

South-South cooperation in Africa and Asia-Pacific

1 South-South cooperation in Africa

Africa is the main destination of SSC flows from Arab donors and China. Arab donors have a much established presence in Africa, especially in Arab countries in Northern Africa, compared to other donors. China has been providing aid to African countries since the 1950s, but its expanding operations in the continent in the context of Chinese and African growth is of a more recent vintage. African countries are also among the main recipients of Indian and Brazilian SSC. India and Brazil have a smaller presence in the continent, but their assistance is increasing and gaining attention of late. Bolivia, Cuba, Malaysia and Thailand also provide SSC to the region, but in scales that are relatively very small (UNCTAD, 2010).

Some of the SSC providers, particularly with China and India, have established forums and dialogue platforms and are generally supported by high-level official visits. These forums have been venues for African countries and SSC providers to agree on areas of cooperation. The triennial Forum on China and African Cooperation (FOCAC), launched in 2000, has become the platform for dialogue between African countries and China. The meetings are mostly at the ministerial level, although they are often attended by heads of state and government. The latest FOCAC Ministerial Conference was held in Beijing in July 2012. China uses FOCAC as a platform for making commitments to the region. During the 5th FOCAC Summit in July 2012, China announced \$20 billion in credit lines over three years to African countries support mainly the development of infrastructure, agriculture, manufacturing, and development of small and medium-sized enterprises. India meanwhile launched the triennial India-Africa Forum in 2008. In the 2nd India-Africa Forum Summit in 2011, India pledged to extend \$5.4 billion in lines of credit to African countries until 2014.

**Table 6: Official flows to African countries by main Southern providers
(from various sources)**

Country	Value and year(s)	Form of assistance	Source and note
Saudi Arabia	US\$ 46.98 million (2013)	ODA	<i>Represents disbursements. OECD (2014)</i>
Kuwait	US\$ 118.63 million (2012)	ODA	
UAE	US\$ 183.83 million (2012)	ODA	

China	US\$ 9.8 billion (2010)	“Official flows”	<i>Strange et al (2013) and AidData. Data represents value of committed, implemented, and completed projects for the year; see source for methodology.</i>
	US\$ 20 billion (2013-15)	Pledged lines of credit	<i>Beijing Action Plan (2013-15) of 5th FOCAC</i>
India	US\$ 50 million (2013-14) US\$ 304 million (2012-13)	Grants Lines of credit	<i>IDCR (2014b) using government annual reports</i>
	US\$ 5 billion (2012-14)	Pledged lines of credit	<i>Various news reports on 2011 India-Africa Forum Summit</i>
Brazil	R\$ 10.2 million (2005-09) R\$ 64.8 million (2005-09)	Humanitarian assistance Technical cooperation	<i>IPEA (2011). Figures are cumulative values.</i>
<i>Note: R\$ = Brazilian reals; OOF = Other official flows</i>			

The absence of comparable data means an aggregate figure for the magnitude of SSC in Africa cannot be arrived at. Data from various available sources (see **Table 6**) suggest that Arab donors and China are indeed the largest providers of SSC in the African continent. The data also suggests that loans are a significantly larger form of assistance than grants. The degree of concessionality of these loans is generally not known.

With respect to the geographic and sectoral distribution of SSC, some broad patterns stand out. Arab donors tend to provide aid to Arab and North African countries, and Brazil focuses on Lusophone countries. Chinese assistance is often said to concentrate on resource-rich countries such as Angola, Nigeria, and Sudan (UNCTAD, 2010). Among all SSC providers, there is a pronounced focus on the so-called hard sectors (infrastructure, agriculture, energy) rather than social sectors (see **Table 7**).

Table 7: Major recipients and sectoral focus of SSC in Africa (2008)

Country	Recipients	Sectoral focus
China	Resource-rich countries (e.g. Angola, Democratic Republic of Congo, Nigeria, Sudan and Zambia) are the main beneficiaries. However most countries in the region receive support from China.	Infrastructure, agriculture, industry, health and education
Brazil	Angola, Cape Verde, Guinea-Bissau, Mozambique and Sao Tome and Principe account for 74% of Brazilian resource allocation for technical cooperation projects in Africa.	Agriculture, livestock, environment, energy, health, education, culture, urban development, professional training and information technology
India	Nigeria and Sudan are key recipients of infrastructure finance. Burkina Faso, Chad, Côte d'Ivoire, Equatorial Guinea, Ghana, Guinea-Bissau, Mali and Senegal are beneficiaries of the \$500 million concessional credit provided by India under the Techno-Economic Approach for Africa-India Movement Initiative.	Agriculture, infrastructure and energy, ICT, SMEs, human resources and institutional capacity development
Arab countries	Egypt (\$104 million), Sudan (\$83 million), Morocco (\$78 million), Senegal (\$36 million), Mauritania (\$20 million), Djibouti (\$9 million) and Cameroon (\$9 million). These countries accounted for 99% of Arab countries' aid to Africa in 2008.	Transportation and telecommunication, energy, agriculture, industry and water

Source: Adapted from UNCTAD (2010)

2 South-South cooperation in Asia-Pacific

South Asia

India's South Asian neighbors are the main destination of Indian assistance. Out of a total of US\$6 billion in loans and grants that the Indian government has provided as development assistance from 2000 to 2013, Bhutan received nearly 49%, Afghanistan 8%, Maldives about 3%, Nepal about 6%, Sri Lanka 5% and Bangladesh 4% (IDCR, 2014b).

In Bhutan, assistance received from India is larger than that from DAC donors. Between 2006 and 2013, India provided the country grants amounting US\$2.82 billion, compared to US\$ 750 million from DAC donors during the same period (IDCR, 2014b). India fully funded Bhutan's first five-year plan (1961-66) and

continued to be an important contributor to each one since. Bhutan is a unique case in that its economy remains highly dependent on India; India accounts for 75% of its export trade. Below is a quick summary of Indian SSC to selected South Asian countries.

