.2020.12.001>. [25]
- Celli, V., A. Cerqua and G. Pellegrini (2022), “The long-term effects of mass layoffs: do local economies (ever) recover?”, *DiSSE Working papers*, No. 06/2022, Department of Social Sciences and Economics, Sapienza University of Rome. [51]
- de Chaisemartin, C. and X. D’Haultfœuille (2020), “Two-Way Fixed Effects Estimators with Heterogeneous Treatment Effects”, *American Economic Review*, Vol. 110/9, pp. 2964-2996, <https://doi.org/10.1257/aer.20181169>. [53]
- de Mello, L. and T. Ter-Minassian (2022), “Improving subnational governments’ resilience in the wake of the COVID-19 pandemic”, *OECD Working Papers on Fiscal Federalism*, No. 37, OECD Publishing, Paris, <https://doi.org/10.1787/6b1304c8-en>. [3]
- Eliason, M. and D. Storrie (2006), “Lasting or latent scars? Swedish evidence on the long-term effects of job displacement”, *Journal of Labor Economics*, Vol. 24/4, pp. 831-856, <https://doi.org/10.1086/506487>. [21]
- Eraydin, A. (2016), “Attributes and Characteristics of Regional Resilience: Defining and Measuring the Resilience of Turkish Regions”, *Regional Studies*, Vol. 50/4, pp. 600-614, <https://doi.org/10.1080/00343404.2015.1034672>. [39]

- Faggian, A. and A. Ascani (2021), “Productivity and resilience. A post-COVID-19 perspective”, *OECD-EC high-level expert workshop series Productivity Policy for Places*, OECD, <https://www.oecd.org/regional/W5-S1-Alessandra-Faggian-Andrea-Ascani.pdf> (accessed on 31 January 2022). [33]
- Fallick, B. et al. (2019), “Job-to-Job Flows and the Consequences of Job Separations”, Federal Reserve Bank of Cleveland, <https://doi.org/10.26509/FRBC-WP-201927>. [28]
- Fernández de Losada, A. (2017), *Shaping a new generation of decentralised cooperation. For enhanced effectiveness and accountability*, Conference of Peripheral Maritime Regions (CPMR) & PLATFORMA, <https://cpmr.org/wpdm-package/cpmrplatforma-study-shaping-a-new-generation-of-decentralised-cooperation-for-enhanced-effectiveness-and-accountability/?wpdmdl=15687&ind=1512992269841>. [9]
- Foote, A., M. Grosz and A. Stevens (2019), “Locate Your Nearest Exit: Mass Layoffs and Local Labor Market Response”, *ILR Review*, Vol. 72/1, pp. 101-126, <https://doi.org/10.1177/0019793917753095>. [31]
- Foote, A., M. Grosz and A. Stevens (2018), “Locate Your Nearest Exit: Mass Layoffs and Local Labor Market Response”, *ILR Review*, Vol. 72/1, pp. 101-126, <https://doi.org/10.1177/0019793917753095>. [18]
- Gathmann, C., I. Helm and U. Schönberg (2020), “Spillover Effects of Mass Layoffs”, *Journal of the European Economic Association*, Vol. 18/1, pp. 427-468, <https://doi.org/10.1093/jeea/jvy045>. [30]
- Gathmann, C., I. Helm and U. Schönberg (2018), “Spillover Effects of Mass Layoffs”, *Journal of the European Economic Association*, Vol. 18/1, pp. 427-468, <https://doi.org/10.1093/jeea/jvy045>. [16]
- Global Partnership for Effective Development Co-operation (2020), *Development effectiveness at subnational level as enabler for implementing the SDGs*, https://effectivecooperation.org/system/files/2020-05/AA%202.6%20Subnational%20POLICY%20NOTE_11.05.2020.pdf. [13]
- González Begega, S. and H. Köhler (2021), “Workforces and local communities against corporate restructuring: a comparative case study of resistance to plant closures in Northern Spain”, Vol. 21/3, pp. 355-371, <https://doi.org/10.1080/14742837.2021.1884975>. [43]
- Goodman-Bacon, A. (2021), “Difference-in-differences with variation in treatment timing”, *Journal of Econometrics*, Vol. 225/2, pp. 254-277, <https://doi.org/10.1016/j.jeconom.2021.03.014>. [52]
- Hassink, R. (2010), “Regional resilience: a promising concept to explain differences in regional economic adaptability?”, *Cambridge Journal of Regions, Economy and Society*, Vol. 3/1, pp. 45-58, <https://doi.org/10.1093/cjres/rsp033>. [35]
- Huttunen, K., J. Møen and K. Salvanes (2011), “How Destructive Is Creative Destruction? Effects Of Job Loss On Job Mobility, Withdrawal And Income”, *Journal of the European Economic Association*, Vol. 9/5, <https://doi.org/10.1111/j.1542-4774.2011.01027.x>. [20]
- Hynes, W. et al. (2020), “Bouncing forward: a resilience approach to dealing with COVID-19 and future systemic shocks”, *Environment Systems and Decisions*, pp. 174-184, <https://doi.org/10.1007/s10669-020-09776-x>. [38]

