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Quantification of South-South cooperation and its implications to the foreign policy of developing countries

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Abstract

As South-South cooperation widens its scope, there is an increasing debate on how to measure its flows and results. When the SDG 17 is considered in particular, there is a perception that South-South cooperation ought to assume the role of an additional source of development finance, even though several of its modalities are not financial in nature. In this sense, current initiatives aimed at establishing the monetization of all development cooperation modalities pose a challenge to South-South cooperation practitioners, as such a hypothetical global standard would not give full account of the innovative processes taking place through South-South cooperation. If measured only in monetary terms, most of South-South cooperation would become statistically irrelevant, with negative implications to the foreign policy of developing countries. In this sense, the measurement of development cooperation – particularly South-South cooperation - goes beyond the field of public statistics to incorporate a political dimension.

This Policy Brief calls the attention of developing countries on the political implications of development cooperation metrics. It makes the case for an innovative model for measuring South-South cooperation, which should be formulated by developing countries based on their own parameters and through an effective political coordination.

Keywords: South-South cooperation; SDG 17.

Various methods of exchange between developing countries have been classified as "South-South cooperation"[1]. There is, however, no consensual view as to its scope. In Latin America, there is a prevailing view that South-South cooperation is basically capacity building[2]. In Asian countries, its flows focus mainly on trade and economic cooperation[3], although there is also technical cooperation and training. This situation raises challenges for the conception of methodologies for evaluating South-South cooperation, a scenario that is further complicated by the idea that South-South cooperation is limited to being an additional source of development finance. As will be discussed in this article, there is a political context to the choice of methodology for measuring South-South cooperation, which should not be overlooked by governments of developing countries.

South-South cooperation is referred to in the Sustainable Development Goal (SDG) 17 as one of the means of implementation of the 2030 Agenda for Sustainable Development. Because of this, future UN reports on the SDG will have to provide information about South-South cooperation on a global scale. Stemming from a shared view on the principles guiding South-South cooperation[4], there seems to be no controversy amongst developing countries as to the importance of highlighting its contribution to the Agenda 2030. However, the next step in this process, recording and measuring contributions, requires attention.

When the means of implementation for SDG 17 are considered, there is a perception that South-South cooperation ought to assume the role of an additional source of development finance[5]. The first thing that should be discussed in this regard is whether this idea makes sense, given that several methods of exchange between developing countries are not financial in nature. In addition, limiting the conceptual scope of South-South cooperation only to its financial dimension would render non-financial modalities statistically negligible, particularly when compared to foreign loans and direct foreign investment and trade. Consequently, the proposition to use South-South cooperation as a complementary funding mechanism would result in its political underestimation.

For instance, concessional loans, capital subscriptions to international financial institutions and financial aid may be considered as funding sources per se. Trade and direct foreign investment could also be regarded as sources of financing through South-South cooperation, although there is controversy over the extent of the actual contribution to development of these last two types of flows[6].

*The views contained in the policy brief are personal to the author and do not represent the institutional views of the South Centre or its Member States.

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The financial assessment model: different perspectives between North-South and South-South Cooperation

The systems adopted by traditional donor countries for measuring their international cooperation are based on monetization. In South-South cooperation there are multiple models adopted by developing countries. Given these multiple scenarios, there are arguments in favor of adopting monetization as a global standard. As this view has been spreading, without an alternative coming from developing countries, it will come as no surprise if the United Nations adopts monetization as the standard for South-South cooperation as well. In such a scenario, the political dimension of the way international cooperation is measured and evaluated – including South-South cooperation – would likely be confined to academic discussions.

Developed countries use hard currency monetization to quantify their international cooperation. This practice favors a prominent position and grants political visibility in the global development arena. The North-South operational format, together with the conceptual framework behind it, has provided donor countries with a functional and long-lasting model, one that is operationalized within an international context exposed to the broad and effective political influence of developed countries. The objective here is not to pass judgment on the political motivations that underlie North-South cooperation, but rather to note that the differences between the approaches adopted by traditional donors and South-South cooperation partners have direct implications for quantification of the main modalities of international development cooperation.