Table 8: Summary of Indian assistance to South Asian countries		
Recipient country	Main forms of assistance	Sectoral focus
Afghanistan	Grants, including humanitarian assistance	Infrastructure, government and administration, food
Bangladesh	Training, grants, loans, lines of credit	
Bhutan	Grants and loans	Infrastructure, agriculture, energy, education, health
Maldives	Grants, loans, lines of credit	Health, civil society development, infrastructure, disaster relief, telecommunication
Sri Lanka	Grants, lines of credit, training and scholarships	Infrastructure reconstruction, water resource development, housing, health
<i>Source: IDCR (2014b)</i>		

China also provides assistance to some South Asian countries. It is not known how much aid China gives the South Asian region in general.

Box 3: Chinese official flows to Nepal and Pakistan from media sources
Nepal Chinese Premier Wen Jiabao in his January 2012 visit to Nepal announced US\$ 119 million in economic and technical assistance to the country. In the visit Nepalese and Chinese officials signed eight agreements on infrastructure development, which includes upgrading and expansion of existing Ring Road of Kathmandu and the construction of Pokhara

International Airport. The two sides also agreed to deepen cooperation on border management and law-enforcement capacity-building in order to uphold peace and stability of China-Nepal border areas. Nepal renewed its commitment to one-China policy while re-affirming that it will not allow anti-China activities on its soil.

Pakistan

Various reports say that Pakistan will receive a \$6.5 billion loan from China for the construction of twin nuclear power stations in Karachi. It is reported to be largest Chinese financing deal for a single project in the country. The Karachi facilities will add 15% to Pakistan's energy generation capacity. China EximBank will provide the loan to be repaid over 20 years. Pakistan is reportedly the first country in which the Chinese are building nuclear power plants.

Sources: Nepal: Phayul (2012); Pakistan: Bokhari & Crabtree (2014)

Southeast Asia

China, India and Thailand are some of the main SSC providers to Southeast Asian countries. China's large infrastructure deals with Myanmar, Cambodia and Laos have received the greatest attention. Assistance from the Thailand International Cooperation Agency (TICA) comes mainly in the form of technical cooperation. From 2005 to 2011, 55% of Thai aid flows to the CLMV (Cambodia, Laos, Myanmar and Vietnam) countries and 6% to the rest of Southeast Asia (TICA, 2013). Less information is available about SSC efforts from Malaysia and Indonesia.

Table 9: Examples of SSC flows to Southeast Asian countries

Country	Project	Value/form	Sector
India			
Myanmar	Kaladan Multi-Modal Transit Facility	US\$ 110 million	Infrastructure
Vietnam	PARAM supercomputing facility	INR 130 million	ICT
	Vietnam-India Advanced Resource Center in ICT	US\$ 2 million	ICT
Thailand			
Cambodia	Cambodian-Thai Skill Development Center project	Technical assistance	Labor

Laos	Agriculture and Forest Development Project at Phone Hong District	Technical assistance	Agriculture
Myanmar	Development for Thai Language Teaching Curriculum at Yangon University of Foreign Language	Technical assistance	Education
Vietnam	Thai Language Development Center	Technical assistance	Education
China			
Cambodia	US\$ 528 million in loans and grants (pledged in 2011)		Infrastructure
Laos	US\$ 81 million in loans and grants (agreed in 2013)		Not stated
<i>Sources: Indian aid: IDCR (2014b); Thai aid: TICA (2013); Chinese aid: Cambodia: Reuters (2013); Laos: Vientiane Times (2013)</i> <i>Note: INR = Indian rupees</i>			

Pacific

China is the largest Southern donor to Pacific developing countries. Countries that have diplomatic ties with, and receive aid from, Beijing are Micronesia, Fiji, Papua New Guinea, Samoa, Tonga and Vanuatu. In 2009, China's pledged aid to these countries plus the Cook Islands a total of US\$ 209.82 million, making it the third largest donor to the region that year, behind Australia and the United States, and ahead of Japan and New Zealand (Hanson & Fifita, 2011). Most of the financing provided from 2005 to 2009 has been in the form of soft loans and devoted to infrastructure projects. During the 2nd China-Pacific Islands Countries Economic Development and Cooperation Forum in 2013, China announced US\$ 1 billion in concessional finance and another US\$ 1 billion in non-concessional finance from the China Development Bank.

India is also a provider in the region but in a smaller scale. Between 2005 and 2012, Indian development assistance to this region totaled over US\$ 50 million in the form of lines of credit and over US\$ 11 million in grants (IDCR, 2014a). Some sectors that India focuses on are renewable energy, information technology and education.

Box 4: Chinese assistance to Pacific developing countries

Excerpt from "China makes splashes in the Pacific," *Island Business*, June 2013

At a time when traditional donors appear fed up with Pacific governments largely seen as creator of economic mismanagement, China has picked up the pieces and is offering never-to-be-refused financial packages....

In the last seven years for example, Beijing has provided tangible projects in Forum Islands Countries that it has diplomatic relations with. It has offered in-kind support, grants and soft loans.

In Samoa for example, a new state-of-the-art hospital would be officially handed over to the Tuilaepa government in September. The cost of that single project alone is expected to exceed US\$100 million when it is completed.

At the same time, it has built a huge office complex for the Prime Minister's Office right in the heart of Apia. Work has begun on an even larger office complex...

[Tonga] will this year take delivery of two 50-seater aircraft for its domestic routes. Depending on its success, the Nuku'alofa government is planning to obtain two larger additional aircraft, possibly under a soft loan, for the kingdom's regional network.

Recently, the PNG government incurred the ire of the traditional donors when it borrowed US\$500 million in soft loans. This was part of the US\$2 billion soft loan facility China announced in 2006.