- Jacobson, L., R. Lalonde and D. Sullivan (1993), “Earnings Losses of Displaced Workers”, *American Economic Review*, Vol. 83/4, pp. 685-709. [23]
- Jofre-Monseny, J., M. Sánchez-Vidal and E. Viladecans-Marsal (2017), “Big plant closures and local employment”, *Journal of Economic Geography*, Vol. 18/1, pp. 163-186, <https://doi.org/10.1093/jeg/lbx026>. [19]
- Kosovac, A. and D. Pejic (2021), *What’s next? New forms of city diplomacy and emerging global urban governance*, CIDOB, Barcelona, https://www.cidob.org/en/articulos/monografias/global_governance/what_s_next_new_forms_of_city_diplomacy_and_emerging_global_urban_governance. [59]
- Marta, S. and R. Morris (2022), *Rethinking Decentralised Development Cooperation in light of the Covid-19 pandemic*, <https://revistaidees.cat/en/rethinking-decentralised-development-cooperation-in-light-of-the-covid-19-pandemic/#notes-group-00>. [61]
- Martin, R. (2012), “Regional economic resilience, hysteresis and recessionary shocks”, *Journal of Economic Geography*, Vol. 12/1, pp. 1-32, <https://doi.org/10.1093/jeg/lbr019>. [36]
- Martin, R. and P. Sunley (2015), “On the notion of regional economic resilience: conceptualization and explanation”, *Journal of Economic Geography*, Vol. 15/1, pp. 1-42, <https://doi.org/10.1093/jeg/lbu015>. [32]
- OECD (2023), *City-to-City Partnerships to Localise the Sustainable Development Goals*, OECD Urban Studies, OECD Publishing, Paris, <https://doi.org/10.1787/d2fe7530-en>. [7]
- OECD (2023), “Decentralised development co-operation: A global policy toolkit and guidance for practitioners”, *OECD Regional Development Papers*, No. 46, OECD Publishing, Paris, <https://doi.org/10.1787/3cb22851-en>. [63]
- OECD (2023), *Development Co-operation Report 2023: Debating the Aid System*, OECD Publishing, Paris, <https://doi.org/10.1787/f6edc3c2-en>. [11]
- OECD (2022), *2022 Synthesis Report World Observatory on Subnational Government Finance and Investment*, OECD Publishing, Paris, <https://doi.org/10.1787/b80a8cdb-en>. [5]
- OECD (2022), *OECD Regions and Cities at a Glance 2022*, OECD Publishing, Paris, <https://doi.org/10.1787/14108660-en>. [2]
- OECD (2022), “Potential spatial impacts of the war in Ukraine: A case study from Italy”, *OECD Local Economic and Employment Development (LEED) Papers*, No. 2022/08, OECD Publishing, Paris, <https://doi.org/10.1787/b7dae4e9-en>. [4]
- OECD (2022), *Webinars - Mass layoffs and local impacts: what we know and what can be done*, OECD Local Development Forum, <https://www.oecd.org/local-forum/events/webinars/masslayoffsandlocalimpacts.htm> (accessed on 12 December 2022). [54]
- OECD (2021), “Job retention schemes during the COVID-19 crisis: Promoting job retention while supporting job creation”, in *OECD Employment Outlook 2021: Navigating the COVID-19 Crisis and Recovery*, OECD Publishing, Paris, <https://doi.org/10.1787/c4c76f50-en>. [44]
- OECD (2020), *A Territorial Approach to the Sustainable Development Goals: Synthesis report*, OECD Urban Policy Reviews, OECD Publishing, Paris, <https://doi.org/10.1787/e86fa715-en>. [1]

