**Regional technical meeting in preparation for BAPA+40:
Perspectives and experiences in measuring South-South cooperation**

12 and 13 February 2019, Bangkok, UN Conference centre

Draft Working Paper

Defining and Quantifying South-South cooperation

Introduction

In the past two decades, South-South cooperation (SSC) has grown dramatically in both volume and geographic reach, manifesting itself through a variety of approaches, modalities and instruments used by developing countries and development partners. In large part this is due to the rise of development finance from China and other emerging economies, but also through more intensive exchanges between low- and middle-income countries. SSC is now widely acknowledged as an important contributor to the attainment of the Sustainable Development Goals (SDGs).

At the same time, many challenges - political, technical, institutional – have manifested when endeavouring to account the vast flows of human, financial, knowledge and technological transfer between developing countries. Southern partners do not subscribe to a common definition and reporting parameters for SSC. Measurement efforts are hindered by the lack of a common conceptual framework, shared standards and consistent recording.

While Southern think-tanks have made impressive strides in developing frameworks to assess quality and impact of SSC, the quantification of cooperation between developing countries still falls short due to the lack of a technically and politically agreed definition for SSC. The upcoming BAPA+40 conference provides an opportunities for partner countries to tackle these long-debated issues and take forward in a meaningful manner the SSC agenda.

This working paper will unpack some of these conceptual debates and highlight the experiences, approaches and methods to the accounting of SSC taken by different countries and regional institutions in Asia, Africa and Latin America. It will reflect on potential definitions for SSC, that effectively incorporate aspects of technical and economic cooperation, and allow countries and multilateral institutions to report SSC in a standardised and consistent manner, as part of the SDG monitoring process.

Why should SSC be measured in the first place?

Traditionally speaking, SSC statistics have been very limited, inaccurate, incomplete or not available at all. The weakness in monitoring, evaluation and information management appears to be a problem across most SSC partners, evidenced by similar challenges of Brazil, Mexico, India, South Africa and China (Sidiropoulos, Perez, Chaturvedi & Fues, 2015). In part this is due to the fact that Southern providers have had relatively little time to develop and mature strong monitoring systems of their own, compared to those of seasoned development

partners. In almost all South-South providers, cooperation is provided by a range of different entities, which often leads to a fragmented and ineffective approach to the management of information on external development cooperation (Besharati, 2013).

Increasingly, demands for accountability and more impactful development programming are coming from the citizens and taxpayers of all countries involved in SSC (Besharati, 2013). Whether they are developed, emerging or developing countries, governments all need to justify to their citizens, their parliaments and their domestic constituents, the investments that are being made overseas.

Accountability towards the beneficiaries or partner countries of the cooperation programmes is also a critical factor for the ownership and alignment to national development planning processes and strengthening of country systems. Aside from governments, civil society, legislators and academia need to also have access to information on SSC to conduct more in-depth analysis to inform and support policy-making.

Many middle-income countries are at embryonic stages in the establishment of their international development agencies (Chaturvedi, Fues & Sidiropoulos, 2012), hence it is important that they 'get it right' and learn from their own past experiences, that of their peers, as well as the experiences of traditional development partners, whether positive or negative. Monitoring systems can thus encourage reflection and a culture of learning which leads to enhanced efficiency in development operations, ironing out problems, avoiding that which does not work, and adjusting policies and programmes to maximise results. Regular monitoring, reviews and evaluations are thus key to ongoing learning, refinement and improvement of development interventions and practices.

Accounting better SSC allows countries to better measure and empirically assess the contribution which they are making to global, regional and national development and public goods. It can thus provide useful evidence and ammunition for foreign diplomacy and international relations. By improving data systems around SSC, developing countries can better showcase the contributions of SSC to Agenda 2030, and complement their ongoing national and regional reporting around the SDGs.