Although functional, in practice the North-South cooperation model does not contemplate a dialogue between involved parties regarding the purposes of international cooperation–*from the recipient countries´ point of view*–as the main reference for choosing the most efficient and effective path to development. Moreover, it is not always evident that development cooperation relationships have been designed according to a strategic view aimed at promoting long-term and sustainable structural changes. The current discourse, as seen in the Global Partnership for Effective Development Cooperation, gives priority to the evaluation of managerial aspects of cooperational initiatives, especially to efficiency and accountability. There is an eloquent silence when it comes to donors and recipients jointly evaluating the efficacy of international cooperation as an instrument for promoting autonomous development.

Given the arguments above, it is possible to see how the choice for monetization of all means of implementation might limit efforts to measure and evaluate international cooperation. Current practice has been constrained to measuring the contributions of the provider country in monetary terms, when it should instead focus on assessing coherence between all sorts of inputs and the actual development gains deriving from an international cooperation partnership. This emphasis on the financial aspects of development cooperation is then associated with evaluations of how well or poorly the resources were invested. However, the point to keep in mind is that "quantity is not quality". For instance, the voluntary work of 10 sanitary engineers might have a positive long term impact on access to public health services in a poor country. In contrast, a US$ 1 billion donation to fund operations of public hospitals in that same country might only produce temporary effects if no sustainability measures are taken to ensure service continuity. Hence, when evaluating development results it is not enough simply to quantify financial resources.

Furthermore, monetization does not seem to provide an appropriate basis to measure results and impacts, because it does not reflect or reconcile the intrinsic nature and purposes of non-financial South-South cooperation modalities. If measured only in monetary terms, the volume of financial resources involved in technical cooperation may be irrelevant and politically disadvantageous to the developing countries involved.

South-South technical cooperation is based on knowledge exchange with the ultimate goal of expanding capacities through mobilization of experts, field missions, technical outputs and training. As such, in effectively horizontal and participative relationships, South-South exchanges ought to include an initial discussion of the processes that led to the generation of the knowledge and experiences that are to be shared, including both positive and negative technical, institutional and contextual elements that affected their creation and consolidation. This dialogue is fundamental to allow flexibility in matching the knowledge that is going to be exchanged with the factors that impinge upon the capacities that partners expect to develop. In this way, developing capacities by means of knowledge sharing between experts from developing countries differs from the sort of top-down, gap-filling transfer of technical content of traditional consulting services. That is, we are not dealing with a simple linear relationship by which technical deficiencies are diagnosed and remedied by external inputs. On the contrary, capacity development is an endogenous process, where external support and resources play a complementary, supporting role. In this scenario, even though operational costs incurred in non-financial modalities of South-South cooperation lend themselves to monetary quantification, simplified measurement methodologies are not suited to give full account of the horizontal interaction and innovation processes taking place through South-South cooperation mechanisms.

The views expressed above also apply to academic, scientific and technological cooperation as well as to humanitarian assistance with resilience-building components. The content exchanged through these cooperation modalities cannot adequately be measured in monetary values, even though some inputs from these categories may include some level of monetization, such as travel costs, materials and equipment, infrastructure and logistical support.

Despite this, measurements of South-South cooperation that only take into account operational costs are very common[7]. In such cases, the practice is to include travel expenses, per diems for experts and trainees, the value of goods and equipment transferred, in addition to hourly rates. In regards to the work of experts in particular, such standards present more than one problem.

First, since the majority of experts in South-South technical cooperation are civil servants, it is not possible to apply a market value to the skills and knowledge that they make available for project implementation. There are difficulties in equating the work of public sector experts with the work of private consultants, especially that of international professionals. The reason for this is that the average hourly rate of a skilled professional from a developing country is only a fraction of the corresponding hourly rate of their counterpart from a donor country. Multiplying this difference by thousands of experts, working on hundreds of projects in both North-South and South-South cooperation, the monetary value of the former will be much higher than that of the latter.

