

BMZ



Federal Ministry
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Triangular cooperation in German development cooperation

Position paper

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1. Introduction

In international development debate “triangular” or “trilateral” cooperation is increasingly regarded as forming a useful link between South-South and North-South cooperation.¹ The DAC donors have also now largely acknowledged the special benefits of South-South cooperation and the contribution it can make to development. The growing importance of South-South Cooperation compared with North-South cooperation and the efforts being made to broaden the effectiveness debate are prompting development actors at various levels to discuss where they differ in their development policy and where they share common ground.² Within this context, triangular cooperation is frequently seen as an expression of many players’ desire to engage in very practical forms of South-South-North cooperation.

The international declarations of Doha, Accra and Busan all express the hope that the instrument of triangular cooperation could help to promote dialogue and learning between the various partners (see box).

Whilst many development actors attach high hopes to triangular cooperation, it must be asked what added value it can offer. The German Federal Ministry for Economic Cooperation and Development (BMZ) has resolved to make more use of the many opportunities for triangular cooperation, working together with its partners. The inclusion of a third party in a development activity means that triangular cooperation places complex demands on political dialogue and on the planning and implementation process. This position paper aims to provide an overview of the various ways in which

triangular cooperation can be deployed and the different models available. This leads on to an outline of the risks and opportunities for all partners involved, the problems that may arise and the ways in which they can be solved.

This position paper aims to provide help and guidance to the German Federal Ministry for Economic Cooperation and Development (BMZ) and its implementing organisations in the implementation of triangular cooperation. It is concerned only with cooperation at government-to-government level and does not address triangular cooperation with civil society.

We reiterate our support for South-South, as well as triangular cooperation, which provides much needed resources to the implementation of development programmes.

(Doha Declaration on Financing for Development, Paragraph 49)

We recognise the importance and particularities of South-South cooperation and acknowledge that we can learn from the experience of developing countries. We encourage further development of triangular cooperation.

(Accra Agenda for Action, Paragraph 19)

South-South and triangular cooperation have the potential to transform developing countries’ policies and approaches to service delivery by bringing effective, locally owned solutions that are appropriate to country contexts.

(Busan Declaration, Paragraph 30)

¹ Cf. Federal Foreign Office: Strategy paper: “Shaping globalization – expanding partnerships – sharing responsibility”, 2012 and German Federal Ministry for Economic Cooperation and Development (BMZ): “Strategy for Development Cooperation With Global Development Partners”, 2011.

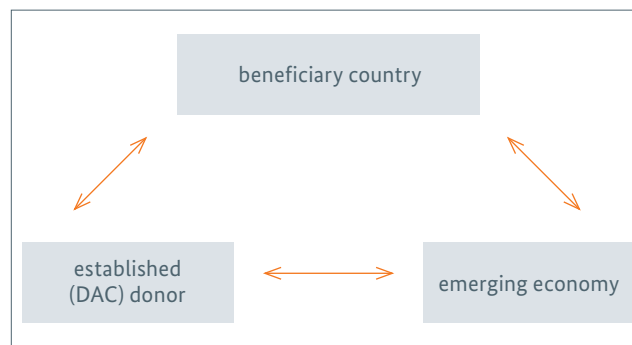
² e.g. within the G20 development working group, working groups within the context of Paris/Accra/Busan or within the context of the UN Development Cooperation Forum (DCF).

2. Definition and different forms

In development policy debate, “triangular cooperation” is defined in different ways. Common to all the various definitions, however, is the emphasis on the **pooling by two or more players of their various resources in support of a beneficiary country**. Based on studies into triangular cooperation conducted by the German Development Institute and on the OECD-DAD definition³, it is defined within German development policy as follows:⁴

Triangular cooperation is defined as a cooperation project that is jointly planned, financed and implemented by an established DAC donor (industrialised country), an emerging economy and a beneficiary country.