Inconsistency of statistics: SSC and ODA are different beasts

Historically, the Organization for Economic Cooperation and Development (OECD) has been the forum where statistics on development finance have been developed, collected, catalogued and reported for the members of the Development Assistance Committee (DAC) - informally viewed as the club of all the major donors. Because of global political dynamics, the South has historically had an antagonist relationship with the OECD, including its statistical reporting systems around Official Development Assistance (ODA) and more recently Total Official Support for Sustainable Development (TOSSD).

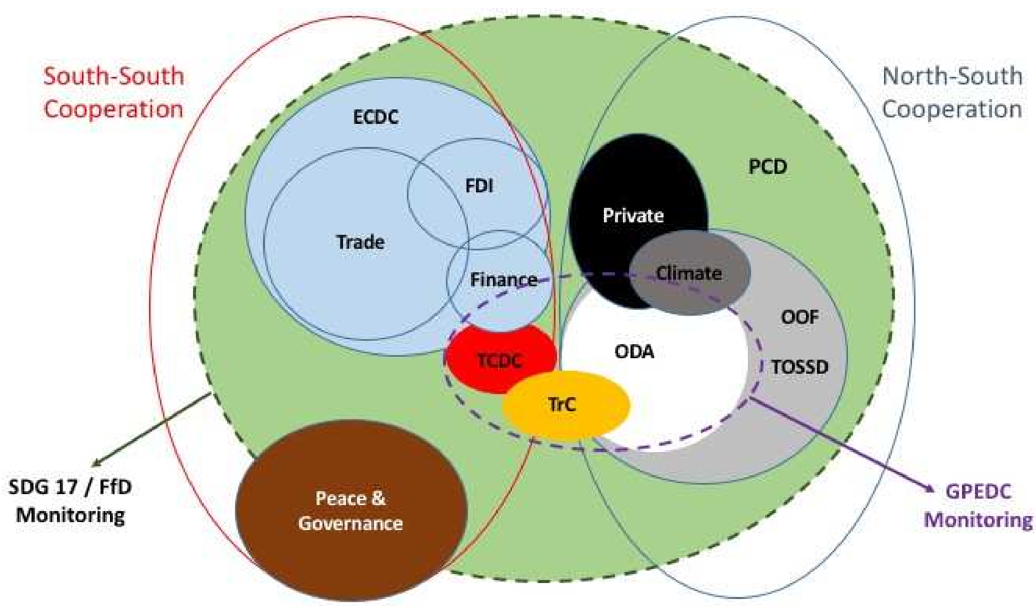
From the early era of the Marshall Plan, the concept of ODA was intensely discussed, revised several times by the OECD-DAC, until it became immortalized into a definition for financial and technical flows to developing countries, which fit within the parameters of being a)

developmental in purpose; b) concessional in nature; and c) undertaken through the official channels, whether bilateral or multilateral.

SSC on the other hand emerged out of a different tradition such as the Asia-Africa Summit in Bandung (1955) and the Buenos Aires Conference on Technical Cooperation between Developing Countries (1978). Because of its tremendous rise in recent decades, SSC has emerged as a major force in international development cooperation that operates in parallel to ODA from Northern countries. As a result, overtly or covertly, there has been pressure to align SSC to the monitoring systems of the OECD and integrate SSC into ODA or even the recent new measure of TOSSD (Besharati, 2017). These attempts have been regularly met with rejections by the global South due to political as well as technical reasons.

When referring to SSC, Southern partners include not only grants and technical cooperation but also regional economic integration, trade, investment, remittances, humanitarian interventions and peace-building, export credit lines and other instruments and modalities of cooperation not included in ODA. SSC breaks from the narrow ODA definition by including blended finance to and from private actors as well as financing not considered concessional according to OECD/IMF standards and regimes. Southern countries have convincingly argued that such other forms of solidarity between developing countries constitute powerful instruments for promoting international and regional development. While ODA provides a more narrow definitions, which privilege vertical relations driven by grants, technical cooperation and concessional loans.

