



Features of South-South Cooperation and Global Dynamics

The sharp economic growth across Southern economies and subsequent deepening in their cooperation has evoked a growing interest in understanding the nature of South-South cooperation (SSC). The idea of SSC is not itself new but has come increasingly under the spotlight. There are several factors which are contributing to this; one is the result of a gradual decline in North-South flows. Given the notable improvements in the fundamentals of the Southern mega-economies, the sharp rise in the quantum and scope of flow of their funding towards SSC has attracted large attention in the global development cooperation arena.

Accordingly, the responses to this phenomenon from the North, emerging at different points, are not very different from each other. In most of the writings, intentions and purpose of SSC were questioned. The emerging strength of the South was perceived as a threat in the OECD world. It was seen as non-transparent 'rogue aid' programme with intention to support non-democratic governments all across and some of the studies also came up with the conclusion that the development assistance programmes from the Southern actors are essentially pursued to achieve the foreign policy objectives only. There are writings where concerns have been expressed over the rising threat from 'rouge' aid allocation which is not guided by the priorities of the recipient countries but is driven by the national interest of the provider. This shows that there is some confusion on the features and character of SSC. We try to address the same in this policy brief. Attempt is also being made to draw out

the features that distinguish South-South cooperation from the North-South cooperation.

Key Features of South-South Cooperation

There are certain values or features around which the SSC has emerged over the years. It may not be easy to call them as 'principles'. However, based on literature and case studies we attempt to capture some of them. It is quite apparent that the key values of the SSC are respect for national sovereignty, national ownership and independence, equality, non-conditionality, non-interference in domestic affairs and mutual benefit. Many times North-South flows are often compared with the SSC but in no way this may be viewed as a substitute for N-S flows. At best, the SSC may be viewed as a complement to the North-South cooperation (NSC) as the SSC is not an official development assistance (see Table). The SSC is a partnership among equals based on solidarity. Some of its key features are discussed below:

Equality between partners

In the framework of SSC, there is no distinction between the donor and the recipient countries. All the countries engaged have something to offer and take from each other. They participate as partners who are involved in sharing the development burden of each other, resulting in a horizontal cooperation. Thus, the process of SSC gives equal chances to them to participate and make their voices heard in global fora.

FIDC Policy Briefs are prepared on specific policy issues for the policy makers. This Policy Brief has been prepared by Dr. Sachin Chaturvedi, Senior Fellow, RIS. Mr. Kunal Singh, Research Assistant, RIS provided research assistance.

Fostering national and collective self-reliance

The central elements of SSC are self-reliance and self-help. It is multi-faceted and strongly informed by the notion of developing the South through equitable access to trade, investment and technology within an institutional framework. The SSC aims to discover and use complementarities in production, consumption, trade, investment, technology, and development cooperation. It helps in creating an environment where the countries are able to address their own development issues for enhancing their capacity. Self-reliance helps the development partners by providing them with opportunities to collectively work for attaining the common goal of sustainable development.

Mutual benefit

In the case of SSC, the fundamental idea is to assist each other for a win-win partnership on all sides. The concept of mutually beneficial partnership is important for the long-term sustainability of the engagement. Given the fact that the Southern economies have a long way to go in terms of addressing innumerable domestic challenges, such a development partnership, which comes with growth and mutual gain, helps both the countries involved, because during the partnership they get access to most appropriate technology, realistic and cost effective solutions and financing at a reasonable cost and most importantly without any conditionalities attached.

Nature of non-conditionality

One of the main reasons, for the SSC gaining more attention is its nature of non-conditionality for providing assistance. By this the priorities and policies of the partner countries are not hindered in any manner and the non-interference in the internal affairs and the national sovereignty of the development partner is also taken care of, thus making the SSC more efficient and cost-effective. By not imposing any conditionalities, SSC gives the power of independent decision making to the partner countries, keeping in view their aspirations and special values. Thus, the SSC believes in respecting the independence and national sovereignty, cultural diversity and identity of local content.

