



Federal Ministry
for Economic Cooperation
and Development

CORE AREA STRATEGY

Sustainable Economic Development, Training and Employment

Contents

1	Executive summary and key messages	8
1.1	The guiding vision of social-ecological transformation of the economy following a turning point in history	8
1.2	Areas of intervention in summary	10
2	General background and analysis	11
2.1	Main challenges, development potential and megatrends	11
2.1.1	Economic and financial systems	11
2.1.2	Businesses and investment	12
2.1.3	Vocational training and the labour market	13
2.1.4	Trade and supply chains	14
2.1.5	Digital technologies	14
2.2	International context and experience of working with other partners	15
3	Strategic conclusions	18
3.1	German development cooperation approach and interests	18
3.2	Development policy goals	20
4	The direction of Germany's development cooperation in the areas of intervention. Strategic policy orientations	21
4.1	Area of intervention 1 – “Technical and vocational education and training”	21
4.2	Area of intervention 2 – “Private sector and financial sector development”	23
4.3	Area of intervention 3 – “Socially and environmentally sound supply chains, trade and sustainable infrastructure”	29
4.4	“Digitalisation” as an important BMZ work project	32
5	Measuring success	35

List of abbreviations

AA	Federal Foreign Office
ACWL	Advisory Centre on WTO Law
ADB	Asian Development Bank
AfCFTA	African Continental Free Trade Area
AFI	Alliance for Financial Inclusion
AfT	Aid for Trade WTO initiative on trade-based development
BTCA	Better than Cash Alliance A partnership of governments, companies, and international organizations that accelerates the transition from cash to responsible digital payments
BIBB	Federal Institute for Vocational Education and Training
BMAS	Federal Ministry of Labour and Social Affairs
BMF	Federal Ministry of Finance
BMWK	Federal Ministry for Economic Affairs and Climate Action
BMZ	Federal Ministry for Economic Cooperation and Development
CBAM	Carbon Border Adjustment Mechanism
CGAP	Consultative Group to Assist the Poor Global partnership to promote access to financial services for the poor
CwA	Compact with Africa G20 initiative to improve conditions for private investment, infrastructure and employment opportunities in the participating African countries
DAAD	German Academic Exchange Service
DAC	(OECD) Development Assistance Committee
DC dVET	Donor Committee for dual Vocational Education and Training
DCED	Donor Committee for Enterprise Development
DIE	German Institute for Development Policy (since 2022: German Institute for Development and Sustainability – IDOS)

DIHK	Association of German Chambers of Commerce and Industry
EIF	Enhanced Integrated Framework WTO fund created to assist LDCs' trade-expansion efforts
EIGE	European Institute for Gender Equality
ETF	European Training Foundation
EU	European Union
G7	Group of Seven (major industrialised and emerging economies)
G20	Group of Twenty (major industrialised and emerging economies)
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GOVET	German Office for International Cooperation in Vocational Education and Training
GPFI	Global Partnership for Financial Inclusion
ICR	Investment Climate Reform Facility Advisory facility overseen by the BMZ and European partners, aiming to improve the business climate
IDA	International Development Association
IFC	International Finance Corporation
ILO	International Labour Organization
ISO	International Organization for Standardization
ITC	International Trade Centre
JET	Jobs and Economic Transformation Agenda for the creation of more and better jobs and increased employability and access to jobs
KfW	Kreditanstalt für Wiederaufbau
LDCs	least developed countries
MFA	Ministry for Foreign Affairs (the Norwegian ministry responsible for development cooperation policy)
MSMEs	micro, small and medium enterprises
NGO	non-governmental organisation

NORAD	Norwegian Agency for Development Cooperation (directorate under the Norwegian Ministry of Foreign Affairs, MFA)
OACPS	Organisation of African, Caribbean and Pacific States
ODA	Official Development Assistance
OECD	Organisation for Economic Co-Operation and Development
PPIAF	Public-Private Infrastructure Advisory Facility
PPP	Public-Private Partnership
PTB	National Metrology Institute of Germany
SDC	Swiss Agency for Development and Cooperation
SDGs	Sustainable Development Goals
SECO	<i>Secrétariat d'État à l'économie</i> State Secretariat for Economic Affairs (Switzerland)
SMEs	small and medium-sized enterprises
TESSD	Trade and Environmental Sustainability Structured Discussions Format for discussion on these topics involving various WTO committees
TVET	Technical and vocational education and training
UN	United Nations
UNCDF	United Nations Capital Development Fund
UNCITRAL	United Nations Commission on International Trade Law
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
UNEP FI	United Nations Environment Programme Finance Initiative
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNEVOC	UNESCO-UNEVOC International Centre for Technical and Vocational Education and Training
UNHCR	United Nations High Commissioner for Refugees
UNIDO	United Nations Organisation for Industrial Development
UNSGSA	UN Secretary-General's Special Advocate for Inclusive Finance for Development

WAIPA	World Association of Investment Promotion Agencies
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We-Fi	Women Entrepreneurs Finance Initiative
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WTO	World Trade Organization
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ZDH	German Confederation of Skilled Crafts
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1 Executive summary and key messages

1.1 The guiding vision of social-ecological transformation of the economy following a turning point in history

The Core Area Strategy on “Sustainable Economic Development, Training and Employment” is based on the principle of social-ecological transformation of the economy following a turning point in history, and has a significant role to play in achieving the development priorities of the Federal Ministry for Economic Cooperation and Development (BMZ).

Multiple crises call for a fundamental social-ecological transformation of economic systems in the partner countries of the BMZ so that sustainable development will continue to be possible in the future. At the same time, many of our partner countries have a good basis (demographic structure, innovative urban centres, strategic commodities and available technologies) for carrying out a social-ecological transformation of their economic systems. The International Labour Organization (ILO) describes this transformation process as “greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind”. That is why the BMZ’s economic cooperation at the bilateral and multilateral levels and with the German business sector is aimed at building resilience in partner countries and their societies and empowering them to benefit from the social and ecological transformation.

An adaptable economic system and a stable financial system are an essential basis for building a resilient society. A social-ecological transformation of the economy means making the shift towards economic systems that are socially just, ecologically sustainable, digital and competitive. We must avoid a situation where transformation leads to already disadvantaged population groups being marginalised further. Instead, such groups should benefit from these changes, in line with the concept of feminist development policy.

In keeping with this principle, the Development Ministry, working with its partner countries and taking into account their respective wishes, will be focusing in the core area “Sustainable economic development, training and employment” on measures that can have a positive influence and proactively shape the economic, financial and trade order and associated processes and structures, such as training skilled workers, for the purpose of social-ecological transformation.

In promoting a sustainable economic and trade policy, the BMZ is championing a new direction for international cooperation, which has a clear focus on structural policy.

In operational terms, it will be key to firmly establish the transformation idea in the bilateral and sectoral portfolio and in the BMZ’s cooperation with multilateral organisations and the private sector.

This transformation will contribute to achieving development priorities through the following approaches:

- Forging ahead with just transition: The BMZ is supporting just transition towards a climate-smart green economy by pushing for ambitious economic, trade, labour market and financial policy measures at the global, regional and local levels.
- Establishing feminist development policy: The BMZ is supporting gender-just social-ecological transformation of the economy that will help to overcome structural inequalities and continuing unequal treatment of women. This transformation strengthens the rights, representation and access of women in all their diversity to central resources (such as capital, markets, entrepreneurial ecosystems, training and further training).
- Pushing back poverty, hunger and inequality: The BMZ advocates for sustainable economic policies, passive and active labour market policies and fair trade policies and promotes decent work as a basis for successfully fighting poverty and hunger. As part of that, the BMZ calls for inclusive trade policies with trade agreements that are designed to fight poverty and pursues a development policy approach that is based on Aid for Trade.
- Strengthening global health and bodily autonomy: Sustainable and just economic and trade policies are essential for coping successfully with future pandemics and their consequences. The BMZ is therefore focusing on promoting economic, financial and labour market policy measures that make the economy more resilient to future pandemics.

The guiding vision of social-ecological transformation takes into account that digital technologies are increasingly pervading all economic sectors, bringing huge potential for development.

Social-ecological transformation of the economy is a means to reduce poverty, foster economic development and create decent jobs.¹ Training and employment are themselves drivers of sustainable economic development. Thus, in their different ways, all these elements contribute to the overarching goal of decent living conditions and a future of opportunity for all people in our partner countries. They also enable the economy to play a key role in enhancing climate change mitigation and adaptation, in protecting biodiversity and ecosystems and in reducing pollution, thereby preserving the physical foundations of economic activity. This also includes pursuing climate-neutral, resource-friendly and “resilient” development trajectories.

A just transition – transforming economic systems in a way that pays particular attention to social and environmental dimensions and to the needs of marginalised persons and population groups – will be key for achieving the 2030 Agenda and its Sustainable Development Goals (SDGs), the goals defined in the Paris Agreement and in the Global Biodiversity Framework and international environmental goals. This will require a joint effort by business, government, trade unions, researchers and civil society. To this end, the BMZ is actively engaged in shaping international politics and supports numerous projects in collaboration with its partner countries.

¹ See definition of “decent jobs” on pages 34 and 35.

1.2 Areas of intervention in summary

The BMZ's areas of intervention "Technical and vocational education and training" (TVET), "Private sector and financial sector development" and "Socially and environmentally sound supply chains, trade and sustainable infrastructure" have been designed to respond to global challenges. They are pivotal for achieving a social-ecological transformation of the economy.

Where possible, these three areas of intervention also harness the potential of cooperation with the private sector and incorporate the knowledge, expertise and resources of companies, business associations, civil society and trade unions. The European Union (EU), international financial institutions (IFIs) and United Nations (UN) agencies are particularly important multilateral partners.