Figure 1: Partnerships, policies and financing for development



Source: Besharati (2018), GPEDC LAP training programme, Seoul[1]

[1] ECDC = Economic Cooperation between Developing Countries; TCDC = Technical Cooperation between Developing Countries; TrC = Trilateral Cooperation; FDI = Foreign Direct Investment; PCD = Policy Coherence for Development; OOF = Other Official Flows; TOSSD = Total Official Support for Sustainable Development; FfD = Financing for Development; SDG = Sustainable Development Goal

What is included in South-South (development) cooperation?

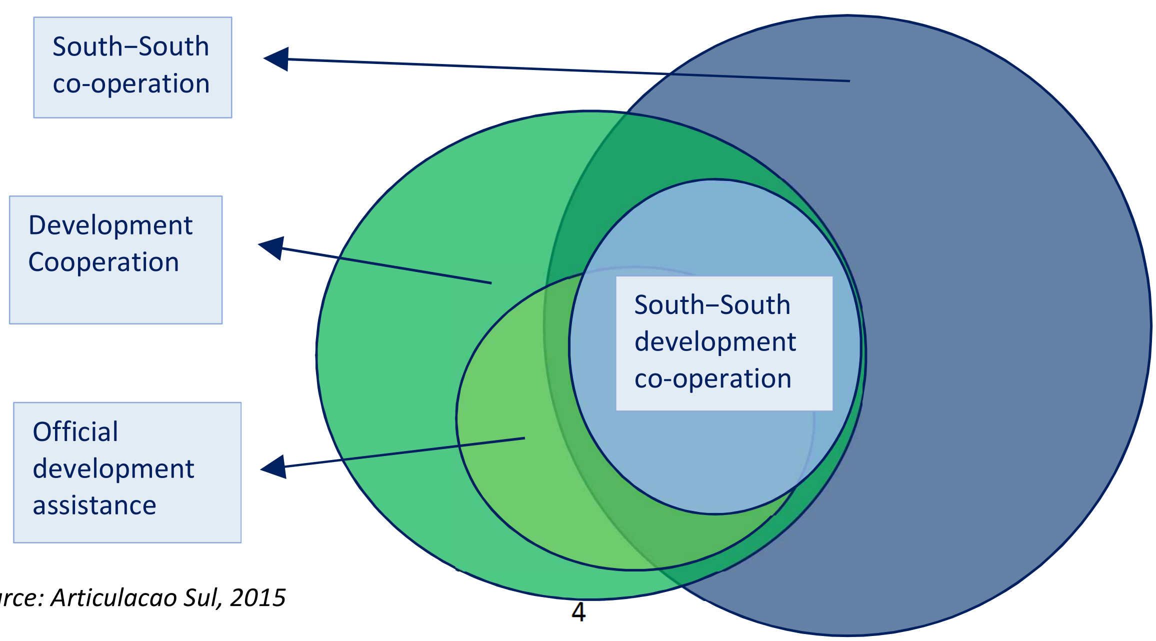
The previous section has established that SSC is very different from ODA, hence the same definition and measurement systems cannot be applied to the two forms of development cooperation. But if this is the case, the same rigor applied to setting the boundaries and parameters of ODA must be applied also to establishing a clear definition for SSC.

Whether comparisons with North-South cooperation are welcomed or not, if Southern partners are interested to conduct cross-country comparative analysis and learn from each other, SSC needs to also be defined, and consensus needs to be built on which specific modalities and instruments are to be included and excluded from the SSC conceptual framework.

One of the first questions that need to be clarified is whether SSC would restrict itself to only "flows" (technical and financial), as ODA does, or would this encompass also the realm of "policies", which are more difficult to quantify and monetise. Policy coherence for development (PCD), in other words the interplay of diverse policies (domestic and external) for the benefit of developing countries, is often part of the political rhetoric and operational frameworks of Southern partners as will be discussed in later sections.