According to this definition triangular cooperation involves three different categories of country including an established DAC donor country⁵, a second donor or provider/recipient country⁶, and a beneficiary country.⁷ This is referred to as **triangular cooperation in the strict sense (model A)**. Of all the various instances of triangular cooperation to be found in German development cooperation, the vast majority fall within this category.



In triangular cooperation (model A), **the established donor (Germany) and the emerging economy jointly mobilise transfers** that will help a third partner in its development efforts (see figure). The resources transferred by the two countries may take the form of personnel, specialist sectoral knowledge or knowledge of methodology, or financial resources. A major aspect of model A-type triangular cooperation is that, as well as providing transfers to the third country, **the established donor and the emerging economy share their learning experiences**. Through dialogue and training, the skills of the emerging economy as a Southern partner and provider of development cooperation are strengthened and its structures for engaging in development cooperation can be developed. One hallmark of triangular cooperation is that transfers are provided by the established donor and the emerging economy *jointly*. This is in contrast to regional projects, for example. These may also involve global cooperation partners and neighbouring third countries. In triangular cooperation, however, the emerging economy is the main co-financer and/or knowledge provider.

Apart from this kind of bilateral cooperation between an established DAC donor and an emerging economy, there are two other ways in which triangular cooperation can be instigated: a) South-South cooperation activities to which a DAC donor lends its support in the form of advice, training, networking opportunities or funding or b) instances of bilateral

³ OECD-DAC definition: Presented at the OECD DAC Policy Dialogue on Development Cooperation (Mexico City, 2829 September 2009, www.oecd.org/dac/mexicodialogue), “this paper defines triangular cooperation as partnerships between DAC donors and pivotal countries (providers of South-South Cooperation) to implement development cooperation programmes/projects in beneficiary countries (recipients of development aid)”.

⁴ Altenburg, T./Weikert, J.: Trilateral development cooperation with New Donors, Bonn: German Development Institute (Briefing paper 5/2007).

⁵ Often operating as mediator, moderator and financier.

⁶ The emerging economy is a key partner and generally a country that is not a DAC donor. It is generally a country from the South that has a dual role: which is both a donor and a recipient of development cooperation. Emerging economies fall within the World Bank category of middle-income country.

⁷ Normally a country classified as least-developed, low-income or developing.

cooperation between a traditional DAC donor and a developing country to which an emerging economy contributes advice and funding.

Already, however, a number of special forms of triangular cooperation are emerging, which we term **triangular cooperation in the broader sense (model B)**. These include, for example, development cooperation between two beneficiary countries⁸ and an established DAC donor, cooperation between two emerging economies and an established DAC donor, or cooperation between a beneficiary country, an emerging economy and two established donors.⁹ With model B-type triangular cooperation, the focus in many instances is on pooling the financial and human resources of the established DAC donor and another country in support of the beneficiary country. The sharing of learning experiences between partners tends to play a less significant role than in model A-type triangular cooperation. This paper will concentrate on model A-type cooperation. This is the type of cooperation on which the efforts of the BMZ to increase triangular cooperation are focused.

International debate on triangular cooperation is almost exclusively focused on Technical Cooperation instruments (capacity development). The German Federal Ministry for Economic Cooperation and Development (BMZ) is of the opinion that triangular cooperation can encompass Financial Cooperation as well as Technical Cooperation. This can take the form of joint investment projects in developing countries, undertaken in partnership with emerging economies. As well as advancing its development policy agenda, Germany is able to assess to what extent the Southern partners' procedures, generally regarded as rapid and flexible, and their development policy know-how can be drawn on for German development cooperation.

⁸ Especially LDC.

⁹ There is no clear distinction between this and other aid modalities, such as co-financing etc.

3. Goals and significance for German development cooperation

Triangular cooperation is not a new topic in German development policy. Pilot initiatives were already launched in the 1980s.¹⁰ However, the topic has grown greatly in significance as a result of the search for new and innovative forms of cooperation with emerging economies. Over recent years, Germany has engaged in a number of triangular cooperation projects, each of which pursued different goals (see box at page 8).

