

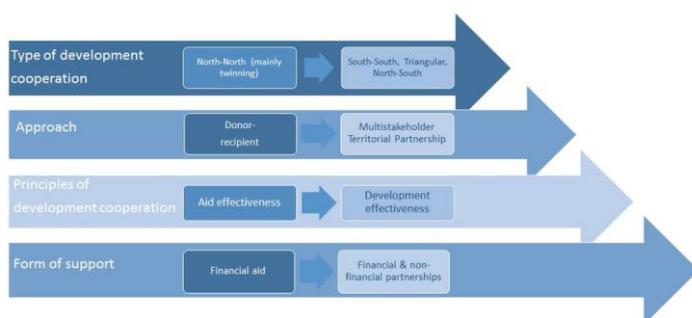
Reshaping Decentralised Development Co-operation.

The key role of cities and regions for the 2030 Agenda

The 2030 Agenda for Sustainable Development, UN Habitat III, Paris Climate Agreement, and Addis Ababa Action Agenda, all recognise the important role of local and regional actors to fulfil substantial implementation needs. Building on the 2005 OECD DAC Report on decentralised development co-operation (DDC), the new 2018 study aims to showcase how donors are “localising the global commitments” and assess DDC potential by taking stock of DDC financial flows, analysing emerging trends and identifying innovative paradigms that are shaping the role of local and regional governments in international cooperation actions.

Key Findings

- ➔ **DDC has a key role to play in localising Global Agendas.**
Decentralised development cooperation plays a key role in the localisation of global agendas, in particular the SDGs. Without proper engagement of, and co-ordination with, local and regional governments, the attainment of roughly 65% of the 169 targets underlying the 17 SDGs cannot be reached. Cities and regions thus have an important role to utilise DDC to support knowledge and peer-to-peer exchange within and across countries on how to mainstream SDGs in their local and regional policies, as well as planning, investment, and strategies.
- ➔ **DDC has diverse forms, which a standard definition cannot capture**
There is no standard definition of DDC used across countries and only 7 out of 28 EU countries have an official definition of DDC. In some countries, local and regional governments are the only DDC players, and they interact with peer cities or regions. In others, subnational governments interact with national governments in partner countries. In some cases, CSOs are the main implementing DDC actor; universities also play a role. Conceptual divergences also refer to the nature and the typology of DDC (DDC as just aid delivered vs support to strengthening subnational government in partner countries, ODA vs non-ODA), and partnerships. This diversity highlights the need to acknowledge the richness of DDC concepts, implementation modalities, actors, and institutional frameworks rather than searching for a one-size-fits-all definition. The report takes stock of the wide range of practices to strengthen capacities and learning in partner cities, regions and countries and raise the profile of cities and regions in international co-operation.
- ➔ **DDC has shifted from traditional donor-driven cooperation based on rich/poor divide to a diverse set of increasingly partnership-driven modalities**



Over the last decades, DDC has evolved from a donor-recipient model towards a multi-stakeholder approaches and territorial networks. Traditional forms of co-operation, such as technical assistance, have been complemented by direct and in-kind support for governance, democracy and decentralisation. This new approach expanded the scope of DDC to a new form of “internationalisation of territories” or “international cooperation of local and regional authorities” aiming at leveraging investment potential, increasing the attractiveness of a given territory, and promoting economic development through networks of public and private sub-national actors. It is mainly based on the co-operation of a network of territorial stakeholders in both DDC promoter and partner countries, which includes local and regional governments and their associations, but also CSOs, association of LRGs, private sector and academia.