This year, the Peter O'Neill Government has just concluded a US\$6 billion soft loan negotiations to develop PNG's highways and other support infrastructure. By the time you are reading this article, PNG officials along with representatives from engineering firms vying for the project would be arriving in Beijing to sign on the dotted line so that work can start....

In nearby Vanuatu, the Chinese government has done even more. Apart from providing two passenger aircraft for the Francophone nation's domestic airline, Beijing also lent the Port Vila government two loans totalling about US\$60 million.

Proceeds from these loans were used to build the USP Campus in Port Vila and the Parliament House, also in the capital. But Beijing went an extra mile. It forgave both loans, according to Vanuatu officials.

Source: Sasako (2013)

4 Issues in South-South cooperation

Ownership

South-South cooperation efforts by the so-called emerging donors are packaged heavily in the language of respect for sovereignty and non-interference. These features are important conditions for country ownership. Broadly, ownership requires (1) that recipient countries' own needs and priorities drive the development partnership (the provision of aid) and (2) that these priorities and policies have support and legitimacy not only within government but also with other stakeholders such as CSOs.

Government ownership

Available literature – which is almost overwhelmingly about Chinese assistance – is generally supportive of the claim that SSC efforts are respectful at least of *government* ownership.

Firstly, Southern providers do not attach explicit economic policy and governance reform conditions to the receipt of their assistance. There are, however, foreign policy conditions or pressures, especially from the large Southern providers. China requires recipients to observe its One China policy. Brazil and India, meanwhile, are said to be using aid to gain support from countries for their bid to gain permanent seats in the UN Security Council (Kragelund, 2010).

Southern assistance is also request-based. Southern donors respond directly to official requests by the recipient country as articulated in high level meetings or submitted to specific donor agencies. India's ITEC for instance responds to applications for assistance submitted by partner countries (ITEC, n.d.). In China's case, the most common approach for identifying projects for funding is

to negotiate an Economic and Technical Cooperation Agreement [with the Ministry of Commerce] or a Framework Agreement [with China EximBank] which involves a grant, or a line of credit with specific terms. Each project financed out of the line of credit will have a separate loan agreement. The Chinese and the [recipient] government sit down together and negotiate a list of development infrastructure projects that will be financed out of the agreement and (usually) built by Chinese companies (Brautigam, 2011b).

The Chinese also do not have “country assistance strategies”, which is common for Northern donors to have (Brautigam, 2011a). These strategies often reflect donor rather than partner priorities. Brautigam (2011b) says that the Chinese have “neither the expertise, nor the inclination, nor the personnel to engage in development strategy planning or write country assistance strategies, for any of the countries where they engage.” Southern donors' more direct request-based approach stands in contrast to the aid effectiveness tradition's emphasis on country development strategy documents that are linked to expenditure frameworks and budgets as anchors of partner country ownership (Park, 2010).

Furthermore, the delivery of Southern assistance predominantly as completed projects rather than program-based or budget support means Southern donors do not possess the leverage, as Northern donors do, to demand conditions or influence expenditure or policy choices of the recipient government.

Southern donors' demand-driven approach presents partner countries an opportunity to match funding for projects according to their development plans or strategies. The *2011 African Economic Outlook (AEO)* says that Namibia's engagement strategy is formalized and the assistance provided by emerging partners is integrated into the national development plan (AfDB et al., 2011). Similarly Cameroon's engagement strategy with emerging partners is framed within the country's development vision for 2035.

There are concerns, however, that officials are taking advantage of emerging donors' deep pockets and flexibility to recipient demands to request funding for projects that are highly visible and popular among voters but have questionable viability in the long run. The Chinese for instance have built numerous stadiums in African and other partner countries funded by grants or soft loans. Some of the newly constructed stadiums are facing deterioration and neglect, suggesting that maintenance costs were not properly considered. Brautigam (2009) gives an account of a requested stadium project in Sierra Leone the Chinese initially expressed aversion to – mindful that their aid might have better uses – but then eventually agreed funding at the host government's insistence. Apart from sports stadiums, other prestige projects that China and other Southern providers have funded include conference facilities, government buildings and presidential residences. It appears that when the political motivations for providing development are strong, the more likely it is that the donor is to fund prestige projects regardless of development priorities (UN ECOSOC, 2008).

Southern providers' approach to alignment with country systems also contrasts with that of traditional donors. DAC donors have shifted from project to program aid and encourage its ranks to use partner country systems and procedures. Although program aid and budget support are also used, the bulk of Southern donors' assistance come as project assistance. Funding for projects tends to be disbursed via direct payments to contractors rather than channeled to the recipient government. Turnkey projects are implemented largely independent of the host government. Recipient countries find this method attractive as it is procedurally simple, less bureaucratic, and promotes faster project turnaround. However, though this encourages speedier completion, recipient governments may not always be informed that transactions have occurred, hampering their monitoring of debt and aid flows (UN ECOSOC, 2009). Furthermore, there is a risk that, as well as project quality, country procedures and policies (including human rights and environmental standards) are being compromised in order to achieve fast project completion (Reality of Aid, 2010).

Finally, Southern providers appear to be increasing policy space in countries where they have significant presence, especially those are perceived to be strategically important politically or economically (e.g. resource-rich countries). This can be gathered from a recent research by Greenhill et al. (2013) which consisted of case studies in three countries (Ethiopia, Cambodia and Zambia) that receive sizeable inflows from non-traditional donors. All three countries were found to highly value ownership, alignment and speed, and – especially Cambodia and Ethiopia – are increasingly being assertive with donors. In Ethiopia, according to the authors, “interview evidence suggested that non-DACs were ... valued because they did not challenge or question the fundamentals of the government's economic strategy, which is quite heterodox when compared with the usual policy prescriptions of traditional donors” (Greenhill et al., 2013).

