

Rethinking Decentralised Development Cooperation in light of the Covid-19 pandemic

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Il·lustració: [Hansel Obando](#)

Decentralised development co-operation (DDC) lacks a harmonised statistical definition and is often embodied in diverse legal frameworks and governance structures that vary according to levels of decentralisation across countries. Attempts to provide a unifying definition of DDC often fall short of capturing the diversity of actors involved and their value-added to deliver development co-operation and finance in support of sustainable and inclusive development and recovery.

DDC can include activities beyond aid, or what is counted as Official Development Assistance (ODA) flows [1]. In 2005, a first OECD report defined DDC as, “Aid extended by the public sector other than the central government” [2]. While ODA is the most comprehensive measure of DDC, it captures a more narrow set of official concessional resources (grants and soft loans) that promote and specifically target the economic development and welfare of developing countries, and can include certain costs and activities which take place within donor country borders (e.g. development awareness, hosting refugees, student scholarships, etc.). In contrast, many DDC approaches have a greater focus on reciprocity, mutual benefit, and knowledge sharing which moves away from the North-South paradigm. Moreover, DDC is not only carried out between

subnational to subnational actors. Civil society, universities, multilateral organisations, private sector, etc. all play a prominent role in supporting projects at the subnational level. Finally, financing can also be provided by subnational to national levels such as when regional governments like Flanders provide direct funding to developing countries' national governments [3].

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With these broader components in mind, it is important to recognise the opportunities and potential strength that DDC modalities offer to complement traditional means of development co-operation. DDC delivers technical competencies for public service delivery in areas where cities and regional governments have added value such as health services provision, education, water and sanitation, promoting gender equality, tackling climate change, etc. Many partnerships also reflect longstanding commitment to development co-operation. For example, the Basque Country has its own aid agency since 2007 with a budget and strategy to promote international development co-operation. When international co-operation is carried out by local actors, their impacts are felt closer to the daily lives of citizens. They carry out development education and awareness raising which helps to communicate and translate global objectives like the Agenda 2030 for sustainable development into local reality.

Cities and regions in developed and developing countries are faced with uneven impacts due to COVID-19

The COVID-19 pandemic brings unprecedented challenges to finance sustainable development and risks major setbacks to the sustainable development goals, particularly in the poorest countries. With over 100 countries in lockdown, the COVID-19 pandemic brings with it the third and greatest economic, financial and social shock of the 21st century, after 9/11 and the global financial crisis of 2008. This shock brings a halt in production in affected countries, hitting supply chains across the world, a steep drop in consumption together with a collapse in confidence and, finally, a sharp decline in services that reflects the consequences of lockdowns and social distancing, especially in urban settings.

Many developing countries who already faced an SDG financing gap of USD 2.5 trillion annually, are now grappling with heightened volatility of external private investment and increased debt distress. External private finance to developing countries in 2020 dropped by 20% compared to 2019 levels. While OECD countries expect to see growth return to pre-crisis levels, many developing countries are will not recover for several years. Poverty levels have also increased for the first time since 1990s moving the world further off-track.

The pandemic knows no borders. Covid-19 had a strong and diverse territorial impact that might exacerbate the already existing huge territorial disparities within and across countries. Regional and national governments are focusing on responding to the pandemic and designing recovery measures for the medium and long term. Governments' priorities have drastically changed and their human and financial resources are focused on addressing the crisis.

Many of local and regional governments in developing countries lack health system capacities. Uganda has only 0.1 ICU bed/100,000 population. In contrast, the United States has 34.7 beds/100,000 population. The IMF indicates that emerging markets alone could require an additional USD 2.5 trillion for their Covid-response, potentially doubling the SDG financing gap. Developing countries are facing worse conditions than after the GFC, many have entered the COVID-crisis with higher debt levels, debt servicing costs and with a greater share of private debt.

Cities and urban settlements in developing countries are most affected by the sanitary crisis, and are also likely to suffer most from the economic crisis. Indeed, in developing countries, urban areas face higher risks related to COVID. For example, the Accra region in Ghana accounts for 3,981 cases out of a total 5,127 (or 78% of all cases). A third of national GDP (31%) comes on average from the largest city in African countries.

