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**Research Report**

## How Germany and France could play a leading role in international donor coordination

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## How Germany and France Could Play a Leading Role in International Donor Coordination

### Summary

The future shape of European trade policy and the right stance to take in security and climate matters are currently the subject of fierce Franco-German debate. These issues are also relevant to development policy in the context of the overarching 2030 Agenda for Sustainable Development. Despite the opportunities afforded to them as strong donor countries to pursue joint approaches, Germany and France often tend to cooperate on an ad hoc basis rather than as part of a strategy (Krüger & Vaillé, 2019). Signed on 22 January 2019, the Aachen Treaty serves to renew the cooperation on Franco-German development cooperation (DC) formalised in the Élysée Treaty and offers the two countries a way to overcome differences and contribute jointly to global sustainable development (Aachen Treaty, Chapter 2, Article 7). Against this backdrop, this paper discusses challenges and opportunities for Franco-German DC based on two case studies in Cameroon and Morocco, which illustrate how differing mandates and methods being applied by the implementing organisations are preventing closer cooperation on the ground. Diverging political priorities, including within the national donor administrations, are also making it harder to engage in dialogue with the partner countries, especially if these have only limited capacity for donor coordination. If Germany and France succeed in overcoming their current differences, they will be able to attract other donors, particularly EU actors, for joint initiatives. Four policy recommendations can be derived from this:

#### 1. Improving coherence between DC systems:

Even if the donor countries continue to maintain different political structures, the functional cooperation

between the relevant actors will need to be supported at upper political levels. Coherence within the German and French DC systems should also be increased.

#### 2. Germany and France should make it easier to launch joint projects:

Programming cycles need to be better coordinated in the interests of the political dialogue on DC. At the same time, the mutual recognition of procedures that form part of both countries' technical cooperation (TC) and financial cooperation (FC) should be afforded greater political support.

#### 3. Selecting partner countries and sectors strategically:

Focusing on common priorities and sectors is advisable, especially in partner countries with limited capacity for coordination. Franco-German cooperation with middle-income countries should also be strengthened strategically in order to support projects requiring substantial financing in sectors such as renewable energy.

#### 4. Structuring Franco-German cooperation so as to be open to other partners:

Germany and France should commit to a common Europe-wide implementation approach and promote its application in partner countries through pilot projects. Franco-German DC should also be structured so as to be open to other actors and should campaign for the preservation of global public goods in international organisations in which both donors play an active part (e.g. in the Global Fund to Fight AIDS, Tuberculosis and Malaria).

### Systemic barriers and possibilities for Franco-German cooperation

Whilst both the Federal Ministry for Economic Cooperation and Development (BMZ) and the Federal Foreign Office handle development policy issues in Germany, responsibility for both areas in the French system lies chiefly with the Ministry for Europe and Foreign Affairs. All in all, 14 ministries in each system contribute towards sizeable budgets for German (USD 25 billion in 2017) and French (USD 11 billion in 2017) DC. However, the centralised French system exerts more of a coordinating effect. In addition, the French development bank *Agence française de développement* (AFD) and the technical agency *Expertise France* (EF) are involved in policy decisions, whereas Germany's implementing organisations are not. The implementing organisations are delivering bilateral projects in over 115 countries, resulting in significant Franco-German overlaps in terms of partner country sectors (see Figure 1) and thus presenting opportunities for cooperation. These include, in particular, mitigating climate change in middle-income countries (e.g. China, India, Morocco) as well as the labour market, education and social justice in sub-Saharan Africa (e.g. Cameroon, Kenya and Mali).

However, strategy-driven cooperation at implementation level is rare (Krüger & Vaillé, 2019). Therefore, this paper explores potential political starting points for improved coordination. Interviews with decision-makers from Germany and France as well as the countries covered in the case studies, Cameroon and Morocco, suggest that there are four barriers preventing closer cooperation:

**1. Heterogeneous development systems are hindering coordination:**

The many different ministries and implementing organisations involved in DC mean that a wide range of different positions are represented. Due to a lack of overall control, these can send out mixed messages,

particularly on the German side. At the same time, varying mandates make it harder to identify suitable counterparts on the German or French side.

**2. Differences in method are making joint projects harder to implement:**

The ministries in the donor countries use different time horizons in their planning, and the implementing organisations are governed by different national regulations, hampering the launch and implementation of joint projects.

