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EXECUTIVE SUMMARY

Background

German municipalities have been getting involved in globally sustainable development for many years. They do this, for example, by endorsing fair public procurement, or by maintaining partnerships with municipalities in the Global South. The realignment of development policy with the 2030 Agenda in particular has led to municipalities being seen increasingly as development actors in their own right.

In 2009, the German Development Institute (GDI) published the first comprehensive study on municipal development policy in Germany (Fröhlich and Lämmlein, 2009). This study was updated in 2021 to capture the changes in municipal development policy against the background of the 2030 Agenda (Marschall et al., 2021).² In this more recent study, municipal development policy is defined as follows:

“Municipal development policy comprises the **totality of development funds and interventions** that are deployed by (German) municipal administrations **in Germany and abroad**. Its purpose is to promote **globally sustainable development that is aligned with the common good**, and it aims to improve economic and social development in the **Global South**.”

Source: Marschall et al. (2021, p. 24).

The growing importance of municipalities as development actors is also reflected in the funding of municipal development policy. Thus, in 2013 the Federal Ministry for Economic Cooperation and Development (BMZ) secured the establishment of a dedicated item in the federal budget: Budget Items Section 2302 Item 685 71 “Promotion of municipal engagement”. Since 2013, the funds for this budget item have increased continuously. In 2020, the target expenditure was 30.9 million euros. These funds are designed to “help localise the 2030 Agenda and its 17 Sustainable Development Goals (SDGs). The BMZ’s goal is to make municipal development policy the norm in German municipalities” (BMZ, 2022b, p. 3).

Almost all of the funds in this budget item go to the Service Agency Communities in One World (SKEW³). The Service Agency uses these funds self-reliantly on the BMZ’s behalf, or passes them on to the municipalities as grants. The Service Agency is intended to function as a central “service and advisory agency” and support municipalities in their development policy engagement (BMZ, 2022c).

Subject and objectives of the evaluation

The subject of this evaluation is the BMZ’s funding of municipal development policy. As the Service Agency plays a key role in implementing this policy, the evaluation focuses on its entire portfolio. The evaluation examines the period from 2013 (when the budget item was established) up to and including 2020.

The overall objective of the evaluation is to improve the funding of municipal development policy, so that German municipalities can make the greatest possible contribution to globally sustainable development. The conclusions and recommendations of the evaluation are addressed to the BMZ (as the responsible policy-making body) and the Service Agency (as the executing agency delivering resources as well as advisory services).

The Service Agency Communities in One World

The Service Agency was founded in 2001. Since 2012 it has been part of Engagement Global gGmbH. The Service Agency is advised and supported by two bodies: the Programme Advisory Board and the Programme Commission. Alongside the BMZ, these two bodies include representatives of various stakeholder groups, including municipalities, federal states, municipal associations and civil society.

² In June 2022 the GDI was renamed the German Institute of Development and Sustainability (IDOS). As the study on municipal development policy had already been published in 2021, this evaluation refers to the GDI and the ‘GDI study’.

³ ‘SKEW’ is the official German acronym for the *Servicestelle Kommunen in der Einen Welt*, known in English as the Service Agency Communities in One World. In this summary, SKEW is referred to henceforth as the ‘Service Agency’.

During the evaluation period, the Service Agency was active in the following thematic areas:

- **Thematic Area 1 – Mobilisation and Service:** Municipalities receive information on the Service Agency's programmes and services, and gain an overview of options for development action.
- **Thematic Area 2 – Migration and Development:** These activities aim to strengthen cooperation between municipalities and actors with a migrant background, in order to better address global challenges, for example in the area of displacement.
- **Thematic Area 3 – Fair Trade and Fair Procurement:** Municipalities are supported in making their procurement more sustainable, for example with regard to minimum social standards for producers.
- **Thematic Area 4 – Municipal Partnerships:** Development and climate partnerships between German municipalities and municipalities in the Global South aim to promote mutual learning and generate innovative approaches to sustainable development.
- **Thematic Area 5 – Municipalities for Global Sustainability:** Municipalities are supported in implementing the Sustainable Development Goals at the local level, for example within the framework of municipal sustainability strategies.
- **Thematic Area 6 – Financial and Human Resources Support:** Municipalities can apply for financial and human resources support to implement specific projects, or to establish municipal development engagement as a cross-cutting task.