- OECD (2020), "An insight into the innovative start-up landscape of Friuli-Venezia Giulia: A tale of two sub-regions?", *OECD Local Economic and Employment Development (LEED) Papers*, No. 2020/08, OECD Publishing, Paris, <https://doi.org/10.1787/2174a2fc-en>. [15]
- OECD (2020), *OECD Employment Outlook 2020: Worker Security and the COVID-19 Crisis*, OECD Publishing, Paris, <https://doi.org/10.1787/1686c758-en>. [49]
- OECD (2020), *OECD Regions and Cities at a Glance 2020*, OECD Publishing, Paris, <https://doi.org/10.1787/959d5ba0-en>. [57]
- OECD (2019), *Decentralised development co-operation. Unlocking the potential of regions and cities*, <https://doi.org/10.1787/24140929>. [60]
- OECD (2019), "Decentralised development co-operation: Unlocking the potential of cities and regions", *OECD Development Policy Papers*, No. 22, OECD Publishing, Paris, <https://doi.org/10.1787/e9703003-en>. [6]
- OECD (2018), *OECD Employment Outlook 2018*, OECD Publishing, Paris, https://doi.org/10.1787/empl_outlook-2018-en. [47]
- 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>. [8]
- OECD (2016), *OECD Regions at a Glance 2016*, OECD Publishing, Paris, https://doi.org/10.1787/reg_glance-2016-en. [56]
- OECD (2006), *The DAC Journal: Volume 6 Issue 4*, OECD Publishing, Paris, https://doi.org/10.1787/journal_dev-v6-4-en. [58]
- OECD (forthcoming), *Multi-level governance of active labour market policies*, OECD publishing. [45]
- OECD/UCLG (2016), *Subnational Governments around the world: Structure and finance*, <https://www.oecd.org/regional/regional-policy/Subnational-Governments-Around-the-World-%20Part-I.pdf>. [12]
- Rizzi, P., P. Graziano and A. Dallara (2018), *A capacity approach to territorial resilience: the case of European regions*, Springer Verlag, <https://doi.org/10.1007/s00168-017-0854-1>. [40]
- Ruhm, C. (1991), "Are Workers Permanently Scarred by Job Displacements?", *American Economic Review*, Vol. 81/1, pp. 319-324. [24]
- Sant'Anna, P. and J. Zhao (2020), "Doubly robust difference-in-differences estimators", *Journal of Econometrics*, Vol. 219/1, pp. 101-122, <https://doi.org/10.1016/j.jeconom.2020.06.003>. [26]
- Silva, F. et al. (2019), "Structural adjustment, mass lay-offs and employment reallocation", *OECD Science, Technology and Industry Policy Papers*, No. 72, OECD Publishing, Paris, <https://doi.org/10.1787/90b572f3-en>. [46]
- Simmie, J. and R. Martin (2010), "The economic resilience of regions: Towards an evolutionary approach", *Cambridge Journal of Regions, Economy and Society*, Vol. 3/1, pp. 27-43, <https://doi.org/10.1093/cjres/rsp029>. [34]
- Stevens, A. (1997), "Persistent Effects of Job Displacement: The Importance of Multiple Job Losses", *Journal of Labor Economics*, Vol. 15/1, Part 1, <https://doi.org/10.1086/209851>. [22]

- UNDESA (2013), *Effective decentralised development co-operation: flows, modalities and challenges*. [14]
- UNU-CPR (2015), *Decentralized Cooperation and the New Development Cooperation Agenda: What Role for the UN?*, [55]
https://collections.unu.edu/eserv/UNU:3321/unu_cpr_decentralized.pdf.
- Venkataramani, A. et al. (2020), "Association Between Automotive Assembly Plant Closures and Opioid Overdose Mortality in the United States: A Difference-in-Differences Analysis", *JAMA Internal Medicine*, Vol. 180/2, pp. 254-262, [41]
<https://doi.org/10.1001/JAMAINTERNMED.2019.5686>.
- vom Berge, P. and A. Schmillen (2022), "Effects of mass layoffs on local employment—evidence from geo-referenced data", *Journal of Economic Geography*, [50]
<https://doi.org/10.1093/jeg/lbac026>.
- Wooldridge, J. (2021), "Two-Way Fixed Effects, the Two-Way Mundlak Regression, and Difference-in-Differences Estimators", <https://www.researchgate.net/publication/353938385>. [27]
- Yildiran, C. (2021), "Mass lay-offs in the United States of America, An analysis over 1995 – 2013", *SSRN Electronic Journal*, <https://doi.org/10.2139/ssrn.3762922>. [17]