Generally speaking, Germany's **goals** in engaging in triangular cooperation are as follows:¹¹

1. Improving the effectiveness of development measures in the beneficiary countries through the complementary use and dovetailing of knowledge, experience and financial resources from emerging economies and from Germany.
2. Establishing worldwide development partnerships for sustainable development and exerting a positive impact on regionalisation.
3. Jointly setting global development agendas and promoting the sharing of learning and experience on the principles of development cooperation and the ways in which it can impact.
4. Replicating/disseminating experience jointly gained through bilateral development cooperation with global partners and in other developing countries.

5. Fostering South-South cooperation, regional development, dialogue and networking.

Internationally, Germany is actively involved in various multilateral bodies. Within these bodies, Germany is keen to communicate the following **key messages**:

- Triangular cooperation is an additional instrument of development cooperation
- Triangular cooperation arrangements create an opportunity to make global development cooperation more effective in practice
- Triangular cooperation is a very promising instrument for facilitating cooperation between countries from both within and outside the OECD-DAC framework.

German-supported triangular cooperation is booming in Latin America in particular. The major partners there are Brazil, Mexico and Chile. In future, more efforts should be made to use the potential for triangular cooperation in Asia and Africa. Along with Japan and Spain, Germany is one of the leading players and largest DAC donors in the field.¹²

¹⁰ e.g. regarding triangular cooperation based on agricultural technology China/ Mali/Germany (1986).

¹¹ These goals are based on the development policy and foreign policy goals of the German government, which determine its actions in those fields: Federal Foreign Office: Strategy paper: "Shaping globalization – expanding partnerships – sharing responsibility", 2012 and BMZ: "Strategy for Development Cooperation With Global Development Partners", 2011.

¹² OECD: Triangular Co-operation: What do we know about it? <http://www.oecd.org/dac/44652734.pdf> and OECD: Triangular Co-operation: What can we learn from a survey of actors involved? Advance Copy 2012.

- The **Latin America Triangular Cooperation Fund** is used to support various projects dealing with a number of issues in Latin America but also in Africa, e.g. between Peru, Germany and Guatemala concerning democracy, civil society and public administration; between Brazil, Germany and Mozambique concerning the development of a sustainable economy; and between Chile, Germany and Colombia concerning drinking water, water management, sewage/waste management.
- Beyond the Triangular Cooperation Fund, a number of other triangular cooperation projects are being conducted with Brazil in Mozambique on such issues as meteorology and the strengthening of risk management for rivers and coastal regions. The focus is on results and on **building the institutional and**

human resource capacities of the Brazilian organisation for development cooperation.

- In our triangular cooperation with Mexico, the aim is to pass on the experience gained from bilateral German-Mexican development cooperation so as to help develop other countries and also **help Mexico develop its role as a donor** in the region and make use of existing capacities e.g. wastewater management with Bolivia. The **Triangular Cooperation Fund with South Africa** also supports specific projects in third countries (e.g. in Kenya, Tanzania and DR Congo) dealing with issues such as anti-corruption, post-conflict, reconstruction and fire management as well as capacity development of the South African Development Partnership Agency and the strengthening of South Africa as a regional donor.

For many emerging countries and beneficiary countries, the concept of triangular cooperation is still new and unfamiliar. One apparent obstacle to triangular cooperation is the increased coordination required between the partners compared to

direct bilateral development cooperation. In financial terms, triangular cooperation is also a relatively insignificant form of cooperation at international level, although it is increasingly gaining political prominence.