The Service Agency's programmes and services in these thematic areas can be divided into two groups: (1) self-implemented measures in the areas of advisory services, networking, information, training and competitions, and (2) onward funding programmes, and instruments for human and financial resources support.

During the evaluation period, the Service Agency's work was aimed at the following portfolio objective:

"Municipalities (local policy-makers and administrators) see themselves as actors of the 2030 Agenda and of development policy. They assume responsibility for the global common good. In doing so, municipalities involve other actors (including civil society, and municipally-owned enterprises). Municipalities are able to make an effective contribution to the implementation of the 2030 Agenda. Development policy action is a normal part of everyday life in municipalities. In other words:

- More and more municipalities are getting involved in municipal development policy [expansion];
- Municipalities are getting more deeply involved in several thematic areas simultaneously [deepening];
- The capacities of municipal actors are developed and the effectiveness of their interventions is increased [capacities]."

Source: Document 2.

In addition, each of the thematic areas pursues its own programme-specific objectives. In 2018 and 2019, the Service Agency developed theories of change for both the overall portfolio objective and the individual programme objectives.

Evaluation questions and methodology

The evaluation asks six broad evaluation questions covering the six OECD-DAC evaluation criteria of relevance, coherence, efficiency, effectiveness, sustainability and impact.

OECD/DAC criteria	Evaluation questions
Relevance	To what extent do the Service Agency's programmes and services align with the strategic objectives of the BMZ and the needs of municipalities in Germany?
Coherence	To what extent do synergies or tensions exist within the Service Agency's portfolio, and between the Service Agency's programmes and services and those of other actors?
Efficiency	To what extent are the Service Agency's programmes and services and its processes user-friendly and to what extent are the benefits proportionate to the necessary efforts?

Effectiveness	To what extent are the objectives of municipal development policy achieved domestically, and to what extent is this brought about by the Service Agency?
Sustainability	To what extent are municipalities in Germany able to make their development engagement permanent?
Impact	What are the potentials and risks of the Service Agency's programmes and services in terms of development impact?

To answer these questions, the evaluation uses a theory-based approach and a mixed-methods design that combined various data collection methods:

- **Quantitative methods:** Online survey 1 (among all German municipalities); online survey 2 (among German municipalities that used the Service Agency's programmes and services during the evaluation period); representative survey of the population; portfolio analysis
- **Qualitative methods:** Expert interviews; case study interviews with German municipalities; case study interviews with partner municipalities; group discussions; document analysis
- **Usability study:** Usability testing (testing of an application procedure with the help of test persons); heuristic testing (criteria-based analysis of an application procedure)

The data collection for online survey 1 and some individual expert interviews was carried out in cooperation with the GDI, which at the same time conducted a study on municipal development policy in Germany (Marschall et al., 2021).

Findings, conclusions and recommendations

Overall, the findings of this evaluation show that the Service Agency plays an important role in the development engagement of German municipalities. In summary, the Service Agency's programmes and services can be considered relevant, coherent and effective. They enable German municipalities to engage in the field of development policy.

Recommendation 1: The BMZ should continue to fund municipal development policy through the Service Agency. The scope of this funding should be commensurate with the objectives. In order not to jeopardise what has been achieved so far, funding should be continued at least at the level of the target budget for 2020, and should include at least partial adjustment for inflation.