Annexe A. Project structure and methodology

Overview

Table A.1. Project activities and related objectives

	Timing	Activity	Objective
2022	February-April	Project dataset creation	Creating a dataset for classifying DDC projects under multiple perspectives, manually populated by utilising a large volume of non-editable files (i.e. project applications and reports) provided by the regional administration
	April-May	Online survey	Measuring self-assessed skills in project design, management and implementation across a representative sample of local DDC actors (59 respondents)
	June	Online individual interviews	Gathering opinions in a confidential environment about the strengths and weaknesses of the regional DDC strategy and advice on potential drivers for development (12 interviews conducted)
	July	Focus group discussions	Stimulating a multi-stakeholder discussion about the strengths and weaknesses of the regional DDC strategy, highlighting the internal and external constraints to its enhancement (21 organisations involved)
	October	Focus group discussions	Stimulating a multi-stakeholder discussion about the options available to enhance the regional DDC strategy and creating buy-in for a common effort (30 organisations involved)
2023	February	Fact-finding mission	Collecting first-hand qualitative evidence on the local impact of a sample of DDC projects co-financed by FVG in Serbia and Montenegro, and assessing the potential of field visits as a tool to complement desk-based project monitoring and evaluation
	March - June	Capacity building modules	Strengthening local skills in (a) monitoring and evaluation (March), (b) fundraising (May) and (c) project co-design (June) among local DDC actors (40+ organisations involved)
	May	International workshop	Raising awareness of global trends in DDC and promoting peer-learning between regional policy practitioners from different OECD member countries (FVG, Veneto, Emilia-Romagna and Trentino in Italy, Basque Country and Catalonia in Spain)

Source: Author's elaboration.

Description

Project dataset creation

Classifying DDC projects from multiple perspectives required digitising the entire administrative archive, including applications and project reports. More than 600 paper files were scanned, with the assistance of regional administration in accessing the necessary documentation. The resulting non-editable files were individually analysed to populate a database. However, the lack of harmonisation in some underlying data hindered the acquisition of critical variables, such as activity descriptions.

The digitised archive provides a comprehensive overview of regional DDC initiatives and enables the production of previously unattainable statistical studies. In recent years, FVG has actively worked on developing a digital procedure for project applications and reports. The dataset produced by the OECD serves as a basis to build on and expand for future comprehensive analysis.

Key deliverable: Digitised project archive.

Online survey

To assess self-assessed skills in project planning and implementation among organisations involved in DDC in FVG, a survey was conducted. The survey targeted approximately 110 subjects, selected from a distribution list created by the regional administration using information collected from co-financed projects over the last decade. The survey was made accessible through a dedicated webpage featuring a questionnaire form, and the link was distributed via email to the entire target community. Respondents were given two months to provide their inputs, and two reminders were sent during this period to encourage participation. The survey received a good response rate, with 59 comprehensive responses. Most participants answered all questions, with only a few leaving a minimal number unanswered (typically three to four). The survey primarily focused on organisations with extensive project management experience, and only a small number indicated non-participation in regional calls.

The survey consisted of 13 sections comprising a total of 38 questions, taking an estimated 15 minutes to complete. Participants had the option to save their responses as drafts to enhance the quality of information provided. The survey aimed to comprehensively evaluate various aspects related to DDC projects. Specifically, it analysed participants' project implementation capacities, including their abilities in project planning, management and coordination. It also explored funding methods employed, partner identification approaches and communication methods utilised. Special attention was given to monitoring and evaluation processes, as well as the implementation of international development co-operation projects not financed by the FVG Region. Additionally, the survey assessed the quality of interaction between participants and the regional administration. The survey data was automatically merged into a matrix dataset, allowing for statistical analysis based on individual response files.

Key deliverable: survey dataset.

Online individual interviews

A series of 12 individual interviews was conducted to investigate the strengths, weaknesses and potential improvements of the regional DDC strategy. Interviewees were selected based on their proven track record in managing projects and the size of their organisations, as indicated in the survey responses. The interviews took place in a confidential online setting, allowing participants to freely express their views and perspectives. Thought-provoking questions were posed, focusing on the efficiency, effectiveness, coherence and relevance of the DDC strategy, as well as the support received from the regional administration. The objective was to gather qualitative evidence and extract clear messages regarding critical elements of the regional strategy, fostering a participatory approach to consensus-building.

The insights and perspectives shared by stakeholders contribute to a comprehensive understanding of the regional DDC strategy, enabling the identification of areas for improvement and enhancement. Engaging stakeholders through interviews and focus group discussions (next point) contributed to their active involvement in shaping the future direction of the DDC strategy, fostering consensus on potential lines of reform.