Non-DAC donors were also found to be “better aligned with government priorities because of their focus on infrastructure, energy and growth-promoting sectors.” Furthermore, the authors observe that the existence of new donors have allowed Cambodia and Ethiopia to increase their bargaining power vis-à-vis traditional donors. For example, Ethiopia has rejected concessional loans from traditional donors that came with cumbersome procedures, and instead took on loans from non-traditional donors that, though less concessional, were disbursed more speedily (Greenhill et al., 2013).

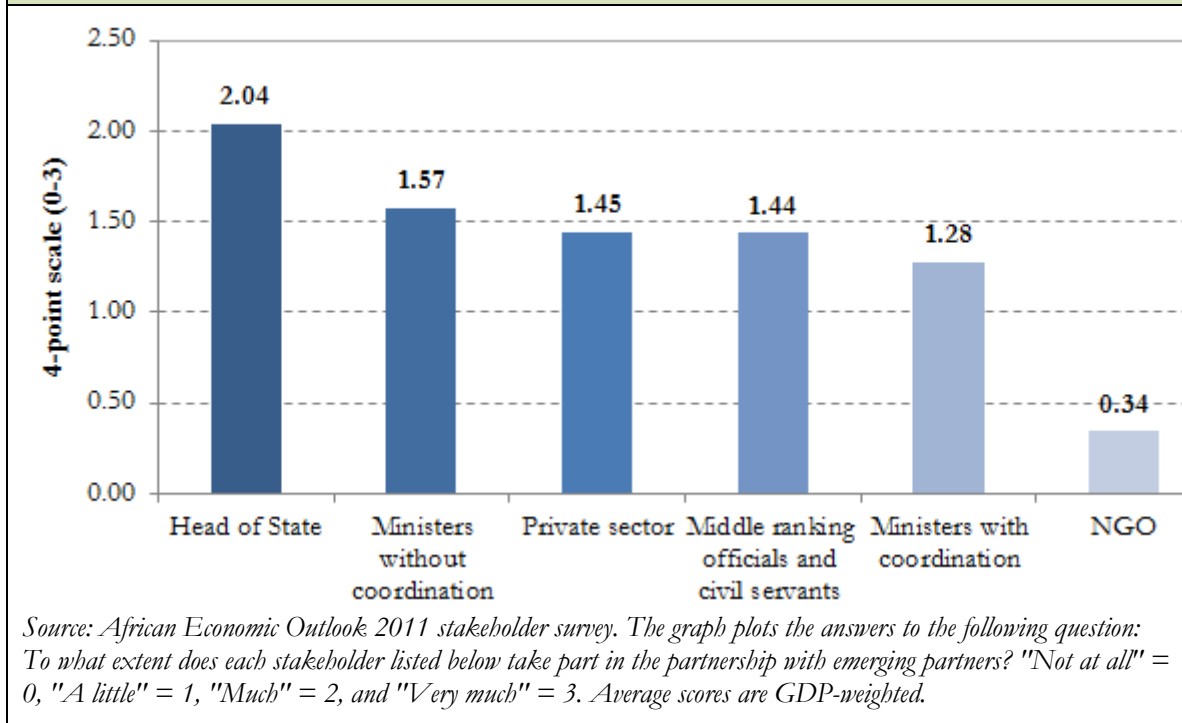
Democratic ownership and civil society participation

Country ownership is democratic when the control that the recipient government exercises over its chosen policies is rooted in the participation of, and accountability to, stakeholders and citizens who are the intended beneficiaries of development. Democratic ownership ensures that the thrusts and outcomes of development policies are pro-poor and human rights-adherent. CSO involvement in the development process is an important component of democratic ownership. Paragraph 22 of the Busan Partnership agreement acknowledged CSOs as essential development actors in their own right. CSOs play a crucial role in promoting government accountability and transparency, in representing the views of the poor and marginalized sectors, and in informing policymaking with specialized knowledge and experience in development.

While there is some evidence for government ownership, there is little to no evidence that CSOs are being systematically involved in SSC efforts. SSC appears very much to be a government-to-government affair. According to the 2011 AEO, emerging donors partnering with African countries “tend to give priority – and with it, ownership over development policies – to the president’s office rather than dealings with line ministries,” in contrast to “traditional partners [who] have generally dealt with ministers and high-level officials.” It adds that “[w]hile the Poverty Reduction Strategy Paper era started a process of decentralizing [government] ownership within African countries, the emerging partners may have initiated a reverse process towards centralization” (AfDB et al., 2011).

In a survey of stakeholders in 40 African countries conducted for the same report, respondents were asked to score the degree to which each of six listed stakeholders – among them, non-government organizations (NGOs) – took part in partnerships with emerging providers. NGOs are perceived to have very little involvement (see **Figure 2**).

Figure 2: Level of African stakeholder involvement in partnerships with emerging providers



This perception is echoed in the mapping exercises conducted by CPDE members. The author of the Africa mapping, for instance, observes that

[i]n the context of ownership, there seems to be a huge gap in the involvement of citizens through participatory planning, implementation and evaluation. The co-operation seems to focus largely on states. There is little emphasis on the promotion of citizen exchanges, promoting citizen based institutions or academic institutions. Citizens are seen as mere recipient and beneficiaries of development projects and programs of such co-operation (Meja, 2012).

The author of the Asia mapping meanwhile concludes that

[there is] very limited recognition of CSO participation in SSC among governments and sub-regional formations in the Asia and Middle East. SSC programs of most government agencies, for instance, limit the terms of development cooperation to intergovernmental cooperation ("Mapping of South-South Cooperation and Triangular Cooperation in Asia," 2012)

These views are consistent with those that emerged in a recent research for HIVA (Vaes & Huyse 2013), which sought the views of African CSO representatives from different organizations and countries on South-South cooperation in Africa using surveys, interviews and other methods. The authors note that

different analyses seems to agree that civil society is only by exception involved in the practice of emerging power's SSC (in contrast to private and state actors). Participating CSO

representatives confirm this impression. They characterise SSC as a state-to-state or exclusively bilateral affair and they can pinpoint very few CSO activities or initiatives with the aim of influencing SSC policy or practice (Vaes & Huyse, 2013).