In the area of intervention "Technical and vocational education and training" (TVET), the BMZ promotes TVET and higher education programmes, job placement services and labour market policies aimed at ensuring a skilled workforce now and in the future, taking special account of needs and demands in ecologically sustainable fields of action such as energy efficiency and the circular economy. Equipping people with skills that are better suited to market needs makes it easier for them to find employment – irrespective of their gender – and enables them to earn an income or increase their income. Enhancing their employability in this way is an effective means of reducing monetary poverty. At the same time, the availability of skilled workers strengthens the competitiveness of an economy and its ability to innovate and create new businesses. This in turn facilitates economic transformation and, with it, the creation of decent jobs.

In the area of intervention "Private sector and financial sector development", the BMZ is implementing economic policy measures in more than 40 partner countries that utilise the potential offered by the private sector to create and integrate markets, and to boost competitiveness, innovation and investment, thus also increasing the supply of decent jobs. These measures serve

to promote the social-ecological transformation of the economy. Through its activities in the field of financial sector development, the BMZ promotes resilient and inclusive financial systems that can help reduce economic inequalities by ensuring equitable access to financial services. By systematically taking account of sustainable finance, capital can be mobilised for investment in an inclusive, resource-efficient economy with low greenhouse gas emissions, thereby making a major contribution towards a successful social-ecological transformation of the economy.

In the area of intervention "Socially and environmentally sound supply chains, trade and sustainable infrastructure", the BMZ works worldwide to integrate countries of the Global South into markets and value chains that can drive a socially responsible, inclusive and ecologically sound transformation of the economy. To maximise the number of people who benefit from the effects of trade, whilst also respecting planetary boundaries and human rights, trade policy needs to be development-led. This means implementing fair, enforceable rules and standards at the international level, combined with targeted trade-related support for our partner countries (Aid for Trade). The work by the BMZ to support a social-ecological transformation of global supply chains also involves promoting the strengthening of and adherence to environmental and social standards, fostering increased value creation at the local level and supporting measures to ensure decent jobs along global supply and value chains. These interventions can eliminate disparities caused by unfair trade conditions in the global value chain and also reduce poverty in the long term.

Digital technology: In the BMZ's initiative area "Digital technology and data", the general aim of German development cooperation interventions is to utilise the wide-ranging opportunities offered by digital technology whilst also addressing the challenges it poses. As this topic cuts across all three areas of intervention mentioned above, it is dealt with separately in section section 4.4.

2 General background and analysis

2.1 Main challenges, development potential and megatrends

Since 1990, worldwide gross domestic product has risen from just below 10,000 US dollars to more than 18,500 US dollars per capita.² In the same period, the number of people living in extreme poverty (less than 1.90 US dollars per day) fell from 1.9 billion to below 574 million.³ That said, some regions (sub-Saharan Africa, for instance) have been largely excluded from this development and, in addition, the COVID-19 pandemic and Russia's war of aggression against Ukraine have resulted in the first increase in extreme poverty since 1998. Income inequality between and within many countries and regions has stayed constant, if not grown, notably in a number of Asian countries, with differences between genders remaining particularly persistent.

The economic systems and financial sectors of the BMZ's partner countries continue to face major challenges: a lack of competitiveness, unequal access to resources, low productivity, overexploitation of natural resources, uneven distribution of wealth and income, widespread deficits in the provision of decent work and a shortage of employment opportunities are impeding sustainable growth and development and eroding social cohesion within countries. Most low- and middle-income countries do not have sufficient decent jobs for their (rapidly) growing populations. Many people are unable to realise their full potential due to a lack of social protection and training opportunities.

Megatrends (such as human-induced climate change, loss of biodiversity, increasing pollution and overexploitation of natural resources, migration and displacement, digital transformation and urbanisation) can cause growing inequalities, and are changing economic and employment structures as well as the role played by finance systems and exerting further pressure on economic and financial systems. Development progress is constantly being threatened by the growing number of conflicts and crises in recent years, such as pandemics and most recently the repercussions of Russia's war of aggression against Ukraine.⁴ In order to achieve the SDGs, economies need to be restructured along green lines, taking social dimensions and the needs of women and marginalised population groups into account. This restructuring must also ensure fair distribution of the environmental, economic and social costs and the benefits of transformation.

2.1.1 Economic and financial systems

Many countries are lagging behind in terms of the national and international competitiveness of their private and financial sectors, and are thus missing out on job creation opportunities. In particular, their business and investment climates need to improve.⁵ This is also true for economic regulation and standardisation, which provide a framework such that market competition

2 World Bank Data, 2023: <https://data.worldbank.org/indicator/NY.GDP.PCAP.PP.CD>

3 World Bank, Poverty Overview: <https://www.worldbank.org/en/topic/poverty/overview>

4 Center for Security Studies, 2017

5 World Economic Forum (2019), The Global Competitiveness Report, see page 13, in particular the category "institutions". Sub-Saharan Africa fares worst in this respect, followed by Latin America and the Caribbean.

can develop freely,⁶ investments are channelled towards ecologically sustainable solutions, and a gender-just economy is made possible. The same applies both to measures to tackle corruption and money laundering and to efforts to promote competition law and transparent investment conditions.⁷ Steps to fulfil international sustainability, climate and environment goals, and deal with resource scarcity and pollution, need to be accompanied by a comprehensive, social-ecological transformation of economic and financial systems and the labour market⁸ – always with the aim of ensuring just transition.

A functioning financial sector is a vital factor for a country's stability and economic growth. Although financial inclusion⁹ has increased worldwide, not all population groups are included to an adequate degree (sometimes due to gender roles), and the financial sector continues to be a constraint on development in a number of partner countries.

The challenge for financial sectors is to find appropriate responses to the effects of climate change, persistent social inequalities, overexploitation of natural resources and biodiversity loss. Their risk management has to incorporate sustainability risks in a systematic manner. Moreover, as well as being geared to profit, their credit and investment portfolios have to be designed to avoid negative impacts and promote positive impacts in terms of social and sustainable development (sustainable finance).

2.1.2 Businesses and investment

Businesses are essential for successful social-ecological transformation of the economy. As drivers of innovation, they have the ability and the obligation to boost sustainable development through investment.¹⁰ The funding gap for achieving the goals of the 2030 Agenda has increased further since the COVID-19 pandemic, now totalling 3.9 trillion US dollars. It is estimated that this gap will increase by another 400 billion US dollars every year.¹¹ More private investment is therefore required to supplement public investment. Yet it is also true that businesses are a major contributor to global greenhouse gas emissions, resource consumption, pollution¹² and loss of biodiversity.

For businesses to invest in creating an innovative, socially inclusive economy that is climate-, environmentally and resource-friendly, incentives and policies need to be put in place that are conducive to and reward socially and environmentally responsible practices. Equally, harmful incentives to such business practices need to be abolished. In addition, in many places, the local (often informal) private sector is unable to compete with the more attractive job opportunities offered by the public sector. The private sector therefore requires special support (see section 4.2).

6 In a regulatory quality index from 2019 (which captured perceptions of the ability of governments to formulate and implement sound policies and regulations that permit and promote private sector development), all the world's industrialised countries ranked in the top 55 whilst only countries of the Global South and emerging economies were to be found in places 56 to 192. (Worldwide Governance Indicators Project according to Daniel Kaufmann, Aart Kraay and Massimo Mastruzzi (2010). "The Worldwide Governance Indicators: Methodology and Analytical Issues")

7 See, for example, Transparency International, Corruption Perceptions Index 2021. In this respect, sub-Saharan African countries fare worst on average. The regions of Eastern Europe and Central Asia, the Middle East and North Africa also tend to be below the global average.

8 Referred to as "social-ecological transformation of the economy" hereinafter.

9 The term "financial inclusion" is used internationally to mean, in particular, the inclusion of marginalised population groups

10 German Institute for Development Evaluation, Evaluation Synthesis – Private Sector Engagement, 2021, 2021, p. 22. https://www.deval.org/fileadmin/Redaktion/PDF/05-Publikationen/Berichte/2021_Synthese_ZmPW/DEval_2021_Private_Sector_Engagement_Synthesis_web.pdf

11 OECD Global Outlook on Financing for Sustainable Development, 2023. <https://doi.org/10.1787/fcbe6ce9-en>

12 SMEs are responsible for 70 per cent of global pollution and 60 per cent of global industrial carbon emissions. This is partly a reflection of their lower efficiency. In fact, the least efficient quarter of businesses are responsible for roughly half of the private sector's negative impact on the environment.

<https://intracen.org/resources/publications/sme-competitiveness-outlook-2021-empowering-the-green-recovery>

Women in all their diversity¹³ and marginalised groups are more often in informal employment and thus lack social protection and workers' rights.^{14, 15} In many countries, these groups' rate of participation in training and the labour market is significantly lower too. Economic participation of women is therefore a core focus of feminist development policy: supporting them in education and in their role as skilled workers and entrepreneurs. In addition to the positive effects on women's ability to make their own life choices and on children's health and education, promoting female employment reduces income disparity and social inequalities and boosts economic growth.

International cooperation can foster investment in environmentally friendly, climate-neutral and socially inclusive business segments by advising governments on the development and implementation of economic strategies.

2.1.3 Vocational training and the labour market

Technical and vocational education and training (TVET) that is tailored to local job markets – with a focus on women and marginalised people and groups – is an important lever for social-ecological transformation leading to a just transition. Availability of well-trained skilled workers is key to high employment rates, a competitive, sustainable economy and a functioning public sector. It is particularly important that TVET and higher education programmes concentrate more on the skills needs of changing labour markets and, in this way, also accelerate the desired social-ecological transformation.

The working age population in sub-Saharan Africa is set to increase by two thirds from 370 million to over 600 million¹⁶ by 2030, yet more than 20 per cent of Africa's young people are not in employment, education or training. At the same time, a brain drain is underway and threatening to impede development. People with disabilities are often excluded from TVET and have poorer access to the labour market.¹⁷

Many partner countries have national employment strategies (and overarching growth strategies) in place that aim to initiate a labour-intensive structural change. However, there are often no functioning labour market institutions and coordination mechanisms to support this structural change. Moreover, there is frequently a lack of gender-responsive social protection systems that prevent people from slipping back into absolute poverty and take account of high employment rates in the informal sector.