➡ **DDC has evolved from simple bilateral cooperation projects to more systematic multi-stakeholder approaches**

DDC has evolved from traditional bilateral projects or cooperation involving a limited number of actors towards more complex partnerships engaging various territorial stakeholders in a more inclusive fashion, especially the private sector, universities, CSOs and local and regional government associations, who are playing a more prominent role. In a context of major territorial reforms in several OECD countries (e.g. decentralisation, recentralisation, or amalgamation of small municipalities), cities and regions have also increasingly played distinctive roles in DDC. Municipalities mainly focus on peer-to-peer partnerships through their know-how, expertise as well as on promoting technology transfer. Regions, in addition to peer-to-peer and multilevel cooperation with different territorial stakeholders also provide financial support for DDC activities, contribute to education and awareness raising campaigns, and facilitate co-ordination and monitoring.

➡ **Climate change and gender are emerging DDC priorities in terms of ODA flows**

In 2014-15, 11% of DDC (USD 41 million) went to climate change related projects, in particular climate change adaptation (44%), and 43% (USD 163 million on average per year) to gender-focused projects. In terms of volume, Spain is leading on DDC climate-related aid, allocating USD 24 million on average per year in 2014-15, while The United Kingdom is leading in terms of the proportion of its DDC aid focusing on climate-related issues (34%). Spain is also the top provider of gender equality-focused aid, concentrating USD 122 million on average per year in 2014-15 or 66% of the total volumes of its DDC.

➡ **DDC has evolved from ODA-driven to combined ODA and non-ODA activities**

Decentralised development cooperation is shifting from a traditional ODA-driven model to a more diverse model that blends ODA and non-ODA resources and activities. In particular, the shift encompasses stronger partnerships with local and regional governments from the Global South as well as peer-to-peer learning and knowledge sharing among territorial actors. This new landscape fosters reciprocity, leading to an increase in two-way co-operation and more equitable and returns on investment or returns on “influence” for all stakeholders.

➡ **From fragmented DDC actions to a strengthened multi-level governance system based on cooperation and coordination**

Lack of coordinated actions and critical scale in the past resulted in fragmentation of DDC interventions and was a major obstacle to effectiveness and efficiency of development co-operation activities undertaken by subnational governments. National governments,, global networks or platforms, and national associations of local and regional governments have played an growing role to facilitate the coordination of DDC activities in an increasingly complex and challenging context with actors intervening at different scales. With a solid multi-level governance system that promotes vertical and horizontal coordination, DDC can achieve its full potential.

➡ **There is a need to improve DDC reporting and monitoring across levels of government**

The lack of solid data to quantify DDC activities, and the lack of systematic evaluations to measure their performance and impact hinder the understanding of the importance of DDC, and the potential to support it at national level and to use it more prominently. Although the situation has improved since with 13 DAC members now reporting on DDC against 9 in 2005, better reporting across donors is critical to foster transparency and more incentives are needed to encourage reporting on DDC financial flows. In addition to financial reporting, DDC activities carried out by LRGs also need to be better documented, assessed and shared.

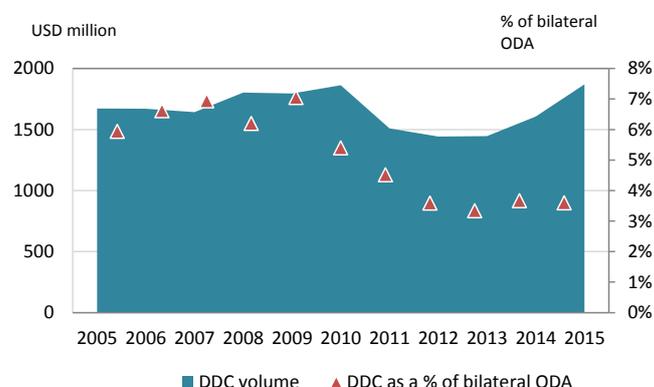


Key findings from CRS on ODA flows

- ➔ **Despite the Global Financial Crisis, the volumes of DDC increased by 12%, from USD 1.7 billion in 2005 to USD 1.9 billion in 2015. Relative volumes of DDC remained at 6% of total bilateral ODA over the 2005-15 period.**

As shown in Figure 1, total DDC volumes have increased by 12% over the period 2005-15. DDC amounted to USD 1.7 billion in 2005 reaching USD 1.9 billion in 2015. Despite the 2008 international financial and economic crisis, which severely affected the financing capacity of local and regional authorities¹, overall DDC volumes have continued to rise. In 2005-15, relative volumes of DDC remained stable at 6% of total bilateral ODA when including countries only reporting on DDC over the total period. When DAC members who began reporting later than 2005 are included in the total, the relative volume of DDC drops to 4% of total bilateral ODA.