Academics within the South, continue to debate the relationship between development co-operation (DC) and SSC (See Figure 2). Some view SSC as a form of co-operation in the wider arena of DC, while others consider DC to be intrinsically part of a bigger SSC framework. Some have argued that SSC is too broad and rather put forward the term of South-South Development Cooperation (SSDC) to define the specific 'development co-operation' coming from other Southern partners. Others oppose the term of SSDC, claiming that it has emerged out of the OECD-DAC circles as a way to bring SSC closer to ODA approaches. At the core of the measurement challenge is thus a conceptual challenge whether DC is a part of SSC or SSC is part of DC? (Sidiropoulos,2013)

Figure 2: Relationship between the terms of SSC, IDC, SSDC and ODA



Source: Articulacao Sul, 2015

Challenges of quantifying technical cooperation

The Buenos Aires Plan of Action (BAPA), adopted at the United Nations Conference on Technical Cooperation between Developing Country (TCDC) in 1978 in Buenos Aires, has become an important blue print for the promotion of SSC. According to the BAPA definition, SSC is mainly constituted by technical cooperation, technology transfer, knowledge exchange and capacity development. These have constituted the bulk of the exchanges between middle-income countries particularly in Latin America.

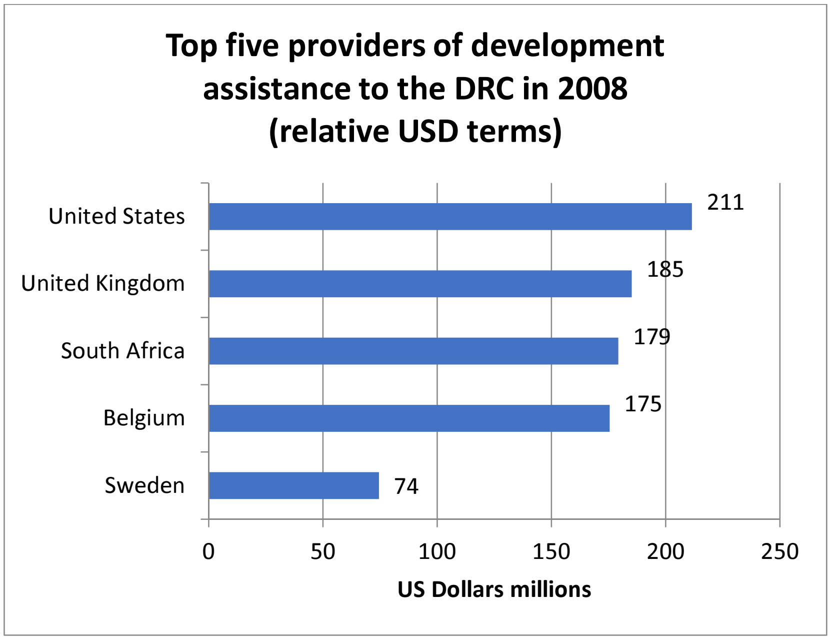
Typically speaking, technical cooperation involves the time and travel of civil servants and experts who visit other developing countries to share knowledge and experiences, build capacity, coach their peers, transfer technologies and approaches which may have significant impact on institutions and communities of partner countries in the long-term future. However, all of these “soft” aspects of technical cooperation are less tangible and hard to measure or assign monetary value towards.

Development agencies of specific countries such as Brazil (ABC/IPEA, 2014) and Mexico (AMEXCID, 2016) have developed sophisticated methods to account their technical cooperation and make efforts to produce periodic reports on their international development cooperation. Within the context of the Economic Commission for Latin America and the Caribbean (CEPAL, 2015), the statistical offices and development cooperation agencies of Argentina, Brazil, Colombia, Chile, Mexico, Peru and Venezuela, have embarked in an initiative to develop a common framework for the quantification of their SSC. Similarly, the Ibero-American General Secretariat (SEGIB, 2017) has build a central database and produces since 2007 a yearly report that captures the SSC of 22 countries from the Iberian, Latin American and Caribbean region.

The problem with comparing technical cooperation from different countries is that its value varies depending on salaries and prices in each economy. One million dollars of goods and services from India, for example, gets you a lot more than a million dollars of goods and services in Switzerland. Are Norwegian doctors “better” than Cuban doctors, simply because they are more expensive to deploy in developing country? It is therefore fair to quantify technical cooperation from southern countries and compare this to the development cooperation of northern donors? AMEXCID has developed a complex system to measure the cost of technical assistants and seconded experts, based on international per diem rates and international civil servant salary scales. Senior officials from Brazil (Correa, 2017) have argued that while quantification of development cooperation are important for accountability reasons, not all of South-South cooperation should be “monetised”.

