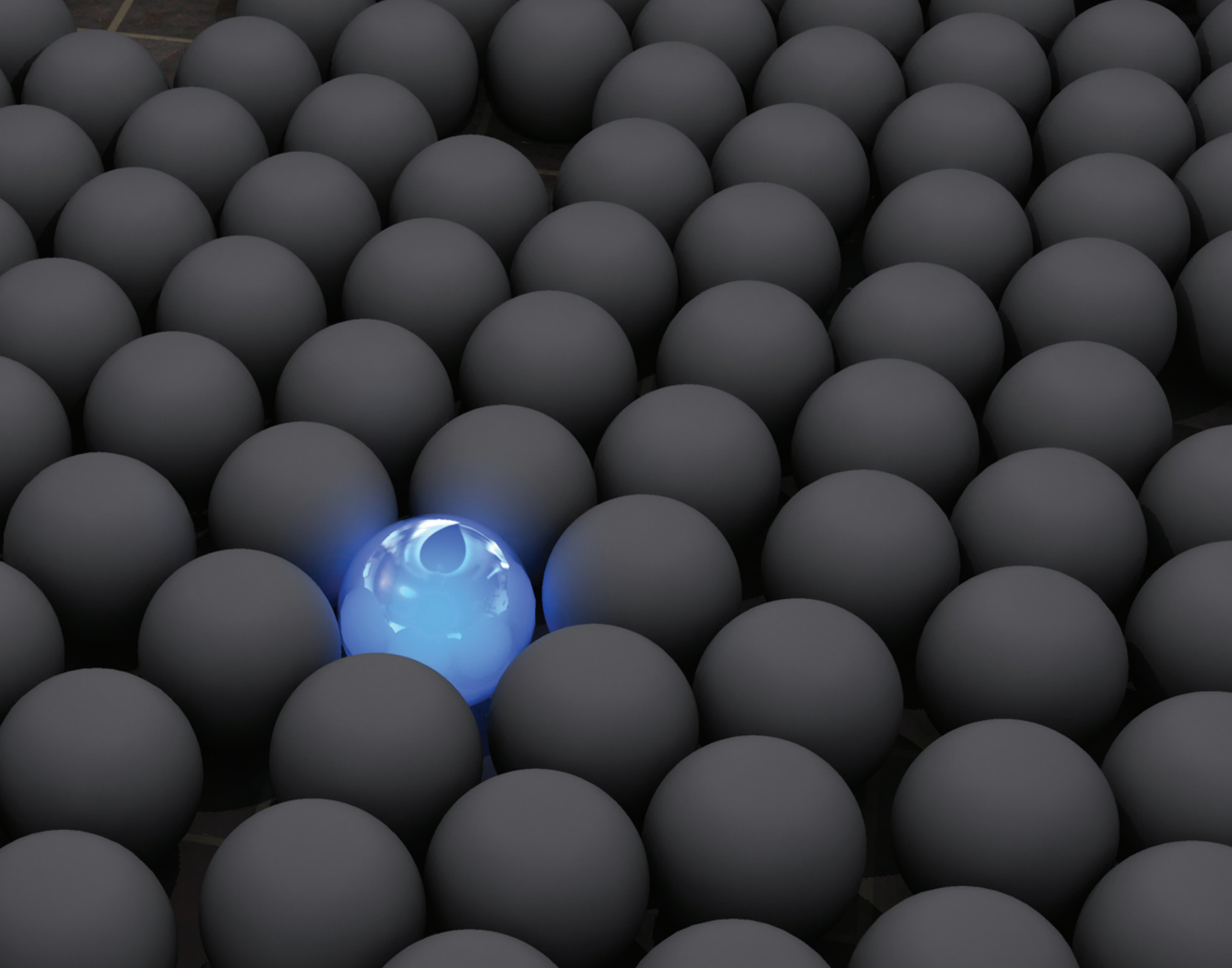

Multilateral Development Cooperation: What does it mean for South Africa's foreign policy?

Proceedings Report

Institute for Global Dialogue
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Compiled by Lesley Masters

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LIST OF ACRONYMS AND ABBREVIATIONS

AAI	African-American Institute
AMR	Annual Ministerial Review
APRM	African Peer Review Mechanism
AU	African Union
BAPA	Buenos Aires Plan of Action
BRIC	Brazil, Russia, India, China
BRICS	Brazil, Russia, India, China, South Africa
CAPE	Centre of Aid and Public Expenditure
CIC	Center on International Cooperation
COMESA	Common Market for Eastern and Southern Africa
CPA	Country Programmable Aid
CPI	Climate Policy Initiative
DFID	UK Department for International Development
DIRCO	Department of International Relations and Cooperation
DRC	Democratic Republic of Congo
DRM	domestic resource mobilisation
DWG	G20 Development Working Group
EAC	East African Community
EC	European Commission
ECOSOC	UN Economic and Social Council

EU	European Union
FDI	Foreign Direct Investment
G20	Group of 20
G77	Group of 77
G8	Group of 8
GDP	gross domestic product
GPEDC	Global Partnership of Effective Development Cooperation
HLP	high-level panel
IBSA	India, Brazil and South Africa
IGD	Institute for Global Dialogue
IMF	International Monetary Fund
LICs	low income countries
MDGs	Millennium Development Goals
MICs	middle-income countries
NDP	National Development Plan
NEPAD	New Partnership for Africa's Development
NGOs	non-governmental organisations
NSC	North-South cooperation
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OECD-DAC	Development Assistance Committee of the OECD
RECs	regional economic communities
SACU	Southern African Customs Union
SADC	Southern African Development Community
SADPA	South Africa Development Partnership Agency
SDGs	Sustainable Development Goals

SDR	Special Drawing Right
SSA	Sub-Saharan Africa
SSC	South-South cooperation
TCDC	technical cooperation among developing countries
UAE	United Arab Emirates
UN	United Nations
UNDCF	UN Development Cooperation Forum
UNDP	United Nations Development Programme
UNGA65	65th Session of the UN General Assembly
UNOSSC	United Nations Office for South-South Cooperation
US	United States
WTO	World Trade Organisation

PRESENTER PROFILES

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Megan Gleason-Roberts is a Senior Program Officer at the Center on International Cooperation at New York University. Her research interests include emerging power engagement on development and security issues, peace operations, political settlements, fragile states and post-conflict peacebuilding and statebuilding. She is the volume editor and lead researcher for the *Annual Review of Global Peace Operations 2012*. She holds a Master of Science in International Relations from New York University's Center for Global Affairs and bachelor's degrees in Finance and Political Science from Rutgers University. Prior to joining CIC, Megan conducted research on United Nations reform, including the UN peacebuilding architecture and Security Council reform, as well as high-level appointments and elections in multilateral organisations.

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Annalisa Prizzon

Annalisa Prizzon joined the Overseas Development Institute in October 2011 as Research Officer within the Centre of Aid and Public Expenditure (CAPE) working particularly on development finance issues and aid effectiveness. From 2008 to 2011 she has been an economist at the OECD Development Centre in Paris, contributing to the series of 'Perspectives on Global Development' reports. She was previously a consultant with the World Bank (Economic Policy and Debt Department). She holds a PhD in Economics and Public Finance from the University of Pavia (Italy) with a focus on external debt sustainability in low-income countries. She studied development and international economics at the University of Notre Dame (United States), Essex University (United Kingdom) and the University of Padova (Italy).

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Mr Francisco Simplicio is Chief of the Division for Knowledge and Programme Management at the United Nations Office for South-South Cooperation (UNOSSC) in the United Nations Development Programme (UNDP). The UNOSSC was established by the General Assembly to promote, coordinate and support cooperation among developing countries and triangular cooperation on a global and United Nations system basis. Francisco has over 17 years of experience in UNDP, working in Latin America, as well as globally from the UN Headquarters in New York. Among other tasks, he is the manager of the Global South-South Development Academy, a platform to enable development partners to identify, document and catalogue development solutions through peer-review process that foster mutual learning and stronger South-South networks. He also manages the India, Brazil and South Africa Facility for Poverty and Hunger Alleviation (IBSA). He has a degree in Economics and a Master's in Information Technology from the Catholic University of Rio de Janeiro and the Imperial College of the University of London.

**As Mr Simplicio was unable to attend the event in person, the paper was presented by Ms Ines Tofalo of the same organisation*

INTRODUCTION

On 15 March 2013, the Institute for Global Dialogue (IGD), with support from DFID, hosted a working roundtable focusing on multilateral development cooperation and South Africa's foreign policy. This forms part of the Institute's focus on development diplomacy aimed at deepening the understanding and furthering discussions of South Africa's role in a transitioning development assistance landscape between academia, civil society, and government departments. International development cooperation is set to play an increasingly important role in the foreign policy toolkit. Countries as diverse as Argentina and Slovenia have already developed a policy approach towards development cooperation as it is increasingly seen as being part of a modern foreign policy and as a 'tool in developing political and economic relations with both developing and developing countries'.[1]

South Africa has been engaged in a number of cooperation partnerships from financial support in the case of the 2006 DRC presidential elections, to the partnering with Cuba in Sierra Leone in the provision of doctors and nurses and working in partnership with Vietnam on rice projects in Guinea. This international cooperation takes place within a changing geo-political context and the emergence of new international development partnership actors. Pretoria's international development cooperation also takes place within the context of South Africa's own history and perceived role in international relations. As the draft White Paper on Foreign Policy (2011) sets out, '[s] ince 1994, the international community has looked to South Africa to play a leading role in championing the values of human rights, democracy, reconciliation and the eradication of poverty and underdevelopment. South Africa has risen to the challenge and plays a meaningful role in the region, on the continent and globally.'[2] Yet there have already been serious debates on managing foreign policy principles and implementation. As South

1 See the International Development Cooperation of Slovenia. http://www.mzz.gov.si/en/foreign_policy/foreign_policy/international_development_cooperation_and_humanitarian_assistance/international_development_cooperation_of_slovenia/ accessed 16 May 2013

2 Department of International Relations and Cooperation. 2011. *Building a Better World: The Diplomacy of Ubuntu*. White Paper on South Africa's Foreign Policy. Pretoria. p. 4.

Africa looks to consolidate its approach towards international development cooperation, decision makers will be faced with new challenges in reconciling policy implementation with identified principles. With the draft White Paper on Foreign Policy highlighting the link between development assistance and achieving South Africa's foreign policy objectives, this discussion aims to:

- improve the understanding of current transitions taking place within multilateral development cooperation in both the geo-political North and South;
- understand the role of international development cooperation in foreign policy in the short, medium, and long term;
- review potential opportunities as well as obstacles and their implications for South African foreign policy;

The National Development Plan (NDP) (2011) indicates that we need to have a 'clear strategy of South Africa's place in the region, on the continent and in the world over the next 20–30 years, and the political space the country will occupy'.[3] As Pretoria looks to consolidate its approach to international development cooperation this roundtable hopes to continue the debate within this field. Divided into two sessions, the discussion was preceded by context papers by the presenters. This was followed by a session in which the participants considered the pitfalls, challenges, and options for South Africa in the changing development cooperation landscape.

Pictured from left to right: Ms Ines Tofalo, Dr Annalisa Prizzon, Dr Sheldon Moulton, Dr Siphamandla Zondi

3 The National Planning Commission. 2011. Positioning South Africa in the World. *National Development Plan*. The Presidency, Pretoria. p. 235.

OPENING ADDRESS

Dr Sheldon Moulton
Acting Chief Director: Economic and Social Affairs (DIRCO)

Ladies and gentlemen, colleagues,

I thank you for affording the Department of International Relations and Cooperation the opportunity to address you on the timely and relevant matter of development cooperation and what it means for South Africa's foreign policy.

I say it is timely and relevant because of the ongoing discussions on the global development agenda.

It would be recalled that the Millennium Development Goals (MDGs) adopted in 2000 set bold targets for development and were key to forging a global cooperation framework for development. Significant progress has been made in terms of achieving the MDGs. However, huge challenges remain and it is widely accepted that all the targets will not be reached. Around 1.3 billion people continue to live in extreme income poverty and the human development needs of many more have not been met. The achievement of the MDGs has been uneven and, most often, it has been the poorest and those most marginalised and discriminated against on the basis of, inter alia, gender, age, disability and ethnicity, who have seen the least progress. The financial and economic crises, volatile energy and food prices, climate change, loss of biodiversity and inequalities have also severely hampered the reaching of these targets.

Less than three years remain and accelerating progress towards achieving MDG targets in the remaining period until 2015 remains imperative.

Attention has shifted to exploring options for the development agenda beyond the expiry of the MDG target date. What is clear is that no matter what form the development agenda takes beyond 2015, the eradication of poverty and hunger, as well as combating inequality at all levels, are fundamental to creating a more prosperous and sustainable future for all.

