



Southern Voice

2015 On Post-MDG International Development Goals

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Special Issue 2

Dialogues on South-South Cooperation in the context of Global Partnership for Effective Development Cooperation

Dialogues on
South-South Cooperation
in the context of
Global Partnership for Effective
Development Cooperation

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Preface

Developing countries, particularly the low-income ones, are currently exploring the potential role that the South-South cooperation (SSC) could play in promoting structural transformation of their economies. This quest has been fueled by the dynamism demonstrated by the emerging economies and in the backdrop of multiple crises experienced by the developed world in the recent past. The decline in the flow of foreign assistance from the developed countries following the recent global economic and financial crisis also prompted the low-income countries to take further interest in SSC. The promise of reforms unleashed by the adoption of “Paris Principles of aid effectiveness” and with the emphasis on the new found concept of “development effectiveness of aid” have provided a set of reference points to take a fresh look at the modalities and outcomes of SSC. Most recently, SSC is getting increased prominence since it is considered as one of the potential instruments of implementation of the post-2015 development agenda. Yet the ideas and practices underpinning the SSC paradigm suffer from a lack of clarity and coherence. With the expansion of the role of SSC in the global economy, the process and its manifestations are in need of reconceptualisation so as to develop a theoretical and analytical construct based on a common set of guiding principles. Moreover, it is now being increasingly felt that through a careful scrutiny of the incidence and episodes of SSC, a framework and a tool box have to be put in place to generate assessments of the comparative effectiveness of SSC model. One is also tempted to ask whether in the near future one may see emergence of a universal international development cooperation system where SSC model and the DAC-OECD centered aid regime will leverage each other to create greater development impact.

In view of the above, *Southern Voice on Post-MDG International Development Goals*, along with its network members – the Centre for Policy Dialogue (CPD), Dhaka and the National Council of Applied Economic Research (NCAER), New Delhi organised a dialogue titled “Deconstructing South-South Cooperation: A South Asian Perspective” in New Delhi (March 2014). Later the outcome of the dialogue was fed into the focus session held by the above mentioned initiatives at the first High-Level Meeting of the Global Partnership for Effective Development Co-operation (GPEDC) in Mexico (April 2014). The theme of the focus session was “Locating South-South Cooperation within Emerging Development Cooperation Architecture.”

The objectives of the Mexico focus session were to bring about further conceptual clarity by demystifying SSC in terms of its context, objectives, scope and policy framework, and to consider whether this adds up to a set of general principles for SSC that can have wider utility; to explore the practicalities of SSC by assessing their modalities, instruments, and effectiveness; what value would the general principles have for assessing these practicalities; to revisit specific experiences of SSC through empirical evidence and case studies; and consider how existing cooperation frameworks, such as DAC-OECD, support, learn from, and build on these experiences.

The present paper incorporates summary reports on the Delhi and Mexico policy dialogues.

Dhaka, Bangladesh
September 2014

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Acronyms

ADB	Asian Development Bank
ASEAN	Association of Southeast Asian Nations
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BRICS	Brazil, Russia, India, China and South Africa
CGE	Computable General Equilibrium
CPD	Centre for Policy Dialogue
DAC	Development Assistance Committee
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GDP	Gross Domestic Product
GPEDC	Global Partnership for Effective Development Co-operation
G-77	Group of 77
IDB	Islamic Development Bank
LDC	Least Developed Country
MDG	Millennium Development Goal
NCAER	National Council of Applied Economic Research
NGO	Non-Government Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
SAARC	South Asian Association for Regional Cooperation
SSC	South-South Cooperation
TRIPS	Trade Related Aspects of Intellectual Property Rights
WFP	World Food Programme

PART A

LOCATING SOUTH-SOUTH COOPERATION WITHIN EMERGING GLOBAL DEVELOPMENT ARCHITECTURE

Report on Focus Session at the
First High-Level Meeting at the
Global Partnership for
Effective Development Co-operation (GPEDC)

held on
15 April 2014
Centro Banamex Convention Centre
Mexico City, Mexico

Organised by



1. The Context

South-South Cooperation (SSC) is gaining momentum amid a rapidly changing global economy. Export between developing countries surpassed 50 per cent in 2011. Trade between East Asian countries increased by 450 per cent between 1995 and 2011, and among the Latin American countries there was a 382 per cent increase. Significant changes are taking place in the global economy signaling a new era with regards to the trends in the innovation of new technologies that are more appropriate and relevant to the needs of developing countries; and the share of total imports of capital goods from developing countries has increased from 30 per cent in 1995 to 54 per cent in 2010.

The focus on SSC has received renewed attention since the Fourth High-Level Forum on Aid Effectiveness held in Busan in 2011. The High-Level Panel on the Post-2015 Development Agenda has highlighted measures to bolster South-South cooperation as a prominent issue at the thematic consultations, and the Global South-South Development EXPO held in Nairobi in 2013 established how a global collective response can facilitate South-South cooperation. Moreover, the 'BRICS' nations (Brazil, Russia, India, China and South Africa) are currently implementing a number of economic cooperation initiatives in various areas including trade, investment, technology transfer and human resources.