4. Opportunities and challenges for the partners involved

The partners in triangular cooperation generally have different motives and are pursuing different interests. Yet triangular cooperation offers them all a number of opportunities. Ideally, these should be combined to achieve a win-win-win situation. The possible risks that triangular cooperation may pose for the partners or that can arise from its involvement should, however, also be considered:

OPPORTUNITIES FOR THE BENEFICIARY COUNTRY:

By pooling financial and human resources from an emerging economy and Germany, as an established DAC donor, it is possible to offer a mix of funding and knowledge that would not otherwise be available on the market. Triangular initiatives can open up new opportunities for cooperation. In case of relations are not burdened by historical, cultural or political problems, the beneficiary country could receive support from a partner with a similar socio-cultural background (e.g. common language, values, history etc.). The Southern partner is also available to contribute the experience it has gained in the course of its own development. Advice and other services can be provided by the Southern partner or the DAC donor to the beneficiary country more rapidly and cheaply and also in a more sustainable way.¹³

CHALLENGES FOR THE BENEFICIARY COUNTRY:

Poor coordination between partners in a triangular cooperation activity can place a considerable additional strain on structures in the third country and can lead to further fragmentation of donor efforts on the ground. For the beneficiary country, triangular cooperation with an emerging economy that is

either a neighbour or comes from within the region can be politically sensitive. If cooperation partners have interests that are not in line with development interests or in fact run counter to them, this can pose a risk to the beneficiary country. Triangular cooperation that is not based on equal partnership can further strain relations between the beneficiary country and the Southern player if these relations are already tainted by political or historical issues.

OPPORTUNITIES FOR THE EMERGING ECONOMY:

In triangular cooperation, an emerging economy can demonstrate to the donor community that it is taking on responsibility for development, thereby cultivating its international reputation. It can gain (political) influence in the region and by working with the DAC donor, it can also mobilise additional resources (funding, knowledge, technology), which enables it to establish or expand its own cooperation structures and implement projects that would otherwise have exceeded its capacities. Overall the emerging economy gains skills as a “donor”/provider of development cooperation (with regard, for example, to monitoring and evaluation systems or boosting the effectiveness and efficiency of development cooperation).

CHALLENGES FOR THE EMERGING ECONOMY:

Triangular cooperation can place a considerable additional burden on the country and involve high transaction costs. If triangular cooperation is unevenly balanced and the various partners do not operate as equals, the emerging economy may find its opportunities to contribute and influence the project being limited by the other donor. If the triangular cooperation is not of a high quality, the emerging

¹³ cf. triangular cooperation between Brazil, Germany and Mozambique.

economy can jeopardise its reputation. To a certain extent, the emerging economy has to open up to the established (DAC) donor and may be confronted with questions about the quality and design of its cooperation and instruments and also about its motivation.

OPPORTUNITIES FOR GERMAN DEVELOPMENT COOPERATION:

The instrument of triangular cooperation offers Germany the opportunity to take the development experience it has gained through its bilateral cooperation with the Southern partner and replicate it in another country. This can extend the reach of German development cooperation. By working with the emerging economy and discussing with it international processes (e.g. within the UN or G20 context or with regard to the Global Partnership of Effective Development Cooperation founded in Busan), we are able to arrive at a firmer shared understanding of what development policy means. Germany can learn lessons for its development cooperation from both partners, particularly when it comes to the flexible and relatively rapid procedures used by the Southern partners. To some extent there may be no need to establish or expand our own advisory capacities in the beneficiary country. Instead we can make use of the existing capacities of the Southern partner. Triangular cooperation is a sufficiently flexible instrument that allows several goals to be combined.

It can have a particularly great impact when the partners succeed in jointly addressing sensitive topics within a particular country, such as protection of global public goods, that none of them could have tackled alone. Triangular cooperation can lend a new dimension to the cooperation with the “global development partner”.

CHALLENGES FOR GERMAN DEVELOPMENT COOPERATION:

Triangular cooperation can also present challenges for German development cooperation. It can be more demanding in terms of coordination and time than bilateral development cooperation and thus entail higher transaction costs. Questions may also arise regarding how to ensure ownership on the part of the beneficiary country or how to deal with an ambitious emerging economy for which development policy interests may not have top priority. It is often more difficult to implement projects dealing with strategic or political issues than projects of a purely technical nature. In such cases, it is necessary to first find a common language and to agree on common values and interests.