Key deliverable: 12 interview reports.

Focus group discussions

Two focus groups were conducted to actively engage stakeholders and promote constructive dialogues about the regional DDC strategy. Both focus groups took place in person, enabling direct interactions and vibrant exchanges of ideas, with three sessions per round, categorised by small CSOs, medium and large CSOs and municipalities. During each session, the OECD presented statements derived from interviews, providing insights into the main assets and challenges of the FVG strategy. Participants were encouraged to comment on these statements, fostering reflective thinking and allowing for in-depth exploration of the

factors influencing the strategy's effectiveness and limitations. This approach facilitated the emergence of a diverse range of suggestions and perspectives.

The first focus group, involving 21 organisations, focused on retrospective reflections on the strengths and weaknesses of the strategy. The second session, with 30 organisations, centred on generating proactive discussions to explore options for enhancing the strategy, while also analysing future opportunities and threats. Through this activity, stakeholders contributed to shaping the direction and effectiveness of the regional DDC strategy, fostering a participatory and collaborative approach to decision-making.

Key deliverable: two focus group discussion records.

Fact-finding mission

To gather first-hand evidence on project functioning and outcomes beyond administrative sources, a fact-finding mission was planned and coordinated by the OECD. Project selection prioritised actors with a larger record and projects with continuity to facilitate meaningful findings. The Western Balkans' location provided a highly accessible research context and enabled multi-country analyses. The OECD prepared detailed agendas and promoted accountability among the various stakeholders involved. Prior to the mission, desk analysis was conducted to establish study questions and objectives.

The fact-finding mission involved visits to daily care centres for individuals with mental conditions in Šabac and Bogatić, Serbia, and a centre addressing drug addiction in Kotor, Montenegro. Interviews with local partners enriched project understanding and facilitated an impact assessment. The significance of gaining first-hand insights and engaging with the local context to observe outcomes is highlighted in Box 2.3.

Key deliverables: fact-finding mission pilot, mission report.

Capacity building modules

The capacity-building initiative comprised three modules designed to strengthen local skills in (1) project monitoring and evaluation, (2) fundraising and (3) collaborative approaches to design and implementation. More than 50 DDC organisations from FVG participated in these modules. The first module was conducted in person, while the remaining modules were held remotely.

1. This module had a primary focus on improving the measurability of DDC projects and facilitating discussions to enhance monitoring and evaluation processes without imposing excessive burdens on smaller actors. Comments were collected using Mentimeter, an app utilised to create presentations with real-time feedback, followed by open discussions. A comprehensive report summarising the main topics discussed and the materials presented during the module was made available to all participants. Additionally, written guidelines for a regional strategy on monitoring and evaluation in DDC were prepared and provided to the region for future reference and implementation.
2. This module centred on fundraising and featured presentations of a compilation of EU tools and programmes that can support project financing. The goal was to raise awareness among regional DDC actors about additional resources available as an alternative to regional financing. Factsheets were produced and shared with the regional administration, providing a comprehensive analysis of the programmes.
3. The objective of this module was to initiate a debate on the concept of a community of DDC practitioners as a platform to foster knowledge sharing and collaboration in project design for more effective project outcomes. Mentimeter was utilised to facilitate participant contributions, allowing for real-time input and interaction, followed by open discussions to encourage further engagement among the participants.

Key deliverables: three capacity building modules; learning package (training reports, presented slides and Mentimeter survey results); guidelines on project monitoring and evaluation; factsheets on EU programmes for DDC funding.

International workshop

The webinar had two main goals: to raise awareness among FVG's regional administration about global trends in DDC and to facilitate peer-learning among policymakers from different countries. Representatives from the Basque Country and Catalonia in Spain shared their expertise on critical issues in DDC, including financing, governance, private sector participation, impact assessment and public communication, offering valuable insights into successful DDC strategies and implementation approaches. The webinar also showcased best practices from the new OECD Global Policy Toolkit on DDC, which incorporated the latest research and innovative findings.

The collaborative environment fostered the exchange of good practices beyond national borders, allowing participants to share views, learn from one another and engage in meaningful discussions. The involvement of regional administrations from other north-eastern Italian regions, such as the Autonomous Province of Trento, Veneto and Emilia-Romagna, further promoted cross-regional co-operation and dialogue in the area.

Key deliverables: webinar video registration; presented slides.