However, the full potential of SSC remains to be clarified. There is still ambiguity about what SSC actually represents; both in concept and in practice. Issues around management and streamlining of activities remain unresolved, and there is a lack of consensus regarding commercial policy recommendations and national policies, distribution of benefits between developing countries and verification of tangible achievements of the SSC. There are also problems with trade barriers, resource scarcity and political instability. Discussions on SSC have been mostly limited to conceptual policy issues rather than tangible approaches to action and implementation.

Nevertheless, SSC is considered to be one of the crucial elements of the emerging global development cooperation framework, it is therefore necessary to rigorously examine this initiative from multi-stakeholders' perspectives. On 28 March 2014, in New Delhi, India, *Southern Voice on Post-MDG International Development Goals* held a dialogue entitled *Deconstructing South-South Cooperation: A South Asian Perspective* in collaboration with the National Council of Applied Economic Research (NCAER), New Delhi and the Centre for Policy Dialogue (CPD), Dhaka. One of the core objectives of this meeting was to provide clarity and practical insights about a subsequent Ministerial Meeting of the Global Partnership for Effective Development Co-operation (GPEDC) in Mexico on 15-16 April, 2014.

The Focus Session themed *Locating South-South Cooperation within Emerging Global Development Architecture* had been proposed to provide conceptual clarity and practical insights about SSC. The core objective of the focus session was to seek ways via which to streamline an integration of the SSC and the GPEDC. The focus session took place during the High-Level Meeting of GPEDC at the Centro Banamex Convention Centre in Mexico City.

2. Objectives

- i. To bring about further conceptual clarity by demystifying SSC in terms of its context, objectives, scope, and policy framework and to consider whether this adds up to a set of general principles for SSC that can have wider utility
- ii. To explore the practicalities of SSC by assessing their modalities, instruments and effectiveness – what value would the general principles under (i) have for assessing these practicalities?
- iii. To revisit specific experiences of SSC through empirical evidence and case studies; and consider how existing cooperation frameworks, such as the Development Assistance Committee (DAC), support, learn from, and build on these experiences.

3. Participants

- i. *Dr Debapriya Bhattacharya* (Chair), Chair of Southern Voice on Post-MDG International Development Goals and Distinguished Fellow, Centre for Policy Dialogue (CPD), Bangladesh
- ii. *Ambassador Omar Abou Eich*, Deputy Assistant Foreign Minister from the Ministry of Foreign Affairs, Egypt
- iii. *Dr Fahmida Khatun*, Research Director, CPD, Bangladesh
- iv. *H E Jaime Miranda*, Minister of Foreign Affairs, El Salvador
- v. *Ms Tomoko Nishimoto*, Director for South-South Cooperation, United Nations Environment Programme (UNEP)
- vi. *Professor Mustafizur Rahman*, Executive Director, Centre for Policy Dialogue (CPD), Bangladesh
- vii. *Dr Shekhar Shah*, Director-General, National Council of Applied Economic Research (NCAER), India

Also in attendance were the heads of Brazilian, Mexican and Burmese overseas cooperation agencies, the minister of Lesotho, and UN officials from New York. A number of NGO representatives also participated at the session. In addition to the panellists, approximately 71 people participated in discussion.

4. Points of Discussion

- i. How important is SSC in the evolving context of international development cooperation?
- ii. Is it necessary and possible to develop a framework and a set of general principles with regards to SSC?
- iii. Can we improve upon the DAC centered development cooperation framework by building on, learning from and leveraging SSC experiences?

5. Summary of the Proceedings

The panellists agreed that SSC is a key element of development finance; by 2030, two thirds of global savings will be in the global South nations. This means that the global South will become the centre of economic prosperity and trade. However, knowledge of how development partners are working with SSC is lacking. Little is known about the flow of resources integral to SSC, and their impact on global trade.

Participants mentioned that an institutional framework for SSC is yet to be formulated. The heterogeneity of the Southern economies is one of the most complex aspects of the SSC debate. Given that even among the global South there are big players and small players, international contribution to the SSC initiative varies greatly.

The discussions also revealed that there are different trends among the Southern countries regarding interest in and appreciation of these issues; for instance, Mexico and Brazil are more proactive in SSC than India and China.

It was agreed that the Southern think tanks, researchers and governments must play their part in determining what different development agencies do in relation to SSC. By taking into account the actions of traditional donors, one can develop a rich framework of the ideas, actions and initiatives required in the SSC initiative. The responsibility of the North in the progress and achievements was also addressed. The official development assistance (ODA) as an offshoot of the Organisation for Economic Co-operation and Development (OECD) will have overlapping goals with the SSC despite their different origins.

Panellists noted that SSC is valuable due to its deliberate remit of creating lateral collaboration between member nations. As such, it can enhance unity and cooperation in the global South and prevent conflict in the future by creating the foundation for positive discussion and intervention. As a direct result, SSC can become a key mechanism to achieve the goals of the post-2015 agenda on the issues of peace and security.

Furthermore, the relevance and the role of SSC should be present in the national dialogue within each global South nation. Citizens should be aware of the existence of SSC and its overall agenda should be transparent. Countries that are gaining from and contributing to SSC should communicate their actions clearly and concisely via registration of their investments.

The SSC cannot replace the ODA. But by forming a strong partnership with the ODA, both initiatives can improve North-South relations. The SSC can show innovations that can subsequently inspire traditional ODA investments. One of the challenges of SSC is scaling up; in this sense, a triangulation and combination of SSC with ODA can be transformative and mutually beneficial.