The study's survey and interviews point to the limited knowledge of the participating CSOs and of civil society at large about the issue of emerging donors in Africa. Few CSOs are engaged systematically on SSC as part of their work, and few also indicated that they plan to begin or ramp up their involvement in SSC despite acknowledging that it is an important issue. CSO respondents believed that civil society has an important role to play in ensuring that SSC is better aligned with the needs and interest of African citizens, but cited the lack of transparency, information, and limited capacity for advocacy work as barriers to effective CSO engagement.

In many developing countries much has yet to be done to secure for CSOs institutionalized spaces for dialogue and policy influencing. The *2011 Reality of Aid Report*, for instance, found at the time only “a mixed experience with inclusive consultations and few fully inclusive multi-stakeholder bodies for development planning and monitoring” (Reality of Aid, 2011). Of the 32 developing countries examined through case studies, the report found only a few cases of sustained multi-stakeholder involvement in government national development planning directorates. Similarly, evidence collected for the 2013 synthesis by the CPDE Working Group on CSO Enabling Environment finds that inclusion of CSOs and other stakeholders within government bodies mandated to coordinate and/or monitor country development strategies remains the exception rather than the rule (CPDE Working Group on CSO Enabling Environment, 2013). CSOs in developing countries have a variety of relationships with their own governments, ranging from open or hidden tension to cooperation and collaboration (Tomlinson, 2013). How SSC providers engage CSOs in countries they partner with may to a large extent depend on how the governments themselves behave with respect to their CSO counterparts in the development process.

At the policy level, SSC providers at best passing reference to working with CSOs (Vaes, 2013). The 2012 Beijing Declaration of the 5th FOCAC ministerial conference, China and African countries committed to forge closer ties between their non-governmental organizations; however no mention is made about their role in development cooperation (Beijing Declaration, 2012). In the 2011 Addis Ababa Declaration of the 2nd India-Africa Summit, India and African partners express commitment to involve the private sector and civil society to widen the scope of their partnership, but does not elaborate how this is to be achieved (Addis Ababa Declaration, 2011).

The palpable lack of CSO participation and democratic ownership in SSC efforts, combined with clientelistic elite governance and bureaucratic corruption in many recipient countries could spell that the benefits of SSC end up not being widely shared, sustainable, or even pro-poor.

Tied aid

Aid from Arab donors is mostly untied, although this does vary across projects. The Arab Coordination Group follows competitive bidding procedures that allow for

local suppliers to participate. Preference is often on Middle Eastern or African sources, and bidding can be waived by mutual agreement (UN ECOSOC, 2008).

Outside the Arab donor group, the majority of SSC providers such as China and India substantially tie their aid. For turnkey projects, the donor country contracts home companies to implement the project rather than channel the funding to the partner government. Technical and emergency assistance are usually tied as well (which is also the case for Northern donors). Tied is criticized on several grounds, including limiting local spillover effects, raising unit costs, and in general reducing the effectiveness of aid.

It is argued that the higher costs associated with tied aid is less applicable to SSC providers, who have low capital and labor costs, operate faster, and follow simpler procedures. Technical cooperation by Southern contributors may not only be at lower cost, but also provide more appropriate technical skills and technologies compared to Northern donors (UN ECOSOC, 2008). However Southern aid can have less value for money when Southern contractors provide substandard supplies. Tied aid can also limit technology transfer when a project is implemented entirely by donor country personnel.

There are currently no conscious efforts by Southern providers to untie their aid. Tied aid has been a feature of Northern assistance for decades, but DAC donors in 2001 agreed to untie aid to Least Developed Countries (LDCs). In 2007, the share of bilateral ODA that was still tied for Italy was 36%, 33% for the US, and 30% for Spain (DAC, 2009).

In contrast to Northern donors, “emerging” donors view the tying of aid as legitimate, since their approach is one of development cooperation yielding mutual economic benefit rather than philanthropy (Park, 2010).

Debt sustainability

There have been concerns especially among Northern donors that lending by emerging donors is damaging debt sustainability and could trigger debt crises in borrowing African countries. Northern donors also complain that emerging donors are “free-riding” on increased space afforded by Northern-sponsored debt relief initiatives (Highly Indebted Poor Country Initiative and Multilateral Debt Relief Initiative) to highly indebted African countries. These worries are being fueled by the lack of transparency on lending by Southern donors.

So far these concerns do not appear to be well-founded. For instance, the *2011 AEO* reports not finding any rapid increase in debt levels due to borrowing from emerging donors (AfDB et al., 2011). Reisen and Nodye (2008) found little evidence of imprudent lending, as well as of free-riding, noting that the major beneficiaries of lending are non-HIPC resource rich countries (such as Angola, Nigeria and Sudan).

Reisen (2007) also says that China contributes positively to African countries' debt tolerance by stimulating exports, output growth and infrastructure investment.

Southern lenders have also granted large debt reductions to African debtors. In 2010, the Chinese government reported of having cancelled debts owed by 35 African countries amounting to 18.96 billion Yuan from 2000 to 2009 (Information Office of the State Council, PRC, 2010). Similarly, Brazil in 2013 announced the cancellation or restructuring of up to US\$ 870 million in debt owed by 12 African countries, including Congo, Tanzania and Zambia. Nevertheless the *2011 AEO* warns that relatively resource-poor and low-revenue countries taking on new lending can face significant debt sustainability risks.