COVID-19 has had a wide and diverse territorial impact that can aggravate the great territorial inequalities that already exist both in and between countries

However, per capita expenditure of African local authorities are among the lowest in the world at USD 26. In addition, while the overall response to COVID-19 is often co-ordinated by the central government, sub-national governments have a key role to play to raise awareness and communicate with citizens, ensure continuity of local public service delivery, support business recovery, support vulnerable groups, but also enforce nation-wide measures related to physical distancing and working patterns.

Now more than ever innovative approaches such as DDC should be leveraged to “build back better” placing people and planet at the heart of financing

The Addis Ababa Action Agenda raises the urgency to address growing financing and capacity needs at all levels of government in developing countries (para. 34) Fifteen cities from mainly developed countries hold 11% of the world's wealth or USD 24 trillion (Desjardins, 2018). Thirty of the thirty-five most rapidly growing cities are in least developed countries. Urban infrastructure including water, electricity, housing, etc. is

costly and complex to carry out effectively. ODA provided by OECD DAC national governments in support of cities and regions in developing countries remains at only 1.3% of total bilateral ODA. As cities gain access to greater financing, redistribution efforts are needed to ensure inclusive growth across urban and rural areas. Development co-operation can support national capacities to redistribute wealth.

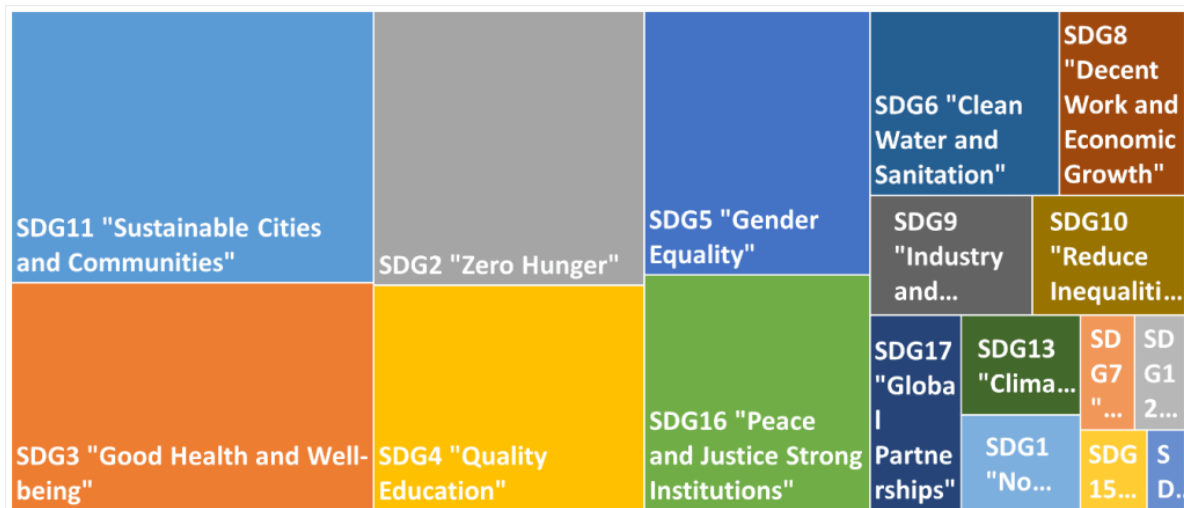
Decentralised Development Co-operation (DDC) provides an opportunity to leverage scarce ODA resources to support recovery following the pandemic. Following the great financial crisis in 2007-09, from 2012 to 2019, DDC volumes provided by DAC members grew from USD 1.5 billion to nearly USD 2.5 billion, or by 7% on average annually (USD constant prices, net disbursements). In five OECD DAC countries, DDC represents 5% or more of total bilateral ODA across several DAC members - Austria (23%), Canada (14%), Spain (16%), Belgium (7%) and Germany (6%). The increasing trend reflects the waves of territorial redefinitions generated by the 2008 financial crisis, resulting in fiscal consolidation and an impact on DDC legal and institutional frameworks. Many central governments-initiated processes of responsibilities, resources and authority transfer from top to bottom levels with a search for lower costs, as well as empowerment of subnational governments, better service delivery, governance and citizens trust.