To ensure that municipal development policy continues to develop positively in the future, however, the design of funding should be improved at various points. In particular, funding should take into account that municipal development engagement is a voluntary task for German municipalities. Many municipalities already face a heavy workload for their mandatory municipal tasks and other voluntary tasks, as well as the impacts of the COVID-19 pandemic and the war in Ukraine. The funding of municipal development policy should therefore be designed such that it makes it as easy as possible for municipalities to continue their engagement in the future.

Relevance

The findings of this evaluation show that the Service Agency's programmes and services align with both the strategic objectives of the BMZ and the needs of German municipalities. The Service Agency's portfolio also aligns with the 2030 Agenda and the SDGs. Overall, the Service Agency offers a portfolio that is relevant to municipalities. Although it has repeatedly shown flexibility and responded to changing needs and fresh ideas from both the BMZ and the municipalities, a growing influence of the BMZ on portfolio design has recently become apparent. At the same time, the scope for municipalities to contribute content to the portfolio design through the Service Agency's official bodies, and to work towards a portfolio closely addressing the needs of municipalities, has diminished. Since municipal development engagement is not mandatory for municipalities in Germany, it is based to a very large extent on the voluntary initiative of the municipalities themselves.

To offer a needs-based and ultimately effective portfolio, with objectives to which German municipalities are voluntarily committed, it is therefore important for the BMZ and the Service Agency to involve the official bodies, and especially the municipalities, in an advisory capacity.

Recommendation 2: In the interest of portfolio effectiveness, the Service Agency should continue to take strong account of municipal needs. To this end, it should also make greater use of the existing structure of official advisory bodies. Dialogue with non-engaged municipalities should also be organised systematically in easy-to-access settings outside of the existing structure of advisory bodies.

Coherence

With regard to internal coherence (synergies and tensions within the Service Agency's portfolio), the findings of this evaluation demonstrate that the portfolio is synergistic. However, tensions can also be identified, which raise fundamental questions about portfolio design: Should the Service Agency's portfolio continue to grow, or rather be consolidated? Should it contain many specific programmes and services, or rather a few generic ones? And has the right balance been struck between self-implemented measures and onward funding programmes? In the future, the Service Agency should focus more on consolidation and streamlining in order to ensure the clarity of the portfolio, and to simplify and standardise processes and procedures. When designing its portfolio and allocating its total budget, the Service Agency should also continuously review the balance between self-implemented measures, and onward funding programmes. The Service Agency constantly faces the difficult task of striking an appropriate balance between self-implemented measures, and onward funding programmes (and the respective human resource costs). There is no blueprint for getting this balance just right. In particular, it should reflect the needs of the municipalities (see also Recommendation 2). At the same time, the Service Agency must take into account the strategic objectives of the BMZ. Both the self-implemented measures by Service Agency itself and the onward funding programmes are in demand among the municipalities, who consider them important. In principle, however, the Service Agency should strive to enable municipalities to use as much funding as possible to implement their own interventions. Based on the subsidiarity principle, the aim should be to reduce the self-implemented measures as far as reasonably possible in the medium to long term, as the experience of the target group increases. At the same time, the onward funding programmes should be strengthened accordingly.

Recommendation 3: The Service Agency should work toward greater consolidation of its portfolio, and avoid an increase in the number of its programmes and services. When designing its portfolio and allocating its total budget, the Service Agency should also continuously review the balance between self-implemented measures and onward funding programmes. Here it should also continue the moderate trend towards strengthening the onward funding programmes.

With regard to external coherence (interaction of the Service Agency's programmes and services with those of other actors), the findings show that in addition to the Service Agency, some federal states and federal ministries offer their own funding programmes for municipalities. On the one hand, this creates additional choices and potential synergies for municipalities. On the other hand, however, boundaries between the ministries (at the federal level) also entail fragmentation that can make it more difficult for municipalities to engage. The logic of the federal ministries, which keeps each government department separate, does not align with the more integrated thinking of the municipalities and the logic of the 2030 Agenda, which is geared towards interdependence. The need to improve the coordination of municipal sustainability policy at the federal level was most recently emphasised by the State Secretaries' 'Committee for Sustainable Development'. This body proposed setting up a 'competence network' for municipal sustainability work.