The framework of the SSC must transcend inter-government relationships and include cooperation at the level of civil society and local governments. Global integration among Southern countries, for trade and other economic activities must be a key objective of SSC. Participants agree that SSC can become a powerful strategy among themselves and with the Northern countries. One cannot overlook that there are already many regional blocks that countries are part of, but these are also areas that must be strengthened through SSC. For example, a strong point about how SSC should create leverage in global negotiations on climate and trade.

SSC must not overlook the challenge of graduating least developed countries (LDCs), a major concern globally. It is important to acknowledge the heterogeneity of the global South. Although certain cities and regions are booming, one cannot forget that many people are still living in precarious situation.

Panellists agreed on a number of crucial principles that are relevant to SSC. In order to maximise impact and productivity, SSC must demonstrate:

- **Horizontality** – SSC must recognise countries as equals. In fact, many countries in the South are both providers and recipients of SSC. Participants shared individual experiences of peer-to-peer learning and exchange of ideas within the architecture of SSC. This horizontality is also practical since developing countries face similar problems with regards to structural changes in social strata. Thus, nations of the global South can learn from each other even more so that they can from developed countries with which they share less in common in terms of economic and social climate.
- **Mutual benefit** – SSC must provide mutual benefits to all participating countries, even if the concept of beneficiaries and providers needs to be reframed. The concept of solution seeker and provider was also shared at the session. In this sense all nations are equal participants that can become beneficiaries or providers depending on the contexts. Thus, such labels are temporary semantics that vary with the interactive directionality of each particular problem.
- **Plurality** – SSC has a wide diversity of modalities, including knowledge exchange. It was agreed that maintaining openness when it comes to the modalities of SSC is of paramount importance. In this sense, SSC should not seek to become a new ODA, but welcome a wider variety of modalities specific to the socio-economic architecture of the global South. In fact, in a recent EXPO, there were a variety of innovative and original ways of using SSC. Such a robust plurality has great potential, which has repeatedly and demonstrably been put into action.
- **Respect** – SSC must maintain respect among the partners involved. Panellists stressed the importance of maintain respectful relations between partners with regards to all aforementioned goals of SSC. Participation with and contribution to SSC guarantee the expectation of respect for the developmental processes of each nation.
- **Effectiveness** – Measuring the impact of SSC must also be a key principle to make sure these efforts are worthwhile. It was agreed that although SSC has existed for many years, it has not received enough attention to have a clear vision with regards to the effectiveness of its endeavours. Empirical quantification of achievements is therefore an important goal in the future of SSC. The Southern countries can play a leading role in creating reliable and meaningful mechanisms of evaluating the scope of the impact of SSC.

As the panel concluded, it was clear that SSC is a key aspect of the emerging development financing infrastructure. However, there is no agreement on whether SSC must be treated differently from or equally to ODA; although, some of the principles gleaned from the Paris and Accra initiatives can be utilised in the process of initial evaluation. The new communication technologies are a key historical change that pave the way for global streamlining of SSC on a daily basis. Leadership is also a key aspect for a successful SSC. Since SSC is also political in nature, the participating nations need strong and committed leaders that not only support the infrastructure of SSC but also promote the wide range of modalities it represents.

Further research and discussion is suggested to make sure SSC has a clear and useful role in the future of the development financing strategy. In conclusion, three aspects of this emerging consensus include the following:

- i. The need to agree on a set of principles defining the SSC paradigm
- ii. The need to articulate a framework to assess the effectiveness of SSC
- iii. The need to work out ways and means for engaging the stronger Southern economies in the global development architecture.

The session was successful in terms of a) participation of high profile panellists; b) high level of attendance; c) presentation of resource materials; d) quality of panel interventions; and e) open discussion and the productive debate.

PART B

DECONSTRUCTING SOUTH-SOUTH COOPERATION *A SOUTH ASIAN PERSPECTIVE*

Report on
Pre-GPEDC Dialogue

held on
27-28 March 2014
Amaltas Hall, India Habitat Centre
New Delhi, India

Organised by



CENTRE FOR POLICY DIALOGUE (CPD)
B A N G L A D E S H
a civil society think tank

Session I

The Framework for South-South Cooperation: Modalities and Experience

Theme

A Resource Paper prepared by Centre for Policy Dialogue (CPD), Dhaka kicked off this session, covering the conceptual framework for South-South Cooperation (SSC), its underlying principles and potential, and the challenges of implementation. The paper illustrated its ideas with a case study of Bangladesh, followed by expert comments and an open discussion.