These aid trends reflect the important role for cities and regions to respond globally to the pandemic. Subnational actors were strong supporters of SDG 3 “Good Health and Well-Being” even before the crisis. Aid provided by subnational actors to health-related sectors averaged USD 113 million annually over the past decade. In 2018, DDC health sector financing represented 5% of bilateral allocable DDC or USD 103 million [4].

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Figure 1 shows that DDC makes an important global contribution to SDG 3 “Good health and well-being” in addition to other major areas such as SDG 11 “Sustainable Cities and Communities”, SDG 2 “Zero Hunger”, SDG 4 “Quality Education”, SDG 5 “Gender Equality”, SDG 16 “Peace and Justice” and SDG 6 “Clean Water and Sanitation”. The SDG alignment of DDC could help to ensure the value-added of DDC expertise across different sectors. The use of OECD Creditor Reporting System (CRS) demonstrates the strong focus of DDC activities in climate and gender sectors.

Figure 1. Decentralised Development Co-operation provides financial support and expertise across the SDGs (2015-16 averages, excludes in-donor costs, net disbursements).

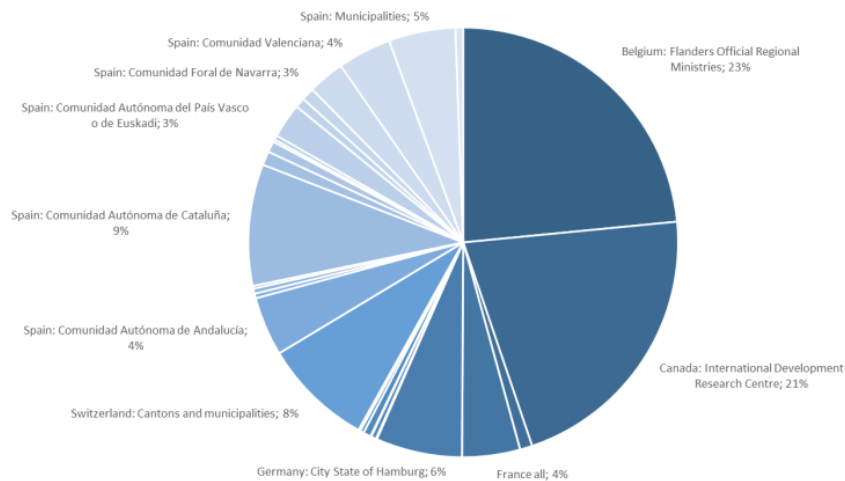


Source: [OECD SDG Financing Lab](#)

Note: In-donor costs are excluded from the SDG breakdown of DDC to better reflect the amounts that crosses borders at the subnational level, including administrative costs, imputed student costs, promotion of development awareness, research and refugees in donor countries. For further explanation of the methodology and definition see [the online link](#).

Figure 2 shows that three subnational governments provide more than half of total DDC health sector financing. These include Flanders Official Regional Ministries (23%), Canadian International Development Research Centre (21%) and the Autonomous Community of Catalonia (9%). However, several other subnational governments also represent a significant share of the total, including Swiss Cantons and Municipalities (8%), City State of Hamburg (6%), and Spanish municipalities (5%).

Figure 2. The bulk of DDC support to the health sector in developing countries is provided by a few subnational actors (USD 2018, net disbursements, bilateral allocable ODA).



Source: OECD Creditor Reporting System (CRS). Accessed 25 March 2020.

Note: France does not report DDC figures disaggregated by French territorial authorities to the OECD CRS database.

Leveraging expertise and know-how through DDC to build back greener, fairer and smarter cities and regions

Over the mid to long-term, DDC could be instrumental to build back better. Beyond global health, DDC is a longstanding support mechanism for other global public goods that can promote resilience to the health pandemic, such as climate change adaptation and gender equality and women's empowerment [5]. In addition to financial aid, cities and regions in donor and partner countries can support each other through the exchange of knowledge and good practices to build back a more sustainable "new normal".