The lack of collective bargaining systems and of trade unions on the labour market that have strong negotiating power is an impediment to employment growth. Any decisions pertaining to labour or social law should be preceded by social dialogue in order to avoid increasing obstacles to new jobs in the formal sector and turning a blind eye to shortcomings. In this context, the participation and involvement of women and marginalised groups is essential for equitable and sustainable outcomes.

13 In the following, the terms “women” and “female” always include members of the LGBTIQ+ communities. Equally, the term “gender equality” includes all gender identities and sexual orientations, see section 3.2 “Development policy goals”.

14 In countries of the Global South, the share of female workers employed in informal jobs is 92 per cent. The share of male workers is 87 per cent. (Women and Men in the Informal Economy – A Statistical Brief (ilo.org))

15 The employment rate of people with disabilities is 10 to 15 per cent lower than that of people with no disabilities. Only 20 per cent of women with disabilities are in employment. WHO 2011 World Disability Report (<https://www.who.int/publications/i/item/9789241564182>)

16 According to WEF statistics from 2017 (http://www3.weforum.org/docs/WEF_EGW_FOJ_Africa.pdf)

17 WHO 2011 World Disability Report (<https://www.who.int/publications/i/item/9789241564182>)

2.1.4 Trade and supply chains

In addition to the inequitable structures in some parts of the global economic system, countries of the Global South continue to face difficulties participating in regional and international trade due to weak production capacities, a lack of business infrastructure, fraudulent goods declarations, inefficient and non-transparent customs processes and non-tariff barriers. With intra-African trade accounting for only 16 per cent of the continent's trade (compared with 68 per cent for trade between EU states), Africa should continue to be a priority for German support. If the African Continental Free Trade Area (AfCFTA) adopts an ambitious approach, intra-African trade could grow by as much as 110 per cent and Africa's global industrial exports by 50 per cent.¹⁸ That means that the AfCFTA has the potential to lift 30 million people out of extreme poverty and 68 million out of moderate poverty by 2035.

The social-ecological transformation of global supply chains offers further potential. Some 80 per cent of world trade depends on global supply chains. Moving the global economy from fossil fuels to a low-carbon future gives us a historic opportunity to build socially and environmentally sound supply chains and achieve a fair distribution of costs and benefits. The more the added value that the business sector in partner countries can create in new green industries, the greater people's acceptance of the necessary transformation.

2.1.5 Digital technologies

Digital technologies are key for achieving the SDGs¹⁹ and entail many opportunities but also a number of risks. Whilst they can significantly contribute to partner countries' economic development, improvement of TVET and job creation, they also lead to new challenges.^{20, 21, 22, 23, 24}

The opportunities include increased access to learning content and financial services. Between 2011 and 2017, for instance, 1.2 billion adults (including women, young people and particularly marginalised people and groups) were able to open mobile money accounts and thus gained access to financial services.²⁵ For businesses previously cut off from global trade, digital transformation offers a low-cost, simple opportunity to build a presence on the global market through e-commerce.²⁶ Digitalisation of production processes opens up possibilities to cut costs, improve quality and creates opportunities for innovative products, services and business/workplace models and thus new jobs. By boosting efficiency, digital transformation also provides an opportunity to help achieve climate goals.

There can be no doubt that digital transformation offers huge potential. However, it also poses risks to national economies, business and society. These include cross-border job outsourcing/insourcing, creation of oligopolies in the digital economy, informal work and a lack of health and safety in the

18 World Bank Group, *The African Continental Free Trade Area – Economic and Distributional Effects*, 2020, page 46.

<https://openknowledge.worldbank.org/bitstream/handle/10986/34139/9781464815591.pdf>

19 WBGU "Towards our common digital future" (2019)

20 UNSGSA, BTCA, UNCDF and World Bank (2018). *Igniting SDG Process through Digital Financial Inclusion*.

21 EIGE (2019). *Gender equality and youth: opportunities and risks of digitalization*.

22 Breuer, A., Landman, T., & Farquhar, D. (2015). *Social media and protest mobilization: Evidence from the Tunisian revolution*. *Democratization*, 22(4), 764-792.

23 In the long-term, digital transformation will render numerous occupations and sectors superfluous. The employees affected will have to adjust considerably if they are to be integrated into new digital working environments. (OECD (2019) *Skills Outlook 2019. Thriving in a Digital World*. World Bank (2019). *World Development Report 2019*.) Measures will also need to be taken to ensure that digital transformation makes efficient use of resources and does not result in increased use of fossil energies. (Federal Ministry for Economic Affairs (2020). *Digitale Ordnungspolitik*. [Digital regulatory policy, available in German only])

24 DIE (2020). *Vertieft die Pandemie die digitale Kluft? (Is the pandemic widening the digital divide? Available in German only.)*

25 The Global Findex Database 2017. Currently, there are 1.2 billion registered mobile money accounts, *State of the Industry Report on Mobile Money 2021* (gsma.com)

26 WTO (2021): *WTO Chairs Programme. Adapting to the digital trade era: challenges and opportunities*. Edited by Maarten Smeets. Geneva

digital platform economy, and digital surveillance of employees, users and whole sections of the population. As more and more energy and water are needed to run data centres, ecological costs increase too.

This is exacerbated by the fact that half the world's population still do not have functioning internet access, meaning they are structurally excluded from the opportunities and possibilities afforded by digital transformation.²⁷ This is not just an issue of technical access, known as coverage gap. Between 2014 and 2020, the share of the world's population that did not have access to mobile internet due to a lack of infrastructure or network coverage decreased by 70 per cent.²⁸ However, many people are still unable to use the internet, for reasons such as poor digital literacy, security issues in the digital space, excessive costs, inaccessibility or an absence of relevant content. In the period mentioned above, this “usage gap” stayed almost constant, meaning that some 44 per cent of people worldwide are in fact unable to use the internet.²⁹

The effects are particularly hard on women and girls. In the least developed countries (LDCs), one in five men have internet access but only one in seven women.³⁰ The number of girls and women worldwide who can use the internet is approximately 250 million lower than the number of boys and men. This phenomenon is known as the digital gender divide. The digital policy of the BMZ is addressing this and other challenges.

2.2 International context and experience of working with other partners

German development policy can draw on wide-ranging experience gained in this area in recent years and decades. In 2019, German contributions accounted for around 21 per cent of the ODA funding used by Development Assistance Committee (DAC) members for TVET, private and financial sector development, and socially and environmentally sound supply chains and trade. Germany is thus the second largest donor (after the US, with around 25 per cent).³¹ It also provides a considerable amount of funding for sustainable infrastructure.³²

Multilateral processes

The European Union (EU), as a supranational organisation, is a key partner in German development cooperation. The “Team Europe” concept, which is an overarching approach as part of joint European development policy, is an important element of this collaboration. It aims to ensure that the EU speaks with one voice in international forums and initiate specific Team Europe initiatives with (groups of) partner countries. Since the EU Commission first devised this concept in 2021, the BMZ's active involvement in Team Europe initiatives has been growing.³³ The BMZ represents the German government in the World Bank Group and the regional development banks³⁴

27 GSMA Intelligence (14 October 2021): <https://www.gsma.com/mobilefordevelopment/blog/the-state-of-mobile-internet-connectivity-the-coverage-gap-continues-to-narrow-but-the-usage-gap-remains-wide/>

28 *ibid.*

29 *ibid.*

30 World Bank Group, World Development Report 2021, p. 164

31 Own calculations based on OECD Query Wizard for International Development Statistics. Considered CRS codes by priority area: economic policy (15110, 16062, 25020, 33110-33150, 33181), private sector development (25010, 32110-32140, 32163-32166, 32168-32172, 32182, 32210), financial system development (24010-24040, 24081, 31193), vocational training and labour market (11120, 11330, 11430, 16020, 31181, 43081), tourism (33210), ICT (22010, 22020, 22040).

32 Since infrastructure for energy, water and transport plays an important role in other core areas, no calculation was made.

33 The multilateral collaborations are described in detail in each of the areas of intervention.

34 Germany is the fourth largest shareholder in the International Bank for Reconstruction and Development (IBRD). It is also the fourth biggest donor to the International Development Association (IDA) – the World Bank's fund for the world's poorest countries – with contributions totalling around 1.6 billion euros. Germany is one of the most important shareholders in the regional development banks too. It is the third largest non-regional member of the African Development Bank (AfDB), with a share of 4.8 per cent; the sixth largest non-regional member of the Asian Development Bank (ADB), with a share of 4.3 per cent; and the fourth largest non-regional member of the Inter-American Development Bank (IDB), with a share of 1.9 per cent.

and is one of the major trust fund financiers (for instance for climate mitigation and adaptation measures closely linked to business, development partnerships and economic infrastructure, job creation, consideration of natural capital in business decisions and on financial markets as well as education, trade and sustainable supply chains).

German development policy puts these issues on the agenda in its activities within the G7 and the world's twenty major industrialised and emerging economies (G20). One example is the Compact with Africa (CwA), which was initiated under Germany's G20 presidency to stimulate private investment in Africa. The central aim of the CwA is to make private, sustainable investment more appealing through significant improvements to the economic and financial environment. A further example is the Women Entrepreneurs Finance Initiative (We-Fi), which was launched in Hamburg in 2017 under the German G20 Presidency. Its goal is to increase women's participation in business and promote gender equality.

The BMZ works within the framework of the Addis Ababa Action Agenda, which the participants in the Financing for Development Process set out in 2015. The ministry also works with a number of other stakeholders at the multilateral level, as described in more detail in section section 4.