A commitment to remain engaged on the MDG process until 2015 and to accelerate progress in achieving the targets, including the means to prioritise funding for the MDGs, in line with international agreements on development financing, is essential. Additionally, the implementation of past decisions, undertakings and commitments as outcomes of past summits and conferences, and most especially in fulfilling existing obligations on the means of implementation, which is critical for developing countries and must be preserved, are necessary.

Gaps and weaknesses in the existing UN development agenda need to be identified in order to agree on collective and supplementary actions. One of which has been the perception that there has been a top-down approach to development. The traditional donor-recipient logic of development financing is changing. We now have traditional and non-traditional partners for development, including developing countries and non-state actors.

While Official Development Assistance (ODA) remains crucial for satisfying the development needs of developing states, emerging economies have become the key drivers of global growth and their development is having a significant impact on the world economy. This naturally has an impact on multilateral development cooperation, as attention is not only focused on traditional donors as a driver of development, but also on these emerging states and on the ability of developing states themselves to improve their domestic resource mobilisation capacity.

Ladies and gentlemen,

South Africa's conduct in international relations is informed by the fundamental values enshrined in our Constitution and principles that underpin our foreign policy, notably the promotion of human rights and democracy, the commitment to justice and international law, international peace and internationally agreed-upon mechanisms for the resolution of conflicts, the promotion of the African agenda and the commitment to economic development through regional and international cooperation.

Our foreign policy contends that our national interests are better safeguarded by not just focusing on our own national interests, but broadly on the interests of our region and our continent. The focus of South Africa's engagements on the African continent is to promote socio-economic development, contribute to the resolution of conflicts, and build an enabling environment in which development of the continent can take place with the following, inter alia, receiving priority attention:

- the political and socio-economic integration of Africa continuing to drive the African agenda;
- the strengthening of the AU;
- the mainstreaming of gender issues into all activities;

- the engagement of the African diaspora;
- the revitalisation of NEPAD;
- strengthening of the APRM.

The strategic perspective of our foreign policy is located in our history as a nation. The premise of our foreign policy is that it is unsustainable in the long term to have a South Africa that is thriving and experiencing abundant economic growth and development, within a Southern African region or an African continent that is experiencing poverty and underdevelopment.

South Africa's National Development Plan: Vision 2030 aims to eliminate poverty and reduce inequality. According to the Plan, South Africa can realise these goals by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society.

The National Development Plan informs our engagements in the international discourse on the development agenda. The challenges we ourselves face as a country also inform what it is that we wish for others. Put simply, in the spirit of *Ubuntu*, we as South Africans wish for others that which we wish for ourselves. We therefore place a premium on a people-centred foreign policy that strongly values cooperation over competition and collaboration over confrontation. South African foreign policy is informed and guided by *Ubuntu* and a commitment to the establishment of mutually beneficial international partnerships that contribute to the achievement of the national development priorities of our continental and international partners as well. Our struggle for a better life for all in South Africa is closely intertwined with our struggle for a better Africa and a better world for all.

Ladies and gentlemen,

The name change of the Department of Foreign Affairs to the Department of International Relations and Cooperation (DIRCO) in 2008 was significant and is in line with international trends, being informed by the need to give greater clarity on the mandate of the Department. It moves from the premise that as South Africa seeks to attain its foreign policy objectives it should simultaneously pursue a developmental agenda, both in the continent and the developing world. This developmental agenda can only succeed to the extent to which strategic and mutual developmental cooperation is built with countries of the continent, the developing and the developed world. The renaming of the Department as DIRCO is a deliberate decision on the part of government to ensure a holistic approach to foreign relations – which reflects the developmental agenda.

Over the last few years, South Africa has sought to coordinate its multilateral development cooperation programme through our international engagements. This has, inter alia, been through:

1. the creation of the South African Development Partnership Agency (SADPA);
2. participation in the G20 Development Working Group, as a co-chair;
3. increased South-South cooperation, including through IBSA and BRICS;
4. engagement through the United Nations and the wider multilateral fora.

The goal of SADPA is to enhance the effectiveness and coherence of South Africa's development cooperation to address poverty, underdevelopment and the marginalisation of Africa and the South. Several foreign policy priorities have been identified for South Africa's development cooperation, as contained in the Draft Partnership Fund for Development Bill. These include support for South Africa's outgoing development cooperation policy by providing funding and/or technical support for the development and/or implementation of initiatives aimed at regional integration, including the strengthening of the AU, SADC, SACU and their structures. Additionally SADPA aims to support:

1. the development and implementation of regional and sub-regional programmes and projects;
2. peace, security, stability and post-conflict reconstruction and development;
3. stronger political and socio-economic relations with all countries in Africa,
4. together with partners of the South, good governance in Africa;
5. the provision of humanitarian assistance.

South Africa is a co-chair of the G20 Development Working Group (DWG) which addresses key challenges for developing countries, in particular low income countries (LICs). The G20's action to strengthen global economic governance and financial regulation impacts directly on developing countries, including LICs. The G20 recognises that development and global economic issues cannot be tackled separately. Development is crucial for global economic growth, poverty reduction and employment creation. The development agenda of the G20, with its commitment to narrow the development gap, reduce poverty, and promote shared growth, is therefore an essential component for strong, sustainable and balanced growth. In its recent interactions at the

DWG, in addition to agreeing to the priority areas of infrastructure financing and investment, food security and human resource development, South Africa has also called for domestic resource mobilisation (DRM) to remain a key focus of the future development agenda of the G20. We have argued that DRM is fundamental to enable developing countries to increase sustainable resources for development, whilst at the same time reducing their dependency on prescriptive and unstable aid flows.

Ladies and gentlemen,

South-South development cooperation has a long history, with some Southern institutions and developing countries and economies contributing development assistance for almost half a century. South Africa continues to work with countries of the South to create political, economic and social convergence in the fight against poverty, underdevelopment and marginalisation of the South. South-South cooperation is critical to advancing not only South Africa's own development needs, but also the African agenda.

Part of South Africa's engagement on South-South cooperation has been through the India-Brazil-South Africa dialogue forum (IBSA) and through BRICS. These forums serve as models for development cooperation in a South-South context. South Africa sees its membership of IBSA as a mechanism not only for enhancing its trilateral partnership with India and Brazil, but also as an important pillar for strengthening the muscle of the South in global affairs.

IBSA was hailed at UNGA65 as an exceptional developmental initiative through its Hunger and Poverty Alleviation Facility, known as the IBSA Trust Fund. This Trust Fund was honoured with the prestigious MDG Award for its various innovative and successful projects in countries such as Haiti, Guinea Bissau, Cape Verde, Burundi, Palestine and Cambodia. This type of cooperation was recognised as "a breakthrough model of South-South technical cooperation".

South Africa's interaction with the BRICS countries is premised on three levels of engagement:

- firstly, national, where we advance our national interests;
- secondly, regional, where we promote regional integration and interaction with specific emphasis on the African Union mandate given to President Jacob Zuma to promote infrastructure development across the continent;
- thirdly, on a global level, where we advocate a more inclusive global governance system.

The Fifth BRICS Summit scheduled for 26–27 March 2013 in Durban will constitute another high-level opportunity to further support key priority areas of the African agenda. The BRICS Summit will take place under the theme: 'BRICS and Africa – Partnership for Development, Integration and Industrialisation'. The outcomes of the 5th BRICS Summit will be captured in what is to be known as the 'eThekwini Declaration and Action Plan' which will include the announcement to launch a new BRICS-led Development Bank; the BRICS Consortium of think tanks; and the BRICS Business Council.

Ladies and gentlemen,

The United Nations remains the most inclusive and transparent means to advance development cooperation. The UN Economic and Social Council (ECOSOC) in particular is the principal body for coordination, policy review, policy dialogue and recommendations on economic and social development and for the follow-up to the MDGs, particularly through its annual ministerial review (AMR). ECOSOC is expected to play a key role in coordinating the various processes in advancing the UN development agenda post-2015.

South Africa chose to re-join ECOSOC at this critical juncture and began its three-year term on ECOSOC at the beginning of this year. Our return to the Council will be informed by the need to strategically position South Africa's leadership on development issues to reinforce our role as a consistent and effective player in multilateralism. Additionally, we aim to actively contribute to policy coherence on development issues and an ECOSOC that is strengthened and further reformed to better meet evolving global challenges and the needs of developing countries and we would want to ensure that the articulation of the post-2015 UN development agenda, including the Sustainable Development Goals, is compatible with South Africa's development agenda, African Union aspirations and the development agenda of the South.

The High Level Plenary Meeting on the Millennium Development Goals, held in September 2010, reviewed progress made towards achieving the MDGs and adopted Resolution 65/1 entitled: 'Keeping the promise: united to achieve the Millennium Development Goals'. The resolution requested, 'the President of the General Assembly at its sixty-eighth session to organise a special event in 2013 to follow up efforts made towards achieving the Millennium Development Goals'.

Pursuant to this request, the President of the 67th General Assembly, Mr. Vuk Jeremic, has appointed the Permanent Representatives of South Africa and the

Republic of Ireland to the United Nations to co-facilitate preparation of the 2013 Special Event.

The key purpose of the Special Event, as defined in the September 2010 resolution, is 'to follow up efforts made towards achieving the Millennium Development Goals'. The meeting should thus focus on reviewing progress made towards achieving the MDGs. Additionally, in assessing progress, consideration should be given to accelerating progress towards achieving MDG targets in the remaining period until 2015. The Special Event could also be an opportunity to promote convergence between the myriad of initiatives currently underway and lay the basis for an inter-governmental process to consider how to advance the UN Development Agenda beyond 2015.

South Africa views sustainable development as a conceptual framework for development that recognises the interdependencies between economic growth, social equity and environmental integrity. South Africa's approach emphasises the need for a long-term planning horizon, and the adoption of a development path that addresses poverty eradication, inequality and the unemployment of current generations, while leaving future generations with at least the same capacity and options for development.

It must be remembered that South Africa is a 'developing state'. For it to achieve its aspirations, multilateral development cooperation is essential. Multilateral development cooperation benefits not only developing states. Developed states equally stand to gain if development targets are reached. The aspiration in MDG8 for a global partnership for development remains relevant. This requires an enabling environment for sustainable development.

Global governance lies at the heart of the creation of an enabling and supportive international environment for the promotion of sustainable development. This calls for policy coherence on the part of all countries, developed and developing. In the final analysis, a true partnership for international development, promoting greater policy coherence, as part of a coherent overall approach to supporting the development agenda, is required. In many cases, there are contradictions in policies, with support provided to developed states in one area being undercut by actions that are taken in another. Trade and aid policies, for example, should complement one another.

The international community has an opportunity, guided by the development effectiveness principles, to work together to help strengthen human and institutional capabilities for sustainable development, to eradicate poverty. To be successful in this regard, the international partnership for development that builds on MDG8 needs to address the root causes of poverty as well as the policy spaces that impact on poverty, underdevelopment, inequality and the consequences of the historic marginalisation of Africa and the South.

In conclusion, ladies and gentlemen,

Multilateral development cooperation is indispensable for achieving the MDGs and would be central to the implementation of any post-2015 development agenda. What is required for multilateral development cooperation to succeed, however is, as articulated by Deputy Finance Minister Nhlanhla Nene at the United Nations Development Cooperation Forum, held in New York, on 5 July 2012:

> a combination of traditional and non-traditional partners and partnerships, applying new and innovative modalities and approaches; guided by the five principles of (development) effectiveness, working to strengthen human and institutional capacities for sustainable development and finally resulting in the eradication of poverty.

I thank you.

DEVELOPMENT COOPERATION IN TRANSITION: WHO FOOTS THE BILL AFTER THE MDGS?[4]

Dr Annalisa Prizzon, Overseas Development Institute (ODI)

Introduction

The financing model underpinning the original MDGs discussed in Monterrey in 2002 focused largely on domestic resource mobilisation and traditional official development assistance (ODA). The assumption was that, when countries were unable to mobilise sufficient domestic resources to finance progress towards the MDGs, the gap should be filled either with ODA or through debt cancellation. The evidence suggests that this approach was relatively successful in reinforcing the upward trend in aid flows during the late 1990s and 2000s (Bourguignon et al., 2008; Melamed and Sumner, 2011; Moss, 2010). Private finance, either profit or philanthropy oriented, contributions from non-Development Assistance Committee (DAC) donors and climate finance were either non-existent or considered much less important than ODA and domestic resources.

In 2013 the development finance landscape is very different. Traditional ODA is under pressure. Both actors in development and sources of development finance are mushrooming, including non-DAC donors such as China and India, philanthropic foundations such as Gates and non-governmental organisations (NGOs). Some developing countries are both in recipient and transmitter mode. For instance, this new set of actors is reflected in the composition of the Global Partnership of Effective Development Cooperation (GPEDC), which expanded the debate on aid effectiveness of the Rome, Paris and Accra conferences to all forms of development cooperation. Middle-income countries (MICs) continue to rely on private flows to finance their development efforts and are finding it increasingly easy to do so. MICs are both sources and recipients of development finance. There are now a myriad of

4 Acknowledgement: This paper draws heavily from Greenhill, R. and A. Prizzon (2012). 'Who foots the bill after 2015? What new trends in development finance mean for the post-MDGs', ODI Working Paper No. 360. The usual disclaimers apply.