Voluntary and demand-driven

The SSC is mainly based on the demand-driven approach and responds to the development priorities of the partner countries. This reflects the voluntary nature of cooperation within the South. The demand-driven approach of the SSC makes the whole process beneficial for the partner countries as it serves their

mutual interests, given their individual national priorities. Demand-driven requirements vary across countries in the South. The demand pattern spreads into several sectors and SSC can cover any of these areas. Response of the South could be limited to the growing need for support, but it cannot be narrowed down to a few selected sectors.

Multiplicity of approaches

South is not a homogenous entity. There are several areas where distinct practices have emerged across the major Southern providers. Some of them relate to national legislations and some are associated with on-going conventions. In some countries of the South there is a clear articulation of development cooperation policies while in other cases some specific aspects of common principles are more vigorously followed than in others. Also, the concept of SSC goes beyond knowledge exchange, financing and capacity building, investment links and trade. In the following section we would attempt to bring forward national or regional specificities.

Global Dynamics

Although the entry of emerging economies into the arena of development partnership falls within the existing SSC framework, it is widely perceived as a threat to the dominance of traditional donors. The ties between the North and South have loosened over the years as the SSC partners are being seen as competitors to 'traditional' donors from the North. The emergence of new participants at the global level may herald major changes in the earlier model of North-South aid flows.

There are conceptual differences between the NSC and SSC. The OECD-Development Assistance Committee (DAC) has defined various concepts related to Official Development Assistance (ODA) which comprises grants and loans for promotion of economic development and welfare, technical cooperation and export credits. A concessional loan for DAC is considered as welfare-enhancing, provided 25 per cent of it is by the way of grants. A discount of 10 per cent is used in calculating the 25 per cent minimum grant element required for a loan to be regarded as an ODA. The applicability of this approach is limited when analysing the development aid from Southern countries. In case of the SSC, there is no component of grant. Even differences are there in the very definition of what may be considered as 'aid'. For instance, South Africa has been engaged in supporting peacekeeping operations following request from the African Union and spends

a large proportion of its development assistance for this purpose. This expenditure falls outside the UN mandate, under which most developing countries finance peacekeeping operations. As a result, South Africa includes this in its development assistance expenditure but DAC would not consider it as 'aid'. The DAC follows general budget support programme for their aid provisions which facilitates adopting of stipulations like predictability while in most of the Southern economies it is through ad hoc or through non-plan expenditure which forecloses options for bringing in any kind of predictability. The DAC publications draw a distinction between 'tied' aid and 'untied' aid. All official grants or loans, where procurement of goods and services is restricted to donor country, are classified as tied aid. No such distinction is drawn while reporting development assistance under the SSC framework as 'mutual gain' is the bottom line for such an engagement.

The Western aid donors have largely followed a 'framework' approach, focused on economic systems

and management, while another alternative is of 'ingredients' approach, which regards an economy as the sum total of its ingredients or component parts. The framework approach represents rules of the game according to which economic agents make decisions and take action in a given economy and an economy is conceived in terms of the functions of institutions and mechanisms. In contrast, the ingredient approach refers to tangible organisational units such as an enterprise, official bureaus and industrial projects and their aggregations such as industries, sectors and regions. In essence, the framework approach is principle-oriented while the ingredient approach is result oriented. The DAC publishes a list of countries and organisations that report aid and development related financial flows to them based on a standard accounting system. The current composition of SSC is such that most of it is in 'kind', so it becomes difficult to account for the exact quantum of the support extended, which means there is no need for standard accounting system against which the