Cooperation with the private sector

As part of its contribution to SDG 17, "Partnerships for the goals", German development cooperation has stepped up its collaboration with the German, European and local private sectors aimed at more sustainable, job-creating investment, training and further training in line with labour-market needs, and responsible entrepreneurship. The cooperation with German and European businesses and associations focuses on topics ranging from training and employment to climate and environmentally friendly supply chains to green and digital technology applications. In the development partnerships that have run in the past 10 years alone, BMZ projects with businesses, chambers and associations have mobilised approximately 700 million euros in additional direct investment for the development goals.³⁵ According to KfW, Financial Cooperation projects mobilised a total of around 3.9 billion euros in private capital from 2012 to 2020. These figures show the importance of cooperation with the private sector for sustainable economic development, training and employment.

Cooperation with non-governmental actors

In order to create a broad alliance for good-quality training, employment, income promotion and financial inclusion, Germany, through its development policy, also works to establish collaborations with further non-governmental civil society stakeholders, workers' representative organisations (trade unions) and non-governmental organisations. Efforts by entrepreneurs from the diaspora in Germany to establish start-ups in their countries of origin are also supported as part of German development policy. Non-governmental stakeholders play a significant role in creating decent jobs, for instance through their TVET activities, financial services and trade promotion measures. Their active involvement is crucial to implementing human rights and responsible development that places an emphasis on consumer protection.

³⁵ The figures incorporate data from the three largest programmes for projects implemented jointly with the private sector (develoPPP, KVP and BBP) for the period from the second half of 2011 to the first half of 2021.

Activities by and with other ministries

The BMZ engages in a highly effective process of exchange with the Federal Ministry for Economic Affairs and Climate Action (BMWK) on the topics of investment in Africa, tourism, trade, employment and digital transformation, thereby contributing to coherent cooperation. The BMZ consults closely with the Federal Ministry of Finance (BMF), too, especially with regard to promoting investment in Africa and the CwA. In addition, the BMZ works closely with the BMF in international forums such as the G20 Global Partnership for Financial Inclusion (GPII). Along with the BMF, the BMWK and Germany's Federal Foreign Office (AA), the BMZ also sits on the Interministerial Committee for Export Credit and Investment Guarantees, where it lobbies for development aspects to be taken into account in guarantee decisions. On the topic of ecologically sound economic transformation, the BMZ consults with the Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV). Due to their shared priorities and goals, the BMF, BMWK and BMUV work together closely in the area of sustainable finance. The German Sustainable Finance Strategy serves as an important basis for this cooperation. In addition, the BMZ works closely with the Federal Ministry for Labour and Social Affairs (BMAS) on legislation covering employers' responsibility concerning health and safety in the workplace (Vision Zero Fund). As part of Germany's Federal Government Strategy for Cooperation in Technical and Vocational Education and Training, the BMZ also consults closely with other ministries, principally the Federal Ministry of Education and Research (BMBWF) and the BMWK, both of which work to promote TVET internationally too.

3 Strategic conclusions

3.1 German development cooperation approach and interests

In its development cooperation, Germany is guided by the model of a social-ecological market economy. Rather than merely being aimed at economic success this model seeks to bring about a social-ecological transformation of the economy in the spirit of a just transition in line with the concept of feminist development policy. This approach is key to achieving the goals defined in the 2030 Agenda, the Paris Agreement and international environmental goals. It must also be the basis for a “recover forward” response³⁶ to external shocks and crises (COVID-19 pandemic and Russia’s war of aggression against Ukraine) and for boosting the resilience of national economies. The question of how trade and business can emerge from the crisis stronger, more resilient, more gender-responsive and “better” in terms of development will need to be considered in all future activities.

The established focus on socially responsible economic transformation with interventions to promote employment for all, high-quality TVET in line with labour-market needs, decent working conditions and human rights is to be retained. In keeping with the “leave no one behind” (LNOB) principle of the 2030 Agenda, women and marginalised groups will be a particular priority. The integrated approach to job creation is a cornerstone of activities in this core area to create decent jobs. Particular efforts need to be made to address women in all their diversity so that everyone benefits from the just transition.

Cutting greenhouse gas emissions, promoting adaptation to climate change in the various economic systems, taking into account climate, water and environmental risks and increasing

market participants’ resilience will be essential to securing progress on the path towards the SDGs. Digital technologies will have a pivotal role to play. At the same time, it is still important to assist financial sectors in their efforts to offer funding that helps reduce greenhouse gas emissions, preserve natural assets and implement socially just, economic reform (sustainable finance).

What is new? In addition to social responsibility aspects, the BMZ will make environmentally responsible economic transformation more of a focus of its work and establish indicators to measure the impact of interventions. Key indicators will be the decarbonisation of the economy (especially in the energy, industry and transport sectors); adaptation to climate change; increasing economic resilience and taking into account climate, water and environmental risks for companies and investors; increasing resource efficiency; avoidance of further production-induced air, water and soil pollution; promotion of circular economy approaches and protection, restoration and sustainable use of biodiversity and ecosystems. Partner countries that request it are given support to help them transform their economic and financial systems so as to lessen negative impacts on the environment and climate. In the spirit of a just transition, efforts are made to ensure that this transformation is socially just, causing no disadvantages for any groups of people or workers.

In promoting sustainable economic and trade policies, the BMZ is working to give international cooperation a new direction, with a clear emphasis on structural policy; this includes supporting comprehensive sectoral approaches for transforming not only energy generation, agriculture and infrastructure but also industry and trade, in order to make the shift towards a climate-neutral, digital circular economy. To this end, the BMZ, taking into account the needs of

³⁶ The term “green recovery” stresses the environmental aspect whereas the BMZ’s “recover forward” approach underlines the social dimension of post-pandemic recovery too.

partner countries, will expand advisory services on green industrial policy, social and ecological fiscal reform and labour, training and employment policies in a targeted fashion. It is strengthening institutions for strategy development and sector coordination and, in this way, contributing towards promoting green sectors and industry clusters with climate-smart and competitive companies that take account of climate, water and environmental risks, and towards the creation of decent jobs.

In operational terms, it will be key to firmly establish the transformation idea in the bilateral and sectoral portfolio and in the BMZ's cooperation with multilateral organisations and the private sector.

The BMZ will also support German and local businesses more strongly in harnessing their expertise and capital for the social-ecological, digital transformation. This will pave the way for resource-conserving processes and technologies for the "greening" of traditional sectors, promote green innovation (for example hydrogen or nature-based solutions) and create new, green and decent job opportunities. The necessary education and upskilling measures are already an essential component of the BMZ's work. Moreover, the BMZ is working to support the adaptation to climate change, especially for the most vulnerable people and promote the protection, restoration and sustainable use of ecosystems.

With more than 400 projects, the core area "Sustainable Economic Development, Training and Employment" is one of the largest areas in German development cooperation, as well as being the main focus in agreements with 45 of our 65 partner countries.³⁷ We collaborate with a range of organisations in our partner countries, from associations, stakeholders in the financial sector, quality infrastructure institutions and TVET and higher education institutions to informal micro enterprises and start-ups to major corporations. Further public-sector stakeholders are economic, labour, education and finance ministries and their subordinate authorities. Public-private

development partnerships round out the activities in this core area.

A further aim is to intensify the focus on strengthening women's economic empowerment. The aim is to reduce legal and administrative barriers for female entrepreneurs, investors and employees and involve them more in political decision-making processes. Equality of opportunity increases the labour force participation of women and contributes to gender equality in the labour market and better social protection for women. The gender-just social-ecological transformation of economic systems supported by the BMZ in its partner countries will help to overcome structural inequalities, colonial continuities and unjust power structures. This transformation is strengthening women's rights, representation and access to central resources (such as capital, markets, entrepreneurial ecosystems, (further) training and decent work).

The BMZ is increasingly implementing projects that include vocational training programmes targeting the needs of women, improving impact assessment in this area, and collaborating with international stakeholders to achieve gender equality.

To make sure that German development cooperation projects in this core area have the intended impact, the BMZ will concentrate on partner countries that have their own ambitious, economic, social, environmental and political reform objectives, and will provide them with support to achieve those objectives.

³⁷ As at April 2023.

3.2 Development policy goals

The BMZ assists its partner countries in their efforts to thoroughly transform their economies in line with social and environmental needs. To this end, access to and the importance of TVET are to be strengthened (area of intervention 1, section section 4.1), the private sector and the financial system are to be changed in such a way that they help reduce poverty and build prosperity in a climate-smart and environmentally friendly manner (area of intervention 2, section section 4.2) and the conditions are to be created for free and fair trade (area of intervention 3, section section 4.3). Shaping the digital transformation in such a way that people benefit from it is meant to contribute to the goals of all three areas of intervention (“Digitalisation” as an important work project of the BMZ, section section 4.4). The aim is equitable political, economic and social participation by all people – irrespective of their gender, sexual orientation, disability or social or national origin. This vision of humanity, in line with Germany’s constitution, the Basic Law, is clearly visible in the BMZ’s interventions.

The strategic approach is closely linked to the core area strategies of “Climate and energy, just transition” and “Conserving nature and natural resources, protecting life on Earth” and the strategy on feminist development policy.

All BMZ activities in this core area make significant contributions towards the Sustainable Development Goals agreed by the United Nations members, above all SDG 8: “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all” and SDG 13: “Take urgent action to combat climate change and its impacts”. In this core area too, the BMZ’s activities are very much guided by the Paris climate goals and the Global Biodiversity Framework. Newer developments aimed at overcoming the challenges of climate change and biodiversity loss – such as increasingly internationalised climate legislation (the European Climate Law, which forms part of the European Green Deal, for example) – have led to an intensification of this focus. The BMZ’s interventions to promote TVET are mainly in response to SDG 4: “Ensure inclusive

and equitable quality education and promote

lifelong learning opportunities for all.” Germany’s activities will also have a positive impact on SDG 1 (No poverty), SDG 5 (Gender equality), SDG 6 (Clean water and sanitation), SDG 9 (Industry, innovation and infrastructure), SDG 10 (Reduced inequalities), SDG 12 (Responsible consumption and production), SDG 14 (Life below water), SDG 15 (Life on land) and SDG 17 (Partnerships). The “leave no one behind” principle outlined in the 2030 Agenda of the United Nations plays a fundamental role in all these activities.