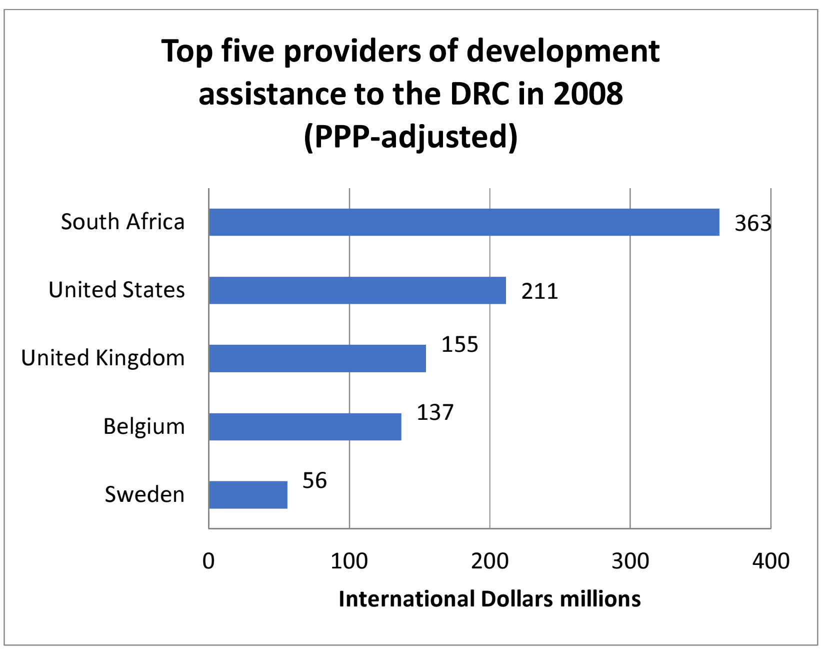
When comparing SSC to NSC, several scholars (Besharati, Rawhani, Sterns & Sucuoglu, 2017; Mullen, 2014) have adjust development cooperation figures to Purchasing Power Parity (PPP). This results in a better comparison of different development partners’ contributions based on economic capacity. To illustrate this with a recent study on South Africa’s development cooperation with the DR Congo, South Africa’s ranking among the top providers to the DRC had a two-place variation (from third to first place), depending on whether the amounts were converted in relative US dollar terms or whether PPP was applied to the exchange rates (See Figure 3 & 4)

Figure 3 Top five providers of development assistance to the DRC in 2008 (relative $ terms)



Source: Besharati, 2017

Figure 4 Top five providers of development assistance to the DRC in 2008 (PPP adjusted)



Source: Besharati, 2017

Capturing economic cooperation and private finance

The focus of all the above Latin reporting initiatives is primarily technical cooperation. The vast economic cooperation, which is typical of the SSC approach of Asian partners, is not effectively addressed in the SEGIB and other Latin reporting methodologies. Major gaps thus exist in the quantification of economic and financial cooperation between developing countries (ECDC).

Since the topic was initially introduced in Bandung, the portion of economic cooperation between developing countries has intensified massively in recent decades, particularly in the areas of trade, investment and development finance, expanding SSC to include blended finance and partnerships between public and private actors. These have all been important features of some of the Chinese and Indian approaches to SSC.

The 'Development Compact' a concept put forward to illustrate the nature of India's South-South cooperation, takes a 'ecological approach' (Hoff, 2000) to development, which is seen to be achieved through the interactions of different externalities in the national and regional environment. Development compact, which is considered the 'cornerstone of India's development cooperation' (Chaturvedi, 2016), suggests that cooperation between developing countries should occur via actions of a) capacity building; b) lines of credit; c) trade and investment; d) technology transfer; and e) classical grants. Such development cooperation involves both State as well as non-State actor.

