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e-Discussion Consolidated Summary

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e-Discussion Title: "Investing in the SDGs through South-South and triangular cooperation - proven policies, legal practices and challenges"

Expert Moderator: **Professor Sachin Chaturvedi**, Director General, Research & Information System for Developing Countries (RIS)-Network for Southern Think Tanks (NeST)

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Original Query:

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[Moderator's Note: This e-discussion was launched on 25th of April and ended on the 9th of May 2018. The summary of the e-Discussion will feed into panel discussions during a South-South Cooperation event in Prague on 15 May 2018.]

The aim of the e-discussion is to highlight policies, practices and challenges to stimulate and enable South-South investments that are contributing to the achievement of the SDGs.

In particular, the e-discussion is expected to identify:

1) Policy and legal practices that have proven to stimulate and enable South-South investments for the achievement of the Sustainable Development Goals. It should aim to identify both what has worked and what has not worked in terms of stimulating and enabling South-South investments. In terms of good policies and legal practices, these could be related to investment agreements, regional integration efforts (regional and sub-regional frameworks), public-private partnerships and regulatory reforms.

2) Existing challenges that need to be overcome to stimulate and enable South-South investments for the achievement of the Sustainable Development Goals. It is expected that the contributions will highlight certain legal issues that act as obstacles to promoting South-South investments for the achievement of the SDGs.

The e-discussion should also highlight risks associated with South-South investments as well as ways in which these risks might be mitigated with controls.

3) In addition to highlighting good practices and challenges in terms of stimulating South-South investments, the e-Discussion will also aim to highlight good practices regarding the

Development Compact framework, e.g., leveraging technology, capacity building and grants for SSC.

Responses were received, with thanks, from:

- Professor Sachin Chaturvedi, Director General, Research & Information System for Developing Countries (RIS) / Global Thinkers RIS Network Focal Point
- Victor Vazquez Aranda, Director of Economics, Investigacion para el Desarrollo (ID)
- Dr. Milindo Chakrabarti, Visiting Fellow, Research and Information System for Developing Countries (RIS) and Professor, Sharda University
- Dr. Adedeji Adeniran, Senior Research Fellow, Center for the Study of the Economies of Africa (CSEA)
- Shagufta Ahmad, MENAPAR Senior Project Officer, Bahrain Institute of Public Administration (BIPA) / Global Thinkers MENAPAR TTN Network Focal Point
- Pratyush Sharma, Researcher, Research and Information System for Developing Countries (RIS)
- Sarah Hager, Senior Project Research Specialist, Department of International Development Cooperation (INSE)
- André de Mello e Souza, Senior Researcher, Institute for Applied Economic Research (IPEA)
- Roman Mogilevskii, Senior Research Fellow, University of Central Asia (UCA)
- Dr. Elizabeth Sidiropoulos, Chief Executive, South African Institute of International Affairs (SAIIA)

Summary of Responses:

First off, thank you South-South Global Thinkers network members for providing very useful resources, including concrete examples and insights on policies, practices and challenges to stimulate and enable South-South investments that are contributing to the achievement of the SDGs.

In providing a conceptual framework for the e-discussion, Professor Sachin Chaturvedi shared a comprehensive overview of the modern concept of a Development Compact, which is aligned with the principles of South-South Cooperation.

According to Professor Sachin Chaturvedi, “the “Development Compact” rests on five action pillars: capacity-building and skills transfer; concessional finance (further divided into grants and lines of credit); preferential trade, investment; and technical cooperation.” In addition, Professor Sachin Chaturvedi provided examples of the Development Compact in practice, including India’s long history of establishing **capacity building programmes**, specifically through the increased number of scholarships for foreign nationals of Southern countries.

It was also highlighted that African nations have been the largest beneficiary of India’s **Lines of Credit (LOC)** along with India’s neighbouring countries.