Quality criteria

Quality criteria must be taken into account and incorporated as cross-cutting issues in all development programmes and interventions carried out under this strategy. Quality criteria are our “hallmark” of value-based, sustainable and forward-looking development cooperation conducted in the BMZ’s area of responsibility. The BMZ’s six quality criteria are: “Human rights, gender equality and disability inclusion”, “Poverty reduction and inequality reduction”, “Environmental and climate assessment”, “Digital technology”, “Anti-corruption and integrity” and “Conflict sensitivity”.

4 The direction of Germany's development cooperation in the areas of intervention. Strategic policy orientations

4.1 Area of intervention 1 – “Technical and vocational education and training”

The area of intervention “Technical and vocational education and training” aims to improve access to and the quality and relevance of TVET, higher education and labour market policy. The intention is to focus particularly on women and marginalised groups, migrant reintegration and vocational training in the context of displacement, for both refugees and (internally) displaced persons. The BMZ's crisis response instruments and special initiatives also play a significant role here. Through collaboration with the private sector and involving labour-intensive, sustainable and future-proof industries as well as the informal sector, our interventions increasingly seek to secure the supply of skilled labour, ensure decent jobs and increase business productivity and innovation and secure the provision of basic services such as water, sanitation and hygiene. German development cooperation aims to promote decent work and, where possible, a transition from an informal to a formal economy. Interventions to develop TVET can support that transition.

In international forums (such as the G7 and G20) and through the BMZ's collaboration with multilateral partners, German development cooperation officials lobby for improved employability and strengthened TVET systems in the Ministry's

partner countries. In addition, the BMZ provides support for measures to train trainers, dovetail TVET with higher education and improve pathways into the job market. This should be backed up by active labour market policy at the transition point from TVET/higher education to the world of work. This would ensure that personal career paths are aligned more with the private sector's labour demands and could be achieved through careers advice and placement services, for instance. Examples include the STEM professions (STEM: science, technology, engineering and math) in North Africa and the Middle East and the introduction of the “dual system” of education and vocational training in the Middle East. Another aim is to sharpen the focus on entrepreneurial skills in partner countries, particularly for women and marginalised groups, and develop them through vocational training measures. Many partner countries wish to learn from Germany's experience in dual vocational training. That is why Germany, in its development cooperation, is taking on a lead role in development interventions designed to promote vocational training.³⁸

In Germany, development cooperation activities in the area of intervention “Technical and vocational education and training” are mainly carried out in collaboration with federal ministries (including the BMBF), their subordinate agencies (for example BIBB and GOVET³⁹), partners from the private sector and other partners such as local authorities, training providers, non-governmental organisations and the DAAD.

³⁸ With payments totalling 278 million euros (in 2019), Germany is the world's top donor in TVET, according to ODA figures.

³⁹ German Office for International Cooperation in Vocational Education and Training

German business associations and numerous businesses make a significant contribution through the various cooperation instruments.

Interventions to promote forward-looking, resilient TVET are intended to modernise and transform the world of work and respond to the challenges of future workplaces. Trade unions have a special role to play in this context. German development cooperation provides support for forward-looking TVET programmes and labour market policies as well as for training for the increasingly digitalised and interconnected world of work. Promoting digital skills is one of the cornerstones of the BMZ's social-ecological and feminist digital policy. This also includes self-study skills, creativity and entrepreneurial competence. The BMZ seeks to establish the use of digital teaching and learning formats and technologies in TVET as a standard component of its support and advice. Alongside other initiatives and measures, the atingi knowledge and learning platform, run by GIZ, plays a key role here.

TVET is also a way of enhancing people's prospects and employability across borders. Development cooperation interventions in the field of labour migration take a "triple win" approach, aiming to ensure that countries of origin, migrants and countries of destination all benefit. This can be achieved by means of a partnership-based approach to migration for employment/training, with added development value for the country of origin. This in turn can involve measures such as strengthening TVET systems and the relevant authorities' migration expertise in partner countries. At the same time, it is critical to ensure that the emigration of skilled staff does not become an obstacle to development in our partner countries. That is why the BMZ is piloting project approaches where interested individuals are trained partly for the local and partly for the German labour market.

"Green" TVET is to be expanded as part of an environmentally responsible transformation and steps to create a labour pool that meets future needs. Two aims are being pursued in keeping with the just transition principle. One is supporting the expansion of TVET and higher education in green sectors, including the water industry, and the integration of climate and environmental protection skills into education and training programmes in conventional sectors. The other is supporting the establishment of structures to ensure an adequate supply of skilled workers in occupations that are relevant for environmental and climate issues.

In line with feminist development policy, the aim is for women and marginalised groups, especially indigenous and local communities, to get better access to essential resources such as vocational training and decent employment. The BMZ will enhance its support for partner countries to target it even more at ensuring TVET and labour market policies that promote TVET for girls and women, increase their employability and enable them to be integrated into the economy.

Partners and instruments

In its cooperation with multilateral partners such as the EU, the United Nations Educational, Scientific and Cultural Organization (UNESCO) and its International Centre for Technical and Vocational Education and Training (UNESCO-UNEVOC), the United Nations High Commissioner for Refugees (UNHCR), the International Labour Organization (ILO) and regional development banks, the BMZ works to improve all people's (especially women's and girls') access to quality TVET. In addition, as a member of the Donor Committee for dual Vocational Education and Training, DC dVET⁴⁰, the BMZ actively promotes international development cooperation to support dual vocational education and training.

⁴⁰ DC dVET was founded in 2015 and brings together the Austrian Development Agency (ADA), Germany's Federal Ministry for Economic Cooperation and Development (BMZ), the Swiss Agency for Development and Cooperation (SDC) and the Liechtenstein Development Service (LED).

The instruments of Technical and Financial Cooperation will be evolved so as to support partner countries in meeting the needs of their specific context. The BMZ also harnesses the potential synergies that arise from social partners, civil society and churches being actively involved in TVET in the partner countries.

In the area of Technical Cooperation, bilateral projects are implemented to strengthen and reform education and labour market policies and systems, help develop more needs-based training programmes, build national and subnational capacities at the individual, institutional and system levels, and promote specific (cross-cutting) issues.

In activities to develop TVET institutions and financing, there are close links between Financial and Technical Cooperation. In terms of Financial Cooperation, the BMZ supports supply-side education financing projects, particularly for TVET institutions' training infrastructure. New "challenge funds" have been introduced to intensify collaboration in training between vocational schools and businesses. Demand-side financing, in the form of vouchers, grants and training loans, helps people access TVET and reduces drop-out rates, especially among low-income groups. Programme-oriented joint financing (PJF) is used to advance structural reform processes within education systems so as to improve conditions in partner countries over the long term. Linking financing to the achievement of pre-agreed results (known as "outcome-based" or "impact-based" finance) can potentially offer advantages over established methods. The BMZ is reviewing the advantages and disadvantages of innovative, incentive-based financial instruments as a way of involving the private sector in TVET (for instance social impact incentives and development impact bonds).

4.2 Area of intervention 2 – "Private sector and financial sector development"

The area of intervention "Private sector and financial sector development" is aimed at supporting our partner countries in shaping their economic and financial systems in such a way as to make them ecologically sustainable and socially just. Designing economic policies and creating conditions that promote sustainability is key to promoting decent work and improving quality of life for everyone in our partner countries. By deepening our partner countries' expertise on economic policy, we can help boost productivity through innovation and digital transformation, create and integrate markets and increase the supply of and demand for decent jobs. Smart and evidence-based economic policy can generate the right incentives for decarbonising the private sector and making it ecologically sustainable.

Stronger economic policy expertise helps make sure that economic transformation is socially and environmentally responsible and nobody is "left behind" (in line with the principle of a just transition). To eliminate disparities, the BMZ thus gives its partner countries support to reshape their economies and make their economies future-proof, environmentally sustainable and inclusive. We provide support for the process of identifying and adapting economic policies to deal with the uncertainties this transition brings. This requires, for example, capacities for establishing a circular economy, conducting market research and technology assessment, carrying out regulatory monitoring of businesses, and for supporting innovative companies. By helping to develop local financial sectors and institutions, development cooperation fosters universal access to gender-responsive (digital) financial services. Real economy instruments and finance sector instruments mutually reinforce each other when used in combination.

With so many people moving to urban areas, economic policies, especially in sub-Saharan Africa and South Asia, need to be designed to create the foundations for liveable and productive urban spaces. This means, in particular, a transition to an efficient circular economy, a shift in the construction and mobility sectors, the provision of basic services, including in the workplace, for instance in the areas of water, sanitation and hygiene, diversification of services by means of geographical consolidation and increasing purchasing power, promotion of local innovation systems and start-ups, and intensification of urban-rural agricultural supply chains. When redesigning urban areas, behavioural insights can help ensure responsive planning, provide incentives for sustainable use and create the necessary acceptance for sustainable technologies and infrastructure. The urgent need to make urban spaces carbon-neutral, resilient and thus more liveable is generating additional demand – and opportunities. At the same time, policies need to consider rural regions too, which is where more than 50 per cent of the population work in many countries of the Global South.⁴¹

Given the increasing number of fragile contexts and (protracted) conflicts around the world, it is crucial to pay particular attention to fragile contexts in economic development.

Private sector development

The BMZ's objectives in the area of private sector development are aimed at three levels, the focus being on structure-building activities.

First, at the policymaking level, we support the development of the necessary economic environment. The aim is to enable businesses, economic sectors and thus the national economies and societies of our partner countries to improve practice, enhancing economic success and social and environmental sustainability, and to provide services tailored to people's needs. By carrying out steps to adapt economic policies, partner governments can take targeted action to transform their economies in a socially and environmentally

responsible manner. The BMZ supports economic and financial policy reforms and the necessary structural transformation towards stronger value chains and more ecological sustainability in the spirit of a social-ecological market economy and just transition. It also helps partner countries introduce fair competition rules, improve their business and investment climate and create efficient, integrity-based and transparent institutions, along with appropriate regulatory measures. These measures are also necessary when establishing new digital ecosystems.