This classical Asian approach to development cooperation is also reflected in the way China provides development finance through a blend of public and private resources and diversity of institutions involved in the development partnership. This approach to SSC which capitalises on trade, private investment and economic cooperation between developing countries, has been the central thrust of the Bandung conference as well as the establishment and operation of the United Nations Conference on Trade and Development (UNCTAD), both seminal processes in the history of South-South cooperation (Besharati, 2018).

As discussed earlier, much of SSC does not occur through the 'official' government agencies, but rather through the Southern private sector, which trades and invests in other developing countries. Hence a critical question which needs to be answered by partner countries is whether investments by the private sector and non-state actors should be included in the quantification of SSC or not? Do developing countries, both providers and recipients, have capacity to maintain statistics on such private flows? How do you extract from foreign direct investment the "public good / developmental" portion of spending from its profit-oriented operations?

When developing statistics for ECDC, some economists have argued that the financial impact of trade policies can be measured by modelling the potential loss of revenue from the reduction or lifting of import tariffs for goods and services from other developing countries. But once again this would require a substantive analytical and statistical efforts by partner countries as well as international organisations such as UNCTAD.

Finally, if Southern partners decide to go down the route of including trade, investment and activities of private sector in SSC, considerations should be made to the impact this would have on the behavior of Northern donors, who will also feel compelled to include these mechanisms of export credit and private sector support in their ODA and TOSSD, thus inflating

figures of OECD-DAC countries' contribution to global development. Such attempts have been met with vehement criticism in the past by civil society and Southern partners.

Commercial versus developmental, concessionality versus mutuality?

Linked to the discussion on the inclusion of private investments in development cooperation, the lion's share of the financing from countries like India and China actually comes from lines of credit (LoC), which are tied to products and services from the provider country. Such export credit and sovereign guarantees are typically included in the SSC figures of the Asian emerging economies. But this begs the question, who is really benefitting from these financing arrangements?

If the British government would provide funding to the British private sector to build roads in Bangladesh to facilitate trade of goods that support business activities of British investors, this would be viewed as neo-colonial and capitalist imperialism, although these activities do bring some benefits also to the local Bangladesh economy. If now the same approach is taken by India in Bangladesh this is called SSC and viewed through a more developmental lens.

'Reciprocity' and 'mutual benefit' have been the hallmark principles of SSC, therefore countries like China, who still see themselves as 'developing', do not see any dichotomy to support the export of their own domestic industries while providing infrastructure and other developmental support to partner countries. But who is receiving more benefits from such SSC activities? Southern scholars have often debate whether SSC between a Brazil and a Mozambique, can still be justified as a "partnership among equals"? Should the principle of reciprocity stand in all SSC endeavours or should the poorer country among the partners receive more benefits than the supposed "provider"?

If it is acknowledged that the South is not a homogenous block and there are power asymmetries within the South, one should question whether the financing provided by a large Southern economy to a smaller developing country, is provided primarily with a developmental intention or for the commercial benefit of the provider country? Philosophically speaking, when can a loan be considered "assistance" to a poorer partner and when is it a mechanism for a lender to enrich themselves through the miseries of a desperate borrower?

Historically, commercial loans have been distinguished from development finance through the concept of "concessionality", or how much a loan is provided on quasi grant-like favorable terms. Concessionality, or grant element, has been defined and calculated by institutions such as the OECD and the International Monetary Fund (IMF) with complex formulas involving a number of factors such as interest rates, grace period, discount rate, repayment period, maturity of the loan.

While contesting the Northern development finance regimes, SSC partners are yet to define their own thresholds and approaches to calculating concessionality of their various lending instruments. In his study of South-South development finance, Bhattarchaya (2016) has found that even using the traditional OECD and IMF methods, much of the credit lines from the major Southern providers still remain highly concessional. Going forward Southern think-tanks and government need to elaborate on some of these questions: Should all loans and

credit lines from Southern providers to other developing countries be included in SSC or only the concessional ones? What concessionality threshold should be used for Southern lending institutions and instruments? Should the South use the same approach as the OECD/IMF or should it develop its own methods to calculate concessionality?