Professor Sachin Chaturvedi highlighted India's role and perspective, which goes beyond the concept of aid, and includes, for example enabling LDCs **access to Indian markets** through providing duty free and quota free access to goods.

India's principle of solidarity is reflected in India’s flexibility in offering a broad portfolio of modalities, as was highlighted in the example of a solar panel manufacturing plant initiative that made use of **concessional finance**, along with **capacity building** and **skill transfer** through training programmes. Lastly, Professor Sachin Chaturvedi highlights a dimension of

plurality and **flexibility** associated with SSC that fosters assessments, as opposed to measuring or evaluating the impact of SSC. SSC focuses on assessments, rather than evaluations as the latter assumes the intention to compare the impact of an effort between countries or to compare the impact of an intervention in recipient countries. SSC also excludes the possibility of a standard template to measure the impact of SSC.

The Development Compact provides the tools needed to operationalize SSC. In this regard, key principles of SSC were highlighted by Pratyush Sharma as follows:

- **Demand-driven**: In SSC, it is the partner or the recipient, rather than the provider as the source of funds or capacities that determines the priorities in the project.
- **Respect for national sovereignty**: In line with the principle of national sovereignty, the partner or the recipient countries themselves initiate, organize and manage SSC activities.
- **Political and Macroeconomic Non-Conditionality**: SSC relies on non-interference with the partner countries and will not challenge the national sovereignty of the partner.
- **Mutual Benefit**: SSC is carried out in the nature of partnership to promote mutual benefit and thereby rejecting an unequal dependent relationship. The aim is to create a higher level of capability and economic opportunity for both partners, with mutually beneficial interdependency as the goal.

In addition, the importance of collective action was highlighted by Dr. Milindo Chakrabarti, and in particular how this principle is reflected in SSC. Collective action relies on stakeholders accepting that collective inaction is more costly than collective action. He also emphasized that it may be possible to reduce the cost of collective action by developing a proven set of rules through negotiation and consultations among stakeholders. For example, if we take the issue of property rights, Dr. Milindo Chakrabarti states that generally, “the "benefits" of development cooperation are significantly lower compared to the "costs" incurred due to conditionalities -- explicit or implicit -- associated with such development support. The principle of demand driven support in SSC aims to ensure that the ownership of the benefits of cooperation is enjoyed by the recipient of the support. In this regard, investment in institutional infrastructure for SSC and TDC, calls for creating a mechanism that establishes non-negotiable principles to guide the process -- a set of constitutional choice rules, as proposed by Elinor Ostrom.” (see http://nre510.wikidot.com/ostrom-multiple-levels).

Regional Economic Integration and Investment:

E-Discussion contributors provided concrete examples of best practices for strengthening SSC and stimulating regional integration and trade.

- Victor Vazquez Aranda shared what has worked in Paraguay, for example the EU-supported MERCOSUR Structural Convergence Fund’s (Fondo para la Convergencia Estructural, FOCEM) support towards infrastructure works and bilateral experiences with Brazil and Argentina in the construction of hydroelectric dams (Itaipú and Yacyretá, respectively).
- In terms of the challenges, André de Mello e Souza highlighted that while the premise of FOCEM is that MERCOSUR can succeed only if it addresses problems of asymmetries, the reality is that FOCEM lacks sufficient resources.
- Also highlighted, is the fact that economic and social asymmetries within MERCOSUR are not limited to regional ones, but also include national asymmetries. André de Mello e Souza also stated that the initiative of FOCEM could be improved by allowing private projects to apply for funding and also by providing technical support for project development.

