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## South Africa in the transitioning multilateral development cooperation landscape

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### Introduction

Between 2006 and 2010, South Africa received an estimated R 200 million (US\$ 22 million) from various Western governments and agencies through the United Nations Development Fund (UNDP). Yet about one fifth of the total sum of this Development Fund came from the government of South Africa itself. This scenario problematizes South Africa's dual identity. On the one hand South Africa receives finance from international development institutions as well as bilateral donor countries of the West, but it is also increasingly providing international development assistance.

The so-called 'emerging donors' such as India, China and Brazil, contest the West's monopoly on 'aid' with their more flexible approach, which is less inclined to attach prescriptive normative conditionality to aid. These countries are re-shaping the international 'developmental assistance' framework evident in the multilateral negotiation process such as the Busan Partnership for Effective Development Cooperation.<sup>1</sup>

South Africa's desire to play a greater role in supporting international development is apparent in the foreign policy rhetoric about development and the decision to transform the African Renaissance Fund (ARF) into the South African Development Partnership Agency (SADPA), which will oversee South Africa's developmental assistance programme.

This policy brief provides an analysis of the changing 'donor' landscape, considering the role that South Africa plays in this through multilateral institutions and its bilateral assistance.

### **Current development assistance trends**

The concepts of 'aid', 'developmental assistance' and 'Official Development Assistance' (ODA) are used to refer to the voluntary transfer of resources from the donor country, usually a developed country, to a recipient country, normally a developing country. There is considerable debate on what constitutes ODA, between members of the Organization for Economic Cooperation and Development (OECD) which are traditional donor countries, and the 'new donor' states such as China. This is partly because the latter include export credits and natural resource backed credit lines as part of their development cooperation.<sup>2</sup> South Africa, like many other aid recipients has never been fond of the term 'aid', which is associated with traditional international hierarchies, choosing instead to use the term 'development partner'.

In the transitioning development assistance landscape, macro trends indicate that the so-called 'emerging donors' are filling the void left by their developed counterparts, who have slashed aid budgets following the global financial crises. In addition, according to Woods,<sup>3</sup> the rise of emerging donors is also a manifestation of the dissatisfaction of recipient countries with the traditional development assistance regime. In other words, emerging donors allow a wider range of options to poorer countries with Chinese, Indian and Brazilian development assistance strengthening trade links in Africa and allowing improved growth and terms of trade.<sup>4</sup>

Between 2005 and 2010, ODA from the BRICS countries (Brazil, Russia, India, China and South Africa) grew 20%, while contributions by the core Western donors - France, Germany, Italy,

Japan, the UK, the US and Canada - grew by only 1.5%.<sup>5</sup> While it could be argued that the measurement of development assistance from the BRICS countries started from a low base, the figures reveal an underlying trend. For example, in 2011, total ODA by developed countries fell by 3%.<sup>6</sup> A further mentionable point here is that in 2010 remittance from the diaspora was \$51.8bn to the continent, while according to World Bank figures, ODA to Africa was US \$43 billion. Not only does this highlight alternative sources of finance, but challenges the total amount of aid that has actually flowed to the continent in terms of what has been committed.

India, China and Brazil are taking their own position when it comes to questions of development assistance. For instance in 2011, China pulled out of the Fourth High Level Forum on Aid Effectiveness held in Busan, South Korea, which was meant to establish a common position on aid effectiveness.<sup>7</sup> Busan built on previous aid effectiveness commitments made in Paris and Accra on the principles of aid ownership (by developing countries), inclusive development, transparency, results and accountability. China's position reflects that of Brazil and India, who have also chosen to stay outside of the Paris-Accra-Busan framework. This was based on concerns regarding the principle of sovereignty and that the Paris-Accra-Busan did not reflect their position on development assistance.

China, Brazil and India have since backtracked on their initial position of non-interaction at Busan; looking now to work together with the OECD on the Post-Busan Framework. This interaction derives from the demands of their status as big economies in a post-financial crises era. What is patent is that the increased presence of these emerging countries has certainly seen a change in the 'aid' landscape, with the Busan outcome highlighting partnership and cooperation rather than a donor-recipient framework.

The Busan Framework to an extent “re-corrected” the failings of both Paris and Accra which made the three states in the first place weary of interaction.

In the large-scale multilateral negotiations concerning aid and aid effectiveness there are major differences in the prioritization of political objectives. This is evident in the 2011 Sanya Summit Declaration of the BRICS leaders’ that clarified their objectives, focus, issue areas for further development, and importantly, the realization of a BRICS bargaining position ahead of the G20 summit. Neither the OECD, the EU nor the US are explicitly mentioned as co-operation partners in the Declaration. None of the OECD- or EU-led processes, such as the Monterrey Process, the Paris Declaration, the Accra Agenda for Action (AAA), the European Consensus on Development, or the Agenda for Change, are included. Instead the Declaration focused on the Middle East and North and West African issues and the G-20.

Despite the growth in South-South trade and the economies of emerging powers there are still a number of challenge in coordinating development assistance. For example the IBSA Fund has raised a paltry US \$27 million since its inception in 2004.<sup>8</sup> Likewise BRICS “triangulation” of aid has shown little co-operation, with talks still underway on the establishment of a developmental fund and a BRICS development bank. Meanwhile, BRICS spending on aid remains poorly documented. Shankland et al (2012) notes that some \$362 million was committed for Africa by BRICS, which is pocket change considering that the African diaspora remitted \$50 billion in 2010. This highlights the challenges facing the Global South as it seeks to set up a counter/alternative to the traditional sources of aid as espoused in the West’s ability to dominate the aid framework. While countries of the Global South are certainly making individual progress in their own “aid” terms, without improved co-operation, alternatives to the traditional sources of aid may wane.