Recommendation 4: The BMZ should continue to work towards greater inter-ministerial coordination, in order to improve the coherence of support in areas of overlap with sustainability policy.

Efficiency

Regarding efficiency, the evaluation examined and assessed the user-friendliness and proportionality of benefit and effort of the Service Agency's instruments for "financial and human resources support". The evaluation showed that despite great progress, the application procedures for municipalities remain cumbersome. One important factor here is the digitalisation of application procedures, which was still incomplete when the data were collected. To lighten the workload for municipalities submitting applications, the Service Agency should take this process forward swiftly. The usability study conducted as part of the evaluation, and a comparison with other funding agencies, identify ways to make the further digitalisation of the Service Agency's application procedures even more user-friendly.

Recommendation 5: The Service Agency should, in consultation with the BMZ and within the overarching framework of Engagement Global, swiftly implement the further digitalisation of its application procedures. As the digitalisation process proceeds, it should continuously simplify and standardise the application procedures.

The evaluation also showed that the administrative workload entailed by using Service Agency instruments for human and financial resources support is clearly too high for many municipalities. Although municipalities benefit from the Service Agency's support financially and/or in terms of human resources, the procedures for project preparation, implementation and management are complex and cumbersome. Although all parties involved are aware of the need to furnish evidence when spending public funds, the heavy administrative workload can have a negative impact on the development engagement of municipalities. Especially with regard to the engagement of smaller, less well-staffed municipalities, and those applying for support for the first time, it is important to reduce the administrative workload as much as possible, within the confines of the legal provisions and necessary requirements. The evaluation was able to come up with several proposals for technical and organisational measures, and proposed measures within funding policy and funding law, that could help reduce the administrative burden on municipalities.

Recommendation 6: To simplify administrative procedures and achieve initial efficiency gains quickly, the BMZ and the Service Agency should implement the proposed measures identified in this evaluation – within the existing legal framework and to the extent possible. In the medium term, the BMZ and the Service Agency should explore and apply further options for a simplified implementation of the German funding law.

Effectiveness

Cumulatively, the Service Agency has achieved its target for expansion (1,000 municipalities by 2021). At the same time, given the Service Agency's target group, which comprises all of the roughly 11,000 municipalities in Germany, there is further potential for expansion. If the Service Agency wishes to make a substantial contribution to achieving the goal formulated by municipalities in their Bonn Pact for the 2030 Agenda (2,030 engaged municipalities by 2030), it will have to win over additional municipalities, including smaller ones. Two approaches for this are currently being discussed: 'joint projects', in which several municipalities jointly use a Service Agency programme or service, and 'bundling', in which intermediary levels (e.g., administrative districts, metropolitan regions, municipal associations) take on a supporting role. In particular, an expansion strategy that targets 'key points' at intermediary levels could help maximise effectiveness with limited funding.

Recommendation 7: In case of a further expansion, the Service Agency should focus on intermediary levels (such as administrative districts, metropolitan regions, municipal associations). It should support these entities in performing a bundling role by providing human resources and conceptual inputs.

In contrast to the expansion target, the Service Agency was not able to fully achieve its target for deepening ("at least 40 per cent of the 1,000 municipalities engage in two or more thematic areas, 60 per cent make use of two or more programmes or services") during the evaluation period. It should be a central concern of the BMZ and the Service Agency that municipalities engage more comprehensively over time, and that the level of engagement achieved so far is maintained. Deepening should not take a back seat to expansion.

To do justice to both tasks, the Service Agency needs a budget that is appropriate to the objectives (see Recommendation 1). If this cannot be achieved, it is advisable that the BMZ sets priorities by deciding which of the two targets (expansion or deepening) should be the focus of the Service Agency's work in the future. If the Service Agency is required to continue pursuing deepening as an objective, its capacities for strategic advice should be strengthened.