These arguments bring us to the issue of measuring and comparing costs and benefits. A technical cooperation project can have minimal financial costs when compared to the benefits achieved in the quality and effectiveness of public policies and programs resulting from it, with potential positive impacts that can reach up to billions of US dollars. This particularity regarding South-South cooperation presents an additional argument against its classification solely as a source of funding.

Politics versus Statistics

International cooperation should not be seen as philanthropic. For some countries, cooperation is an ancillary means to the ultimate objectives of much larger geopolitical and trade agendas. To a second group of countries with less economic or military influence, development cooperation is used as a soft power platform. In this sense, the question of how international development cooperation is to be evaluated goes beyond the issue of public statistics to explicitly incorporate a political dimension.

Appraising international cooperation from a financial perspective may be convenient for countries with great financial capacity for funding development projects, because they can take political advantage of announcing resource allocations and because earmarking larger volumes of financial resources for development cooperation ensures considerable international visibility and greater political edge. But this also means that the discussion about the transformative role of development cooperation might be overshadowed. By their turn, countries without the same means need to channel their contributions through other cooperation mechanisms, for example through knowledge sharing and capacity development activities. In such cases, the impact that these mechanisms have on the quality of life of populations in partner countries cannot be appropriately measured by monetary figures alone.

Attempts to collect data on South-South cooperation by actors outside the developing world should not be viewed exclusively as academic exercises or efforts to increase the availability of information on development cooperation flows. Some actors could be interested in adopting monetary standards for measuring South-South cooperation because they see it as a potential, complementary source of funds (the idea of "new donors"), while others might be interested in financial data on South-South cooperation for market intelligence purposes or to monitor the dynamics of diplomatic alliances.

The case for an innovative model for measuring South-South cooperation

The differences between South-South and North-South cooperation practices motivate the conception of an innovative, specific model for recording data on exchange flows between developing countries, that may reveal its unique characteristics. This framework could rely on a multifaceted data set integrating the following components: (i) appraisal of inputs compatible with monetization; (ii) quantifying the volumes of all types of in-kind resources mobilized by South-South partner countries, regardless of their position as providers or receivers, and for which monetization is not the best indicator; (iii) assessment of the connection between financial and non-financial inputs and outputs; and (iv) evaluation of the results attributable to these initiatives and to their respective beneficiaries.

Such a framework should be complemented by systematic reporting on sectors targeted by South-South cooperation initiatives and by the definition of units of measure and indicators compatible with the nature of the expected results in each of those sectors. These two categories of data would then serve as the basis for assessing coherence and political relevance of initiatives implemented under all South-South cooperation modalities.

It should be taken into account that monetary quantification of South-South cooperation will be needed within the spheres of financial cooperation, economic assistance, investments and trade. In turn, monetary quantification of non-financial South-South cooperation modalities would be optional, given that their priority is the exchange of material and human inputs/resources. In any case, a platform encompassing both financial and non-financial data will be indispensable to evaluate the efficacy of the contributions mobilized through South-South cooperation in producing socio-economic results. Such a standard would avoid limiting analysis to a simplistic and politically motivated comparison between larger or smaller financial allocations. Additionally, it would allow appraisal of the strategic choices of South-South cooperation partners, weighing different mechanisms of exchange, assessing coherence between rhetoric and practice, gaging success and failure and evidence of sustainability and more importantly, evaluating transformative impacts.

Taking the Lead

The formulation of a methodological basis for quantification and evaluation of South-South cooperation should be carried out by the governments of developing countries, preferably with participation of national academic institutions and civil society. However, achieving such a goal in the near future would not come without challenges. Firstly, there are significant disparities amongst developing countries as to their capacity to formulate methodologies for quantification. Secondly, major providers of South-South cooperation have not shown willingness to move in the direction of a common model. Thirdly, developing countries do not have a common forum or organization with the mandate to facilitate this process in the way that the OECD Development Assistance Committee does for North-South cooperation.