Chair: Shekhar Shah, National Council of Applied Economic Research (NCAER), New Delhi

Presenter: Fahmida Khatun, Centre for Policy Dialogue (CPD), Dhaka

Discussants: Saman Kelegama, Institute of Policy Studies of Sri Lanka (IPS), Colombo
Sachin Chaturvedi, Research and Information System of Developing Countries (RIS), New Delhi

Summary

South-South cooperation is increasingly gaining momentum as the economies of the global South grapple with the issues of structural transformation, demographic transition, and adjustment to crises, globalisation, regionalisation and social movements. The combined share of these regions has risen from about 25 per cent of world's gross domestic product (GDP) in 1980 to 45 per cent in 2010. All three prominent indicators of regional integration – trade, investment and aid – have shown an upward trend. Since 1995, South-South trade has grown on an average by 13 per cent per annum, and constituted 20 per cent of world trade in 2007. From 1980 to 2008, North-South trade has grown six times, while South-South trade has grown by over ten times. Foreign direct investment (FDI), both inward and outward, has become vital for developing countries. South-South FDI accounted for 23 per cent of total global FDI flows in 2012. Until 1991, developed countries accounted for the largest share of total remittance received at 46 per cent. Developing countries have now outpaced developed countries, growing from 53.3 per cent of total remittance received in 1995 to 71.1 per cent in 2012. The share of disbursed aid as a percentage of total disbursement by the Southern countries has increased steadily from 0.5 per cent in 2004 to 2.6 per cent in 2011.

According to the *International Migration Report 2013*, though the North attracted the largest share of people migrating, international migration during 2000-2010 in the South at an average growth rate of 2.5 per cent (per annum) has grown faster than that in the North at 2.3 per cent. During 1990-2000 seven of the top ten bilateral migration corridors were from the North. Migration patterns have since then changed, with five of the top ten bilateral migration corridors now from the South during 2000-2010, and seven during 2010-2013. The share of total imports of capital goods by developing countries also coming from developing countries has increased from 35 per cent in 1995 to 54 per cent in 2010. The world is witnessing rapid changes in technological cooperation as Southern countries innovate technologies that are more appropriate to the needs of developing countries.

The focus on SSC has received renewed attention since the Fourth High-level Forum on Aid Effectiveness in Busan in 2011. Recently, the High-Level Panel on the Post-2015 Development Agenda has highlighted measures to strengthen South-South cooperation reflecting an issue that figured prominently in the thematic consultations. Other recent initiatives, such as the Global South-South Development EXPO held in Nairobi in 2013, demonstrated how a global collective response could facilitate South-South cooperation.

All this progress, notwithstanding the full scope of South-South Cooperation, still remains elusive.

First, there are a variety of perceptions about what SSC actually means, either as a concept or on the ground. On one hand, it is positioned as a genuine partnership based on a common ethos and solidarity among developing countries. On the other, it is considered as a forced, ideologically-driven partnership, with unequal power relationships and imbalanced economic development within Southern economies. For instance, the average per capita of GDP of a handful of economies (Brazil, Russia, China, India and South Africa i.e. the BRICS) during 1990-2012 is five times larger than that of the least developed countries (LDCs). There are some who would like to limit the focus of SSC to trade and investment, and others who would prefer it to be all encompassing, including transfer of technology, knowledge and development experience, cultural exchange and tourism. It is perhaps also important to include in the ambit of SSC the need to address the modalities of capacity building, technology transfer, training and skill development, and lines of credit and financial flows for implementing such SSC. These many interpretations of SSC suggest that intellectual contributions to identify the theory or theories that can best explain and help guide the economics of SSC are needed. These contributions can subsequently create and help generalise clearer theoretical postulates that better define SSC. A better understanding of such concepts is indeed quintessential to harness the economic and political will of partner countries to integrate SSC into their national policies.

Second, evidence on the national and international impact and outcomes of SSC is also limited. Assessing the impact in a disaggregated manner to reveal the situation of smaller countries like Bhutan and Maldives in comparison to the much larger BRICS to comprehend the real distribution of benefits from SSC would be worth pursuing. Also, the concessionality in trade, investment or aid needs to be captured to see the differential impact of South-South cooperation in comparison to North-South cooperation. These fact-based assessments will help in providing substantive information on South-South success stories and quantifying the actual gains among developing countries. Thus, a well-calibrated framework of monitoring and evaluation with various measurable economic and social indicators would better ensure inclusive and effective partnerships amongst various stakeholders.

Third, there are questions about the effectiveness of SSC in light of complications about ownership or management, lack of consensus regarding commercial policy recommendations and well-defined national policies, sharing of benefits among developing countries, resource scarcity and political problems. Consequently, prioritisation needs to be given to construct a coherent and robust institutional framework to improve coordination and dissemination amongst institutional actors, civil society, private sectors and others. This will increase the applicability, adaptability, transparency and accountability of SSC.

Fourth, it needs to be stressed that while the North-South dependence is declining, SSC is not meant to be a substitute for North-South cooperation but rather a strong complement to it.

Finally, contemporary global discussions of SSC are mostly tilted towards conceptual policy issues rather than realistic and feasible approaches to implementation. The showcasing of experiences on a large scale, so crucial for learning and emulation, is yet to occur.

Session II

The South Asian Experience with South-South Cooperation

Theme

Following the Bangladesh case study in the first session, five other case studies from South Asia allowed deeper exploration of the SSC experience and whether our existing framework for SSC can help build and support such cooperation in this region. Case studies included Afghanistan, India, Nepal, Pakistan and Sri Lanka.