The debt situation Tonga in the Pacific stands out. China reportedly owns 60% of Tonga's total external debt, which in 2012 stood at 40% of the country's GDP (IMF, 2013; Howard, 2013). The IMF says the country is at moderate risk of debt distress, and warns that its high level of Chinese-denominated debt exposes it to high foreign exchange risk (IMF, 2013). In Tonga and other countries such as Samoa and Vanuatu, high debt levels have prompted concerns that government revenues are increasingly being diverted to pay off loans from foreign lenders, including Southern donors. A report by the Pacific Institute for Public Policy (2013) suggests that high debt levels in the region is being driven by imprudent borrowing by public officials attracted by easy credit or the political gains that come with highly visible projects. Officials could also be taking on loans in the belief that they will eventually be forgiven.

Impact on human rights, democracy and good governance

There are concerns about the human rights implications of South-South cooperation in partner countries, especially those with poor human rights and democratic credentials. The first one relates to the direct impacts of projects backed by Southern official financing. Some of these projects are raising human rights and environmental red flags.

For instance, a trilateral project (backed by Brazil, Japan and Mozambique) called ProSavana, which aims to introduce Brazilian-developed high productivity agricultural models in Mozambique's Nacala Corridor, is facing opposition from local CSOs for concerns that it will spell dispossessions for small farmers practicing traditional agriculture in the region (Justiça Ambiental! et al., 2013; Verdade, 2014). Human Rights Watch (2011) has reported on poor working conditions, anti-union actions and other abuses faced by workers in four Chinese-run copper mining companies in Zambia. In Ethiopia, the construction of the Gibe III Dam – funded by the state-owned Industrial and Commercial Bank of China – threatens to impact communities along the Lower Omo Valley in Ethiopia and damage Lake Turkana in Kenya (International Rivers, 2013). Chinese official funding is known to have allowed dam projects to push through after initially failing to attract Western funding often due to adverse social and environmental impacts (Bosshard, 2008).

Furthermore, Southern providers' policy of non-interference is prompting concerns about its possible consequence on efforts to foster human rights, democracy and good governance in recipient countries. Some (e.g. Naim, 2007) hold the view that providing aid no questions asked amounts to supporting corrupt and authoritarian recipients in the South. According to this view, growing Southern aid-giving is affording corrupt and undemocratic governments the option to refuse assistance from Northern donors that insist on progress on human rights and good governance. This criticism is levelled especially against the big Southern lenders, e.g. China, Saudi Arabia and Venezuela.

The story, however, appears to be more nuanced. The premise that Northern institutions never deal with authoritarian and corrupt governments, and that Western conditionality is succeeding in promoting democracy and human rights, is highly questionable (e.g. Brautigam, 2009). In cases where tied assistance is paid directly to contractors, aid money never leaves the donor country, thus removing the opportunity for direct misappropriation – although kickbacks from contractors are still possible (Brautigam, 2009; Saidi & Wolf, 2011). Emerging donors partner with democratic governments as well as authoritarian ones (Berger et al., 2010). The *2011 AEO* observes no trend of general deterioration in governance and public goods delivery indicators¹ in African countries due to the presence of emerging partners in the region (AfDB et al., 2011). The picture seems to be that, in terms of fostering democracy and good governance, while emerging donors are not doing that much more harm than their Northern counterparts, they are also not making things better.

In HIVA's recent study (Vaes & Huyse., 2013), most African CSO respondents viewed Southern donors' "no-strings-attached" approach favorably. At the same time, they also expressed the same concerns stated above. CSOs have good reason to be worried: the space for civil society in many countries is closing (e.g. Reality of Aid, 2011). Southern donors, especially those aspiring for a more prominent role in global affairs, must take greater responsibility about the wider impacts of their assistance to other developing countries.

Transparency

For provider and recipient countries alike, complete and timely information on aid is necessary for increasing effectiveness, minimizing potential corruption and waste, and establishing accountability. For CSOs, it is a prerequisite for timely response and engagement. However, information about Southern providers' aid activities is scattered, irregular, incomplete and incomparable.

¹ Referring to the Mo Ibrahim Index, and the World Governance Indicators on (1) corruption and (2) regulatory quality for all 16 Sub-Saharan African countries defined by the IMF as hydrocarbon or mineral-rich. See AfDB et al. (2011).

Saudi Arabia, Kuwait, the UAE and Thailand report their aggregate data by recipient country and sector; only Kuwait and UAE however report project-level and sector-level data. Aid data from these countries are readily accessible to the public through the OECD website. Aid data from other SSC providers are less accessible. In 2011, China and Brazil each published reports² providing at best broad aggregate information about their foreign assistance; India has yet to follow suit. These reports however are lacking in annual, disaggregated data on country, sector, and modality distribution. To get a more complete picture, including annual data and country allocation, one will have to piece together information from various sources, e.g. the donor country's annual budget, ministry/agency reports, Exim bank reports, statistical yearbooks, etc. – no easy task even for donor country nationals.

One of the problems for improving transparency on aid data by Southern providers is that assistance programs are dispersed across many different ministries and agencies. Several ministries or agencies may be disbursing different kinds of assistance (e.g. the ministry of foreign affairs or commerce on project grants or soft loans, line ministries for technical assistance, and the Exim bank for other loans and export credits) with no overarching institutional structure to have an overview of SSC flows in aggregate. For many Southern countries this means that SSC flows are unlikely to be collected and compiled centrally (UN ECOSOC, 2009). Moreover, there are also more technical problems such as the absence of a definition of what counts as concessional development assistance, and lack of uniformity in the types of data being collected (e.g. period covered, format, and disbursements versus commitments).

Apart from institutional challenges, there are also political constraints. Some Southern donor governments are not particularly known for having a culture of openness and transparency. Southern providers, especially the larger ones, are also wary inviting scrutiny towards their aid-giving. At home where poverty and development challenges remain, these providers do not wish to be seen as spending much needed public money abroad. Internationally, they are not keen on being regarded as donor countries, and wish to avoid being judged against Western aid standards. There are also transparency problems on the recipient side. CSO access to aid flow information is usually either partial or unavailable, and seldom covered by information access laws (Reality of Aid, 2011) In some case, there seems to be deliberate secrecy in financing deals on the part of both providers and recipients. The lack of transparency and dearth of information invites corruption, both real and imagined.