There are two possible paths forward to ensure conditions for at least some developing countries to implement procedures for appraising their South-South cooperation activities. Initially, the exchange of managerial practices in the field of international cooperation among developing countries could be considered. Experiences in this context have been developed in SEGIB's Ibero-American Program for Strengthening South-South Cooperation (PIFCSS)[8] and through the Project 'Capacity Development in Management of South-South and Triangular Cooperation´ between UNOSSC, the Brazilian Cooperation Agency of the Ministry of External Affairs of Brazil (ABC/MRE) and the Japanese International Cooperation Agency (JICA).

Such an exchange of experiences could go further, including mutual access to information systems, and a debate at the strategic level on the political implications of the quantification of South-South cooperation. It would also be necessary to promote efficient coordination between the focal points responsible for South-South cooperation. Some mechanisms already exist within the framework of regional organizations, such as the New Partnership for Africa's Development (NEPAD) and the Community of Latin American and Caribbean States (CELAC). A common strategic vision on this matter would still have to be coordinated with similar organizations from other geographical locations. Another path would involve partnerships between governments, academia and the civil society in developing countries. With regard to non-public actors, attention is drawn to the possibility of the lack of adequate understanding by these entities and researchers of the nature and practice of South-South cooperation.

It is important to note that continuity of the current scenario, the lack of a common understanding among developing countries on this subject, poses risks that may not be perceived or evaluated to their full extent. Enhancing the understanding of South-South cooperation modalities and practices, and not just accepting it as a source of development financing, could lead to a fundamental change in the strategies towards the eradication of poverty and the promotion of sustainable development. In addition, it would be in the interests of governments of developing countries to move away from an architecture of international cooperation that has been set up to reflect - and maintain - a position of political leadership of a small group of nations, which do not neglect to use this advantageous position in the field of international cooperation to promote their economic and geopolitical interests.

In conclusion, it can be said that the current measurement of South-South cooperation is in the first steps of evolution, both in its political and technical dimensions. New initiatives in this area have been designed and tested, but their consolidation depends on the development of appropriate managerial capacities in developing countries, as well as on indispensable political coordination between them.

End notes:

1 Technical cooperation, scientific and technological cooperation, scholarships, volunteering, humanitarian assistance, financial cooperation, investments in infrastructure, etc.

2 SEGIB (2016b), *Report on South-South Cooperation in Iberoamerica 2016.*

3 People's Republic of China (2013), *China-Africa Economic and Trade Cooperation 2013.*

4 United Nations General Assembly, Resolution A/RES/64/222 "Nairobi outcome document of the High-level United Nations Conference on South-South Cooperation".

5 United Nations General Assembly, Resolution A/RES/70/1 "Transforming our world: The 2030 Agenda for Sustainable Development". SDG 17, Target 17.3 (Finance) "Mobilize additional financial resources for developing countries from multiple sources", Indicator 17.3.1 "Foreign direct investments (FDI), official development assistance and South-South Cooperation as a proportion of total domestic budget".

6 Trade exchanges are not always beneficial to both parties. This is because one country's products can dominate economic sectors of the other country, which may result in the loss of thousands of jobs and disruption of whole economic sectors. In worst case scenarios, they may damage the balance of payments, cause loss of autonomy and create dependency. The same could apply to external investments, because not all of them are necessarily positive, especially when assessed against criteria of quality and impact on the creation of new jobs, technology transfer, innovation, tax revenues, labor rights and environmental laws, etc.

7 SEGIB (2016a), *DT/09 Valoración de la Cooperación Sur-Sur: Avances y retos em Iberoamerica.*

8 Secretaría General Iberoamericana (SEGIB), Programa Iberoamericano para el Fortalecimiento de la Cooperación Sur-Sur (PIFCSS)

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