African considerations: there is no development without peace.

Similar to the economic cooperation aspects discussed previously, a departure from the strict developmental focus of ODA is the tendency for many Southern countries to account for the environmental, security, governance, justice and human rights expenditures made in the context of global or regional public goods. The South African government for instances has previously referred to SSC as "co-operation between countries in the field of aid, trade, security and politics to promote economic and social well-being in developing countries" (DIRCO, 2011). This certainly takes a more holistic view of SSC, which is more aligned to the Asian conceptual frameworks for SSC.

Within the ODA statistical regimes, only 7% of non-military contributions to UN peacekeeping operations can be counted as ODA. But in Agenda 2063 (Africa's 50-year development vision) the African Union (2017) has made clear the central role that peace and stability play in its long-term development of the continent. From an African perspective, therefore, humanitarian, safety and capacity-building operations conducted by security forces of a provider country upon request of a recipient country should also be counted as 'support to sustainable development'.

This however may also open the doors to some of the Northern powers to include in their development assistance activities which are classified as fight against international crime and trafficking, intelligence gathering and counter-terrorism activities. Are these really global public goods, and who defines them as such? External interventions in the arena of security, governance and human rights are always politically sensitive, as they often imply infringement on national sovereignty, which is in direct opposition to some of the fundamental SSC values.

As previously discussed also with regards to technology transfer, knowledge exchange and technical cooperation, the excessive focus on financial inputs overshadows other non-financial contributions that are equally important. A trip by say former president Thabo Mbeki to a neighbouring African country to mediate between opposing parties in a crisis-affected region does not cost much, but its impact on long-term development can be much greater than a large-scale UN peacekeeping mission, for instance.

As Southern partners move forward with developing appropriate definitions for SSC, considerations need to be given to capturing the important contributions that developing countries are making to the arena of global security, peace-building, good governance, environmental protection, regional integration and other public goods.

Conclusion

This working paper has made a case for the improvement of statistics on SSC as a way to better monitor and assess the contribution that developing countries are making to the SDGs

beyond their immediate borders. To bridge the current information gap; to allow more transparency and accountability towards citizens of partner and provider countries; and to provide standardised data that will allow for comparative analysis of SSC flows; it is paramount that a common conceptual framework is developed for the quantification and accounting of SSC.

Analogous to the efforts that OECD-DAC countries have made to developing measures like ODA and TOSSD, Southern partners need to develop clear parameters and criteria for what to classify as SSC. Whether comparisons with North-South cooperation are welcomed or not, if Southern partners are interested to conduct cross-country analysis and learn from each other, agreement needs to be reached on which specific modalities and instruments are to be included and excluded from SSC. A universal definition for SSC may still remain flexible and broad to recognise the diverse and specific approaches of different Southern countries while allowing for alignment to core SSC values and principles (NeST, 2015). Developing countries and partners need to evaluate whether it is more useful to keep a broader definition of SSC or have a more specific measure such as South-South development cooperation (SSDC).

At the moment it is difficult to compare the SSC of, for instance, Brazil, South Africa and India because each country uses its own criteria and methodologies for quantifying its development cooperation. Depending on which aspects of technical and economic cooperation are included, SSC figures can vary enormously. In order to achieve consistent reporting in global platforms (like the UN) and allow for standardization of SSC statistics, consensus need to be built around a common framework to measure the cooperation between developing countries. These would include Bandung elements of ECDC as well as Buenos Aires elements of TCDC (Bracho, 2018), but also integrate the particular approaches to peace and governance support currently used by partners in Africa (Besharati, 2018).

BAPA+40 in March 2019 presents a special opportunity for member-states and Southern partners to agree on some of these critical issues which have kept SSC analysis and policy from not evolving and adapting to the new SDG era. Think-tanks, academics and experts from the South can play a critical role in finding technical solutions to some of the above problems, offering proposals to their governments to debate and finalise in Buenos Aires.