A conducive environment includes factors such as legal certainty, transparency, respect for human rights and gender equality. Free and independent media provide access to information and political participation, promote transparent governance and thus contribute to a good investment and business climate.

It is important to establish environmental and social standards and to help ensure they are complied with, and to introduce measures to protect data, consumers and the environment. Green infrastructure investments, the development of eco-industrial parks and financial sector development create the necessary conditions. By means of environment-oriented structural and industry policies, partner countries can provide targeted support for green sectors and technologies and thus contribute to the decarbonisation of their economies and to making them environmentally sustainable and future-proof.⁴² One step towards conditions conducive to environmentally sustainable business is to gear fiscal policy more to environmental aims by means of socially responsible reform of environmentally relevant taxes, levies and subsidies. Since one prerequisite for this is that information on the cost of environmental degradation needs to be supplied and taken into account, the BMZ provides support for natural capital accounting efforts.

A prime concern is the need to establish a circular economy as part of a “cradle to cradle” approach⁴³, encompassing all the stages of resource

41 World Employment and Social Outlook – Trends 2018 (ilo.org)

42 Altenburg, T., Assmann, C. (2017): Green Industrial Policy: Concepts, Policies, Country Experiences

43 BMU (2019): Progress III

management, from resource extraction to product design and manufacturing to sale, consumption, recycling and recovery. The BMZ will increasingly support a combination of these approaches whilst also ensuring that local businesses stay competitive and have access to the global market.

Secondly, at the meso level, the aim is for the sectors and institutions we support to help bring about a socially and environmentally responsible economic transformation (based on the “just transition” principle) and offer high value-creation and employment potential. These sectors include energy, construction, infrastructure, IT, mobility, education and healthcare. Approaches to be implemented in order to achieve this transformation include local and regional economic and cluster development and targeted support for innovation and technology development, always acknowledging social factors and the specific contributions made by women. Economic policy measures therefore play an important role in this context too. The aim is to extend the impact and reach of interventions by developing the local market for business services, which may be provided by chambers and associations, for instance. In addition, business-oriented dual vocational training systems are being expanded so as to meet the demand for skilled labour of companies that contribute to social-ecological transformation in partner countries. Support for SMEs will take into account the special conditions required for the informal sector to allow it to compete with the more attractive employment arrangements offered by the public sector. In this context, the cooperation with trade unions will increasingly gain attention and importance.

Third, businesses receive direct support to enable them to operate competitively and sustainably and to create jobs and income across the population (micro level). Here, too, the focus is on structure-building measures, i.e. measures that improve the general environment for doing business. Our support for businesses concentrates on small and medium-sized enterprises (SMEs) and young companies (including start-ups). Due to their size

and limited powers of influence, their opportunities for development tend to be poorer than those of their larger counterparts.⁴⁴ The BMZ also places a particular emphasis on support for female entrepreneurs and women-led businesses, and on the general economic integration of women. The aim is to ensure that the socially and environmentally responsible economic transformation in our partner countries also takes gender equality into account – again, following the principle of a just transition.

Start-ups have the potential to develop existing markets further and create new ones, partly by developing new technologies or adapting existing technologies to the national or local context. These businesses include social enterprises, companies with inclusive business models and green businesses that identify long-term solutions for social and environmental problems. In addition, development cooperation makes use of financial institutions, funds and advisory facilities in order to pool efforts to support such companies.

Financial system development

Through its support, the BMZ aims to promote resilient and inclusive financial systems since these can mobilise a substantial part of the investments necessary for the transformation and make economies more resilient to shocks. Key areas are the economic participation of women in all their diversity, efficient integration of MSMEs into production and trade, and the mobilisation of sustainable investment.

The goal is to give all members of the adult population (especially marginalised people and population groups) equitable access to the entire range of needs-based financial services, enabling them to take action themselves to improve their situation. This includes loans, savings products or payment services for example. Financial inclusion of women is a particularly important aspect. Comprehensive approaches in the area of gender equality are the only way to tackle the problem of the gender gap in financial inclusion, which is currently at six per cent.⁴⁵

⁴⁴ Special financial services are available for micro enterprises. Although direct support would seem desirable from a development perspective, specific interventions to benefit micro enterprises are difficult to implement.

⁴⁵ In 2021, 74 per cent of men but only 68 per cent of women in developing and emerging economies had access to financial services (account ownership). Source: World Bank Global Findex Database 2021

Approaches used to develop financial sectors range from strengthening the regulatory framework (including consumer protection) to refinancing and developing needs-based financial services, developing local capital markets, capacity building for local financial institutions and direct cooperation with the target group (financial literacy). Examples of the instruments used to implement those approaches are the establishment of efficient payment systems, strengthening of banking supervision, provision of (third-party) capital for financial sector stakeholders (such as national development banks), cornerstone investments to build capital market confidence, programme-oriented joint financing (PJF) aimed at improving regulatory frameworks, support for further digital transformation amongst financial market stakeholders in response to rapid market change caused by digital products such as mobile banking (digital finance), improvement of the range of long-term financing and hedging facilities available (especially in local currency) and implementation of international standards in risk management. Over the past 25 years, the German approach to financial sector development has been a resounding success. Particularly worthy of mention is our leading role in micro finance in which we have gained significant expertise and recognition internationally and which is especially important in efforts to reduce poverty.

In order to promote the social-ecological transformation of economic systems, financial flows should be channelled into SDG-relevant activities. For this, the BMZ will increase its efforts to systematically mainstream sustainability criteria in financial decisions (sustainable finance). This is also laid down in the German Sustainable Finance Strategy. One of the strategy's objectives is to give more weight to sustainable finance in development cooperation and at multilateral development banks.⁴⁶ An essential part of these efforts is ensuring that financial market policy is oriented towards sustainability. This can be done by such means as introducing taxonomies (classification systems for sustainable economic activity), financial market regulation to ensure systematic

consideration of environmental, climate, social and governance risks, and international standards for sustainable investment and private adaptation financing. To this end, the BMZ strengthens the expertise of political decision-makers and financial institutions in areas such as strategy, sustainable financial products (for example green bonds), risk analysis and sustainability reporting, thus stimulating implementation of sustainable practices in the financial sector.

The combination of different types of funding (blended finance) and the mobilisation of private capital, in particular, also play a pivotal role. We provide support for mechanisms such as structured funds, instruments to reduce private investment risk and approaches designed to strengthen local capital markets. In recent years, structured funds have successfully been used to mobilise substantial private capital to help promote the social-ecological transformation of the economies in our partner countries, including for green investments. One of the main tasks of development cooperation is to encourage the widespread adoption of international standards and support the technical implementation of those standards to facilitate international capital flows and adapt them to the socio-economic context in our partner countries. Additionally, the knowledge acquired by KfW as a sustainable financial institution can be passed on.

Employment promotion

The BMZ seeks to promote employment in a way that benefits people, through programmes that contribute towards good mechanisms for ensuring a balance between the demand side of the labour market (creating jobs and improving their quality) and the supply of labour. The combined effect of the areas of intervention “Technical and vocational education and training” and “Private sector and financial sector development” plays a key role as part of an integrated approach to employment promotion. As well as stimulating demand and supply on the labour market and supporting measures to place people in jobs, it helps shape labour market policy.⁴⁷ In addition to the analytical tools devised

⁴⁶ The Federal Government (2021): German Sustainable Finance Strategy (Federal Ministry of Finance)

⁴⁷ This includes labour market information and analysis systems, labour market legislation and regulation, the collective bargaining system, active and passive labour market services and links to welfare policy.

in the field of development cooperation, approaches for employment-intensive structural change that are adapted to the partner country in question are needed. Moreover, it is key to closely dovetail labour market policy and social protection. Since Germany has committed within the G7 to scale up its efforts in the field of green jobs and skills, any job creation measures need to be checked systematically in terms of their climate and environmental potential. This also helps to complement German initiatives, especially the Climate and Development Partnerships, even more effectively with green job creation measures (for instance re-training activities for the renewables sector, green infrastructure or climate-resilient agriculture).

We involve both private-sector and public-sector employers to ensure that education and training programmes are aligned with the needs of the labour market. Appropriate training programmes that give particular consideration to the needs of women and marginalised groups are required, especially in order to meet the demand for workers in green and digital jobs, which is already high today and is set to increase still further. Thanks to their ability to innovate and their potential for digital access, the cultural and creative industries are seen as a promising sector for the future, with high training and employment potential (particularly for young people and women) and with especially strong growth in Africa. Interventions in this area also take into account the conditions in the specific country (fragmented labour markets for local and international workers, for instance) and in its informal sector.

The special initiative “Decent work for a Just Transition” is a good example of how, working with private business, obstacles to investment can be removed in order to generate job-creating growth. In collaboration with German, European and African businesses, decent jobs are being created in eight African countries – jobs that offer long-term prospects and appropriate pay and comply with ILO core labour standards. In addition to measures which are aimed at growth clusters with high employment potential, standardisation and certification measures are used to help small and medium-sized enterprises integrate into supply and value chains. Here too, these interventions have a stronger focus on creating green jobs, on

the potential offered by digital transformation and on the economic empowerment of women and marginalised groups. A further goal is to improve working conditions. Supporting activities aimed at improving compliance with environmental and social standards helps to ensure more efficient and climate-friendly use of resources, lowering location risks and safeguarding resources as production factors (inputs). Formalisation of jobs helps to improve working conditions and ensure more stable incomes and has the potential to increase access to healthcare and social protection. When modernising efforts are confined to capital- and technology-intensive growth, development cooperation needs to counterbalance that by looking for employment-intensive ways forward. The demand for technology causes a paradox that it is not always possible to resolve.