² China's 2011 "China's Foreign Aid" (PRC 2011) provides the following data: sectoral distribution of concessional loans (1950s-2009 cumulative); sectoral distribution of complete projects (1950s-2009 cumulative); statistics on cancelled debt (1950s-2009 cumulative); distribution of foreign aid according to regional group and income group (2009). Money values are in US dollars. The most relevant data in Brazil's report (IPEA, 2011) are: modalities (2005-2009 annual), regional distribution of humanitarian assistance (2005-2009 annual), and contributions to international organizations (2005-2009 annual). Money values in Brazilian reals.

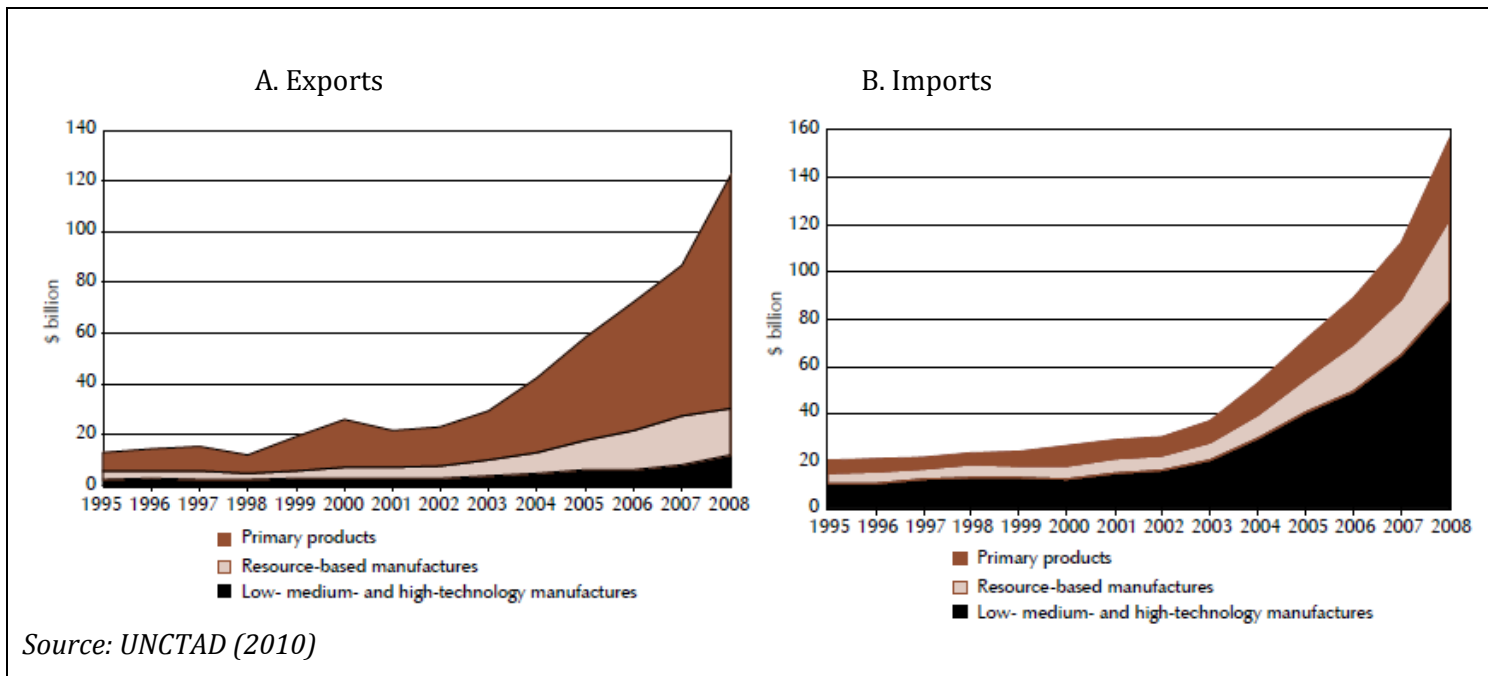
Sustainable development

Southern providers notably China, India, the Arab donors and their multilateral institutions focus on support for infrastructure development and productive sector investments. Focus sectors include transportation, communications, energy and other infrastructure development. Some Southern providers have also financed prestige projects such as sports facilities and government buildings. Health and education sectors account for about a fifth of Southern development assistance (UN ECOSOC, 2008). Brazilian development assistance is focused on agriculture, industry, education and health (IPEA & World Bank, 2011).

In many developing countries with fiscal and capital market constraints, this emphasis is welcome especially since Northern development assistance has been concentrated in the social sectors at the expense of infrastructure and economic sectors. Southern financing has helped poorer countries address their infrastructure deficits and tap their natural resources. Investment in infrastructure and the economic sectors can generate gains for aid-recipient countries in terms of increased production, trade and export earnings.

There is a concern however that patterns of Southern aid-giving, investment, and trade with poorer developing countries, particularly in Africa, could heighten their economic specialization on raw materials extraction. China and India for instance are known to have an interest in securing natural resources in the region and that resource-rich countries are among their main beneficiaries. They provide large loans to finance investments in the natural resource sector. Currently, Africa's exports to other developing countries have increasingly been dominated by primary products, and its import from other developing countries has been increasingly dominated by manufactures (UNCTAD, 2010). These broad trends tend to support concerns that Southern finance may increase Africa's dependence on exporting resources and importing manufactures. The fear is that South-South economic and development relations might perpetuate existing production structures and further stall the continent's economic diversification and industrialization.