'innovative' sources and mechanisms of development finance, many of which seek to combine public and private resources in non-traditional ways to meet development needs. While the growth performance recorded in emerging and developing countries might not be as strong as in the last decade, nonetheless, it is indisputable that the current economic outlook for developing countries contrasts strongly with the pessimism of the 'lost decade' of the 1990s that shaped the current MDGs. These trends are only likely to be magnified in the years leading up to 2015 and beyond.

Pictured from left to right: Ms Megan Gleason-Roberts, Mr Francis Kornegay, Ms Ines Tofalo, Dr Annalisa Prizzon, Dr Sheldon Moulton

The scope of this short paper is two-fold. First, it aims to analyse how the development finance landscape has evolved in the last decade by summarising key trends in public finance and development assistance that might potentially be available to fund a post-2015 agreement, either directly or indirectly, and by discussing the policy and political factors shaping such trends. While in Greenhill and Prizzon (2012) this analysis has been extended to all financial flows that are, or could be, spent in developing countries, here we consider a subset (public finance or development finance with a public or philanthropic motive) comparing their relative size vis-à-vis purely private flows (such as workers' remittances and foreign direct investment inflows).

This part of the paper aims to explore the implications of this new development finance landscape for efforts to reach agreement on, and subsequently fund, a post-2015 framework. Any new agreement will need to reflect the new development finance landscape both in the way it is agreed on and in the nature of the goals to be set. If future trends suggest that a large share of the finance potentially available to support development is likely to come from developing countries themselves, then their role in the process is critical as well as the role of national development strategies. Financing post-2015 goals also means that we need to have a more nuanced understanding of the role of finance – and of the comparative advantage of its different sources – in meeting agreed development goals. Understanding the role of different providers means understanding how and why finance contributes to development, and the complementary role played by policies.

Second, the paper briefly discusses the interests and motivations of those actors likely to provide the major sources of finance in any post-2015 framework, including by asking to what extent these providers have responded to the current MDG framework, highlighting the emerging position of non-DAC development partners.

1. Trends in public finance and development assistance

Mobilising domestic tax revenues

Fiscal revenues represented and will continue to play one of the largest roles in financing development. In volume terms, general government revenues expanded by more than four times between 2000 and 2012 in all emerging and developing economies, from $1.5 trillion to $7.7 trillion (IMF, 2012). In relative terms, in MICs, tax revenues stood at more than five times the level of foreign direct investment (FDI) inflows and nearly forty times the level of ODA in 2009, whereas in low income countries (LICs) tax revenues stood at nearly four times FDI and 20% higher than ODA in 2008 (see Greenhill and Prizzon, 2012). As a share of Gross Domestic Product (GDP), the average general government revenue ratio rose from 23.6% in 2000 to 28.3% in 2012 in emerging and developing countries with a 29.4% peak in 2008 (where the OECD average is approximately 35% of GDP) (on the basis of IMF, 2012).

Official development assistance

While ODA remains a small proportion of development finance in MICs, levels remain high in LICs, much higher than FDI inflows and workers' remittances (Greenhill and Prizzon, 2012). Overall ODA from DAC donors has increased progressively in recent years, reaching its highest level ever of $141.2 billion in 2010, partly in response to the aid commitments made in Gleneagles in 2005. However, ODA levels fell by nearly 3% in 2011 and are likely to fall further in the years to come, largely as a result of the global financial crisis and fiscal austerity in many of the key donor countries.

Fiscal austerity in donor countries is motivating a number of policy trends in traditional ODA. The first is a widespread desire to focus more on results, transparency and value for money. This is a trend that cuts across both traditional donors (the UK Department for International Development, or DFID, and the US) and newer entrants (e.g. the Gates Foundation). Second, a linked agenda is the push for greater transparency in aid spending: the International Aid Transparency Initiative, which brings together donors, developing countries, foundations and NGOs to agree on new standards for aid transparency, now has considerable momentum behind it, particularly with the 2011 announcement by US Secretary of State Hilary Clinton that the US will be supporting the initiative. Third, many DAC donors are now more focused on the private sector. There is a strong interest in blending ODA with private or non-concessional financing, and using aid to catalyse the involvement of the private sector. The European Commission (EC) is putting a strong emphasis on blended finance, working for example through the Energy for All initiative in order to attract private investment into the renewables sector in sub-Saharan Africa. It has also set up a European Union (EU) platform for coordinated action on blended finance on climate change and infrastructure. Interviews with officials in Germany indicated that the country is planning to significantly expand financing of the government-owned development bank, including through the provision of new guarantees and investments aimed at encouraging private investment. The coalition government in the UK has also developed a strong focus on private sector development.

Finally, a further important trend among DAC donors has been the debate on country selectivity, with many donors struggling with how to deal with the new landscape of poverty. The UK has radically reduced the number of countries it provides aid to (DFID, 2011); in November 2012 DFID announced the suspension of aid flows to India. The EC has proposed cutting aid to 19 MICs, shifting instead towards blended finance in these countries (Gavas, 2012; Herbert, forthcoming). With a high proportion of poor people now living in MICs, this will make it difficult for many donors to justify that they are responding to poverty needs, although recent analysis by Kharas and Rogerson (2012) suggests that poverty may shift back to being a low-income phenomenon as many of the MICs grow their way out of poverty.

Philanthropy/private grants and non-governmental organisations

Philanthropy and other forms of private development assistance have been growing substantially in recent years, in both absolute and proportionate terms. Data on philanthropy is essentially based on data for US foundations and extrapolated for the rest of the developed countries. The Hudson Institute estimated US philanthropy to developing countries at $39 billion in 2010 (Hudson Institute, 2012), less than one third of total ODA in 2010. Kharas estimates that, when compared with DAC Country Programmable Aid (CPA) – the share of ODA that actually reaches countries – contributions from philanthropic organisations and NGOs may equal or even exceed the contribution of DAC donors (Kharas, 2007).

NGOs also raise funding from private sources that is additional to ODA. According to the OECD (2011), flows raised privately by NGOs amount to $22 billion – corresponding to 70% of their total sources of financing.

Person-to-person giving has also grown over the past decade. While still small (on average less than $30 million per year) compared with other sources of development finance, Kiva has experienced a steep expansion curve since mid-2007, reaching a monthly transaction of $3.5 million at the end of 2009. Since 2005, roughly $406.5 million has been disbursed through Kiva (Kiva, 2012).

Philanthropists have tended to be more involved in social sectors such as health and education, and are also playing a growing role in cross-cutting issues such as transparency. Foundations have traditionally also taken on more risky 'venture capital'-style investment, and tend to have a strong focus on innovation and scientific research, and on bringing private sector expertise and models into development cooperation. Results, value for money and accountability are also key issues (Bond, 2008).

Non-Development Assistance Committee donors

Non-DAC donors are far from being a homogenous group. Zimmermann and Smith (2011) divide the non-DAC development partners into three categories:

- **Emerging donors**, which are the most similar to the DAC donors although smaller. This group includes non-DAC EU member states and donors such as Israel and Turkey. The European donors in particular tend to adhere to the European Consensus on Development and seek to emulate the behaviour of DAC donors.
- **Providers of South-South Cooperation (SSC)**, which see themselves more as peers of other developing countries and are heavily influenced by the Bandung Conference of 1955, including China, India and Brazil. This group accounts for the bulk of the non-DAC donor contribution, with China alone contributing nearly $2 billion in 2009.

- **Arab donors,** including Kuwait, Saudi Arabia and the United Arab Emirates (UAE), which have long experience of development cooperation. This group is comfortable with being labelled as donors, but tends to take a different approach from the DAC donors. While as a group these countries are less important than the SSC providers, volumes of finance from individual members can be large. For example, Saudi Arabia provided $3.3 billion in 2009, more than 12 DAC donors (out of the 23 at that time).

As noted above, so-called 'emerging donors' tend to seek to emulate the DAC model and as such can be expected to behave in similar ways to DAC donors, albeit with smaller volumes. In contrast, the narrative around SSC tends to emphasise the contrasts between this group and the DAC donors. For example, the SSC narrative tends to focus more on mutual benefit, solidarity, reciprocity and non-interference than the dominant 'poverty reduction' discourse of the DAC donors. SSC providers are very clear that their cooperation is not 'aid' in the traditional sense and strongly oppose the vertical, provider–recipient hierarchy they perceive to underpin the traditional aid relationship. They tend to see it as particularly important that their specific contribution is recognised and that their nature and contribution is clearly differentiated from that of DAC donors. SSC is also heavily focused on technical assistance and knowledge sharing as well as financial aid, with peer learning around successful development experiences a key element. SSC is much more likely than DAC aid to be linked to other deals, for example as part of commercial packages or loans. Solidarity is also an important principle in SSC. In some cases, this is explicitly seen as solidarity in resistance to what is seen as the northern-driven 'Washington Consensus' model (Reality of Aid, 2010). SSC providers, like Arab donors, also tend to support countries in the near neighbourhood and to see regional solidarity as important. In terms of sectoral focus, SSC is heavily focused on infrastructure and growth. The social sectors, which have been the greater focus for the MDGs and for many DAC donors, are not a big area of focus for most SSC providers.

Estimates of assistance from new emerging partners range from $9.5 billion to $15 billion for 2008 (ECOSOC, 2008; Park, 2011; Prada et al., 2010). Assistance from non-DAC countries reporting to the DAC has expanded progressively, from $2.4 billion in 2000 to $7.3 billion in 2010 – i.e. more than tripled in real terms in 10 years. On the basis of Park (2011) the five largest non-DAC donors in 2008 were Saudi Arabia ($5.6 billion), China ($3.8 billion), India ($1 billion), Turkey ($780 million) and Brazil ($437 million in 2007). On the basis of Zimmermann and Smith (2011) and ECOSOC (2008), development assistance from South Africa is mainly directed to SSA countries and total South African development cooperation expenditure rose from $49.1 million in 2006 to $108.7 million in 2009.

Financing for global public goods, including climate finance

With a growing focus on global public goods, including climate change, food security, health and security, it is likely that a growing share of aid will be allocated to these areas in future. In particular, it is likely that a large share of the climate change financing that has been committed will be taken from, rather than additional to, current ODA budgets.

It is rather challenging to track climate finance flows and in particular their relationship with ODA, which means that some of the climate finance flows presented here may also be included in the ODA figures in earlier sections. Estimates of climate finance are based on the pledges and targets set at the summits in Copenhagen and Cancun. Commitments from developed to emerging and developing economies are $30 billion for 2010–12 and $100 billion per year by 2020, with a wide range of resources to be mobilised, public and private, bilateral and multilateral, including innovative sources. The dominant scale of global private capital markets and growing fiscal challenges in many developed economies also suggest that the large financial flows required for climate stabilisation and adaptation will, in the long run, be mainly private in composition.

According to the Climate Policy Initiative (CPI, 2011) climate finance would total $96.9 billion per year, 56% coming from private sources; $5.4 billion is considered bilateral aid disbursed by DAC countries in 2009, less than 5% of total ODA.

2. Implications of these trends for post-2015 scenarios

The main research methodology used for this part of the paper was a series of semi-structured interviews with key informants conducted in March 2012. While we recognise that the debate towards what comes after the MDGs has progressed since then, we believe that the general position expressed by the different stakeholders is still broadly valid. We approached the three largest actors in each grouping (DAC donors, non-DAC donors, NGOs and philanthropists) for interviews, although we were not able to secure interviews with all of these (see Greenhill and Prizzon, 2012, for the list of interviewees). Where representatives from these organisations were not available, we approached independent experts who were closely involved in monitoring or advising them. We also interviewed independent development finance experts. The fact that we could not always speak to the largest actors in volume terms and the small sample size mean our conclusions must be taken as general impressions rather than hard 'facts' about the views of key stakeholder groupings. Further evidence on the views of these groups will become clearer throughout the consultation process on post-2015. While Greenhill and Prizzon (2012) review the responses for each of the groups mentioned above, here we concentrate on the case of development partners not belonging to the DAC to highlight the policy dialogue within 'Southern' partnerships. Section 3 of this short paper will summarise and compare general positions for each group.