5. Problems and potential solutions

TRANSACTION COSTS, COORDINATION AND EXCESSIVE BURDEN ON PARTNER STRUCTURES

Many observers see **high transaction costs** as the biggest obstacle to greater use of triangular cooperation. The main aspects are the relatively high costs of gathering information as a result of the multitude of partners (e.g. searching for information on potential partners in triangular cooperation) and of reaching an agreement between the partners (e.g. negotiations, formulation of a contract, signing of the contract). For triangular cooperation to succeed, it is important that Germany has a constant development presence in the cooperation countries and, as far as possible, a long history of close bilateral cooperation. This is important both at the planning and the implementation stage. The fact that **some triangular initiatives so far have been of limited financial scope** also contributes to the problem of high transaction costs. The following measures offer a way of lowering the transaction costs that triangular cooperation entails.

- By **taking procedures, instruments and products that have already been tested with the emerging economy and adopting them** to the beneficiary country, transaction costs can be lowered. **Building on existing projects** being conducted by the beneficiary country and the emerging economy (i.e. using existing structures) can also considerably reduce the cost of preparing the ground for triangular cooperation and reaching agreement on it. The emerging economies should be supported through the process of project appraisal, particularly when they have no procedures of their own.
- The processes and coordination involved in planning and implementing triangular cooperation are complex. It is therefore good to **clarify** early on what the respective partners **expect** from cooperation. This can be done at

government negotiations or consultations, at meetings, or at workshops with those working at implementation level. The **details of the implementation** of the triangular cooperation should be recorded in writing (e.g. through special provisions and framework agreements). It may also prove necessary to coordinate on the ground with other OECD-DAC donors and emerging economies so as to avoid any duplication of efforts and minimise the risks.

- The costs of preparing the ground for cooperation between several partners and the coordination between them can be reduced by introducing a rigorous system of managing and sharing knowledge and also by Germany taking appropriate organisational precautions (e.g. developing routine procedures, maintaining systematic contact and dialogue with the partners etc.).
- Where **triangular cooperation** is of **greater financial scope**, fixed costs make up a comparatively smaller proportion of overall costs, thus also comparatively **reducing transaction costs**.
- Wherever possible, monitoring and evaluation should be based on uniform standards and drawing on established and reliable instruments and methods.

Ensuring that a beneficiary country takes on ownership and leadership within a trilateral partnership can be a great challenge. It is not uncommon for an emerging economy and an established donor to agree in principle to engage in triangular cooperation without the beneficiary country actually having indicated a definite interest in such cooperation. The following measures can be used to strengthen ownership within triangular cooperation:

- Launching triangular cooperation in response to a clearly articulated **expression of interest on the part of the beneficiary country** (e.g. a written request to at least one of the partners in the triangular cooperation).
- **Working together from an early stage** to identify the issues that could be addressed by the planned triangular cooperation is one way of ensuring that it really is geared towards the beneficiary country's own priorities.
- Once a consensus has been reached on the focus of the triangular cooperation and its goals, the partners should agree on the **results** to be achieved and formulate them **as specific as possible**. There should be a clear added value for all the partners, particularly the beneficiary country (the triangular cooperation should not be an end in itself).
- Steps should also be taken to strengthen the ownership of the emerging economy, for example by having it make an appropriate contribution of its own (in the form of expertise, staff or funding).

CONFLICTS OF INTEREST

In recent years, many emerging economies have become much more involved in international and regional processes. Yet how should we react if, within a potential triangular cooperation, the Southern player is regarded by the beneficiary country as an aspiring regional power with hegemonic ambitions?

- A precondition for triangular cooperation is that the beneficiary country has given its consent and has a clear interest in what the project is offering. If a third country is extremely distrustful of a Southern player, and suspects it of seeking to exert regional influence, triangular cooperation should not be embarked upon.
- Each proposed triangular cooperation activity should be judged on its merits. There is no mechanism whereby an emerging economy automatically becomes a partner in triangular cooperation.

Annex: Further reading

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