Chair: *Mustafizur Rahman, Centre for Policy Dialogue (CPD), Dhaka*

Presenters: *Vaqar Ahmed, Sustainable Development Policy Institute (SDPI), Islamabad (live video)*
Rajesh Chadha, National Council of Applied Economic Research (NCAER), New Delhi
M. Ashraf Haidari, Afghanistan Embassy, New Delhi
Posh Raj Pandey, South Asia Watch on Trade, Economics and Environment, Kathmandu (SAWTEE)
Saman Kelegama, Institute of Policy Studies of Sri Lanka (IPS), Colombo

Summary

This session raised a number of provocative questions. South Asia remains the world's least integrated region despite deeply shared recent and long-term histories, closely related cultures, and many common languages among the eight countries of the region (Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka). But has SSC been effective in South Asia? Where has it been tried and failed, and why? What are the prospects and challenges for SSC in South Asia going forward, particularly in a post-MDG world? There is a strong need to unearth answers for these burning questions by assessing country-specific experiences of these South Asian countries, and subsequently, developing a generalised, well-calibrated and evidence-based framework for the Southern partners.

There was broad consensus that there is a strong need to build the empirical evidence base to assess and quantify potential benefits and costs of various SSC initiatives, such as like duty-free, quota-free access, FDI or aid. A combination of various dynamic econometrics modelling techniques (like Computable General Equilibrium (CGE) models), micro-level case studies, and country-specific experiences could help us better recognise the enormous potential, both unrecognised and untapped, that can be harnessed by SSC partner countries. Conducting separate impact assessment studies of

agreements based on traditional Northern donor-Southern recipient relations, South-South and trilateral cooperation was proposed. Also, various regional studies on South Asia, Sub-Saharan Africa and Latin America could also be instructive in comprehending the holistic impact at the ground level.

To that end, identifying and addressing data requirements and issues, locally, internationally and regionally, was seen as a pre-requisite. For instance, China's FDI included investment from state corporations, and it was very difficult to segregate the pure private investment coming from China. Another example was India, which does not maintain separate databases of import data for Free Trade Agreements (FTAs) and preferential tariffs. Thus, these existing data issues need to be addressed for a correct exposition and evaluation of the impact of these bilateral, regional and multilateral arrangements. Also, it can help answer the larger questions that will SSC be a tool for structural transformation, or instead, will it perpetuate the structural deformities of the less developed countries. The case in point being China, whose trade and investment relationships in Sub-Saharan Africa is heavily focused on primary commodities.

The session recognised that it is crucial that in a globalised world where interdependencies between the Global South and the Global North remain substantial, North-South-South cooperation remains a very meaningful concept that should also be promoted. This involves developed countries partnering closely with developing countries to assist LDCs in ways that strengthen the global partnership for effective development cooperation. A case in point is Afghanistan, a war-torn country, reflecting the need for collective action on global issues like international security, which is inextricably intertwined with the broader agenda of international development. There are similar issues of North-South-South cooperation for a broader range of countries on agriculture productivity, ensuring food security, climate change and mitigation and adaptation, and health and education.

The session highlighted the mixed views on effectiveness of development aid assistance by both Northern and Southern donors and the associated conditionalities. Participants agreed that often Southern donors have more relevant experience and can better share that experience and expertise in poverty reduction and development programmes with their less developed country counterparts than Northern donors. The example cited was for Afghanistan, where despite adequate US aid, the use of private Northern contractors and their hordes of local sub-contractors often wasted aid resources. This is of course not just a North-South issue: even in a South-South relationship between a Southern donor and a Southern aid-recipient there could be lack of transparency and tied aid. The example in South Asia that was mentioned related to India and Nepal. To counteract these tendencies, participants urged sharper adherence to Paris/Accra/Busan Declarations by development partners and the provision of aid free of conditions in a transparent and accountable manner. In addition, participants urged the need to acknowledge the symbolic but important contribution of smaller Southern countries – in the case of South Asia, Sri Lanka, Maldives and Bangladesh – in assisting other less developed countries. For instance, Sri Lanka undertaking an agreement to provide medical services or donating food to the World Food Programme (WFP) for countries in Africa and South Asia. Being a good Southern donor and an aid-recipient at the same time can provide valuable learning for all involved.

The session acknowledged that SSC should revolve not only around trade, investment and aid, but should be all-encompassing, including building local, national and regional capacities on resource

mobilisation skills, financing, scientific and technological transfers, and effective resource utilisation and management. For instance, for the cost of flying ten Afghan professionals all the way to the US or Europe for training, more than 100 Afghans could be trained much more cost-effectively in India or Indonesia. These opportunities for SSC beyond goods trade and investment also spoke to the issue of capacity building in the context of the Millennium Development Goals (MDGs) that has remained a sticking point and will be important for the post-2015 Agenda. So we have a situation where capacity building is happening without coordination with domestic civil service reforms, and also, civil service reforms happening without accountability reforms. This highlights the underlying key micro and macro disconnects and the resulting lack of trickle-down of MDG-oriented reforms at the micro level. On migration, as its pace increases, South-South cooperation and policymakers and practitioners should work towards building an institutional framework for migrants, incorporating elements pertaining to rights, freedoms and obligations of a migrant, and the ending of informal migration channels.

The session concluded with the sense that drawing from the comparative synthesis of these country experiences, and also the existing regional institutions like such as the South Asian Association for Regional Cooperation (SAARC), constructing an analytical framework and setting out of best practices would be a 'sine qua non' for the relevance and effectiveness of SSC in South Asia.