Comparison of North-South and South-South Development Partnerships

Indicators	Aid programmes (North-South)	Development partnership (South-South)
Nature and purpose of support	ODA. Stated to be altruistic in nature	Mutual benefits and growth
Philosophical perspective	Framework approach	Ingredient approach
Participants	At least one participant has very high per capita income	Both partners may have very low per capita income
Level of development	Large differences in stages of economic development between donors and recipient	Both partners almost at same stage of economic development
Role of participants	Donors and recipient of ODA	Relationship of equality, both may contribute to the process
Conditionality	'Top-down' with policy conditionality and no predictability	Request-driven and generally free from conditionality of any kind, so largely within timelines
Flexibility	Multilayered time-consuming bureaucratic structures, hence added transaction cost	Highly decentralised and relatively fast with few implications for transaction cost
Priority sectors	Grant assistance and budget support for social sectors	Economic and technical cooperation largely confined to projects in infrastructure and productive sectors investment
Adherence to global governance framework like Paris Declaration	Donors use guidelines of Paris Declaration, which they evolve as an instrument for effectiveness	Providers are out of the purview of any global arrangement such as Paris Declaration, in which they were not involved. Hinges on mutual trust of partner countries
Data, monitoring and evaluation	Peer-reviewed by DAC-OECD. Data is compiled and periodically released by the national governments and DAC-OECD	No monitoring mechanisms beyond occasional reports of data and anecdotal details
Role of NGOs	Extensive	Limited
Role of Private Sector	Limited	Extensive

SSC may be assumed. The SSC and technology transfer hold immense potential to support human development. The technology transfer from the North requires costly adaptation due to difference in absorptive capacity but technology transfer from the South is likely to need little adaptation and involves more-appropriate technologies.

Is the North Trying to Catch up with the SSC?

There is an unstated unease in the North as adoption of the SSC is widely expanding and bringing in new patterns of success in project implementation and capacity building. As a result, the North is getting more and more influenced by the SSC. Under the SSC, developing countries use terminologies which are completely different from that of the DAC. As previously noted, developing countries prefer 'development partner' to terms such as 'donors' and 'recipients'. Some recent publications show DAC is shying away from using the word 'aid' and prefers to use the expression 'development cooperation'. The DAC's traditional framework for capturing aid flows focuses on supply side statistics and overlooks demand side responses. Its more recent documents press for a demand-driven approach by its members, which is responsive to the priorities of the developing countries. Further, the DAC encourages support and engagement with private sector as happens with Line of Credits (LoCs) in the SSC.

Work Agenda for South-South Cooperation

A demand driven and systematic data collection is a prerequisite to an evidence-based analysis of the SSC. This will also help in addressing several misunderstandings surrounding the purpose and features of the SSC. Apart from strengthening the policy and strategy development exercise, the information analysis will also help to examine the growth and impact of SSC. This also creates a need to develop institutions oriented towards development cooperation analysis in partner countries. Presently, the partner countries engage with several northern agencies and have adopted the lexicon from the NSC, which is much better than SSC. This creates confusion between the features and ideas of SSC, irrespective of its modalities.

In this context, a seminar, organised by RIS with other institutions, came up with certain key recommendation to strengthen SSC. There was a broad consensus regarding the need to strengthen systematic data collection process which would propel the evidence-based analysis of SSC. An assessment of the implications of SSC was considered necessary to capture upcoming opportunities and address expected challenges. In this regard, building a new coalition and information exchange among the Southern research institutions and think-tanks can contribute in developing a suitable evaluation framework and methodologies sensitive to Southern economies.

Forum for Indian Development Cooperation

The Forum for Indian Development Cooperation (FIDC) is a platform launched to explore various facets of Indian development cooperation policy with its partner countries. The objective is to encourage debate and analytical research on all the broad constituents of India's development partnership spectrum in order to bolster policy making process in this field of critical importance. Thrust of the forum would be to substantially contribute in facilitating an informed debate on policy framework of India and other developing countries.

The FIDC would also try to follow broad trends in South-South cooperation and analyse contributions and impact of Indian policies. The Forum will establish dialogue with the relevant government agencies and academia with a focus on South-South cooperation. The FIDC would also establish linkages and dialogue with international agencies, experts from the partner countries and advanced countries with a view to meet its comprehensive multi-faceted objectives. The FIDC is housed in RIS, New Delhi.

– *Strengthening Indian development cooperation policy towards promoting South-South cooperation*



RIS
Research and Information System
for Developing Countries

Core IV-B, Fourth Floor, India Habitat Centre
Lodhi Road, New Delhi-110 003, India
Ph.: +91-11-24682177-80, Fax: +91-11-24682173-74
E-mail: fidc@ris.org.in
Website: www.ris.org.in/events/fidc.html