By facilitating regular labour and training migration and regional mobility, development cooperation can also contribute to transboundary job creation, enabling partner countries to reduce the pressure on labour markets and fight unemployment. In addition, they can benefit from remittances from apprentices and skilled workers who work abroad. This can lead to a triple win situation for migrants, their countries of origin and their countries of destination. At the same time, it is important to make sure that the migration of skilled labour does not become an obstacle to development in the partner countries. The BMZ therefore supports partner institutions in managing migration, with one of its aims being to avoid a brain drain.

Partners and instruments

At the multilateral level, the BMZ will continue and expand its cooperation with the European Union, within the G7 and G20 (especially the G20 Global Partnership for Financial Inclusion), with the African Union (AU), the UN (particularly organisations such as the International Labour Organization (ILO), the United Nations Industrial Development Organization (UNIDO), the International Trade Center (ITC), the United Nations Capital Development Fund (UNCDF) and the United Nations Environment Programme (UNEP, including the Finance Initiative FI), the World Bank Group (including the IFC's Sustainable Banking Network and the Consultative

Group to Assist the Poor (CGAP) and the Alliance for Financial Inclusion (AFI). The results of international negotiations (primarily in the fields of climate action and biodiversity) are to be incorporated into future project planning even more than is currently the case. We engage in dialogue with other donors in the Donor Committee for Enterprise Development (DCED), including on the harmonisation of quality standards for the development of the private sector, and within the EU Member States Private Sector Expert Working Group, which is a platform for cooperation and joint financing in, for example, the Team Europe Initiatives. Furthermore, close consultation with other donors and implementing organisations in the BMZ's partner countries serves to ensure that the various approaches pursued in measures to develop the private and financial sectors are harmonised. In the area of bilateral cooperation, the BMZ's interventions in its partner countries are carried out via the implementing organisations. German bilateral cooperation in this area is conducted with a range of institutions, such as economic and finance ministries, associations, quality infrastructure organisations, financial-sector stakeholders and businesses – from informal micro-businesses and start-ups to major corporations.

In the area of cooperation with the private sector, the BMZ provides support for development-related efforts by the German, European and local private sectors and fosters such efforts via development partnerships. This cooperation is intended to amplify the positive impact of corporate action and to leverage additional funding from business to help achieve the SDGs.⁴⁸ The BMZ also seeks to support businesses that are competitive, climate-friendly and environmentally friendly, climate-resilient and socially responsible. It does this through special advisory activities – including on human rights due diligence and climate/environmental risks – delivered by the Agency for Business and Economic Development and the Business Scouts for Development programme.

Another BMZ objective is the transfer of knowledge and technology to developing and emerging economies. For public funds to be used in these partnerships, they must adhere to the principle of subsidiarity.

The BMZ supports this cooperation through various instruments (develoPPP, chamber and association partnerships and multi-stakeholder partnerships, for example) and draws on private sector alliances. Businesses, financial institutions, business associations, trade unions and non-governmental organisations are important partners in the development and implementation of joint and sustainable investment projects too.

The BMZ is looking to expand its support programmes for private sector partnership in the energy and circular economy sectors so as to accelerate the transition to renewable energy and climate/resource protection in its partner countries. To this end, the PREVENT Waste Alliance, which mostly consists of private sector members, will be evolved to become an international multi-stakeholder partnership for circular economy solutions. To achieve sustainable economic development in our partner countries, we will place even more of a focus on the promotion of social and green approaches in future – including green economic policy.

In addition, the BMZ is seeking to continue and further develop successful digital transformation interventions at the intersection between business and development cooperation. To enhance coordination and transparency, the BMZ will analyse the synergy effects of all its cooperation activities with the German and European private sector more systematically and provide an instrument based on standardised methods for that purpose.

⁴⁸ Foreign direct investment in development countries is many times higher than the overall amount available for development cooperation (OECD 2017). Nine out of ten jobs in countries of the Global South are created by the private sector, predominantly micro and small enterprises (IFC 2013; 140, 11).

4.3 Area of intervention 3 – “Socially and environmentally sound supply chains, trade and sustainable infrastructure”

Support for free and fair trade and for socially and environmentally sound supply chains drives sustainable economic development, economic resilience and decent jobs worldwide. The objective of development cooperation in this area of intervention is to overcome the structural disadvantages that countries of the Global South (especially the LDCs) are facing and to integrate these countries into a regulated, equitable trade system. The aim is to create more productive and decent work, improve living and working conditions, increase income, eliminate gender inequality and reduce poverty.

Through its interventions to support trade, the BMZ is seeking to generate economic growth that is inclusive and environmentally and socially sustainable. In particular, value creation and employment in Africa are to be increased by supporting the African Continental Free Trade Area (AfCFTA) and thus strengthening intra-African trade. From a development perspective, trade and economic growth should be about making sure that people in partner countries have jobs which comply with good standards, that they are paid a fair wage, that markets are supplied with safe products and, furthermore, that investments can be made in environmentally friendly technologies.

The BMZ supports open, fair trade that respects human rights, creates decent jobs and promotes socially, environmentally and economically sustainable development in line with the 2030 Agenda. For as many people as possible to benefit from trade effects whilst also respecting planetary boundaries, trade policy at the national, regional and multilateral level needs to be development-led and rule-based, and have economic, social and environmental impacts. To that end, the BMZ is working to strengthen partner countries' capacities for negotiating trade agreements and implementing labour and environmental standards with the aim of ensuring development-friendly, asymmetrical agreements which provide sufficient protection

for domestic markets in the countries of the Global South. A further goal is the binding integration of enforceable minimum standards for human rights, social welfare and the environment in all (EU) agreements on trade, economic partnerships and investment, followed by consistent implementation. The BMZ will also support countries of the Global South in their efforts to implement future (plurilateral) WTO agreements on aspects such as e-commerce or investment facilitation for development.

Aid for Trade is intended to support the integration of countries of the Global South and thus improve their chances of equitable participation in (worldwide) trade. The BMZ's support is aimed at increasing value creation and employment in partner countries. Developing countries cannot be allowed to become mere commodity suppliers or extended workbenches. Aid for Trade (AfT) is a cross-cutting concept which is an integral part of the present area of intervention and an element in numerous development cooperation projects in other areas of intervention as well. This applies, in particular, to the internationally defined AfT categories of productive capacity building, trade-related infrastructure and trade development. There are also close links between Aid for Trade and our initiative area “Digital technology” (in the development of digital trade/e-commerce or digital outsourcing of services, for instance) and the cultural and creative industries (copyright protection, especially for digital creatives).

A key area of our activities in this area of intervention is regional economic integration based on equitable trade policies. Germany uses AfT in particular to support regional economic communities in Africa (for instance the Economic Community of West African States, the Southern African Development Community and the East African Community). The goal is to increase intraregional trade and strengthen regional industries and value chains, but also to enable businesses in those communities' member countries to tap into international markets. In the next few years, one of the priority areas for our support will be the AfCFTA. Expansion of intra-African trade has the potential to open up huge opportunities for sustainable development and employment on the African continent. Moreover, successful implementation of the AfCFTA will

open up the prospect of a comprehensive EU-AU trade agreement in the long term. Apart from its work to promote the AfCFTA, the BMZ supports other regional trade agreements, the aim being more local value creation and shorter transport routes that are more climate-friendly and environmentally friendly.

The BMZ has introduced measures specifically intended to raise Africa's share of e-commerce and exported digital services – two areas that can help mitigate the fallout from the COVID-19 crisis. Activities in this area of intervention will be affected by the impacts of the COVID-19 pandemic in the medium term and possibly even the long term. However, despite the severity of the situation, the disruptive impact on world trade is also a chance to make a fresh start.

Sustainability issues and trade interventions to protect the climate and the environment will in future play an even more prominent role in trade-based German development cooperation activities. An important part of this will be measures to promote trade in environmental goods and services, investment in climate-friendly logistics and circular economy systems, plus development-oriented support for the WTO Trade and Environmental Sustainability Structured Discussions (TESSD). The BMZ is working to expand the transfer of knowledge, innovation and technology in the area of green technologies by introducing specific tariff reductions for such products in industrialised countries and countries of the Global South and is also engaged in efforts to strengthen the absorption capacity, for instance. Links to the priority topics in the area of environment and climate will need to be borne in mind as well as any links to the focus areas of the BMZ: 1. Health and bodily autonomy, 2. hunger and poverty, 3. just transition and 4. feminist development policy.

Investment in high-quality (i.e. resilient, inclusive and sustainable) infrastructure is essential for a number of the main sustainable development objectives and can make a significant contribution towards fulfilment of the 2030 Agenda and the Paris climate goals. For business and trade, physical infrastructure and its long-term operation and maintenance are particularly important as such infrastructure supplies companies with water and

electricity and provides them with access to digital information networks and to roads and transport systems. In addition to public funding, more private investment needs to be leveraged in order to close the global investment gap in the infrastructure sector. The BMZ supports partner countries in their planning, implementation and maintenance of infrastructure projects that are based on internationally agreed sustainability standards, thus helping to create a pipeline of bankable projects. We do this in close collaboration with multilateral development banks and by supporting project preparation facilities and implementing targeted Financial and Technical Cooperation measures in our partner countries. By working to define the mission of and operationalise the G7 Partnership for Global Infrastructure and Investment, the BMZ is laying the foundations for improved coordination and intensification of the G7's activities in the field of sustainable infrastructure development.

Beyond the trade-based development cooperation already mentioned, the BMZ will also continue to work on making global supply and value chains socially and environmentally sustainable. In a globalised economy with transnational production and consumption patterns, supply and value chains are key for achieving social-environmental transformation in the spirit of a just transition. As the world moves from a fossil-based economy to a climate-friendly economy, it is vital we grasp this historic opportunity to make the supply chains of the future sustainable – for the good of us all.