- In terms of best practices that have galvanized South-South investments in Africa, Dr. Adedeji Adeniran highlights examples of regional cooperation with major actors in the North and South. In this regard, the Forum on China-Africa Cooperation (FOCAC) is a platform for collective consultation on a development agenda between African countries and China, which has led to investments in education, health and infrastructure development.
- In addition, the Economic Partnership Agreement (EPA) between Africa and the European Union has strengthened LICs in terms of enabling them to benefit from SSC.
- It was also mentioned by Dr. Adedeji Adeniran that African countries have now signed the Continental Free Trade Area (CFTA), making the continent a single market and opening it up to increased opportunities through trade, investment and technology transfers. This has also led to an increased collaboration with key actors within the Global South. While China has supported several regional integration efforts, this has also raised some critical questions in how this differentiates from traditional actors. These efforts entail further analysis.
- An issue that was raised by Dr. Elizabeth Sidiropoulos is the need to resolve Illicit financial flows and trade based money laundering, which are largely a feature of big Northern multi-national corporations. In the context of companies from the Global South, there is a need to ensure that investments are not replicating these same practices that ultimately reduce revenues. In order to resolve these issues, data anomalies and methodological challenges need to be assessed thoroughly.

Belt and Road Initiative:

- Shagufta Ahmad emphasizes the Belt and Road initiative, which aims to expand links between Asia, the Middle East, Africa, and Europe by recreating the ancient Silk Road trade routes.
- According to the Middle East Institute, it is a top priority in China to grow its investment relations with the Arab states, the former being the region's largest trading partner.
- Also highlighted by Shagufta Ahmad, the Belt and Road initiative is welcomed within the MENA region. According to a 2014 OECD report, economies in the MENA region have been negatively impacted by the 2008 global economic and financial crisis. It is believed that the Belt and Road initiative initiative will benefit the MENA region.
- A resulting challenge, highlighted by André de Mello e Souza is that while the Belt and Road initiative will certainly benefit Euroasia, East Africa and the Middle East, it may bring considerable risk of trade diversion in other regions, namely Latin America and West and Sub-Saharan Africa.
- Dr. Elizabeth Sidiropoulos states that as the Belt and Road initiative is implemented, it is important that opportunities are created for local companies in the countries that are engaged in the initiative. In addition, the Belt and Road initiative should also integrate sustainability practices that are aligned with the SDGs.
- Dr. Elizabeth Sidiropoulos also emphasized the risk of African countries rising indebtedness in the process of building up infrastructure to drive productive economies.
- In Central Asia, the role of development institutions from the Global South has recently increased dramatically as was mentioned by Roman Mogilevskii. This is mostly due to the very active role of China, which has become a key development lender for almost all Central Asian economies in just the past couple years. The Belt and Road Initiative is currently being used to frame Chinese development assistance in the region.

Special Economic Zones (SEZs):

Sarah Hager provided a very comprehensive overview of Special Economic Zones (SEZs), including Industrial Parks, Export Processing Zones and Economic Development Areas with the aim to promote investment in the Global South and support policies for sustainable development. The question was raised whether other contributors have experienced successful SEZs in their countries.

Benefits of SEZs include the following:

- Sarah Hager provided positive aspects and benefits of SEZs, which include employment creation, earning foreign exchange, increasing and diversifying exports and facilitating knowledge and technology transfer, specifically for those SEZs attracting foreign direct investment (FDI).
- Investments into SEZs can also create economic spillovers for the regional economy and incentivize communication between the private sector and the government.
- SEZs have also been a vehicle for South-South investment, for example there are more than 10 'China-Africa Economic and Trade Cooperation Zones' in African countries including Egypt, Ethiopia, and Nigeria.

Challenges of SEZs include the following:

- Unfortunately, many SEZs have failed to achieve their expected goals, as highlighted by Sarah Hager. For example, a factor that has caused SEZs to fail in developing countries has been the haphazard creation of 'general' SEZs that do not specify a particular form of production. This general type of SEZ set up may cause tensions within the production base.
- SEZs may also cause environmental degradation as environmental compliance is left with individual firms and at times they are not able to cover the cost to mitigate this risk.
- Other causes of SEZ failure include, poor or inappropriate infrastructure development, politically rather than economically determined location selection.
- Dr. Elizabeth Sidiropoulos shared an insightful example of SAIIA undertaking research on the Chinese SEZ in Mauritius. It was mentioned that the project was largely driven by the Mauritanian Government, which not only aimed to secure economic benefits, but also to develop a business platform between Asia and Africa. There were implementation challenges related to the poor condition of infrastructure. There were also challenges around incentivizing new investors from abroad and ensuring transfer of expertise and involvement of the domestic private sector.