Greener cities and regions. DDC can contribute to strengthening the transition to a low-carbon economy. Key actions from cities and regions should include:

- Mainstream climate mitigation and adaptation priorities in stimulus packages and investments to recover from the crisis.
- Encourage more efficient use of resources, and more sustainable consumption and production patterns, notably by promoting circular economy.
- Improve urban planning to promote multi-modal transport, such as active and clean urban mobility (e.g. proximity & walkability; combining supply-side and demand-side transport management policies).

Inclusive cities and regions. DDC can help sub-national governments implementing measures to promote more inclusive societies. Cities and regions should:

- Provide efficient social and community services for disadvantaged groups such as health care and home care (e.g. elderly and homeless people), through the design and implementation of ambitious social innovation strategies and a repurposing of empty buildings.
- Ensure that those left behind (e.g. migrants, low-wage workers) are targeted with

customised employment and activation programmes that are adaptable, relevant, flexible and respond to the new needs of the local labour market after the crisis.

- Take measures to adjust housing quantity, quality and affordability to the variety of housing needs, with a view to promote social cohesion and integration with sustainable transport modes.

Smarter cities and regions. DDC can represent a key tool for cities and regions to embrace the potential of digitalisation in the post-Covid scenario. Cities and regions should:

- Leverage digitalisation to deliver more efficient, sustainable, affordable and inclusive local public services, such as real-time data, electronic congestion tolls, smart parking systems, IoT sensors, smart contracts, etc.
- Ensure that new technology in public transport (e.g. app-based ride services) is inclusive and sustainable including to those with reduced mobility and those in underserved communities as well as those with lower access to technology, while safeguarding the privacy of individuals.
- Adopt appropriate regulation for the sharing and gig economy to further employment security, protect the public interest and workers' social safety nets, considering social distancing rules to be applied in the long run.

In this context, the Sustainable Development Goals are more important than ever as they provide governments with a long-term and holistic framework to rethink the “New Normal” through the lens of sustainability. The SDGs provide a common roadmap and vision to engage local stakeholders, including the private sector, civil society and citizens in co-creating and building our future in a more sustainable way. The results of the recent OECD-Committee of Regions survey on *The SDGs as a Framework for COVID-19 Recovery in Cities and Regions* highlight how relevant are the SDGs to shape cities and regions' recovery strategies from the COVID-19 pandemic:

The SDGs are more important than ever, as they provide governments with a comprehensive long-term framework for rethinking the new normal from a sustainability perspective: they provide a common roadmap and vision for stakeholder involvement

- Most cities and regions responding to the survey (60%) consider the SDGs as a suitable framework for designing a holistic approach to the COVID-19 recovery.
- 40% of cities and regions were already using the SDGs as a policy-making tool before the pandemic and started using them to shape their recovery strategies, while 44% had not used them before but are planning to do so now.
- 68% of cities and regions using the SDGs in the recovery phase are shaping new plans, policies and strategies based on them or adapt existing ones, while 63% use

the SDGs to identify place-based priorities directed towards sustainable development.

Three key priorities for national governments to promote more effective DDC policies and actions

DDC is one tool OECD Development Assistance Committee (DAC) members can deploy to ensure that development co-operation is fit-for-purpose and responds to the local realities of the 2030 Agenda. Donors play a key role to support DDC partnerships at the subnational level, in particular to: i) address the data challenge, ii) promote multi-level partnerships and coordination, and iii) strengthen pooling and capacity building mechanisms to meet growing local demand.

