



South-South Development Cooperation

Background note based on UNDESA analysis¹

Trends

South-South development cooperation (SSDC) has doubled between 2006 and 2011 and is estimated to reach between US\$16.1 billion and US\$19 billion in 2012. The share of SSDC in total development cooperation has increased from 6.7 per cent in 2006 to 10 per cent in 2011. Total SSDC in 2012 may well have reached \$21 billion. Combined with the fall in DAC disbursements, this would mean that it was almost 12 per cent of international development cooperation.

South-South humanitarian assistance is estimated at \$829 million in 2008 and \$498 million in 2010, meaning that it varied between 5 and 7 per cent of global humanitarian development cooperation and between 3.5 and 5 per cent of total South-South development cooperation.

Although SSDC-related data is constantly becoming more available and accurate, the availability of data on the cooperation of some partners remains low and the above estimates do not include SSDC through regional multilateral organizations or South-South philanthropy. Therefore, the total amounts and shares of SSDC in total development cooperation are underestimated and its impact understated.

The recent surge in SSDC can be explained by a number of key drivers, namely:

- i) A change in the global development paradigm brought about by the successes of alternative development policies. In this context, the experience gained by various countries — and their ability to share that experience and learn from each other — has led to better identification the demands and needs of the developing world;
- ii) Recent exponential growth in South-South trade (reaching 23% of global trade) and foreign direct investment (45% of total FDI), which have reinforced public sector SSDC-funded collaboration for research, development and innovation;
- iii) Increased regional integration; and
- iv) Efforts to increase the role of Southern countries (especially major SSDC partners) in global governance and its institutional architecture, which has led to augmented channelling of SSDC via existing Southern-led institutions and the creation of new institutions (e.g. the BRICS Development Bank).

The increasing importance of SSDC is likely to continue, with many developing countries' economies performing strongly and the existing plans of a number of large developing economies to increase South-South development cooperation considerably over the next five years.

Features

SSDC is a voluntary process and mutually agreed relationship, with a focus on alignment with national development priorities. Countries particularly appreciate the focus of SSC on mutual learning and exchange of good practices, without imposing a certain model of development or set of policy recommendations. Following a strong norm of non-intervention in domestic policies, SSDC

¹ Based on "Trends and progress in international development cooperation", Report of the Secretary-General, E/2014/77 and analysis for forthcoming 2nd International Development Cooperation Report.

² The higher figure includes Chinese and Indian export credit loans

usually comes without economic or political conditions and respects the development strategy of each country involved, according to its history, culture and political systems and vision. The related high predictability, fewer procedural conditions and fast delivery of SSDC result in the widely shared perception that SSDC is more efficiently delivered than traditional ODA.

Some 75% of SSDC is project-based (including technical cooperation and capacity-building initiatives). Most of the projects are demand-driven, pursuing visible and tangible results.

South-South development cooperation is primarily delivered bilaterally. SSDC partners increasingly use multilateral channels, such as the United Nations, the World Bank and regional organizations.

Many partners follow a strong regional focus, allocating most of their development cooperation to their respective regions, where they play “anchor” roles driving growth, trade and investment. Yet, regional concentration is far from universal. Some partners also engage with countries where they have historical cultural, religious or linguistic ties. Several partners also have global reach.

Some Southern partners tend to offer grants, and technical and humanitarian cooperation, whereas some larger bilateral and multilateral partners of SSDC rely heavily on concessional loans. Detailed analysis indicates that most South-South development cooperation loans are highly concessional.

Partners also particularly value South-South development cooperation for its flexibility to fund key (and changing) priorities in their own national development programmes, assisted by rolling multi-year programming and growing SSDC budgets.

Most South-South development cooperation by multilateral and regional organizations (and Arab bilaterals) is untied. Purchase of goods and services from the providing country, or the direct provision of experts, labour and materials is more frequently seen in bilateral cooperation. There is growing evidence of major Southern companies establishing branches or new companies in partner countries. These are then using local labour and materials to reduce costs further and winning bids for South-South development cooperation projects, leading to partial untying of SSDC.

Southern development cooperation tends to come with few conditions precedent, which must be met before a grant or loan agreement becomes effective, thereby enabling disbursements to commence faster. South-South development cooperation continues to be viewed by partner countries as highly predictable, in two ways: a) Living up to annual disbursement plans, with over 80 per cent of SSDC seen as being disbursed on schedule; and b) Multi-year predictability, reflecting the greater willingness of many SSDC partners to sign multi-year agreements, though some continue to offer only annual programmes.

Sectoral contribution

SSDC is heavily focused on infrastructure. An estimated 55 per cent of SSDC goes to infrastructure and 10 per cent to production. Nonetheless, over a third of SSDC continues to support social sectors. South-South and triangular cooperation in the social sectors is growing rapidly, often with health as a priority sector, leading to increased knowledge of health problems, as well as concrete infrastructure investments and human resource development. There is a need to scale up cooperation in health delivery. SSDC initiatives have increasingly also been effective in fighting hunger and malnutrition, boosting national agricultural productivity and food self-sufficiency, mitigating the impacts of natural disasters and combating climate change.

SSDC, sustainable development and the emerging post-2015 development agenda

SSDC has received increasing attention in the global discussions through the United Nations on a post-2015 development agenda. It is seen as a potential key complementary source of expertise and various forms of development cooperation, both financial and non-financial to support implementation of the emerging agenda.

For example, discussions in the 2014 High-level meeting of the Development Cooperation Forum and its two-year preparatory process have identified the various ways South-South Cooperation is well suited for the emerging post-2015 development agenda. Its multi-sectoral engagement makes it geared towards an integrated approach to sustainable development in its three dimensions, economic, social and environmental. It is focused on mutual benefit, long-term capacity development and knowledge sharing and often tailored to productive sectors and infrastructure development. SSDC also has the potential to cultivate the capacity for longer-term sustained development integrating material and human resources of the participating countries, regardless of their level of economic development.

These practices are by no means universal, either for all South-South development cooperation partners or types, or for beneficiary sectors or countries. There is accordingly a strong need to document and learn from these practices, and to discuss how they can be learned more systematically.

To ensure its maximum impact, SSDC must be scaled up. It is suggested that Southern partners strengthen cooperation in analyzing and sharing good practices in promoting sustainable development and in strengthening domestic resource mobilization and inclusive financial sector development. The newly established South-led development banks and funds need to increase awareness of their lending priorities, policies, terms and procedures among developing countries in need. Multilateral institutions also need to dedicate stable and increasing resources to facilitate South-South knowledge and technology transfer for sustainable development by using existing or building new facilitation mechanisms.

Triangular cooperation

Triangular development cooperation financed by Northern governments or international organizations through official development assistance and implemented as South-South development cooperation has been growing rapidly. Training and education account for 28 per cent of triangular development cooperation programmes according to a study commissioned by DESA, followed by health, institution building, agriculture, infrastructure and the environment. Civil society organizations frequently serve as implementing agents for government providers on the ground. Governments, often through their embassies in developing countries, provide financial aid to non-governmental and community-based organizations. Meanwhile, Southern partners are increasingly funding other Southern countries to implement a growing pool of “South-South triangular development cooperation”.

Do you want to learn more?

Please contact us:

DCF Secretariat

Office for ECOSOC Support and Coordination

United Nations Department of Economic and Social Affairs, UN Secretariat Building, 25th floor

Email: dcf@un.org

Website: www.un.org/ecosoc/dcf

To request a copy of this publication when it is published please contact:

Huanyu Liu, liuh@un.org