Good Practices in SSC and TrC:

- SSC efforts promoted by the Food and Agriculture Organization (FAO), in particular their regional development projects, including cotton production projects financed by Brazil were highlighted by Victor Vazquez Aranda as good practices.
- In addition, the Japan International Cooperation Agency's (JICA) has strengthened cooperation and development with Central American countries.

Technology, Renewable Energy and Green Finance:

- The development of renewable and green technologies is growing within the Global South. This represents an opportunity to catch up or even leapfrog traditional actors.

In this regard, China, India and Brazil are ranked among top countries for innovation in green technology.

- Dr. Adedeji Adeniran also states that trends are changing when it comes to the global property right framework. As SSC is based on knowledge sharing, Dr. Adedeji Adeniran highlights that it is an opportune moment to develop a more effective technological sharing mechanism within the Global South.
- The question was asked by Victor Vazquez Aranda on the rise of resources mobilized through the "green finance" markets, and identifying best practices for strategies to promote Paraguay's local green market. What are the prospects to promote a more active green financial market among Southern countries?

Follow up comments:

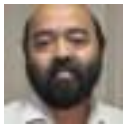
- In terms of factors that can stimulate South-South cooperation, it was emphasized that at times they are not related to regulatory or institutional reforms, but to the political will of actors.
- Victor Vazquez Aranda highlighted the need to have the SDGs at the center of the international agenda and that this can also facilitate the exchanges of knowledge and experiences between think tanks.
- Also mentioned by several e-discussion contributors was the need to invest in building effective institutions to facilitate development cooperation.
- Contributors also mentioned the importance of and need to scale up cooperation between countries of different continents.
- Victor Vazquez Aranda mentioned it would be useful to collect and analyze lessons learned within the framework of the BAPA since 1978, with the aim to renew efforts to accelerate the pace of South-South cooperation in the coming years.

Responses in Full:

Comments (29)

Dr Elizabeth Sidiropoulos • 23 hours ago

An issue that is critical to investment more generally , and which has largely been a feature of big Northern MNCs, is Illicit financial flows and trade based money laundering. I raise this in the context of SDG 16 where IFFs do feature. In the SSC context of companies from the South we need to ensure that investments are not replicating the same practices that ultimately reduce revenues to fiscus. To be able to assess this though we need to tackle the data anomalies and methodological challenges .



Prof. Milindo Chakrabarti • 1 day ago

The linkage between SSC and SDGs is bi-directional. While SSC and TDC can contribute meaningfully to achievement of SDGs by those who need intimate support to achieve them, efforts by countries to reach the SDGs can also open up further opportunities for SSC and even triangular cooperation. For example, supports in terms of capacity building and/or