Address DDC data and transparency challenges:

- Carry out DDC data campaigns to raise awareness among subnational governments of the role and modalities of ODA. Although the number of DAC members reporting on DDC to the OECD CRS has increased in recent years, fewer than half provide data to date and existing data could be improved to increase its coverage, quality and granularity (e.g. France carries out an annual virtual campaign in support of DDC which has resulted in an additional 109 subnational authorities reporting since 2017).
- Collect data to valorise and assess DDC contributions beyond financial resources to the 2030 Agenda. The OECD CRS database now allows for reporting on how financing targets each of the 17 Sustainable Development Goals (SDGs). Capacity building can help subnational actors improve their reporting on contributions according to global goals (e.g. assessing expertise transferred, use of digital tools to facilitate assessment of project descriptions to the SDGs).
- Share best practices in data collection. The DAC Peer Reviews and Statistical Peer Reviews provide opportunities for members to share lessons learned on incentives for external actions of subnational governments. These existing mechanisms can strengthen data reporting/collection mechanisms for better transparency and monitoring of DDC impacts.

Leverage multi-stakeholder partnerships and multi-level co-ordination:

- Monitor effectiveness of ODA and other exchanges provided across levels of government to ensure policy coherence of external action. The Global Partnership for Effectiveness Development Co-operation (GPEDC) brings together a diversity of actors in a monitoring exercise of development effectiveness. Future work should leverage this platform and monitoring to promote recommendations in line with development effectiveness principles.
- Integrate local governments in SDG reviews, including Voluntary National Reviews (VNRs) at subnational level - Voluntary Local Reviews (VLRs).
- Enhance multi-stakeholder engagement with academia, civil society, multilateral organisations and the private sector. The action area 2.6 of the GPEDC focuses on

strengthening development effectiveness at the subnational level. It aims to improve the quality of data and information at city and regional levels to increase effectiveness.

Strengthen fiscal decentralisation and pooling mechanisms to meet growing demand for finance at the subnational level in developing countries:

- Strengthen platforms (national, regional and international) that match supply and demand across subnational governments. For example, Plataforma offers training that aims to strengthen local and regional public policies for decentralised cooperation.
- Promote peer-to-peer learning and exchange of best practices, technical assistance and capacity building among local and regional governments for mutual benefit and/or on commercial terms. The OECD provides a platform for DAC peers to share knowledge and helps to facilitate targeted dialogue between donors based on data and evidence for better policymaking.
- Promote access to subnational financing through pooled financing instruments that include “hard” lending or de-risking investment, such as guarantees for municipal bonds. Work led by OECD and UCLG has demonstrated the challenges faced by subnational governments to access financing, even on concessional terms. The World Observatory on Subnational Government Finance and Investment works to improve availability of comparable data on subnational finance and investment and aims to strengthen fiscal decentralisation in developing countries.

The way forward: The ten G20 High Level Principles on city-to-city partnerships to localise the SDGs and OECD support to member countries on DDC

The OECD, in collaboration with UN Habitat, supported the Development Working Group (DWG) of the Italian G20 Presidency to develop the Ten G20 Rome High-Level Principles on city-to-city partnerships for localising the SDGs [6], in close consultation with member states, regional and local governments, international organisations, experts and G20 engagement groups (Box 1). These principles integrate previous recommendations by the OECD on donor approaches to DDC and represent a key framework to guide the DDC actions of cities, regions and national governments, including and beyond the DAC, to ensure their sustainability and their contribution to achieve the SDGs.

Box 1. Ten G20 Rome High-level Principles on city-to-city partnerships for localising the SDGs

1. Territorial Approach
Promote city-to-city partnerships as a means to enhance the implementation of a territorial approach in responding to and recovering from the COVID-19 pandemic, reducing vulnerability to climate change
2. Multi-level Governance
Strengthen multi-level integrated governance and coordination for greater effectiveness of city-to-city partnerships and for more demand-based initiatives, while considering local and regional contexts and responding to the specific needs of different geographical areas and governance systems, as appropriate
3. Rural-urban Connectivity
Enhance rural-urban connectivity, and co-operation, including between primary and intermediary cities, including through past G20 work on infrastructure [\[7\]](#)
Encourage local and regional governments to exchange approaches and practices in mainstreaming SDGs indicators into planning and policy documents at all levels of government and produce disaggregated data towards strengthened context-specific analysis and assessment of territorial disparities in collaboration with national governments, which could also support countries in developing their Voluntary National Reviews
4. Data and Indicators
Taking into account different national and local contexts, develop monitor and evaluation (M&E) indicators towards a result framework for evidence-based city-to-city partnerships, documenting their impact and providing recommendations to optimise those partnerships
5. Monitoring and Evaluation
Focus on mutual benefit, peer-to-peer learning, support and review in city-to-city partnerships, including the exchange of knowledge on sustainable urban planning and capital investment planning
6. Peer-to-peer Learning
Support capacity development and build local managerial capital and skills for effective, efficient and inclusive city-to-city partnerships implementation
7. Capacity Development
Engage all relevant stakeholders to implement territorial network modalities of city-to-city partnerships towards the achievement of the SDGs, including by establishing partnerships with the private sector
8. Stakeholder Engagement