Non-Development Assistance Committee donors

To inform this section on non-DAC donors, ODI carried out interviews with governmental or non-governmental representatives in India, Brazil and Colombia. We also spoke to the UN Development Programme (UNDP) and the International Poverty Reduction Centre in China; to experts on the behaviour of the G20 at Oxfam; and to an independent consultant working primarily on Latin American finance issues. The relatively small number of interviewees, the challenges involved in talking directly to government officials and the diverse nature of non-DAC donors mean it is difficult to generalise about positions. However, the tentative findings from our interviews were as follows:

- Unlike the DAC donors, few if any non-DAC donors use the MDGs as a guiding framework for their activities. As noted above, other principles, including non-interference, mutual benefit and sovereignty, are considered much more important. 'Poverty reduction' as a frame is not even relevant for most non-DAC donors. Interviewees also felt there had been limited focus on the post-2015 agenda to date in these countries.
- Non-DACs strongly resist attempts to group them along with DAC donors and to encourage them to adopt similar principles and approaches to the DACs, as demonstrated by the difficulties in encouraging non-DAC donors to sign up to the recent Busan Partnership for Effective Development Cooperation. Interviewees reported that non-DACs express antipathy to the OECD-DAC, which is seen as a 'rich man's club' from which they are excluded. There is also little evidence that non-DAC donors are likely to change their behaviour directly as a result of any post-2015 agreement: most non-DACs are guided by commercial and strategic considerations in providing development cooperation, even more explicitly than the DAC donors. It is also rare

for non-DACs to have explicit policies on development cooperation in the way that DAC donors do, although China may be leading the way with its new White Paper.

- The strong belief in non-interference and sovereignty on the part of SSC providers is also likely to mitigate against any MDG agreement that is seen as interfering in the internal affairs of recipients, and the focus on demand-driven cooperation will make SSC providers reluctant to agree to anything that appears to be setting targets and goals from outside. Moreover, SSC providers tend to focus more on mutual benefit, solidarity and peer learning rather than traditional donor–recipient hierarchies, which means the next iteration of MDGs may need to reflect a more mature international partnership based on equality rather than hierarchy.
- Domestic policy experiences will be important in shaping positions on post-2015. This is partly a result of the emphasis on peer learning and knowledge sharing in the discourse on SSC. It is also because non-DAC donors will want international attention to focus on areas where they have a strong story to tell, for example Mexico on universal health care and Brazil on agriculture and social policy. Interviewees felt that China in particular would want to promote its own strong performance on the MDGs, and India may wish to showcase progress on economic growth and reducing income poverty. Conversely, it was felt that non-DACs would be reluctant to sign up to targets in areas where their domestic performance is weak.

3. Conclusions

The development finance landscape has now changed dramatically, and the post-2015 framework will need to be designed in such a way that reflects this. In particular, as the trend analysis in Part 1 shows, it will need to recognise that:

- The significant growth in domestic revenues in developing countries will enable a larger share of development to be financed domestically, either through taxation or through financial deepening, particularly in MICs and resource-rich countries.
- Non-DAC donors, particularly Arab states and providers of SSC, who were minimal in volume terms at the time of the Millennium Declaration, are now much more important sources of development finance and knowledge transfer. This is a trend that is likely to accelerate in the coming years.

- ODA is likely to decrease in relative importance as a source of development finance, apart from, perhaps, in the poorest countries. A growing share of that decreasing pot is likely to be earmarked for global public goods, particularly climate finance. At the same time, ODA providers are becoming increasingly risk averse, and there is likely to be a stronger emphasis on aid linked to commercial and geopolitical objectives of the donor country.
- Philanthropy is likely to continue to grow as a source of development finance, albeit from a low base. There may also be scope for technological innovations to promote greater person-to-person giving, with progressive disintermediation from traditional channels, although this remains untested at present.

In summary, as illustrated more extensively in Greenhill and Prizzon (2012), interests and motivations of those actors likely to provide the major sources of finance in any post-2015 framework emerged as the following:

- The MDGs appear to have strong ownership and support from DAC donors and NGOs, but this is less true of non-DAC donors and philanthropists, who do not appear from our study to use the MDGs as a set of guiding principles for their work.
- Many of those interviewed identified the importance of results, value for money and having quantified, time-bound targets as part of the post-2015 agreement.
- Mutual responsibilities and burden-sharing emerged as importance issues for the DAC donors, who no longer want to be taking on the full burden of providing the financing to meet the MDGs. Stronger commitments from both developing countries themselves and non-DAC donors will be expected.
- There appears to be a consensus on the need for stronger developing country leadership and to avoid interference by external actors. This is a priority issue for non-DAC donors in particular and is a view developing countries are likely to share.
- There is strong agreement that the post-2015 process should be open and inclusive and incorporate all relevant actors.
- Some interviewees stressed the importance of differential roles for different groups of stakeholders: non-DAC donors and NGOs see themselves as having different roles and responsibilities from DAC donors.

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SOUTH-SOUTH COOPERATION PRINCIPLES IN PRACTICE: THE IBSA FUND EXPERIENCE[5]

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Introduction

South-South cooperation (SSC) has emerged as an important means of international cooperation for promoting alternative development models and approaches among developing countries. It operates on the foundational principles of solidarity, non-interference and mutual benefit which comprise the sharing of knowledge and experiences, training, technology transfer, financial and monetary cooperation and in-kind contributions, among the developing nations. These are the principles established by the United Nations Buenos Aires Plan of Action (BAPA) in 1978, supported and confirmed by the outcome document of the High-level United Nations Conference on South-South Cooperation in Nairobi in 2009. Fundamentally, the BAPA represents an important milestone in the advancement of technical cooperation among developing countries (TCDC), a concept which over time has expanded into the concept of SSC.

At present SSC has become a common trend in development discourse, however popular understanding of the concept in practice often lacks nuance and fails to recognise the rich idiosyncrasies that characterise and give strength to SSC as international cooperation. For that reason, one of the main objectives of this discussion paper is to provide a systematic account of the core principles that embody SSC and to explore what SSC looks like in practice

5 This is a summary of the paper presented at the Institute for Global Dialogue's roundtable of Development Diplomacy and South Africa's foreign policy on the 15 March 2013. The full report is part of the *Global South-South Development Academy Discussion Paper Series* and can be found at http://tcdc2.undp.org/GSSDAcademy/discussion/finddiscussion.aspx.

The India, Brazil and South Africa (IBSA) Fund is a unique example of cooperation among three developing countries and constitutes a pioneering initiative to implement South-South cooperation (SSC) for the benefit of other Southern countries in partnership with the UN system. Its purpose is to identify replicable and scalable projects that can be disseminated to interested developing countries as examples of best practices in the fight against poverty and hunger. It was established in 2004 and became operational in 2006. Since then, the IBSA Fund has supported projects on a demand-driven basis through partnerships with local governments, national institutions and implementing partners, mostly UNDP.

This discussion paper seeks to examine the IBSA Fund's contribution to SSC through an analysis of its adherence to five core SSC principles in practice. The discussion paper is divided as follows: Section 1 highlights the five core SSC principles derived from internationally agreed documents. Section 2 considers the intent of the IBSA Fund to adhere to those principles based on the Fund's operational guidelines and procedures. Section 3 analyses the extent to which the Fund's activities actually adhere to SSC principles, based on a detailed analysis of 11 case studies drawn from the IBSA Fund portfolio of projects. Results, additional considerations and conclusions follow in sections 4, 5 and 6.

1. Core principles

The discussion paper explores the IBSA Fund's contribution to SSC through evidence-based analysis of the Fund's adherence to five core SSC principles:

- National ownership and leadership
- Mutual benefit
- Equality and horizontality
- Non-conditionality
- Complementarity to North-South cooperation (NSC)

Throughout the BAPA, the use of TCDC was explicitly advocated in accordance with the two foundational principles which have historically guided cooperation between developing countries, namely **non-conditionality** and **mutual benefit**. In so doing, the BAPA advances the importance of the strict observance of national sovereignty and non-interference in the domestic affairs of countries, and notably uses rights-based language to promote equality within its framing of the relationship between development partners (BAPA, 1978, para xiii). The BAPA also recognises cooperation among developing countries as a 'vital force' for facilitating the process of harmonization of Southern interests, and to capitalize upon their specific sub-regional, regional and interregional knowledge and experiences for mutual benefits in terms of social and economic development (BAPA, 1978, para v).

Pictured from Left to Right: Ms Ines Tofalo, Dr Annalisa Prizzon

The BAPA also recognised the fundamental principles of **horizontality and equality**, and **national ownership and leadership** through promoting cooperation among developing countries as a means to national and collective autonomy. This includes utilising cooperation among developing countries to enhance countries' capacities to find their own contextually appropriate solutions to development needs (BAPA, 1978, para ii.1.a). Finally, BAPA unequivocally established the principle of **complementary** to NSC.

It is affirmed that development cooperation between Southern countries is a necessary and discrete complement to NSC. As such, SSC does not diminish developed countries' unique responsibilities in meeting the global challenges of reducing poverty and promoting sustainable growth in a coordinated, collaborative and effective way. Together, these affirmations laid the groundwork for the emergence of a consolidated set of governing SSC ideals.

Thirty years later, the Nairobi outcome document supports and confirms the framing of SSC originally outlined in the BAPA. With the UN General Assembly's endorsement, the Nairobi outcome document is the most comprehensive internationally agreed documentation of SSC principles. The outcome document explicitly affirms that 'SSC and its agenda have to be set by countries of the South and should continue to be guided by the principles of respect for national sovereignty, national ownership and independence, equality, non-conditionality, non-interference in domestic affairs and mutual benefit' (Nairobi Outcome Document, 2009, Annex 1, para 11). It further stresses that '…South-South cooperation is not a substitute for, but rather a complement to, North-South cooperation' (Nairobi Outcome Document, 2009, Annex 1, para 14).

Thus, for more than three decades a consistent and explicit SSC framework can be identified based on broad yet well-established principles. These principles continue to provide the guiding framework for all contemporary SSC approaches and demonstrate an international consensus concerning the relevance and importance of adherence to *national ownership, mutual benefit, horizontality and equality, non-conditionality,* and *complementarity to NSC.* Therefore, it is within the context of this established framework that the following section explores the IBSA Fund's expressed intent to engage in SSC based on an analysis of the Fund's alignment to the five core SSC principles.

2. IBSA Fund Operational Guidelines

Based on the five core SSC principles outlined in section 1, this section considers whether the IBSA Fund demonstrates an intention to engage in SSC. The Fund operates in accordance with procedures outlined in the IBSA Fund Programme Guidelines, which have been developed and formally approved by the IBSA Fund. The Guidelines seek to incorporate contributions from multiple stakeholders and are currently in their seventh revision. The Guidelines detail the Fund's processes regarding project identification, formulation, design, approval and implementation, and outline a list of substantive criteria to be embodied in projects funded by IBSA. Based on an analysis of the IBSA Fund Programme Guidelines, this section seeks to determine if the Fund's official protocol reflects an endorsement of SSC principles.

2.1 SSC principles in the substantive criteria for IBSA Fund projects

The IBSA Fund Guidelines include both operational procedures and ten substantive programming criteria. The criteria are intended to guide beneficiary partners in their project design. The Guidelines stipulate that while project proposals are not required to incorporate all ten criteria, the level to which a proposal reflects the criteria is a determining factor throughout the approval process, particularly when competitive proposals are being considered.

The substantive criteria for IBSA fund Projects consider the following:

- **Reduction of poverty and hunger** – The IBSA Trust Fund would support developing countries in their efforts to reduce poverty and hunger.
- **National ownership and leadership** – Proposals should be clearly aligned with the priorities of the country concerned. Regional projects may also be considered.
- **South-South cooperation** – The Fund would encourage mutual exchange between developing countries, in particular best practices in reducing poverty and hunger.
- **Use of IBSA country capacities** – The Fund will particularly encourage the use and the transfer of capacities and expertise available.
- **Strengthening local capacity** – The proposal should pay special attention to identifying and strengthening local capacities, with a preference for capacities provided through cooperation.
- **Ownership** – The Fund would encourage projects in which national entities in the beneficiary countries will participate and will continue to work in a longer-term perspective.
- **Sustainability** – Proposals should indicate how upon its implementation, sustainable activities have been improved or created to continue in a longer-term perspective.
- **Identifiable impact** – The activities supported by the IBSA Trust Fund will have clearly identifiable development impact attributable to the Fund.
- **Replicability** – Projects should be replicable and scalable for dissemination in interested developing countries as examples of best practices in the fight against poverty and hunger.
- **Innovation** – The Fund would encourage new ways of approaching development issues with emphasis on the replication on innovative experiences already implemented in other developing countries, in particular experiences in the IBSA countries.

2.2 SSC Principles in the IBSA Fund's operational procedures

In the Guidelines, the five core SSC principles are evident throughout the IBSA Fund Project Guidelines indicating concerted intent to align the Fund's operational procedures to the SSC framework. From project identification to project design and implementation, potential projects are conceptualised on a demand-driven basis, based on the ten substantive criteria. For a project to be implemented, it must go through appropriate multi-stakeholder partnerships with local governments, national institutions and implementing partners.

Once a proposal receives favourable review from the Board of Directors, the United Nations Office for South-South Cooperation (UNOSSC) of the United Nations Development Program (UNDP), which serves as the IBSA Fund Manager and Secretariat, contacts a potential Executing Agency.