capacity building by a country to another can contribute to achieve some critical SDGs. Ditto in case of concessional loans. On the other hand, expressed help for achievement of SDGs -- say reduction in poverty, and hunger or gender empowerment, can facilitate the process of SSC through trust building.
Such a bi-directional linkage can be effective in developing an institutional infrastructure that respects and, of course, promotes the diversities and pluralities across the countries. The required institutional infrastructure entails facilitation of exchange of resources, knowledge and ideas across countries that ensures mutual benefit to all the partners.
The issue of property rights has been raised through the present course of discussions. Often, it is found that the "benefits" of development cooperation are significantly lower compared to the "costs" incurred due to conditionalities -- explicit or implicit -- associated with such development support. A condition for unambiguously defined property rights is the requirement that incidence of benefit and cost of owning an asset lies with the same identity. A mismatch between the incidence of benefits and costs is often alleged in development cooperation that is not forwarded in the spirit of SSC. The principle of demand driven support in SSC is aimed at ensuring a match between the incidence of costs and perceived benefits. It is to ensure that the ownership of the benefits of cooperation is enjoyed by the recipient of the support.
Investment in institutional infrastructure for SSC and TDC, calls for creating a mechanism that sets some non-negotiable principles to guide the process -- a set of constitutional choice rules, as proposed by Elinor Ostrom (see http://nre510.wikidot.com/ostrom-multiple-levels). The partners in bilateral cooperation would decide the rules of action -- operational choice rules -- as per their requirements. There is no need to design a given set of operational choice rule that would dictate all such bilateral partnerships across the globe. It is, however, possible that a group of partner countries constitute a regional/ multilateral institutional structure to help each other. Under such circumstances, collective choice level rules may be designed through participatory negotiations among all the partners. The three sets of rules together would provide the institutional infrastructure for SSC and TDC.

Victor Vazquez Aranda • 2 days ago

Civil society and particularly Think Tanks are well positioned to contribute to increase the amount and quality of SSC, especially in the issues that, for different reasons, governments alone face more difficulties to advance.
Among those issues, we are interested on the promotion of a low emissions economy and in meeting our NDCs. Paraguay committed an unilateral reduction of 10%, and an additional 10%, conditional to international support. However, little progress has been made since Paris. In that sense, we are looking at the growing amount of resources mobilized through the "green finance" markets, looking for strategies to promote our local green market. What are the prospects to promote a more active green financial market among southern countries?
Education is another central issue for development on which SSC should be expanded, for example to share experiences (good and bad) on policies and strategies applied by southern countries, aimed at reaching SDG 4. Securing impacts from education reforms require time, so it is urgent to start innovative strategies as soon as possible to achieve significant results. Are there forums or other type of bodies in which southern countries may be able to discuss, share experiences or promote collective actions on, for example, the issues mentioned above or similar others?

Roman Mogilevskii • 3 days ago
Hello from Kyrgyzstan.
In Central Asia, the role of development institutions from Global South has recently increased dramatically. Mostly this is due to the very active role of China which has become key development lender for almost all Central Asian economies in just few years. The Belt and Road Initiative is now used to frame the Chinese development assistance in the region. However, other non-traditional donors are also increasingly present including Eurasian Development Bank, Islamic Development Bank, governments of Russia, Turkey, Gulf states and some other institutions. Combined with the aid from traditional donors (IMF, World Bank, Asian Development Bank, European Union, USAID, DFID etc.), this provides for new development opportunities and enhances the chances to progress towards SDGs in the region.

South-South Global Thinkers Team • 2 days ago
Dear Roman, thank you very much for contributing to the e-discussion! In particular, by offering your important perspective on the development and cooperation landscape in Central Asia - with the increased role of China as a key development lender and through the Belt and Road Initiative, as well as highlighting the rise of other non-traditional donors.