Figure 1. Trends in official DDC financing, net disbursements, USD million, constant 2015 prices



- ➔ **In 2015, the top DDC providers were Germany (7% of its bilateral ODA, USD 976 million), Canada (9% of ODA, USD 254 million), Spain (59% of ODA, USD 210 million), and Austria (22% of ODA, USD 170 million).**

Figure 2. Trends on DDC ODA: 2005, 2010 and 2015 USD million net disbursements, 2015 prices

DDC volume	2005	2010	2015	rate of growth 2005-15
Germany	1012.9	933.4	975.5	-4%
Canada	..	90.8	253.9	..
Spain	473.6	570.1	209.5	-56%
Austria	36.8	22.7	169.5	360%
Belgium	74.0	97.6	85.8	16%
France	..	69.6	63.6	..
Switzerland	43.3	48.9	62.6	44%
Italy	19.9	26.3	27.7	39%
United Kingdom	..	0.0	18.5	..
Japan	6.2	3.7	3.3	-46%
Czech Republic	..	0.0	0.3	..
Portugal	4.7	0.0	0.1	-97%
Greece	0.8	0.0	0.0	-100%
Total	1672.5	1863.7	1870.3	12%

Austria (+360%), Switzerland (+44%), Italy (+39%) and Belgium (+16%) have increased their DDC in the last decade (see last column of Figure 2). Greece (-100%), Portugal (-97%), Spain (-56%), Japan (-46%) and Germany (-4%) show a decrease in their DDC. Some individual countries are increasingly using DDC relative to other forms of bilateral ODA. Increases in the proportion of ODA expended as DDC are shown for countries including Austria (from 3% in 2005 to 22% in 2015), Belgium (from 5% to 8%), Italy (from 0.8% to 2%) and Spain (from 26% to 59%). Decreases in the relative proportion of DDC ODA are seen for Germany (from 13% to 7%) and Portugal (from 2% to 0.2%).

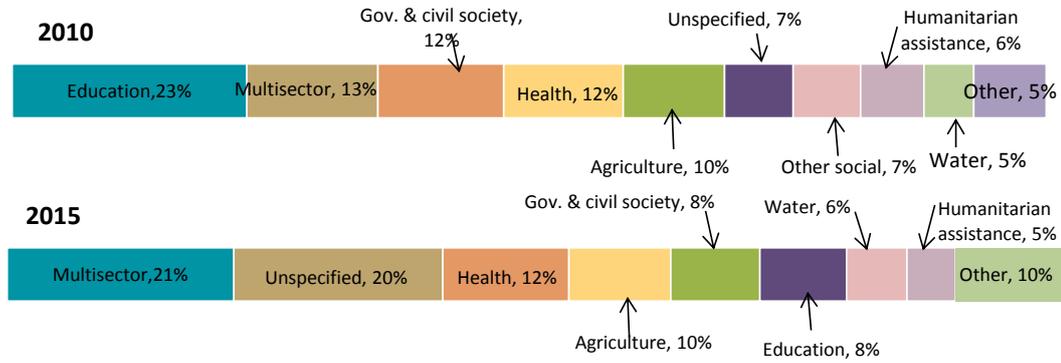
- ➔ **The main recipient of DDC is Malawi (3%), followed by Peru, Morocco, Senegal and Nepal with 2% each.** Mozambique, the West Bank and Gaza Strip, Bolivia, the Democratic Republic of the Congo and El Salvador follow with 1% each. But if we include imputed student costs (defined as indirect or “imputed” costs of tuition in donor countries provided to Chinese students residing in Germany), China becomes the top recipient.