Session III

Role of South-South Cooperation in the Post-2015 International Development Agenda

Theme

Does the new post-2015 development agenda offer opportunities to redefine the role of SSC and render it much more effective? What is distinctive about SSC and ODA and how best can they complement each other? What are the lessons of SSC in South Asia that can help inform the emerging post-2015 architecture? This session will seek to understand how the post-MDG agenda can be supported through SSC and what the associated challenges are.

Chair: *Posh Raj Pandey*, South Asia Watch on Trade, Economics and Environment (SAWTEE), Kathmandu

Opening Remarks: *Shyam Saran*, Research and Information System of Developing Countries (RIS), New Delhi (pre-recorded video)

Presenters: *Lise Grande*, United Nations Development Programme (UNDP), New Delhi
Nagesh Kumar, United Nations Economic and Social Commission for Asia and the Pacific (UN-ESCAP), New Delhi

Summary

The MDGs that formed a new basis for cooperation among industrialised and developing countries in the late 1990s were an agenda that was driven by North-South relations. However, the world has changed since then. With the rise of countries such as Brazil, Russia, India, China and South Africa, and the global financial crisis, there is a need to redefine the responsibilities of different actors in global development cooperation. Reflecting this change, the Rio+20 Summit with Sustainable Development Goals at its core, marked a dramatic shift in the role that developing countries would play in international negotiations. Thus, while the MDGs were strongly influenced by the OECD countries, and while they served a useful purpose in highlighting both common goals as well as the deficiencies in the architecture of North-South Cooperation, particularly the absence of the any substantive concern about South-South Cooperation, the post-2015 Agenda is intended to be a far more consultative process among all countries that moves development cooperation to much more shared architecture. This session focussed on how the lessons of SSC in South Asia could inform the substantive and more effective role that SSC should play in such architecture. Participants discussed a number of elements of a multipronged SSC strategy in this context.

First, there is a need to acknowledge that South-South cooperation and North-South cooperation can be very different in substance as well as form. While, North-South cooperation usually posits a donor-recipient relationship, SSC can be a more mutually beneficial, voluntary partnership. South-South cooperation is typically based on mutually shared priorities of partner countries, is based on friendly consultation rather than conditionality, imposes less administrative burden, and usually does not bypass the receiving government's legislative and bureaucratic machinery.

Kenya and Hungary, the Co-Chairs of the UN General Assembly Open Working Group on SDGs, had identified eight clusters that highlighted the importance of turning them into mutually shared goals and targets. The eight clusters covered a comprehensive range of development concerns, promoting poverty eradication and equity to promoting peaceful and non-violent societies, rule of law and capable institutions. These clusters also provided a good framework for thinking about how SSC could be embedded as a goal in the post-2015 Development Agenda. Such a goal would have to take into account the fundamental ways in which SSC should remain different from North-South Cooperation, and indeed, how the latter could seek to converge qualitatively to SSC.

Second, there was considerable discussion about the quantum of SSC relative to ODA. While recognising that in the recent years the scale of development cooperation among countries of the South has expanded, whereas ODA levels have either remained static or even declined, conference participants urged caution that SSC should not be viewed as substitute for ODA, but rather as a complement to it. A strong sense of the meeting was that larger commitments and delivery of ODA need to be sought in order to meet the MDGs, and more importantly, to ensure the success of the post-2015 MDGs and SDGs.

Participants in this context raised serious concerns about the financing of the post-2015 development agenda, an issue that has remained largely unresolved. The Group of 77 (G-77) has opined that the OECD countries need to live up to their historical obligations on ODA commitments, rather than unloading these responsibilities on Southern aid providers or private financial markets. While the

deliberations and proceedings of the Finance Group on the Post-2015 Agenda are yet to be released, this issue is emerging as a major hurdle with little or no glimmer of an emerging consensus.

Third, participants discussed a number of ways in which SSC could become a catalyst in the Post-MDG Agenda for promoting growth, trade and capacity building in the developing countries. SSC, though not on a par with ODA, needs nonetheless to be considered as a new engine of economic growth. After the financial crisis, the advanced economies are in the process of correcting the macroeconomic imbalances, entailing lower consumption, curtailing imports, and increasing exports and saving. They also remain at extremely low rates of GDP growth. Further, we are witnessing a new wave of mega FTAs among the developed countries. These include negotiations and efforts towards formation of a larger single European market, the Trans-Pacific Partnership, and the Trans-Atlantic Free Trade Agreement. Once concluded, these FTAs could lead to huge trade divergence for developing countries. In this environment, as developed economies continue their sluggish growth, the South as a driver of growth can make substantial contributions.

Fourth, in order to exploit the full potential of SSC, participants felt the need to accelerate regional economic integration among Southern countries and inter-regional cooperation in fora such as GSTP, the Global System of Trade Preferences. For Asia, while sub-regional groupings like SAARC, Association of Southeast Nations (ASEAN) and Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) should be strengthened, there is a need to complement these regional groupings with direct actions by Southern countries. While borders cannot be erased, ways to transcend borders need to be identified. For instance, a goods container takes approximately 2-3 weeks to reach Karachi from Dhaka. However, if India opens its road and rail routes for transit trade, it would take merely 4-5 days. Particularly in South Asia, the lack of transit facilities across countries entails huge transaction costs that could be addressed within the framework of SSC. The economics of such liberalisation is usually crystal clear, but inadequate political will and commitment to address such issues remain a problem. Dialogues such as this one could go a long way to pointing out the costs of such inaction.