3. IBSA - SSC principles in practice

This section examines the IBSA fund portfolio's adherence to core SSC principles in practice. Analyses were made on projects given to the following beneficiary countries: Burundi; Cambodia; Cape Verde; Guinea-Bissau; Lao PDR; the Occupied Palestinian Territory; and Sierra Leone. Each project was measured against an analytical framework based on the substantive criteria outlined in the IBSA Fund Project Guidelines.

3.1 Observations of SSC principles in practice

The project-level, case study analysis of the IBSA Fund portfolio observed diverse expressions of the core SSC principles in practice. The following sub-sections seek to catalogue, by SSC principle, a number of trends seen within the IBSA Fund portfolio that can be generalised from evidence observed in the case studies.

Accordingly, a number of aspects were noted on principle of national ownership and leadership, mutual benefit, equality and horizontality, non-conditionality and complementarily.

National ownership and leadership

On the principle of national ownership and leadership, proposals were initiated by the beneficiary government, often upon invitation by the IBSA Fund Board and then submitted to an IBSA focal point for initial review.

Project alignment with national or sectoral government planning instruments such as national plans and agendas are observed throughout the portfolio. A notable example of this is in Sierra Leone where the project is at the core of government's agenda for change, their central planning instrument.

In addition, a direct participation of national ministries, municipalities and local partners is common throughout the project cycle. A high level of national participation during the phase was engaged in projects, which were requested by the government to increase national capacity. One notable example is that of a municipality which advanced several studies related to the initiative with its own funds, which included a feasibility study to feed the IBSA Fund project design.

Mutual benefit

On the principle of mutual benefit, participation of IBSA experts in knowledge-sharing exercises in the form of workshops, trainings and study tours is common throughout the portfolio which fosters opportunities for mutual learning. The IBSA Fund has provided visibility to India, Brazil and South Africa as SSC actors, the Fund's support to the portfolio as a whole has been showcased or referenced in important international forums. The IBSA Fund has also recognised, in a number of partner countries, the evident benefits that stability will bring to the population and region as a whole. As such IBSA considers the fund's support of human development efforts in these areas to not only benefit the host population, but to advance IBSA's interest in promoting peace and stability. Notable examples from the case studies include the IBSA Fund projects in Burundi, Guinea-Bissau and the Occupied Palestinian Territory.

Equality and Horizontality

The identification of project objectives can be seen to originate with the beneficiary governments and align with national development priorities. There are examples in certain projects where the proposed project objectives were not originally considered to have a strong alignment to the IBSA Fund programmatic focus. These projects, however, received approval for funding because the objectives were of very high priority for the requesting country. This observation illustrates that both partners are negotiating from a horizontal position, which respects the contextually-driven needs of the beneficiary country.

Beneficiary governments are actors with valuable skills and experiences to contribute, and this has been observed throughout the portfolio of projects through a variety of indicators. In general this can be seen in the demand-driven approach with which project objectives are identified, which indicates confidence in national capacity to identify unmet needs and to establish priorities. Horizontal stakeholder negotiation during project formulation and implementation also respects the beneficiary government's perspective, strengths and organisational abilities to design and manage the IBSA Fund projects. Equal standing during knowledge-sharing exercises has also been observed throughout the portfolio. This reflects an entrenched view that both the beneficiary governments and IBSA Fund countries have valuable skills and experiences to contribute in peer-learning environments.

Project design integrates mutual exchange and partnership building between developing countries. Knowledge-sharing exercises and horizontal exchange was observed in a number of projects. Examples of partnership building were also evidenced between host countries and various Southern countries, including but not limited to IBSA countries. These partnerships primarily explored possible collaboration towards capacity building.

Non-Conditionality

There are no observed cases of the imposition of conditions of any kind for projects supported by the IBSA Fund. However, based on the methodology and sample analysed it is not possible to draw a generalised conclusion that the Fund strictly adheres to the principle of non-conditionality in practice. This would require, for example, extending the analysis to projects that have not been approved, which is beyond the scope of this work. That said, it can be observed that the IBSA Fund supports a large diversity of objectives within varied political contexts, which may in fact be one resulting feature of the Fund's commitment to non-conditionality in its activities.

Complementarity

Observation of the SSC principle of complementarity in practice presents unique challenges as fully understanding if a project's objective is complementary to traditional NSC arrangements would require an analysis of the full development environment of a given country. Adherence to this principle in SSC partnerships is essentially most applicable at the level of national planning and in the establishment of bilateral and multilateral donor relationships, not at the project level. This level of analysis is outside the remit of this discussion paper; however, two important observations that reflect complementarity can be made based on the analysis of the IBSA Fund portfolio:

- **Projects funded by IBSA complement those funded by conventional donors.** In some cases it was reported that beneficiary governments see IBSA funding as addressing an additional government priority that was remaining unaddressed. In one case the IBSA Fund provided resources to build a health-care center for which the government reportedly attempted to mobilise resources for years from conventional donors but it was understood not to fall within their funding guidelines. In another notable example, IBSA Fund project partners successfully sought an alternative implementing arrangement as all the UN agencies within the beneficiary country declined to serve as the Executing Agency due to the fact that the planned initiative was not in their stated priorities.
- **Project design capitalises on innovations from the South.** The large majority of the projects have a strong element of South-South technology transfers and/or knowledge sharing. A number of projects

have also been observed to be building directly upon innovative Southern experiences within the project design; innovations which are not traditionally integrated in NSC. One notable example of this can be seen in the leadership development project in Sierra Leone, which focused exclusively on South-South knowledge-sharing in the regional context of Africa. In this regard, the use of South-South exchanges to capitalise on experiences faced by other developing countries with similar governance and public service management challenges can be seen as inherently complementary to NSC.

4. Results

IBSA Fund Portfolio Results

Since its establishment in 2004, the IBSA Fund has raised US$25.2 million in contributions from the governments of India, Brazil and South Africa. The Fund has allocated US$17.6 million in support of the 16 projects that comprise IBSA's portfolio. The IBSA Fund projects represent a wide variety of thematic project objectives, including: agriculture (29.6%); livelihoods/waste management (22.5%); health care (20%); water (9.8%); youth and sports (6.5%); governance and security (6.1%); and renewable energy (5.3%).

The Fund supports demand-driven projects globally within and among individual countries with regional fund distribution as follows: Africa (45.4%); Asia (19.2%); the Arab world (12.8%); and Latin America (22.3%). To date, the IBSA Fund portfolio has allocated 73.7% of its distributed funds to countries classified as Least Developed, with the remaining 26.3% going to other developing countries.

Results for the 11 selected IBSA fund projects are available in the full discussion paper of the Global South South Development Academy Discussion Paper Series.

5. Limitations in adherence to SSC principles

As the analysis in the preceding sections concludes, adherence to core SSC principles is generally robust throughout the IBSA Fund portfolio. It is important to note, however, that there are significant instances where the IBSA Fund Programme Guideline's broad treatment of some of the core principles may not adequately establish mechanisms to ensure implementation of the principles at operative levels. This is seen regarding the integration of the substantive criteria throughout the entire project cycle. For example, there is some ambiguity about the level to which national leadership is in fact being incorporated during the project design and implementation phases, which represent key entry points in the project life-cycle.

The Fund's intention to utilise a demand-driven mechanism is made explicit in the Guidelines, yet the mechanisms by which to ensure this occurs in practice are open to interpretation and dependent on the accommodation of legally established ways development actors can engage various partner governments. Therefore the exact mechanism by which the Executing Agency engages with the beneficiary country lies beyond the influence of the IBSA Programme Guidelines.

Complementarity is not a criterion explicitly expressed in the IBSA Fund Guidelines. This is expected, as criteria are meant to guide decision-making, not to make reference to other forms of international cooperation to guide SSC principles in contrast. Nonetheless, the criterion does utilise proxies which allude to the SSC principle of complementarity, and which are discussed in Section 2.

In general, assessing complementarity is not an easy task; as it cannot be ascertained by only observing activities which seek to adhere to this principle, but is necessarily defined by the subject/object it complements. Technically, this implies that it is paramount to understand the elements of NSC in order to comprehend in which manner SSC complements them. Nonetheless, such extensive discussions on the intrinsic and practical meaning of NSC are vastly beyond the scope of this paper. Therefore, this paper takes a different approach. It does not seek to assess complementarity by establishing what is or is not NSC. Instead, it assesses complementarity in terms of the SSC partner countries' requests, as well as their challenges in obtaining cooperation from other OECD partners for the projects that received IBSA Fund support.

Similarly, the Guidelines do not directly address non-conditionality. The absence of stated conditions on IBSA Fund financing does not in itself equate to non-conditionality as a guiding principle. In addition, an extensive debate is ongoing on whether international cooperation without conditionalities serves to enable countries to cooperate in disregard of human rights, lawful governance processes and/or the overall interests of peoples. In practice, conditionalities are often associated with requirement for market-openness reforms and structural adjustment processes. SSC explicitly pursues non-conditionality, even if it endorses subsidiary and related principles that provide guidance in this regard. SSC 'is a common endeavour of peoples and countries of the South, born out of shared experiences and sympathies, based on their common objectives and solidarity, and guided by, inter alia, the principles of respect for national sovereignty and ownership, free from any conditionalities' (Nairobi Outcome Document, 2009, paragraph 18).

IBSA countries can choose not to engage in SSC with particular countries and can also employ other mechanisms to deal with such issues. For example, in the case of Guinea-Bissau, IBSA opted for non-engagement with *de facto* authorities after the coup; even if IBSA cooperation stayed the course and financing for IBSA projects in the country continued through cooperation with government technical staff only.

6. Conclusion

The discussion paper seeks to bridge the overarching theoretical framework of SSC and the practical policy implications of SSC activities, by reflecting on the meaning of broad SSC principles through an analysis of the IBSA Fund Guidelines and their adherence and operationalisation of SSC principles, as well as detailed case studies of the application of SSC principles across the portfolio of IBSA Trust Fund projects.

A lack of understanding of the definition and concept of SSC and of the differentiation between the regular technical cooperation programmes and those dealing specifically with SSC remain problematic (United Nations Joint Inspection Unit, 2011). The contribution of evidence-based analysis of innovative examples of SSC in practice is therefore critical in supporting a more extensive understanding of both the reality and potential of SSC as a relevant means of international cooperation for promoting development.

The paper intends to provide such evidence based analysis by capitalising on the rich portfolio of projects supported by the IBSA Fund. In the interest of providing depth of analysis, the discussion paper focuses only on the cornerstone internationally agreed framework documents for SSC, and on five principles deemed core to SSC, namely: *national ownership and leadership, mutual benefit, equality and horizontality, non-conditionality,* and *complementarity to North-South cooperation (NSC).* Through this guiding framework, the paper explores the IBSA Fund's contribution to SSC, through evidence-based analysis of the Fund's adherence to these five principles. At the same time, it elaborates on the IBSA Fund's interpretation of these SSC principles in applied policy terms in order to further detail their meaning and applicability.

The IBSA Fund is an innovative SSC partnership with the UN system and benefits from having a portfolio of mature projects which makes it possible to draw important insights and lessons learned. In order to provide a deeper understanding of the Fund's strategic embrace of these core principles within its operating framework, the final paper reviews 11 case studies on how each IBSA Fund project relates to these principles and to what extent it adheres to them. It seeks answers the following questions: Does the IBSA Fund display intent to implement SSC? To what extent do IBSA Fund activities align with SSC principles in practice? What does SSC mean for IBSA in practice?

The evidence observed leads us to conclude that the IBSA Fund's adherence to the five core SSC principles is robust. The core SSC principles are evident in practice throughout the IBSA Fund programming cycle and are embedded in the roles and responsibilities outlined in the project identification, formulation and implementation phases. As a conclusion, this paper finds that the IBSA Fund's adherence to the five core SSC principles is robust. The core SSC principles are evident in practice throughout the IBSA Fund programming cycle and are embedded in the roles and responsibilities outlined in the project identification, formulation and implementation phases. Furthermore, based on generalisation from evidence observed in the case studies, the paper elicits the main ways through which the Fund implements SSC in practice.

MULTILATERAL DEVELOPMENT COOPERATION: A TRANSITIONING OECD-DAC AND QUESTIONS OF AID EFFECTIVENESS[6]

Megan Gleason-Roberts

Introduction

The past decade has witnessed considerable debate on international aid: how it is provided; who are key stakeholders; and when it is effective. These changes have occurred during a dramatic shift in the global landscape, illustrated most profoundly in the rise of a group of emerging powers (Brazil, China, India and South Africa), states whose rapid economic growth has prompted the revision of a number of international institutions including the move from the G8 to the G20 and a rebalancing of voting shares in international financial institutions. These states are also increasingly active as providers of international assistance and partners in development cooperation.

Historically, the arena for much of the discussion on international aid has been the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD), a grouping primarily composed of Western donor countries (also referred to as 'traditional donors') and a series of high-level fora on aid effectiveness. The OECD-DAC has actively worked to shape and refine the policy and practice around international aid and particularly concepts related to aid effectiveness, but has been subject to criticisms that it is driven by Western donor interests at the expense of recipient countries and other actors engaged in development cooperation.