**3. Varying priorities are impeding coordinated dialogue with partners:**

Differing political priorities on the German and French sides can undermine the success of development projects and erode common standards. The failure to coordinate agreements sufficiently due to bilateral geostrategic priorities is not expedient, particularly in dialogue with partners that have only a limited capacity for coordination.

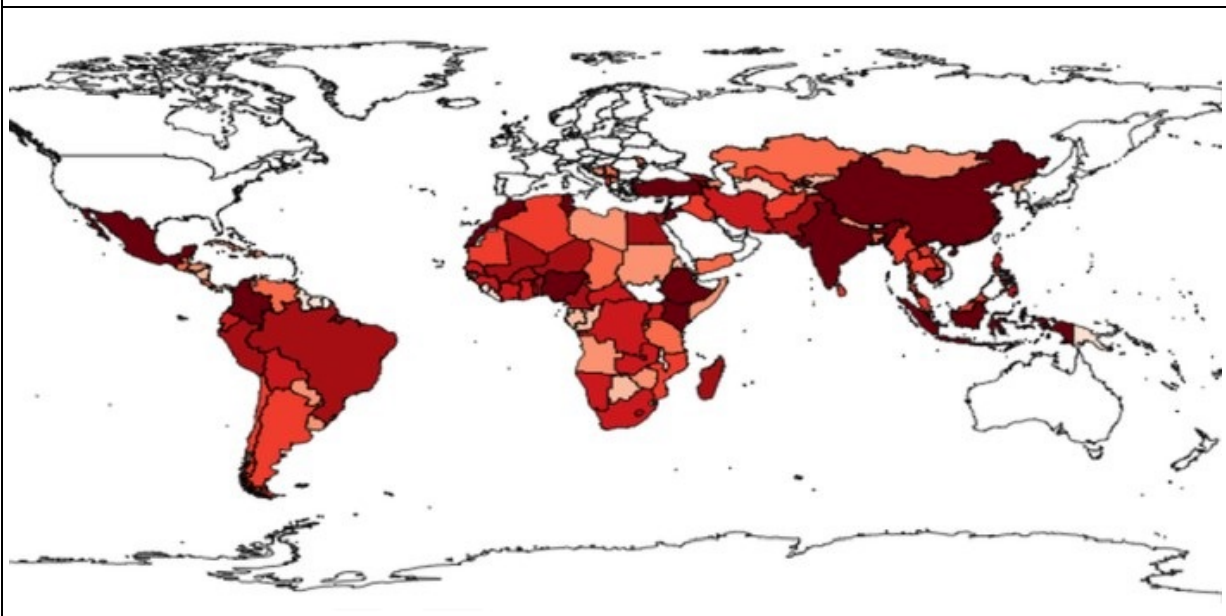
**4. Untapped potential for closer coordination with other partners:**

Differences in priorities between (and within) Germany and France mean that there is untapped potential for the two countries for joint implementation. In particular, not enough use is being made of existing coordination mechanisms at EU level in order to cooperate with other donors.

### Cameroon and Morocco – case studies of Franco-German DC in practice

In both countries covered by the case studies, differences in organisational mandates mean that German and French actors find it hard to identify their respective counterparts. For instance, the French implementing organisations engage in the political DC dialogue with the partner

Figure 1: Average overlap between French and German DC 2016-2017.



Source: Kaplan, 2020, based on OECD data. Areas of darker shading indicate a greater overlap in bilateral DC in partner country sectors.

government in Morocco, while the German system mainly assigns this role to the BMZ. In Cameroon, meanwhile, sector experts from the French Embassy had a hard time finding their counterparts in the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ).

In the past, Franco-German FC projects have been constrained by the combination of various forms of financing. KfW Development Bank (KfW) is able to hand out its subsidies without relying on partner countries' systems. Yet, in Cameroon, AFD has to issue a call for tenders via the partner system in order to release its funds as part of a debt rescheduling programme. Having diverging methods increases the transaction costs in joint projects. To avoid problems of this kind, KfW and AFD have set up a "Mutual Reliance Initiative" (MRI) together with the European Investment Bank (EIB) to provide mutual recognition of regulations and processes within projects, from screening through to evaluation. It involves one institution taking the lead on individual project steps, while responsibility is shared between the banks across projects. Strong political backing from Paris and Berlin has thus enabled projects such as the world's largest solar power plant at Ouarzazate in Morocco to be completed successfully. TC is also tackling similar challenges together with the EU. In the past, EF has been required to apply some of the rules of GIZ in projects, where the German organisation was the overall project lead. New rules for EU multi-partner contribution agreements allow for a form of cooperation that applies the regulations of the respective donor country.