9. Financing Call on local and regional governments to develop effective financing and efficient resource mobilisation strategies and instruments in collaboration with national governments as appropriate, through existing mechanisms to support the implementation of the 2030 Agenda through city-to-city partnerships, including by integrating the SDGs in budgeting processes
10. Digitalisation Develop strategies to build human, technological, and infrastructural capacities of the local and regional governments to make use and incorporate digitalisation best practices in city-to-city partnerships

Recently, the OECD has launched new projects on DDC, including a country review with Germany to strengthen data, policies and multi-level implementation of DDC and a thematic project on city-to-city partnerships with the European Commission. The OECD serves as a convening platform for national governments, local and regional governments, CSOs, multilateral organisations, private sector, etc. to carry out policy dialogues. With its longstanding data, analysis and recommendations, the OECD provides governments and other actors with an evidence-based approach to inform policy decisions and facilitates peer to peer exchange. In particular, the project on “Reshaping Decentralised Development Cooperation in cities and regions: lessons from Germany for a Global Policy Toolkit” will support German municipalities, states and national government in strengthening the impact, effectiveness and monitoring of their DDC policies and programmes. In addition, the project on *Partnerships for sustainable cities. A consensus-based evaluation framework to localise the SDGs* with the European Commission will advance the analysis and evaluation of the extent to which city-to-city partnerships are performing in localising the SDGs.

REFERENCES

- 1 — Thirty DAC members, twenty non-DAC providers and more than 40 multilateral institutions report on annual basis data on ODA and beyond. Each year, more than 250 000 transactions are presented in a detailed manner in Creditor Reporting System (CRS). Quality assurance makes the DAC the only source of reliable, comparable and complete data on development assistance.
- 2 — While the number of countries reporting on DDC has grown from 9 to 13 DAC members, fewer than half DAC members report on DDC to the Creditor Reporting System (CRS). Until recently, Germany was the only OECD DAC member to report on DDC provided by individual cities and regions and achieved 100% coverage of the 16 Lander, i.e. 3 city-states and 13 Federal States began in 2014. In 2018, Spain introduced 17 new agency codes to disaggregate reporting by autonomous governments.

- 3 — See:
- ECD (2018) *Reshaping Decentralised Development Co-operation: The Key Role of Cities and Regions for the 2030 Agenda*, OECD Publishing, Paris [Available [online](#)].
 - OCDE (2019) *Decentralised development co-operation. Unlocking the potential of cities and regions*. Paris: OECD Publishing [Available [online](#)].
- 4 — OCDE (2019). *op. cit.*
- 5 — The main thematic areas of DDC include climate change (USD 41 million in 2014-15) and gender equality and women's empowerment (USD 163 million in 2014-15). OECD (2018), *Reshaping Decentralised Development Co-operation: The Key Role of Cities and Regions for the 2030 Agenda*, OECD Publishing, Paris, [Available [online](#)].
- 6 — The G20 Principles are inspired by the RDPC work and reports on [Reshaping Decentralised Development Cooperation](#) and on [a Territorial Approach to the SDGs](#).
- 7 — Including the Principles on Quality Infrastructure Investment, the G20 Guidelines on Quality Infrastructure for Regional Connectivity and the G20 High Level Principles on Sustainable Habitat through Regional Planning.



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