Recommendation 8: The Service Agency should strengthen its capacities for delivering strategic advice across its portfolio. This will enable it to improve its proactive support for a deepening of engagement among municipalities already reached. To achieve this, in a first step the monitoring system should be improved and a comprehensive contact management system established.

The human resources support instrument "Coordinators for development engagement" has proven effective in deepening development policy engagement. At the time of the evaluation, however, these coordinator positions had a rather selective effect. Most of the positions approved so far were located in specific cities and municipalities, but comparatively few in administrative districts or municipal associations. To broaden the instrument's impact, the coordinator positions should be established increasingly at intermediary levels in the future (see also Recommendation 7). Shifting the coordinators to intermediary levels in this way would mean that individual municipalities which remain active as individual entities would require a different form of human resources support. Municipalities – especially smaller ones and those that wish to engage more deeply – will still need some form of human resources support for their domestic engagement. This need not necessarily take the form of the position of a coordinator for development engagement. It could also be more flexible.

Recommendation 9: Going forward, the Service Agency should increasingly deploy coordinators for development engagement on intermediary levels (for instance in administrative districts, metropolitan regions, municipal associations). Human resources support in Germany should also be extended to include more flexible options for support.

Civil society actors make important contributions to municipal development policy, and help make the Service Agency's programmes and services more effective. They do this in a variety of ways. However, in the BMZ's view, the municipalities (local policy-makers and administrators) must be clearly at the centre of the engagement. To ensure this, the BMZ and the Service Agency currently employ restrictions in particular. However, this does not take sufficient account of the fact that some municipalities are dependent on civil society support due to their heavy administrative workload and lack of human resources. This once again raises the question of how the Service Agency's programmes and services can be simplified administratively (see Recommendation 6). If municipalities rely on civil society actors despite lighter administrative workloads and human resources support (see Recommendation 9) – for example, because those actors possess important competencies that are not available in the municipal administration itself – the Service Agency and municipalities should ensure that these services receive appropriate recognition.

Sustainability

The findings of this evaluation demonstrate that municipal development engagement generally remains dependent on the support provided by the Service Agency. The expectation that the Service Agency would provide start-up support for engagement that would then become self-sustaining has proved realistic only in isolated cases. To ensure a continuation of their engagement at the same level, municipalities will continue to need the Service Agency's support, not least against the background of the COVID-19 pandemic. The funding of municipal development policy should therefore be continued (see Recommendation 1). There are two approaches that aim at more fundamental changes. These are (i) municipal development policy as a mandatory task, and (ii) funding of municipal development policy through budget allocations. However, as yet neither of these appears to be sufficiently concrete to permit specific recommendations or to bring about timely changes. Nonetheless, they do broaden the scope of discussion and may help identify alternative ways to make municipal development engagement sustainable in the longer term.

Impact

So far, the objectives formulated by the Service Agency and its theories of change at both the programme objective levels and the portfolio objective levels do not yet cover the higher-level results (outcome and impact levels). This conflicts with the fact that BMZ-funded development interventions should aim to contribute to impacts in Germany and abroad. The definition of municipal development policy in the updated GDI study (Marschall et al., 2021) also reflects a further unfolding of municipal development policy and a stronger conceptual link to impact in the Global South. Moreover, some internal evaluations carried out so far plausibly suggest that the Service Agency's programmes and services have achieved higher-level results at the higher outcome level, and in some cases made contributions to the impact level. The investigations conducted as part of this evaluation, taking the thematic area of 'municipal partnerships' as an example, corroborate these findings. Against this background, it appears appropriate and important to adjust the Service Agency's programme objectives – also in order to make its programmes and services more attractive and increase the legitimacy of municipal development policy as a whole.

Recommendation 10: The Service Agency should formulate the higher-level results of behavioural change (higher outcome level and impacts) in its theory of change. It should do so both at the level of the respective programme objective and at the level of the portfolio objective. It should then review and visualise these results through targeted impact evaluations.

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