The framework for many of these discussions on aid and development cooperation has been the Millennium Development Goals (MDGs) and their targets. Endorsed in 2000 as a framework to guide global development

6 This paper was prepared for the conference "Multilateral Development Cooperation: What Does it Mean for South Africa's Foreign Policy?" hosted by the Institute for Global Dialogue on 15 March 2013. I would like to thank Vanessa Wyeth for reviewing this paper and providing helpful comments and suggestions.

through 2015, the MDGs have played an important role in shaping the policy discussions on aid and setting the agenda. As we approach the target date for the MDGs timeframe, the international community is actively engaged in designing their successor. This paper provides an overview of the evolving international policy processes related to aid effectiveness, with a specific focus on how the debates relate to key actors, particularly emerging powers. It then turns to considerations for the development of the post-2015 development goals. The paper concludes with some considerations for South Africa's engagement in these processes.

Aid Effectiveness and the High-Level Fora

In tracking the evolution of the meaning of aid effectiveness, it is instructive to consider four high-level fora on aid effectiveness held over the past decade. The events have incorporated both a broader set of actors as well as a more nuanced understandings of aid effectiveness and development cooperation.

The first forum on aid effectiveness was held in Rome just three years after the endorsement of the MDGs. The Rome Declaration laid out a set of principles on aid management and effectiveness and committed donors to aligning their aid with recipient country priorities. Two years later, the second high-level forum in Paris expanded the dialogue on aid to include recipient countries in the discussion. The Paris Declaration on Aid Effectiveness put forth a set of common principles on international aid and laid out specific commitments for both recipient and donor countries to strengthen national ownership, alignment, harmonisation, results, and mutual accountability. It also identified indicators and targets for progress to be achieved by 2010.

While Paris was seen by many as a defining step forward in restructuring the relationship between donors and aid recipients, there was a growing recognition on the part of many stakeholders that these principles did not take into account the realities faced by fragile states,[7] especially in terms of assumptions around legitimacy and state capacity. This led the OECD to adopt the Principles for Good International Engagement in Fragile States and Situations, in 2007, to provide further guidance on aid in conflict and crisis-affected states. Yet these principles were developed by donors without substantial input from the fragile states themselves (Locke & Wyeth, 2012).[8]

7 A note on terminology: This paper uses the term 'fragile states,' a term that has generated controversy in some circles but is used here to describe countries that self-identify as such and are affected by conflict or large-scale crisis.

8 Rachel Locke and Vanessa Wyeth, "Busan and Beyond: Implementing the 'New Deal for Engagement in Fragile States,'"International Peace Institute, July 2012.

The 2008 Accra Agenda for Action, the product of the third high-level forum, contained a series of commitments to underscore developing country ownership as well as aid partnerships, including those with civil society. At Accra, donors and fragile states agreed to establish the International Dialogue on Peacebuilding and Statebuilding, designed to bring together donors and developing countries to develop a set of peacebuilding and statebuilding goals to supplement the MDGs in fragile states, addressed in more detail below.

Despite considerable work on the policy front, these commitments remain only partially fulfilled. A 2011 OECD review of implementation of the Paris Declaration registered mixed progress, with two of the thirteen targets showing substantial progress while the rest showed mixed or no progress (OECD, 2011a). An independent evaluation of the Paris Declaration further concluded that recipient governments have come further in implementing the Paris commitments than donors, with the least progress made on managing development results and mutual accountability (Wood, et al, 2011). A 2011 monitoring report on the Principles for Good International Engagement in Fragile States and Situations found that donors were 'broadly on-track' on only one of the ten principles (OECD, 2011b).

Also shaping the international aid and development cooperation architecture are the UN Development Cooperation Forum (UNDCF) and G20 Development Working Group. Established in 2007, the UNDCF was designed to strengthen coherence among the growing range of development actors. While UNDCF's universal membership yielded important legitimacy benefits as compared to the high-level fora, the institution has not yet become a central actor in global development cooperation. The G20 Development Working Group was started in 2010 and drives progress on the G20's Development Consensus and multi-year action plan.

Shifting Global Dynamics on the Road to Busan

As stakeholders began to prepare for the most recent high-level forum in Busan, South Korea, in November 2011, it was clear that the conference represented an opportunity to adapt the international aid architecture to reflect a number of important changes underway since the first high-level forum in Rome.

First, the international community has learned a great deal about the nature and impact of international aid. Through research and experience sharing, including through the OECD-DAC and incorporating the experience of emerging countries, the international community has refined its understanding of a number of concepts relating to aid. The most important in this regard is the shift in mindset from aid to more comprehensive development cooperation. Many of the biggest strides in reducing poverty and enhancing livelihoods over the past decade have come through economic growth, underscoring the importance of drivers of growth in developing countries. Aid is only a small part of the overall picture that also includes trade, foreign direct investment, and remittances. There has also been an increased understanding of the importance of national ownership of development strategies leading to a growing appreciation for different types of development models.

Second, the global financial crisis, which began in 2008, continues to reverberate through Western economies and their development aid budgets. The OECD reported a 4% reduction in the provision of development aid by OECD member states between 2012 and 2011, as compared to a 2% drop between 2011 and 2010, though forward-looking surveys anticipate a partial recovery in 2013 (OECD, 2013). This has forced difficult decisions in how countries allocate aid and in determining priorities for engagement. Additionally, as Western countries face continuing austerity and greater oversight, so too have aid agencies become more preoccupied with demonstrating impact and value for money. All of this has further accentuated the role of new actors in international assistance.

Since the first high-level forum, emerging powers have become the engine for global economic growth as well as increasingly important providers of aid and development cooperation. These countries have made significant progress in reducing poverty domestically and have fostered trade and investment internationally. Indeed China recently surpassed the United States as the world's largest trading partner (Bloomberg, 2013). The global MDG target to halve extreme poverty was met five years ahead of schedule thanks largely to poverty reduction in China and India (United Nations, 2012). Yet these countries generally have not used the MDGs as a policy framework for their own international assistance and have focused rather on development cooperation, South-South cooperation (SSC) and partnership models of assistance, though considerable variations exist in how these countries approach these issues. The OECD has recognised the contribution of these emerging states and in 2007 launched a process of enhanced engagement with five emerging countries – Brazil, China, India, Indonesia and South Africa. This was followed by the 2009 launch of the Task Team on South-South Cooperation, bringing together partner countries, donors, civil society and regional and multilateral organisations to develop the knowledge base around SSC.

Finally, a series of important changes occurred in recipient countries, fundamentally altering the nature of development cooperation. Considerable economic growth in both Africa and Asia has enabled a number of countries to graduate to middle-income status. China has registered a tremendous reduction in poverty, from 48% in 1998 to 13% in 2008 (World Bank poverty data, 2013). In Africa, poverty declined by 5% between 2005 and 2008 and the continent saw a decline in the total number of people living in poverty during this period (ECA, 2013). Yet many of these countries also remain reliant on natural resource extraction and where growth is registered, it is less inclusive with a smaller impact on overall poverty reduction. In addition, a significant portion of the global poor now reside in middle-income countries (Sumner, 2010).

While many lower income countries have managed to register impressive growth over the past decade, fragile states remain among the poorest economic performers and excluded from many of the development inputs – such as foreign direct investment – that have been vital for countries registering fast economic growth. In these states, pressing peace and security issues often crowd out activities designed to achieve MDG targets (Dili concept note, 2013). Because other development inputs are either not available or not as effective in fragile states, aid continues to be critical.

Fragile states have also put considerable work into identifying critical issues around fragility and priorities for addressing the links between security, development and governance in post-conflict and crisis-affected states. A group of self-identified fragile states, calling itself the g7+, came together during the first meeting of the International Dialogue on Peacebuilding and Statebuilding, in 2010 in Dili, to discuss their shared development challenges and advocate for better international policies to address their needs. The group has since emerged as a strong advocate through the International Dialogue and beyond, playing a critical role in proposing a set of five peacebuilding and statebuilding goals – covering legitimate politics, security, justice, employment, and revenue management – to guide international development efforts in fragile states. The goals, which are grounded on the recognition that the MDGs fail to adequately incorporate the special circumstances facing conflict and crisis-affected states, were formally adopted in 2011 at the International Dialogue meeting in Monrovia, and carried forward to Busan (Wyeth, 2012).

The Busan Agreement and Emerging Powers

In early consultations to prepare for the Busan high-level forum, it became clear that the outcome document would need to reflect all of these dynamics to set a new agenda for international development cooperation. While the first three high-level events registered progress in terms of gradually expanding the set of stakeholders, developing a greater degree of accountability for donors, and clearer commitments for both donors and recipients, they failed to adequately take into account both global and domestic factors that were reshaping aid and development cooperation. It was clear from the outset that the priority for stakeholders was developing an agreement that would bring in emerging powers. As China, India, Brazil and South Africa became increasingly important providers of aid, there was a risk that an outcome at Busan that did not incorporate emerging powers would risk looking antiquated and irrelevant and miss an important opportunity to foster coordination with these increasingly important actors.

The Busan Partnership was endorsed by over 160 countries and organisations including traditional donors, fragile states and all emerging powers as well as organisations including the UN, AU, and the World Bank. This is a considerable accomplishment. However, in achieving the participation of such a diverse group of states, a number of issues demonstrate that there are still some meaningful gaps between actors on specific aspects of the agreement.

It was hoped that emerging powers would be willing to commit to equal commitments as traditional donors. However, the final outcome document struck a late compromise after it became clear that China would not be willing to sign the agreement without language to reflect the distance between traditional donors and emerging powers. As paragraph 2 of the agreement notes, 'The nature, modalities and responsibilities that apply to South-South co-operation differ from those that apply to North-South co-operation… The principles, commitments and actions agreed in the outcome document in Busan shall be the reference for South-South partners on a voluntary basis.' The agreement therefore demonstrates some of the continuing skepticism on the part of some emerging countries, particularly in terms of being perceived as a 'donor' and processes that are seen as being driven by the OECD.

The Busan agreement also called for the creation of a Global Partnership for Effective Development Cooperation to monitor progress in implementing the Busan agreement, as a replacement for the OECD's Working Party on Aid Effectiveness. The OECD-DAC recognised that decisions reached through the Working Party did not and could not extend outside its membership. While South Africa was a member of the Working Party, and India was an observer, this was the extent of emerging power engagement with the body. The Global Partnership was intended to broaden the participation of emerging powers in this new governance structure, including representation on the steering committee. While Brazil, China and India participated in early Global Partnership discussions as 'active observers,' their participation has since waned. Despite more active engagement early on, South Africa has also taken a smaller role as it focuses on domestic issues around the creation of the South Africa Development Partnership Agency (SADPA) (Besharati, 2013). Indonesia is currently a co-chair of the steering committee, but this is the extent of emerging power participation in the steering committee and the partnership is still seen by some actors as an outgrowth of the OECD.

The Busan agreement also incorporated eight opt-in 'building blocks', focusing on a number of specific thematic issues related to development cooperation including conflict and fragility, SSC, the private sector and effective institutions and policies. This building block format represents an important opportunity for emerging countries to engage with the implementation of the Busan agreement (Kharas, 2012: 6), yet to date Brazil, China, India and South Africa do not participate in any of the building blocks ('Building Blocks', n.d.). Indonesia is a sponsor country of three of the eight.

Finally, the New Deal for Engagement in Fragile States was endorsed at Busan by 41 countries and multilateral organiaations, including all members of the g7+. The New Deal, developed through the International Dialogue and g7+, outlines a framework for improved engagement in fragile states. It endorses the five peacebuilding and statebuilding goals adopted in Monrovia, and underscores the call for assistance based on a country-owned and country-led strategy. To date, no emerging power has endorsed the New Deal, leaving open a number of questions on how this could impact on the implementation of the agreement and aid to fragile states.

In sum, while the broad endorsement of the Busan agreement, including by emerging powers, represented an important step forward in moving towards a global consensus around development cooperation, it is clear that there is still considerable space between traditional donors and emerging states on a number of issues. The nature of this gap and options for bridging it will become even more critical as international attention turns towards the creation of the development framework to succeed the MDGs.

Looking Forward: Post-2015 Goals

In July 2012 UN Secretary-General appointed the a High-Level Panel (HLP) of Eminent Persons on the Post-2015 Development Agenda, tasked with designing a successor framework for the MDGs. Three co-chairs, President Susilo Bambang Yudhoyono of Indonesia, President Ellen Johnson Sirleaf of Liberia, and Prime Minister David Cameron of the United Kingdom, lead the panel of government officials, civil society representatives and members of the private sector. The national composition is broad and Brazil, China, India and South Africa are all represented on the 27-member panel. This paper was finalised prior to the panel's final report, expected in May 2013, which is intended to set the stage for the September 2013 MDG event at the UN General Assembly, co-facilitated by South Africa and Ireland.