South Africa, in terms of strategy, differs from traditional development assistance in that it is less extensive and more focused on building partnerships and providing technical assistance. South Africa by and large supports the rest of Africa through a multifaceted approach ranging from security initiatives to scholarships and trade, support which does not fall under the strict OECD-DAC (Development Assistance Committee) definition of ODA.

South Africa has sought to play an important role as broker amongst middle income countries, pushing for an overall African agenda. Pretoria has embarked on its own path with officials from the Ministry of the National Treasury and Industrial Development Cooperation serving on several technical groups of the Working Party on Aid Effectiveness hosted by the OECD. On the continent South Africa has played an important leading role in SADC, SACU and the AU. South Africa hosts and chairs the Collaborative Africa Budget Reform Initiative (CABRI), an important network of senior budget officials to improve public financial management in Africa. South Africa has also engaged extensively in the Working Party on Aid Effectiveness (WP-EFF), co-chairing some of its task teams. In addition, South Africa is also co-chair at the G-20 Development Working Group, and in 2013 elected to the UN Economic and Social Council (ECOSOC) where the future of the post-2015 development agenda will be debated as the Millennium Development Goals reach their target date.

South Africa became a key member of the post-Busan Global Partnership (p-BGP) in the first half of 2012 that ‘envision[s] a new legitimate governing body that would promote accountability of all stakeholders, encourage mutual learning, sustain political momentum and support country-level implementation of Busan commitments’.<sup>9</sup>

South Africa built upon its experience in both the Paris and Accra High Level Forums (HLFs) acting as a champion of the global south.<sup>1</sup> For example, South Africa is the only African country that replenishes the World Bank's International Development Association dedicated to providing concessional loans to least developed countries. It is also a permanent member and third-largest shareholder (after the US and Japan) of the African Development Bank and the only African contributor of the African Development Fund, which is 99% funded by Northern donors. This opens up an opportunity for South Africa to play a key role in the changing developmental landscape and truly provide a bridge between North and South.

Pursuing an active role as a bridge builder on development assistance, however, presents its own challenge. In 2013, South Africa chose not to have a seat in the new steering committee of the p-BGP, citing a stretched capacity and the need to focus on defining its role in the development landscape by finalizing domestic discussions around the establishment of the new SADPA. Besharati argues that in 2013 Pretoria took a back seat on the debates at the Global Partnership, but traditional donors, Africa and the rest of the South are hoping for South Africa to re-engage in the future and provide leadership to the process as it has on past occasions.<sup>10</sup>

A further challenge, and part of the changing development assistance landscape, is the West's reluctance to provide development assistance to emerging donors. For example, as SADPA institutionalizes, developed countries are questioning the provision of aid to South Africa. Although there is no single statistical source for financial flows, since the figure is based on rough estimates, South Africa has been classed as a medium size international

donor, on par with a number of new EU member states in terms of financial volume.<sup>11</sup> In April 2013, the UK Department for International Development (DFID) declared its intentions to end aid to South Africa by 2015, something that it has already done in relation to India.<sup>12</sup> The reasons behind the decision, is that relations with South Africa should be based on trade rather than aid and that South Africa has reached a position where it could fund its own development. Undoubtedly, other major global north players will follow suit. Already the OECD has slowly decreased the amount of aid to South Africa since 2010 while Holland, Norway, Denmark and Sweden have also begun phasing out aid to South Africa since 2008.

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<sup>1</sup> Francis Kornegay in "Africa and developmental diplomacy in the Global South The challenge of Stabilization" notes that South Africa's Pan-African vocation has risen to a leadership position as "Africa's un-mandated but uncontested voice in various international forums. Kornegay notes that South Africa is committed to mainstreaming the South-South cooperation and solidarity legacy of Bandung into the continent's developmental agenda.

## Conclusion

As attention on multilateral development negotiations turn to the post-2015 Development Agenda, discussions will gather pace on the importance of setting development goals rather than a mere declaration or protocols because the latter have a poor record of implementation.<sup>13</sup> In addition there should be a strong link made between the MDGs and the sustainable development agenda, especially the Rio + 20 sustainable development consensus.

South Africa's understanding of Africa's peace, governance and development nexus provides it with the credentials, and a potential niche area in facilitating partnerships between the traditional and rising donors.<sup>14</sup> Estimates suggest that SADPA will be provide a R3 billion (US \$290 million) 'war chest', which will provide the country with more political muscle when it comes to engagement in multilateral development cooperation negotiations.<sup>15</sup> This, coupled with the current fluidity in global development provides an opportunity for South Africa to help bridge the divide between North and South, and encourage policy innovation in the aid vs. development assistance debate.

Pretoria's challenge will be to achieve coherence in its messages at various regional and international forums, considering that different national departments (the Presidency, International Relations and Cooperation, Treasury, and Trade and Industry) with different operational paradigms engaged in different global development debates.

#### Policy Considerations:

- As an emerging development assistance partner South Africa should look to engage constructively in negotiations concerning the future shape and direction of the development regime. Given South Africa's own experience in international negotiations and in its emerging position in development assistance provides an opportunity to assume a bridging role between developing and developed countries.
- South Africa should look to mitigate some of the negative perceptions and concerns about its motives on the continent, while advancing both its more altruistic objectives of peace, stability and development,

and its more interest-driven agenda, which includes developing commercial interests.

- Attention should be given to building a coherent approach towards development cooperation among all domestic organizations involved. Domestic synergy must be exported to international platforms, ensuring that South Africa works closely with both the traditional and emerging donors for horizontal cooperation.

#### Notes

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