In addition, Franco-German coordination and capacity levels in the partner country determine whether a constructive trilateral dialogue will be possible. In Cameroon, the centralised and overloaded administrative system presents challenges and, especially given corruption concerns, a coordinated Franco-German stance would be important. Yet diplomatic networks are not always used for joint negotiations with the Cameroonian government due to differences in priorities. This fragmentation creates counterproductive incentives to negotiate with donors individually to secure the best offer and harbours the risk of pursuing contradictory approaches to reform. The cooperation with Morocco demonstrates that agreeing a common stance is also important as part of the dialogue

with proactive partners. In a joint wastewater treatment project, for instance, KfW and AFD persuaded the Moroccan government of the need for more consistent environmental regulations.

Closer Franco-German cooperation at EU level is being hindered by a lack of political support from Berlin and Paris over concerns that one donor would be financing the geopolitical ambitions of the other and sacrificing visibility on the development policy scene. However, Franco-German projects become more effective if they are delivered together with other actors. A joint mission with the EU in Cameroon's forestry sector improved coordination temporarily. In Morocco, meanwhile, AFD and KfW have secured the support of the EIB for joint infrastructure projects and thus also created incentives for shared financing for multilateral and regional development banks such as the World Bank and the African Development Bank (AfDB). Trilateral cooperation with emerging donors could also play a greater role in the future, although this would need to be closely scrutinised in light of geopolitical interests (Rioux, 2019).

### Recommendations for strategy-driven Franco-German cooperation

Thanks to their extensive activities that frequently overlap in geographical and sectoral terms, Germany and France have the opportunity to play a leading role in championing sustainable development. This gives rise to the following recommendations for a more strategic Franco-German approach to global challenges:

#### 1) Raising awareness of the different DC systems on the German and French side

Although it is difficult in the medium term to bring change to institutions that have evolved over time, strengthening inter-ministerial cooperation in both countries at the highest political level is nonetheless important. At the same time, more intensive staff exchanges and deep dive sessions at both ministerial and implementation level should be harnessed for strategic cooperation and to identify synergies.

Dimension	Cameroon	Morocco
<b>Differences in mandates</b>	- Health experts from the French Embassy have a hard time finding a counterpart in GIZ	- Varying levels of political engagement in the DC dialogue from the German and French implementing organisations
<b>Differences in methods and processes</b>	- Varying forms of financing hinder joint FC projects	- MRI makes it easier to launch joint projects in FC - Varying TC regulations hamper EU-wide projects
<b>Dialogue with partners and Differences in priorities</b>	- Limited capacity at partner government level presents an obstacle to cooperation when German and French stances differ	- The proactive Moroccan government is facilitating trilateral dialogue - Common stances make standards easier to enforce
<b>Coordination with other partners</b>	- Joint mission with the EU in the forestry sector	- AFD and KfW cooperating with the EIB, AfDB and World Bank

Source: Author's own interpretation, based on Kaplan 2020

**2) Promoting the mutual recognition of methods and processes to avoid duplicate structures**

The MRI for the mutual recognition of regulations and statutes in FC is a suitable format for pursuing coordinated approaches. The use of this instrument in other projects should be lent political support in order to make it known to a broader reference group. Expanding the MRI to cover more financial institutions could increase its reach. In the same vein, TC would have to be equipped politically to cooperate more effectively despite the differing structures involved. Dovetailing Franco-German approaches with initiatives at EU level would open up opportunities for this.

**3) Selecting partner countries and sectors for Franco-German cooperation strategically**

With regard to cooperation with countries in sub-Saharan Africa, it is important to bear in mind that the two donors partly have different priorities, especially in Francophone partner countries. Focusing on sectors in which political priorities overlap is advisable so as not to undermine cooperation with partner countries that have less capacity for coordination. At the same time,

Franco-German cooperation in middle-income countries should be strengthened through flagship projects such as climate-friendly infrastructure. Whilst specific budget targets for joint projects support strategic planning, there should be capacity available to respond flexibly to urgent requirements and opportunities.

**4) Franco-German coordination should be structured so as to be open to other actors**

At EU level in particular, German and French actors should assume a leading role in the political process towards joint EU-wide programming for example via pilot projects. Initiatives could be incorporated in working documents ("non-papers") drawn up jointly during the EU Council presidencies of Germany in 2020 and France in 2022. In international organisations in which both donors play an active part, Germany and France should also work together to champion initiatives for preserving global public goods, for instance in the current fight against the Covid-19 pandemic.

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