The Panel's work takes place in a considerably different environment than that during the development of the MDGs and the new framework will be distinct for several reasons, as David Steven (2013) argues. To start, many of the new goals are expected to be zero-based. Rather than reducing poverty, the goals will seek to eliminate it. By implication, as countries that have managed to register economic growth continue to reduce poverty, it will be more difficult for those left to move out of poverty. This means that the post-2015 goals will be most important for those in poverty the longest or the 'last poor.'

In addition, the process for designing the post-2015 framework is considerably more inclusive than that for the MDGs – including multiple regional and thematic consultations being organised across the globe by the UN – allowing for greater input by developing and fragile states.

There is broad agreement that the post-2015 goals will carry forward the work of the MDGs in terms of calling for the elimination of extreme poverty. The eight MDGs and their accompanying targets have demonstrated a powerful impact in terms of agenda setting and focusing international attention on the dimensions of poverty prioritised in the MDG framework.

The post-2015 High-Level Panel has also been asked to integrate issues of sustainability into its work, and coordinate with the work underway to develop a set of sustainable development goals (SDGs), as specified by the outcome of the 2011 Rio+20 conference. In practice the two processes operate sequentially. The SDGs are to be developed by an Open Working Group, established by the General Assembly in January 2013, and delivered by September 2014.

At the panel's final meeting in Indonesia in March 2013, it identified five priority areas for the post-2015 agenda (Bali communiqué, 2013), which incorporate a number of these considerations and will likely guide the shape of the panel's final report:

1. Reshaped and revitalised global governance and partnerships;
2. Protection of the global environment;
3. Sustainable production and consumption;
4. Strengthened means of implementation;
5. Data availability and better accountability in measuring progress.

Post-2015 Partnerships

It is telling that the first area of reform relates to global governance and partnerships. Any agreement on goals for post-2015 will need to reflect the increasingly diverse range of actors engaged in development cooperation partnerships. Here it is instructive to look at the experience of the MDGs. The eighth and final MDG, which called for the creation of a global partnership for development, has arguably seen the least progress in terms of implementation.

Given the shifting global dynamics identified above, the post-2015 framework will need to give due consideration to partnerships and implementation. The partnerships issue is shaping up to be one of the most contentious topics, with strong demands on everything from meeting the 0.7% target for ODA, to the need to design a more equitable system of global governance.

One particularly important form of partnership is trilateral or triangular cooperation, involving a traditional donor or multilateral institution, a recipient country and a so-called pivot country, often an emerging power. These partnerships are the subject of considerable interest as trade and development partnerships between developing countries and emerging powers expand. These arrangements seek to leverage the funding and technical expertise of traditional donors with emerging country experiences of their own transition in combination with shared geography or history. However, these partnerships also run the risk of significant transaction costs and delays and there is limited research on the impact of this type of cooperation from the perspective of recipient countries. Experience suggests that this type of cooperation is most effective when the cooperation is between equal partners and promotes mutual learning (Building block proposal, 2011).

The international community has recognised the importance of partnerships, including trilateral development cooperation and South-South arrangements, and the Global Partnership developed at Busan intended to capture some of this diversity. The UNDP has a special unit focusing on SSC and in 2012

Pictured from left to right: Dr Lesley Masters, Ms Megan Gleason-Roberts, Mr Francis Kornegay, Ms Ines Tofalo, Dr Annalisa Prizzon the UN Secretary-General developed a set of operational guidance on South-South and triangular development cooperation (United Nations, 2012). The Task Team on South-South Cooperation was developed in 2009 via a proposal through the OECD Working Party on Aid Effectiveness as a platform for developing the knowledge base on SSC and to strengthen its effectiveness. In addition, the EU is negotiating a partnership instrument dedicated to cooperation with a third country, which would form the foundation for trilateral partnerships.

Conflict, Fragility and Governance

A remaining question is whether and how the post-2015 goals will include considerations to ensure that development efforts reach the last poor, including individuals in fragile states and sub-state communities in low and middle-income countries affected by violence. It is these communities where the MDGs have arguably had the least impact and where governance, political and/or institutional challenges present real obstacles. Multiple efforts are underway to influence how the post-2015 framework will address these issues including global thematic consultations on conflict, fragility, violence, and disaster, a consultation process on inequalities and a February conference on how the framework can integrate the needs of fragile and conflict-affected states. The Dili Consensus, the outcome document from this conference, identified four areas not covered by the MDGs that participating states argue should be incorporated into a post-2015 framework: inclusive economic growth, state effectiveness, peace and justice, and climate change.

How these issues will be incorporated into the post-2015 framework still remains an open question and there are signs that this may be a contentious undertaking. The UN System Task Team on the Post-2015 Development Agenda proposed the inclusion of a fourth pillar on peace and security in its report, but the language – mirroring the UN Security Council's mandate – has problematically amplified concerns about the risk of securitising development assistance. There are also indications that the wider group of developing countries may resist a dedicated focus on fragile states due to concerns that this would divert still critical assistance to 'normal' developing contexts.

There is variation in how emerging powers have approached issues related to fragile states in the recent past. In policy discussions, these states have demonstrated resistance to specific language on peace and security but it is possible that there is greater openness to issues related to institution building or access to security and justice. It is also a possibility that the post-2015 framework could include reference to peace and stability as an 'enabling factor.'

Conclusion

The international dialogue on aid effectiveness has covered considerable ground over the past ten years. No longer a conversation with only donors in the room, the policy negotiations have grown to include more actors and a greater understanding of the factors supporting and impeding development. There has also been considerable progress in how to approach fragile states, on the part of donors, civil society, emerging powers but most especially developing and fragile states themselves. Yet there are continuing signs that emerging powers remain skeptical about fully acceding to these international processes, especially when seen as OECD-dominated.

These dynamics will all play out through the post-2015 framework, which comes at a critical time for developing countries, particularly low-income countries and fragile states. While the majority of the world's poor live in now live in middle-income countries, it is expected that by 2025, 75 per cent of those living in poverty will be in low-income and conflict-affected countries (United Nations, 2012). This means that as intergovernmental negotiations on the post-2015 framework begin, the needs of developing middle-income countries will need to be balanced against the last poor in low-income countries. This will require difficult decisions and trade-offs but more importantly, careful attention to implementation and new partnerships to guide international development cooperation efforts over the next fifteen years.

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SOUTH SOUTH COOPERATION: FROM THE IBSA FUND TO A BRICS DEVELOPMENT BANK?

Discussant: Mr Francis Kornegay, Institute for Global Dialogue

In leading the discussion on South South cooperation (SSC), Francis Kornegay noted that with the transitioning 'aid' or development cooperation landscape there is an urgent need to re-assess the current system as it lacks legitimacy. Priority should be given to the creation of a more realistic development cooperation architecture that is representative of the geo-political changes within the international milieu. Here attention was drawn to the increasing number of new 'donor' states including India, Brazil, South Africa, Mexico, South Korea, Turkey and the Gulf countries. It was, however, noted that these states all tend to have different approaches towards engaging in development cooperation and in their engagement with the OECD Development Action Committee (DAC).

The importance of the historical evolution of development cooperation in underpinning SSC through IBSA and BRICS was highlighted, starting with the Bandung Conference of 1955. This was the precursor to the Non-Aligned Movement (NAM), following a focus on the creation of a New International Economic Order (NIEO), which really set in train much of the evolutionary process of the institutionalisation of development cooperation in the UN system. This was subsequently challenged by the neoliberal structural adjustment regime and the 'Washington consensus'.

The fourth high level forum on aid effectiveness in Busan 2012 presented a platform on which the changing geo-political dynamics were played out. This saw existing donor countries of the DAC 'pitted against' the emerging powers of the BRICS, other developing countries, and the LDCs. It is important to recognise here that the BRICS countries have differing positions on development cooperation. Kornegay indicated that one of the main questions here is the extent to which a SSC stream of development cooperation can be coordinated with the Busan Global Partnership and how BRICS will establish its own niche in development cooperation from the vantage point of the development finance dimension. These are still very much open questions, especially the role of the BRICS in development cooperation, and how a vehicle for implementation such as the proposed bank, becomes operationalised and interacts with a new generation of development partnership agreements.

It was indicated that there had to be a compromise on the Busan outcomes in order to ensure continued engagement with the emerging powers, which resulted in 'common but differentiated responsibilities' and 'voluntary' action. South Africa has been particularly active in the Busan conference (with Indonesia, Colombia and Mexico), and is seeking to fulfil the role of a bridge-builder in development cooperation as it has in the BASIC climate change negotiations. Nevertheless, questions continue to be raised on the future of South Africa as the 'big power of Africa'. Kornegay went on to raise the question of synergy, or the interaction between SSC, with the overlapping sphere of emerging powers including IBSA, BRICS and the third grouping of BASIC with its climate change agenda development cooperation implications.

Pictured from left to right: Dr Lesley Masters, Ms Megan Gleason-Roberts, Mr Francis Kornegay, Dr Annalisa Prizzon

In respect of the IBSA Trust Fund and coordination, Francis Kornegay highlighted the question of whether SSC should be coordinated within the DAC or existing ODA structure. The small-scale project funding of IBSA, which symbolises how IBSA trilateral cooperation reflects SSC, is being overshadowed by the prospective BRICS development bank. He also went on to remind participants that while IBSA countries cooperated within the trilateral relationship, each country has continued to pursue its own development cooperation strategies.

The importance of SSC as a 'policy space' for developing countries and in wider development cooperation was brought to the fore, including the SSC and the Nairobi Outcome Principles as inclusive of emerging economies as well as LDCs. In this respect equity is important; governments should be negotiating as 'peers' and horizontally (as opposed to top-down). The idea of development finance institutions (DFIs) was raised at the Fourth BRICS summit (in India), with the result of introducing another layer into the development diplomacy question.

As the tenth anniversary of the IBSA Trust Fund approaches, there is a need to review the challenges and successes in implementation as well as a future evaluation and impact assessment. A key question here is whether IBSA principles will be transferred to a BRICS Development Bank? Other key points raised in starting the discussion included the continued tension between conditionality and non-conditionality and on the possible expansion of the BRICS grouping, with Russia proposing the inclusion of an 'Islamic state' (probably Indonesia) within the BRICS and whether this would then 'dilute' the group. Finally, the importance of the MDGs was raised and the impact of development cooperation in helping or hindering their achievement.

SUMMARY OF THE DISCUSSION SESSIONS

Pictured from left to right: Dr Lesley Masters, Ms Megan Gleason-Roberts, Mr Francis Kornegay, Ms Ines Tofalo, Dr Annalisa Prizzon, Dr Sheldon Moulton, Dr Siphamandla Zondi

Key points from discussion session 1

In the first discussion session that followed the presentation a number of key points emerged. Firstly, against the context of the Rio+20 negotiations (UN Conference on Sustainable Development), it was noted that in terms of the post-2015 development agenda there is agreement on the need to address poverty, inequality and socio-economic issues but it becomes increasingly complicated when it comes to unpacking these issue areas and determining the action that should be taken. Here there is a division between the geo-political North and South, with the South more cautious in pursuing the sustainability agenda as it is argued that issues such as the green agenda could promote new conditionalities. Developing countries call for a balanced approach to sustainability which includes a focus on all three elements of sustainable development (environment, social and economic). In terms of sustainability it was highlighted that South Africa has its own strategy and policy on green growth.

A further point was made on the relationship between the Busan process and South-South cooperation, which is not clear-cut. While some developing countries, and even emerging economies, cooperate with the Busan process, others remain opposed to it. Even the BRICS do not have a consensus on this. This murky situation affects the agenda of the fragile states, whose interests seem to be put at risk by a few states in the G77. Indeed, it was pointed out that not all G77 members have signed the outcome of the Busan process. A compromise was only reached because provision was made for emerging economies to subscribe to the principles on a 'voluntary' basis. The reason is that some emerging countries see Busan as a disguise for old donors to 'spy' on or control their activities in places like Africa, where there is growing competition between emerging and advanced economies. Nevertheless it was also argued that Busan is evolving towards a more inclusive framework, despite resistance from the G77 and a lack of consensus among the BRICS countries. The UNDP's special unit for South-South cooperation engages with the OECD. However, some members of the G77 are opposed to the Busan process because it does not originate from the UN system and as such, it should not regulate South-South cooperation.

The discussions indicated that the annual reviews of the MDGs could contribute to convergence and bring the post-2015 debate to the UN General Assembly. However, South Africa believes that what is key at the moment is for all parties to recommit to achieving the MDGs before focusing on the post-2015 debate in a coherent and integrated approach. This is particularly important given the many 'mini-laterals' currently going on around the issue. It was noted that the global environment has not changed much, and the MDGs were never aimed at being the perfect development tool; however, they are useful to Africa as the continent might have been worse off without the MDGs. The discussion also highlighted that while the MDGs provided a means to galvanise people around critical issues, they were not meant as development targets but as a framework. A well-defined national development plan is therefore crucial. South Africa had already drafted a development plan prior to the MDGs, taking into account national circumstances.