Figure 3: Structure of Africa's trade with other developing countries, 1995-2008



5 Making South-South Cooperation more effective: Conclusion and key messages

South-South cooperation presents opportunities for developing country governments and stakeholders on the receiving end. While Northern development assistance remains the main source of public concessional financing for international development, Southern aid and official financing represents useful additional resources for developing countries to support development priorities. SSC flows mainly in energy, transportation and agriculture are complementing Northern aid flows that concentrate in education, health and water. Combined with Southern providers' demand-driven and non-intrusive approach in providing assistance, SSC is enhancing government ownership and policy space in partner countries. In some cases, Southern presence is allowing countries to become more assertive with traditional donors. SSC is also leveraging resources and partnerships beyond the traditional notion of development assistance. Furthermore, SSC allows for a more candid approach to pursuing mutual benefit between two countries. SSC prompts rethinking about how to advance development in a more equal and holistic manner.

But there are risks and challenges as well. SSC is enhancing government ownership, but not democratic ownership. Spaces and opportunities for CSOs to engage SSC are inadequate. Tied aid may be limiting technology transfer and spillover effects to the local economy. Breakneck implementation of projects could be coming at the cost of

adherence to social and environmental safeguards and standards. Condition-free assistance to governments with poor human rights and governance records risks undermining local democratic and anti-corruption struggles. Easy Southern credit may be winning the support of politicians even for projects of dubious merit, leaving citizens with the burden of servicing loans. The lack of information inhibits CSO engagement, effective assessment, and establishing accountability. Patterns of aid-giving may be locking partner countries into unequal economic relationships. A poor country and a burgeoning economic power may find opportunities for mutual benefit, but their interests are not always aligned.

The challenge for recipient countries is to harness SSC's benefits and engage its weaknesses. Some of these weaknesses obtain from recipient governments' own failings, for instance, in including CSOs in development and policy processes and improving transparency in governance. Nevertheless, Southern providers also have a role to play in making their cooperation more effective. Without losing sight of the capacity, political and development challenges they confront, Southern providers must take greater responsibility about the quality and impacts of their assistance. The Busan Partnership agreements and Nairobi outcome document provide them reference points for action, the latter having greater political acceptability between the two. The key insight, however, remains: development cooperation is more effective if founded on democratic ownership and human rights-adherence. The following are some messages and suggested actions for reflection and consideration:

On country and democratic ownership

SSC providers should continue good practices in observing partner country ownership such as respecting government choices, aligning with host country priorities, and non-imposition of reform conditions. However they should also consider engaging host country CSOs in multi-stakeholder dialogues. CSOs bring value to development cooperation relationships, including specialized knowledge, effective humanitarian response, on-the-ground experience, and ensuring accountability for results. As SSC providers increase their institutional development, they should consider defining the inclusion of CSOs in their policies, including the rationale and modes of engagement.

South-South cooperation embraces a multi-stakeholder approach, including non-governmental organizations, the private sector, civil society, academia and other actors that contribute to meeting development challenges and objectives in line with national development strategies and plans.

Nairobi outcome document, para. 19

The responsibility for charting a national development strategy necessarily lies with the program country, not the donor, if the principle of country ownership and sovereignty is to be respected. Recipient countries can exploit the benefits of increasing partnerships with Southern providers by ensuring local ownership of the

development agenda. This requires commitment to a home-grown and democratically developed strategy on how partnerships with Southern donors are to be used as part of long-term policies to develop local industry, agriculture and other sectors that drive sustainable growth (AfDB et al., 2011).

Southern providers and recipient governments should create and support multi-stakeholder formal bodies and broad consultation processes to determine and monitor SSC policies, plans and strategies, with due representation to CSOs, women and marginalized groups. Recipient governments should also take steps to secure an enabling environment for CSOs to be effective development actors.

Mutual accountability of Southern donors and program countries to each other and to their citizens can be enhanced by expanding the range of actors involved in assessing aid and development effectiveness, particularly at the country level. This should include elected national and local representatives, national and grassroots CSOs. Citizens' audits of SSC undertakings should be supported (Reality of Aid, 2010).

On human rights, democracy and good governance

SSC providers must ensure that their aid and lending agencies adhere to human rights, labor, and environmental standards in host countries. Respect for national sovereignty should not be an excuse to ignore human rights violations, environmental destruction, corruption and abuse of power in partner countries. Every country has obligations under international law and international human rights covenants and conventions. Human rights should inform Southern providers' dialogue and agreements on international cooperation without this leading to aid conditions. Southern providers and recipients should both take steps to implement their human rights obligations and strengthen good governance at home

On tied aid

Southern providers should consider gradually untying their aid. Southern donors must be both transparent and open with developing country partners with respect to the comparative advantages of goods and services provided through their aid relationships. Whatever advantages that Southern technical or production personnel may have, the recipient governments must have the freedom to apply its country systems and standards to SSC projects as appropriate to their priorities and needs.

On debt sustainability

Southern providers should practice due prudence in their lending operations. Recipients should exercise due diligence before taking on loans. Debts from Southern creditors that are found to be odious or illegitimate should be canceled.

On transparency

SSC recipients should build open and timely access to aid information and transparent accountability mechanisms and processes, protected by legislation.

SSC providers face different institutional and political considerations that affect their willingness and ability to be fully transparent with their aid data. Thus in the short-term it may not be reasonable to demand them to adopt the same standards as DAC donors. A gradual and step-by-step approach is more realistic. It could follow the following steps (Grimm et al., 2011):

1) Initial steps: Assess, test and develop a publication schedule for aid information that SSC agencies already hold in line with the emerging best practice standards.

2) More substantial steps: Publish existing information already held by these agencies, in line with best practice, and facilitate the dissemination and use of this information, particularly by recipient country governments in the first instance.

3) More ambitious steps: Build systems to collect data that is not currently held and invest in the accessibility and use of that information in SSC countries themselves.