Fifth, on the issue of financing development gaps (including for infrastructure and access to modern technology), the growing need for countries to look for innovative funding mechanisms was emphasised. For instance, in order to tap the substantial savings of the emerging countries with poor financial architecture, there is need to develop new institutions (say, the BRICS bank) and intermediaries within the region to facilitate and stimulate savings and investment. It will not only allow borrowing countries more options that remain free from any ideological considerations of Northern lenders, but also ensure substantial investment in projects targeted towards addressing the region's massive infrastructural needs.

On a related note, the limitation of multilateral development agencies like the World Bank, Asian Development Bank (ADB), Islamic Development Bank (IDB) and others were also discussed. They are constrained from delivering more than what they have been able to deliver in the past. This is in part attributed to the problem majority ownership in the hands of a few key member countries. These are mainly countries that are highly indebted and not in a position to expand their share capital, but also do not wish to allow other countries to increase theirs to avoid upsetting the existing distribution of

voting power. This further strengthens the urgent need for alternative sources of financing and building on the high saving rates of several emerging countries.

Finally, participants stressed the need to ensure that skills development, technology investment and transfer, innovation capacity building, and research and development remain the centre-piece of SSC programmes. Frugal engineering in product development and production that can deliver lower-cost solutions to people at the bottom of the pyramid was pointed out as an example of what we need to see more of, leading to technologies that can drive SSC. Participants proposed the opening up of Trade Related Aspects of Intellectual Property Rights (TRIPS) to share environmentally sound technologies that are locked up in a few companies under compulsory licensing. Instances where cooperation among developing countries led to favourable decisions on food security and climate changes were cited. To this end, SSC can contribute substantially to the Post-2015 transformative agenda through collective efforts.

Session IV

Integrating South-South Cooperation into the Global Partnership for Effective Development Co-operation (GPEDC)

Theme

How should SSC-related issues be integrated into the discussions of the first High-Level Meeting of the GPEDC in Mexico City on April 15-16, 2014? How can the emerging post-2015 international architecture incorporate the challenges of SSC? This session will discuss and help prepare a summary of the issues discussed in the Delhi Dialogue as an input into the forthcoming High-Level Meeting of the GPEDC.

Keynote Remarks: *Debapriya Bhattacharya*, Chair, Southern Voice on Post-MDG International Development Goals and Distinguished Fellow, Centre for Policy Dialogue (CPD), Dhaka

Presenters: *Mustafizur Rahman*, Centre for Policy Dialogue (CPD), Dhaka
Rani D. Mullen, Centre for Policy Research (CPR), New Delhi

Summary

As the 2015 deadline for achieving the MDGs inches closer, the need to enter into a stakeholder consultative process to bring about synergy between various consultations, which are fundamentally different but also share common goals, is much needed. The first High-Level Meeting of the Global Partnership for Effective Development Co-operation (GPEDC) in April 2014 is aimed at reviewing global progress in making development cooperation more effective, agreeing on actions to boost progress, and anchoring effective development cooperation in the post-2015 global development agenda.

This session sought to build on the Busan outcomes that have led to a shift in our vocabulary from aid to development effectiveness. Participants also brought attention to the need to go beyond ODA to incorporate the focus on development effectiveness in SSC and its many flows, each with their own traditions and principles. Most importantly, participants recognised the relevance of the many stakeholders involved – civil society, the private sector, multilateral organisations, development banks, local governments, parliamentarian groups – in the international development cooperation architecture. This was reflected as well by including UNDP in the global partnership Secretariat, reflecting a move away from being an OECD-led process. Furthermore the framework seeks to engage SSC partners by recognising their complementary roles and creating a space for them under the principle of “common but differential commitments” and “voluntary participation” in SSC. It affirmed that SSC is complementary to North-South cooperation.

The Keynote Speaker re-emphasised what was also noted in the Conference of Southern Providers in New Delhi in April, 2013, that “the South should shift from a reactive mode to proactive approach to global processes.” The two panellists also reflected on the recommendations that emerged during 2013 meeting. This included systematic collection and analysis of evidence, strengthening the evaluation of SSC programmes and projects, establishing platforms to address issues of common concern and interest, strengthening multilateral and regional support, and cultivating a coherent response to the post-Busan process and other global processes. All these recommendations remained very germane to integrating SSC into the GPEDC process.

To this end, participants felt that the role of SSC as a catalyst and contributor to the MDGs and future implementation of the post-2015 development agenda is critical. And given the cultural and contextual similarities amongst Southern economies, they offer considerable comparative advantage in adapting the experiences and proven solutions to local context. Also, due to their distinctive nature and the principles of solidarity, respect for national sovereignty, equality, non-conditionality, non-interference and mutual benefit, Southern economies have the power to facilitate more effective and committed international cooperation towards that would benefit other vulnerable countries. However, to achieve its full potential, participants in SSC need to be much more strategic in setting and pursuing common goals and taking stock from the lessons, achievements and mistakes experienced in the decades of international development cooperation.