A further point was raised on how the MDGs have bound governments on using national budgets. For example, in South Africa 58% of the budget goes to social services, with very little results. This also raises the problem of quantity-oriented targets which do not focus on quality. The UN Secretary General has announced that there has been progress on the MDGs, but on Goal 8 (global partnership) there has been regression. It is only Sweden, Norway, and Denmark that have met the 0.7% GDP development assistance target. There are now records of several countries that are cutting back.

The importance of the southern Africa region in productive systems and pursuing socio-economic development objectives was highlighted during the discussion. A holistic approach is needed including areas such as infrastructure. There is a need to start approaching development assistance from a regional perspective and not the narrow national perspective. For example, in the SACU sub-region, due to donor involvement, each state has its own customs system that does not talk to those of neighbouring states. In most cases, country processes are unsustainable.

Questions were raised on the role of the tripartite grouping of IBSA (India, Brazil and South Africa), given the high-level discussions at the Durban BRICS Summit (March 2013). There was concern that the BRICS would overshadow IBSA, particularly as the IBSA fund was relatively small, receiving only $1m a year from each of the member countries. It was, however, argued that to some extent BRICS has revitalised IBSA. IBSA may be small but it is significant. This is particularly so in terms of its political and strategic value, with emerging countries leading by example. IBSA is intended to 'add muscle' to the South rather than compete with other mechanisms. In terms of the evaluation of the IBSA fund in its impact in supporting development initiatives, it was pointed out that when it comes to the evaluation of development assistance/cooperation there needs to be an awareness in not setting up 'North evaluations', but to take into account evaluation criteria for South-South cooperation (SSC).

A point was raised on the role of the IBSA Fund as an example of the lessons that could be learnt from its operations and how this could be captured and built on as policy content for the development community more generally. It is expected that that the tenth anniversary of IBSA would be used to review the Trust Fund.

In terms of South Africa's own capacity to address development cooperation it was noted that the DIRCO currently does not have specific development practitioners, but that the South Africa Development Partnership Agency (SADPA) would assume responsibility for overseeing the IBSA Trust Fund on behalf of South Africa. There are also plans to take the IBSA Fund to the UN General Assembly to showcase lessons learnt in the interest of South-South cooperation. Permanent representatives of IBSA countries in New York, who also serve as the board of directors of the IBSA Fund, often carry the lessons learnt from the operations of the Fund to the different UN processes and committees in which they participate.

On comments concerning the role of the UN in development, it was noted that the UN platform for development is still important as the UN has the greatest legitimacy internationally, but this does not preclude other platforms from the development agenda, for example the G20 has acted as a catalyst on questions of governance and quota reform on the IMF. It is important to look at using the relative strengths of forums where the country is participating to achieve common objectives. Indeed, while questions of governance and quota reform in the IMF may have been defeated in the IMF board, the will and gravitas that comes from the G20 can have an impact in maintaining the importance of the reform agenda.

In addition to the role of non-DAC countries in a transitioning development cooperation landscape, the role of philanthropic 'aid' flows was highlighted. This is still something of a black box since it is still in an embryonic state. The session also noted that the big foundations do not cooperate directly with government, but this possibility should not be excluded. In middle-income countries like South Africa, the private sector alone provides aid that is equal to Official Development Assistance (ODA). Continued development cooperation and donor assistance is particularly important for fragile states who still depend on it to a large degree.

On the issue of tied aid it was noted that in case studies conducted among developing countries this was not perceived as a problem in terms of aid effectiveness. Aid conditionality, however, has a negative connotation because of its attribution to the policies of Western liberal democracies. Whether conditionality is desirable in the context of South-South cooperation, to advance certain noble norms, was raised in the discussion. It was set out that there is a need to consider what is at stake for the receiving country. MDG funding with conditionality has been known to work well. There is also a need to distinguish non-conditionality from disregard for human rights. The IBSA Fund, for example, has some mechanisms which try to address this issue rationally and constructively. It was highlighted that when it comes to South-South cooperation the rejection of 'conditionality' was a metaphor for the rejection of the West, but there is always going to be an element of conditionality when it comes to investment.

The role of domestic resource mobilisation (DRM), as part of the SADPA Fund Bill, was raised and it was noted that DRM has been on the agenda of both the G8 and the G20. However, it is essential not to limit the focus to taxes, but to also include wider domestic resource mobilisation issues such as tax avoidance, illicit flows, transfer pricing, as well as the utilisation of local expertise. Taxation is important for low income countries but ODA is still very important.

Key points from discussion session 2

The discussion session started by noting that there is something of a misconception about the role of the global South in Busan and the aid effectiveness agenda. It was pointed out that there is not a uniform bloc or opinion within the South on these issues. South Africa has its own approach towards development cooperation and continues to engage in development cooperation negotiations, while other developing countries, such as Mexico and Turkey, are already part of the OECD. Those that have been vocal in voicing opposition to the Busan process on aid effectiveness have been China, India and Brazil. In contrast, South Africa is supportive, chairing some of the Busan meetings. The African agenda still remains South Africa's primary focus within these discussions. Here the role of the regional organisations was highlighted, noting that these need to be empowered and strengthened. Mechanisms around NEPAD, the AU Peace and Security Council and the regional economic communities (RECs) would have to relate to other regions of the world, creating a global framework. The problem is that the AU is not a single entity. The AU is set up around regional pillars, and one of those does not function. The strengthening of the AU was highlighted as critical in allowing the organisation to address stability and socio-economic development on the continent.

On the issue of whether there is a prospect for no agreement on 'no targets' for the MDGs, it was argued that everything is on the table through the inclusive negotiation process. The power of the MDGs was to have a clear set of goals, which meant that a lot of issues were left out that would have made an agreement impossible. There is a likelihood that some agreement on the post-MDG development agenda will be reached, but this will leave out areas such as conflict where there is little consensus. In terms of Africa, there is a need to bring the AU into the equation, with its structures playing an important role in the proposed stabilisation agenda. The AU, however, needs to be strengthened. Most states are aware of the risks of not reaching an agreement following the MDGs.

There was some speculation that the BRICS Development Bank, discussed at the Durban Summit, may be located in South Africa or in Shanghai, although this remained conjecture. Pravin Gordhan has indicated that there is a strong case for South Africa to act as host as the country has a top-class banking system, and the only convertible currency among the BRICS. In addition, development projects tend to be located mainly in Africa and India. The role of the Shanghai Development Cooperation Bank was also raised and it was noted that this deals primarily with infrastructure in central Asia.

The discussion on the OECD highlighted a distinction between two philosophies, one on international finance and investment, and the other on development assistance. It was noted that South Africa's emphasis would likely be more on development investment that promotes development integration (infrastructure), in regions such as COMESA, EAC and the North-South Corridor.

In terms of implementation, when it comes to the Busan process it was highlighted that the aim was to have a global consensus to fill gaps in making sure that development effectiveness discussions really reflected what is happening on the ground. The discussion turned to the role of the new emerging powers in Busan as well as the role of these actors in Africa. It was highlighted that the new 'donors' still have a fairly small presence in Africa. In terms of South Africa's future role on the continent, it was noted that other states such as Nigeria, Angola and Egypt (after their political crisis), were growing in terms of their economic presence on the continent and that these could assume a greater role (or even replace) South Africa on the G20. It was, however, pointed out that South Africa is still a 'big power' in Africa despite what is being said in the media, and the notion that the US was in decline and that China was on the rise, was also a question of relative decline. It was also highlighted that there is more to questions of development than merely GDP and the size of the economy. Chine will remain a semi-developing economy long after it overtakes the US in terms of economic size. In addition, it is still going to be a while before Nigeria catches up to South Africa in terms of its economy, but this will be good for both Nigeria and Africa as a whole to see growing momentum.

The problem of the fragmentation of the South and competing positions was raised. The EU and US have negotiated a free trade agreement and have earmarked Africa as an export market, although China has already been actively engaging with Africa on trade. It was indicated that the internationalisation of China's currency is more within a framework of supplementing areas where China is heavily invested. So far the dollar remains the international currency, but this could be replaced by a basket of currencies along with the SDR that needs to be negotiated between BRICS and the G7. A BRICS-G7 dialogue would also need to address the role of World Trade Organisation (WTO). If transatlantic trade and investment gets off the ground with the transpacific partnership (Japan), the concern is that this may altogether bypass the WTO. It was, however, argued that the East and South are still not in a position to assume what has been shifted to them. In the immediate future there is going to have to be a power sharing negotiations, so caution was raised that within the WTO the US and EU may re-direct emerging and developing countries, with the US in an even stronger position given where Europe is as a result of the international financial crisis.

In light of the recent BRICS summit held in Durban, the question of the outcomes of the academic forum was raised, with a particular emphasis on what the interests of Russia are in Africa, and their role in development assistance. It was also queried whether there was not an opportunity for the BRICS to take the initiative in creating their own development platform. It was indicated that Russia was often on the periphery of these discussions, but as they were currently in the process of trying to join the OECD and are setting up their own aid agency, they may become increasingly involved.

There are also a number of academics in Russia that have a particular interest in Africa. The final resolution that came out of academic forum talked about deeper cooperation between the BRICS and the AU in terms of development, although this was opposed by the Indian delegation to the forum, who did not want to be encumbered by a multilateral structure.

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Multilateral Development Cooperation:

What does it mean for South Africa's foreign policy?

15 March 2013

Leriba Hotel & Spa, 245 End Ave,

Clubview, Centurion

Programme

09:30 **Welcome**
Dr Siphamandla Zondi, *Director, Institute for Global Dialogue*

09:40 **Opening Address**
Dr Sheldon Moulton, *Acting Chief Director: Economic and Social Affairs, Department of International Relations and Cooperation*

Session 1: International Development Cooperation in Transition

This session will assess the current dynamics in development partnerships looking at continuity and change in Northern 'aid' to Southern 'development partnerships'. It will also give consideration to the challenge of coordination between existing donor funds and new emerging development partners.

Facilitator: *Dr Siphamandla Zondi (IGD)*

10:00 – 10:20 **Development cooperation in transition: Who foots the bill after the MDGs?**
Speaker: Dr Annalisa Prizzon, *Overseas Development Institute (ODI)*

10:20 - 10:40 **South-South Cooperation Principles in Practice: The IBSA Fund Experience**
Speaker: Mr Francisco Simplicio, *United Nations Development Programme (UNDP)*

11:40 – 12:30 **Strategic thinking session – assessing the pitfalls, challenges, engagement options for South Africa in the changing development cooperation landscape**

12:30 -13:30 **LUNCH**

Session 2: Managing Multilateral Development Cooperation

This session will consider the challenge of implementation when it comes to international development cooperation through assessing the evolution of development cooperation in the geo-political North and South and the institutions that have evolved to address this.

Facilitator*: Dr Lesley Masters (IGD)*

13:30 – 13:50 **Multilateral Development Cooperation in the North: A transitioning OECD- DAC and 'aid effectiveness'?**
Speaker: Ms Megan Gleason-Roberts, *Center on International Cooperation (CIC)*

13:50 – 14:10 **From the IBSA Fund to a BRICS development bank?**
Speaker: Mr Francis Kornegay, *Institute for Global Dialogue (IGD)*

14:10 – 15:00 **Strategic thinking session – assessing the pitfalls, challenges, engagement options for South Africa's diplomacy and foreign policy principles and priorities.**

15:00 **Feed-back from sessions and closure**

This workshop was made possible through the support of the Department for International Development (DFID), UK

ABOUT THE INSTITUTE FOR GLOBAL DIALOGUE

The IGD is an independent foreign policy and international diplomacy think tank dedicated to the analysis of and dialogue on the evolving international political and economic environment, and the role of Africa and South Africa. It advances a balanced, relevant and policy-oriented analysis, debate and documentation of South Africa's role in international relations and diplomacy.

The IGD was initially established in 1995 as the Foundation for Global Dialogue after several years of effort led by the former South African president, Nelson Mandela, in his capacity as the president of the African National Congress. He and his team of leaders saw a need for a research organization that would facilitate the new South Africa's engagement with the changing global order after 1994. This was a period in which three vectors of change coincided: the tectonic shift in global power politics after the collapse of the Soviet Union; the wave of democratization that hit Africa and South America; and the near miraculous transition from apartheid to democracy in South Africa. The initial funding came from the German government and went towards establishing the Foundation's competitive edge, a combination of policy-oriented research, catalytic dialogue, tailor-made publications and grant-making for NGOs interested in international relations.

The IGD's research agenda has three broad programmatic focus areas: foreign policy analysis with special reference to the making and management of foreign policy and diplomatic tools like economic, developmental, and public diplomacy; African studies focusing on the role of regional and continental integration in African politics and development as well as the study of peace diplomacy; and international diplomacy, analysing dynamics in international diplomacy that have a bearing on African peace and prosperity.

Mission: The IGD strives for a prosperous and peaceful Africa in a progressive global order through cutting edge policy research and analysis, catalytic dialogue and stakeholder interface on global dynamics that have an impact on South Africa and Africa.

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