- ➔ **From 2010 to 2015, total DDC to social sectors dropped from 59% of DDC to 34% of total sector allocable DDC, due mainly to an increase in non-sector allocable reporting (Figure 3).** In 2010, education was the main sector targeted by DDC activities, representing 23% of total sector allocable resources, followed by the ‘multi-sector’ category (13%), ‘Government and civil society’ (12%) and Health (12%). A decrease in granular sectoral data in favour of classification as ‘multisector’ and ‘unspecified’ categories (principally from Switzerland and Spain)² contributed to the social sectoral shift vis à vis 2010.

¹ [CCRE/CEMR. The Economic and Financial Crisis ; Impact on local and regional authorities.2009](#)

² Switzerland recognises in the DDC/DAC survey the need to improve data collection in terms of sectoral allocations. Spain reported on aggregates for a portion of DDC aid in 2015 which was classified under the multisector or unspecified categories.

Figure 3. Sectoral allocations of DDC



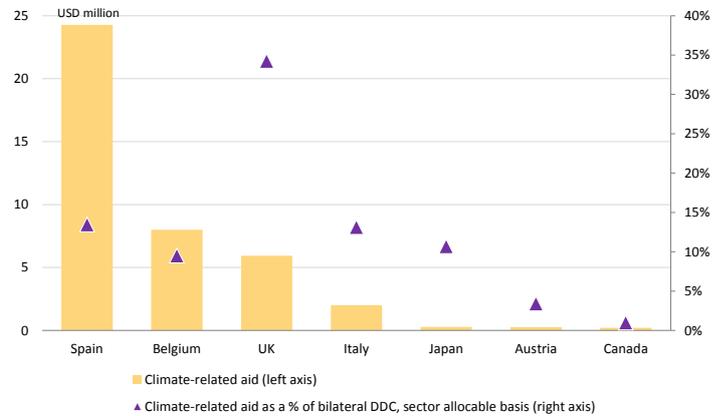
➔ Policy objectives in DDC

Climate-related Aid

In 2014-15, climate change-related DDC amounted to USD 41 million, representing 11% of total bilateral allocable DDC volumes screened over the climate markers. This is much lower than non-DDC sector allocable bilateral aid, where 41% had a climate-related focus. Nevertheless, in contrast with the results obtained for non-DDC activities, climate adaptation activities are highly targeted among DDC projects (in 2014-15 “adaptation only” aid activities represented 44% of the total DDC climate-related amounts, and 28% for non-DDC activities). In volume terms, Spain is leading on DDC climate-related aid, allocating USD 24 million on average per year in 2014-15. The United Kingdom is leading in terms of the proportion of its DDC aid focusing on climate-related issues (34%).

Figure 4. Trends in DDC climate-related aid by donor, bilateral allocable basis

2-y average commitments in 2014-15, USD million, 2015 prices



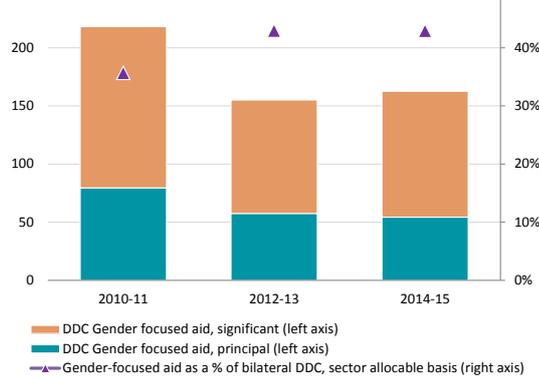
Note: the Czech Republic and Portugal are not shown in the chart although they screen their DDC against the climate markers as the amounts are low or inexistent.