Participants noted the considerable efforts that were being made towards making the upcoming High-Level GPEDC Meeting in Mexico, as well as the process leading to it, as inclusive as possible. Acknowledging the crucial role of knowledge sharing in development cooperation, this high-level meeting also entails a session on SSC, triangular cooperation and knowledge sharing networking. Active participation in the form of views, concerns, ideas and sharing of best practices is sought from all the Southern partners.

The proposed session on SSC will be bifurcated into two segments. The first segment will look at the general debate surrounding the role of SSC and triangular cooperation in the emerging international cooperation architecture, building on the Nairobi Outcome Document and the framework established in Busan. This will include exploring the comparative advantage of triangular cooperation schemes as examples of collaboration between different cooperation traditions and actors. The second segment will discuss the scope of knowledge sharing as a powerful tool of innovative and effective capacity

building. Presenting a series of concrete initiatives and showcasing example of best practice that reflect its importance as a pillar and as a modality of development cooperation was planned.

The Keynote Speaker made it clear that the expectations relative to the development effectiveness agenda is that SSC can be a useful tool in supporting the mobilisation of technical and financial means to the fulfilment of the MDGs and the post-2015 development agenda. To this end, various stakeholders should participate in the effectiveness process on the principles of common goals, shared principles and differentiated responsibilities.

The Keynote Speaker outlined important challenges faced by SSC:

- a. Securing the financial resources for the execution of convened projects
- b. Increasing the predictability of our cooperation
- c. Reducing the risk of dispersion of thematic areas
- d. Avoiding proliferation of short-term and isolated activities
- e. Establishing specific procedures for evaluation, transparency and mutual accountability, and
- f. Improving the means of coordination and data collection at the national level

A concern voiced by some participants was that the Mexico narrative closely follows the DAC narrative of SSC as an additive, instead of as a new framework for Northern and Southern providers. On a related note, it was questioned whether the absence of a framework, agreed principles of designs, implementation and assessments are holding back the real potential of SSC. Should the emphasis be on the applied part of SSC instead of on focusing on the principles, triggers, instruments and framework that governs it? A broad consensus that emerged was that the Mexico meeting gave an opportunity to raise the reference points that will help in developing a theoretical construct and methodological tools aimed at assessing the impact of SSC on the global economic development of the partner countries.

Participants raised a number of concerns. For instance, can SSC become a ploy of some developed countries to abrogate their responsibilities and thrust them on the shoulders of developing South. Also, there is need for more honesty in the whole equation. The reality is that there is self-interest that drives not only the 'mutually beneficial' SSC but also North-South cooperation. An example was cited of an Afghan contracting scenario where a USAID contract went to a US consulting company who took a third of the contract. This was further sub-contracted to an Indian contractor who made 25 per cent, and only the remaining amount went to Afghanistan. Further, the ability to successfully accommodate the diversity and differentiated interests of SSC countries and to come up with a South-South stance in the context of Mexico and the post-MDGs development agenda would be important.

Another important issue discussed among the participants was the significant political barriers that prevent collective bargaining vis-à-vis international financial institutions, in particular and trade related benefits, in general. For instance, all the Asian countries (except Mongolia) have on an average 7-8 regional trading agreements, reflecting that the market place is demonstrating that there is space and cost for deeper SSC and integration. However, this is not being translated into greater trade volumes. Also, highlighted were the issues of implementing the duty-free, quota-free markets.

Consequently, the potential gains from the efficiency of the system by being more synergistic and coherent and integrating all the elements of development are substantial.

This final session and the Dialogue as a whole concluded on a high note with three major points identified for further action and follow-up. *First*, the need to develop an analytical framework for South-South Cooperation with a set of vision and scope dimensions, guidelines, instruments, triggers, narrative engines, and most importantly, an assessment tool. This framework mechanism, apart from providing specific reference points for how it can be deployed and benchmarked, should meet three basic tenets, namely transparency, accountability and effectiveness. *Second*, there is a strong and urgent need for systematising and streamlining evidence to derive and analyse stylised facts on the stories of South-South development cooperation to identify success, failures, pitfalls and challenges. *Third*, building on the value generated by this March 2014 Delhi Dialogue, more engagement and similar dialogues and debates, on a local, regional and global basis, would be crucial for honing SSC as a fundamental driver of a more effective global partnership and more effective development cooperation. As one participant put it at the end of the Delhi Dialogue, “framework, evidence and engagement” should be the marching orders for promoting South-South Cooperation and embedding it into the Global Partnership for Effective Development Cooperation.



Southern Voice on Post-MDG International Development Goals (*Southern Voice*) is a network of 48 think tanks from Africa, Latin America and South Asia, that has identified a unique space and scope for itself to contribute to the post-MDG dialogue. By providing quality data, evidence and analyses that derive from research in the countries of the South, these institutions seek to inform the discussion on the post-2015 framework, goals and targets, and to help give shape to the debate itself. In the process, *Southern Voice* aims to enhance the quality of international development policy analysis, strengthen the global outreach capacity of Southern think tanks, and facilitate professional linkages between these institutions and their respective governments. *Southern Voice* operates as an open platform where concerned institutions and individuals from both South and North interact with the network members. *Southern Voice Occasional Papers* are based on inputs received at various platforms of the initiative. *Centre for Policy Dialogue (CPD)*, Dhaka works as the Secretariat of the *Southern Voice*.



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