A key goal is to boost value creation at the local level. The BMZ approach is to seek to improve compliance with environmental and welfare standards, promote good working and living conditions, improve pay and income, and strengthen environmental protection and climate action along global supply and value chains. The BMZ pursues these aims by systematically combining voluntary and compulsory measures in a “smart mix” in line with international frameworks such as the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. This also means a stronger focus on fostering corporate due diligence along global supply chains, in addition to the government's duty to protect human rights –

which includes the right to a clean, healthy and sustainable environment – and to put in place the regulations necessary for making sure that those rights are upheld.

Recognising the complex nature of global supply chains, the BMZ collaborates with business, civil society and policymakers and works at the national, European and international level (multi-level/multi-stakeholder approach). Our interventions in Germany/Europe combine with those of our partner countries to form a coherent overall approach to promote sustainability and climate protection along global supply chains. The BMZ is increasingly using digital solutions (where effective) to enhance the transparency and sustainability of complex global supply chains.

Key interventions at the German and European level are regulatory improvements, for instance via the Act on Corporate Due Diligence Obligations in Supply Chains and pertinent EU regulations, getting involved in multi-stakeholder initiatives, promoting sustainable consumption (for example through certification) and sustainable public procurement, and development partnerships with the private sector. In its partner countries, the main approaches the BMZ uses to promote socially and environmentally sound supply chains are:

- governmental capacity building for the definition, promotion, monitoring and enforcement of technical, social and environmental standards, plus measures to strengthen cooperatives, associations, trade unions and NGOs, and further governmental capacity building in the public sector for the protection and management of natural resources;
- corporate capacity building to ensure compliance with social, quality-assurance and environmental standards, plus employee capacity building (particularly for women) through training;
- creation of decent jobs and measures to increase local value creation, such as industrial upgrading and use of digital technology;

→ measures to improve income and working conditions, such as promotion of living incomes and wages, abolition of child labour, strengthening of workers' rights, health and safety measures and social protection;

→ measures to improve environmental and climate protection, such as sustainable use of resources, environmental management systems and anti-deforestation measures;

→ strengthening local demand for social-ecological products, for instance by way of consumer information, labels, and building on behavioural insights when designing products and policies.

In this way, BMZ interventions contribute towards making supply chains, businesses and workers more resilient to future crises, protecting the environment and the climate, and preserving resources as production factors in the long term.

Partners and instruments

A significant aspect of this area of intervention is engaging in efforts to foster pro-development trade policies in Europe. In addition, the BMZ works closely with the EU Commission and other EU member states in Team Europe Initiatives (including on the AfCFTA). At the multilateral level, German development cooperation collaborates closely with organisations active in areas such as Aid for Trade. Examples are the WTO fund of the World Trade Organisation, created to assist LDCs' trade-expansion efforts, WTO's Enhanced Integrated Framework (EIF), the Advisory Centre on WTO Law (ACWL), United Nations Conference on Trade and Development (UNCTAD), ITC and UNIDO. Among the organisations with which we work closely to promote socially and environmentally sound supply chains are various UN agencies, the OECD and the ILO. The BMZ also collaborates with the World Bank Group in intensive efforts to improve labour standards and compliance with due diligence obligations in supply chains of borrowers, for instance in the solar energy sector.

Besides establishing trade policy as a firm part of its bilateral portfolio, German development cooperation in this area of intervention works in alliances (Alliance for Trade Facilitation and Alliance for Product Quality in Africa) and on the topic of digital trade. As part of our efforts to fulfil the principle of “shared responsibility” set out in the 2030 Agenda, our work in multi-stakeholder partnerships (such as the Partnership for Sustainable Textiles, German Initiative on Sustainable Cocoa and European Partnership for Responsible Minerals) is a key area of our activities to promote socially and environmentally sound supply chains.

In the area of bilateral cooperation, the BMZ’s interventions in its partner countries are carried out via the implementing organisations. In particular, this work concentrates on sustainability aspects in trade policy and in global supply and value chains and on support for the AfCFTA. Our collaboration with the National Metrology Institute of Germany (PTB) on all aspects of quality infrastructure deserves special mention.

The primary task of the implementing organisations is to coordinate the various interventions and ensure that they are aligned with the main priorities in this policy area.

4.4 “Digitalisation” as an important BMZ work project

Our objective is for countries of the Global South to be able to take the potential offered by digital technologies along the entire value chain and harness it for their population. The BMZ has pinpointed the topic of digitalisation as an important work project in its policies and portfolio. The key aim is to both harness the multiple opportunities of digital transformation and tackle the associated challenges, which need to be addressed using suitable development policy approaches.

State-of-the-art production processes and services can create jobs that are well-paid, provide social security and help protect the environment. In keeping with the LNOB principle, it is particularly important to concentrate on women and marginalised groups in order to prevent the digital divide from widening. One issue that is of great importance to the BMZ is promoting fair and sustainable trade through online platforms, both for goods and for digital services. The BMZ will help small and medium-sized enterprises in particular to establish a long-term digital presence in global markets. The main way the BMZ aims to do this is by spreading knowledge about e-commerce and services, and by identifying solutions through which digital platforms can contribute to fair, formalised and safe work.

In particular, the BMZ provides support for measures to ensure decent jobs on international online platforms. One example is the BMZ’s Gig Economy Initiative, under which the BMZ also works with the Fairwork project. Fairwork is engaged in efforts to protect the social rights of workers or freelancers such as “click workers” in the platform economy.⁴⁹

⁴⁹ <https://www.bmz-digital.global/initiativen-im-ueberblick/gig-economy/>

In terms of ensuring maximum alignment between school education and TVET and the needs of the market, one phenomenon that can be observed is that – if used correctly – the rapid global spread of digital technologies and the constant decrease in the cost of devices and connectivity can make significant positive contributions to income and employment.

Digital transformation allows educational offerings to be expanded and modified in line with user needs. This includes special courses for university graduates and programmes for users in rural areas which can be offered in local languages and adapted to the local context. This way, marginalised population groups in particular can get access to education. The BMZ will expand various education programmes, thus reaching more teachers, trainees, students and pupils online. Numerous initiatives have been launched to this end and they are already bearing fruit. One example is the many learning and self-study courses available worldwide via the atingi learning platform⁵⁰, which is supported by the BMZ.

The BMZ is promoting digital skills in collaboration with the private sector by expanding its vocational education and training projects to include digital job profiles and promoting coding courses.

The BMZ is strengthening the environment for local IT businesses in our partner countries, for instance through digital centres and support for digital and tech start-ups. The BMZ is thus creating space for start-ups and innovators in Asia, Africa, Latin America and Eastern Europe to develop their business ideas and move sustainable development forward.

We are supporting partner countries in using digital technology to make their administration systems more efficient, transparent and participatory, for example when it comes to managing access to high-quality and affordable health services, school enrolment or the registration of land rights. The introduction of digital solutions, for example in the form of standardised and interoperable software modules for e-government applications, can be a way to strengthen administration systems and increase the transparency and traceability of what they do.

⁵⁰ <https://www.atingi.org/>

Systematic use of digital technologies such as blockchain improves both the transparency and efficiency of supply chains. Examples of such usages have shown how the process of preventing conflict minerals finding their way to Europe can be simplified in the future. Digitally optimising supply chains can help reduce the pressure on resources. This leads to a social-ecological digital transformation, thus illustrating the great potential of linking digital transformation and climate action to create a “twin transition”.

To harness data for development purposes, there needs to be improvement in the collection, processing and evaluation of data at the location where it is produced. This means strengthening capacities in the BMZ’s partner countries and improving access to digital data. The analysis of satellite data, which brings great opportunities for improving agricultural value chains and urban transport planning, or the mapping of high conservation value forests and aerial forest monitoring are examples of helpful improvements to the data infrastructure.

5 Measuring success

As part of a process of reflection (which is scheduled for 2027 but could be commenced earlier), the Core Area Strategy on “Sustainable Economic Development, Training and Employment” is to be reviewed and evaluated to enable the lessons learned to be incorporated into a new strategy no more than 12 months later. Besides a comprehensive cross-cutting review, relevant individual issues will, where necessary, also be examined in the context of the three areas of intervention.

The effectiveness of approaches is to be examined by way of evaluations, rigorous impact measurement and supporting research in order to enable their continuous improvement. The current rules are set out in the Evaluation Guidelines (2021). For measures concerning cooperation with the private sector, an approach for improved impact analysis of the government’s support instruments for the promotion of joint projects is to be developed.

Standard use of project-specific monitoring will also be implemented, as it is an especially informative way of documenting the success of development cooperation programmes in the core area. In particular, indicators relating to the female employment rate, inclusion of people with disabilities, people in poverty and other explicitly specified vulnerable groups are to be used so as to reflect the objectives of a socially and environmentally responsible transformation in accordance with the BMZ markers. To determine the effects for the groups mentioned, target group disaggregation will also be carried out if this can be done effectively and with reasonable effort. Indicators relating to working conditions and to the formalisation of the informal sector, beyond the interventions in international supply chains, could also be taken into consideration.

When designing the modules, KfW should examine whether the Joint Impact Model (JIM) developed with other financial institutions can be used to assess employment effects in the area of financial cooperation (ex-ante estimate) and, where possible, apply it. GIZ uses a standardised method to measure employment impacts in the area of Technical Cooperation (ex-post measurement). For the indicators relating to the development of the private sector (and, to a certain extent, financial sector development, trade and sustainable infrastructure), the methods developed with the ILO and various donors on the Donor Committee for Enterprise Development (DCED) as standards for impact measurement would be useful and are, in fact, already being used in Technical Cooperation. Methods specific to given target groups (women) and context-specific methods (for conflict and post-conflict countries, for instance) are available and can be applied.

Imprint

PUBLISHED BY THE

Federal Ministry for Economic Cooperation and Development (BMZ)

EDITED BY

Division 411 – Sustainable economic and financial systems

AS AT

February 2024

DESIGN AND LAYOUT

familie redlich AG – Agentur für Marken und Kommunikation

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