Aid focusing Gender Equality and Women’s Empowerment

In 2014-15, in a sector allocable basis, gender-focused aid reaches 43% of total DDC (this percentage totalised 38% for non-DDC sector allocable aid), or USD 163 million on average per year. Spain is also the top provider of gender equality-focused aid, concentrating USD 122 million on average per year in 2014-15 or 66% of the total volumes of its DDC.

Figure 5. Trends in DDC gender-focused aid

2-y average commitments, USD million, 2015 prices, sector allocable basis



Note: the coverage ratio, ie. the proportion of aid screened against the gender marker, was calculated for every donor and year over the period. France and the United Kingdom did not report on gender in the full period; Austria provided insufficient coverage in 2015; Czech Republic in 2010 and 2011, Portugal in 2010, and in 2010, 2011 and 2012.



Key Recommendations

➔ **Recognise the diversity of DDC concepts, characteristics, modalities and actors.**

Promoting a more flexible and dynamic understanding of DDC terminology, practices and implications will allow for better implementation of DDC activities by small municipalities, cities, provincial and regional authorities. Local and regional government participation in international co-operation activities is largely influenced by the global agenda and the search for greater territorial attractiveness, strengthened linkages with migration policies and the role of diaspora, policy dialogue, and knowledge sharing, practitioners experience, and greater return on influence.

➔ **Promote a territorial approach to DDC through fostering place-based and demand-driven initiatives.**

There is a need to go beyond a donor-recipient approach to DDC, which creates asymmetric relations and results in limited reciprocity and learning. A territorial approach to DDC would increase the impact of DDC actions, improve the coordination and reduce the fragmentation of projects, and better exploit the key DDC principles of territorial partnership (reciprocity, proximity and co-development). It would also mobilise the knowledge and expertise of a variety of territorial stakeholders to support their peers in partner countries in a more comprehensive way, increasing the return on non-tangible investments through exchanges of knowledge and good practice and peer-to-peer learning.

➔ **Consider the potential of DDC as a vehicle to raise the profile of cities and regions' contribution to the SDGs.**

Cities and regions are not just mere implementers of national policies or global commitments. Local policy makers can promote sustainable development and policy coherence at scale given their wide range of competencies. The 2030 Agenda provides an ideal framework to mainstream sustainable development goals into local and regional policymaking, planning tools, investment strategies and decision-making.

➔ **Promote better coordination across levels of governments in promoters and partners' countries for greater DDC effectiveness and efficiency.**

National, sub-national governments, global networks and national associations of LRGs have an important role to play to facilitate the coordination and exchange of information, knowledge and experience across DDC players, but also to take stock of what, where, and how DDC works, does not work, and how it could be improved

➔ **Set incentives to share data and information about DDC financial flows, priorities, practices and communicate on outcomes and results in a more visible manner.**

A subset of this recommendation is to trigger ambitious efforts in reporting DDC financial flows through the DAC Creditor Reporting System. Improvements on this front will provide a more comprehensive picture of the shared responsibility taken on by promoters and partner countries in development co-operation.

➔ **Promote results-oriented monitoring and evaluation frameworks for informed decision-making and better transparency.**

To date, the focus of DDC monitoring and evaluation has been on project results mainly. Going forward, these processes should include information on the impact of DDC activities on development goals and outcomes, as well as on sustainable development at large and citizens' well-being. They should also contribute to a learning process to inform decisions as well as define DDC priorities and activities.

➔ **Promote the engagement of territorial stakeholder across the full DDC spectrum, from strategic setting to planning, decision-making and implementation, to increase ownership and accountability.**

Mobilising place-based knowledge and expertise of DDC stakeholders upstream could increase the impact of DDC interventions downstream. Engaging territorial actors, such as CSOs, the private sector, research centres, universities, government ministries or agencies in promoter and partner countries, can help empower communities, generate ownership and result in long-term sustainability of DDC activities. A preliminary step to effectively engaging stakeholder is to map out who does what and to promote legal and institutional frameworks conducive to stakeholder engagement.