Sarah Hager • 5 days ago
Hello Everyone!
I would like to discuss the role of Special Economic Zones (SEZs) in promoting investment into the Global South and supporting policies for sustainable development. I am using 'SEZ' as an umbrella term to include all geographically delineated altered policy environments including, inter alia, Industrial Parks, Export Processing Zones, Economic Development Areas and etc. I am interested in hearing from the other members of this platform on the experiences with SEZs in different country contexts. Have SEZs been successful in your study countries? What has influenced these outcomes? Why do you think SEZs succeed or fail?
Below I will provide a brief background consideration on SEZs to try to make the conversation accessible to as broad an audience as possible.
The potential benefits of SEZs vary, based on their characteristics, motivation and implementation. For instance, the creation of an SEZ for logistics services is likely to produce very different outcomes from an SEZ targeting light manufacturing sectors. In the case of developing countries seeking to gain a foothold in the global production system, the goal of SEZs is often to attract foreign direct investment (FDI) into labor-intensive, export-oriented industries. These SEZs have the potential to provide at least four direct benefits for the economies in which they are located - employment creation, earning foreign exchange, increasing and diversifying exports and facilitating knowledge and technology transfer.
Zeng argues that "the SEZs and industrial clusters that emerged after the country's reforms are without doubt two important engines of China's remarkable development" (Building Engines for Growth and Competitiveness in China, 2010). In support of this argument he cites the following figures: the first four SEZs at Shenzhen, Zhuhai, Shantou and Xiamen accounted for 59.8 percent of total FDI in China in 1981. In 2006, these four original SEZs accounted for a full 2% (15m jobs) of Chinese employment, which was then at 758m, and the 54 subsequent National level Economic and Technical Development Zones (ETDZs) accounted for .5% (4m) of total employment. Interestingly, these later ETDZs attracted more investment in total despite their lesser employment generation, potentially reflecting the structural transformation taking place in the wider economy.

In addition to these direct benefits, investments into SEZs may also provide a powerful demonstration effect showing other potential firms that the country is investible, create economic spillovers for the regional economy, provide an opportunity for the government to experiment with and iterate on industrial policy prior to rolling it out on a national scale, and provide a mechanism for communication between government and the private sector. Furthermore, within the delineated space of the zone, it is potentially easier and less costly to enforce important regulations that support SDGs including environmental regulations. An example of this can be seen in the Hawassa Industrial Park where the government of Ethiopia partnered with the private sector to provide a zero-liquid discharge effluent treatment plant to support the development of the textile value-chain while minimizing the potential polluting effects of that industry. Furthermore, SEZs have been an vehicle for South-South investment. For instance, there are more than 10 'China-Africa Economic and Trade Cooperation Zones' in African countries including Egypt, Ethiopia, and Nigeria. However, the global experience of SEZs are highly heterogeneous and many zones have failed to achieve their intended effects (See for example: Farole, Special Economic Zones in Africa: Comparing Performance and Learning from Global Experiences, 2011) and much is still unknown about the determinants of success for SEZs. It is often possible to diagnose failures in specific cases. One cause of failure for SEZs in developing countries has been the haphazard creation of 'general' SEZs, open to any form of production to capture any kind or amount of investment. This may lead to tensions in the production base, rather than the formation of a dynamic and mutually reinforcing cluster. It may also lead to environmental degradation as the cost of environmental compliance in the absence common provision for sector-specific waste treatments or risk mitigation would be left with individual firms and the resources for enforcement spread more thinly over a dispersed geographic area. Other causes of failure include, inter alia, poor or inappropriate infrastructure development, politically rather than economically determined location selection, and ineffective management practices and investor after-care. Much less is known about which policies and enabling conditions could produce a given targeted effect. While it is somewhat straightforward to measure the amount of FDI that entered an SEZ, for instance, digging deeper into the reasons why that particular amount or type of FDI became located in a specific area quickly becomes quite complex. The criteria that firms use for investment decisions are influenced by many factors including, inter alia, the dynamic and changing global trade system, trends and competition within each industry, the experiences of other similar firms and the information that they have about potential production locations.
SEZs require substantial investment, but this amount is less than the cost of trying to improve the infrastructure and business environments for the entire country simultaneously. By bringing together infrastructure and policy enhancement on a manageable scale, they can be a powerful tool for investment led development and structural transformation. I am looking forward to your ideas on how to achieve these positive outcomes as well as any country experiences you can share of success or failure with SEZs!

South-South Global Thinkers Team • 2 days ago
Dear Sarah, thank you very much for your comprehensive comments on Special Economic Zones (SEZs) and their benefits and challenges. Thank you for providing a thorough overview of SEZ benefits, including creation of jobs, as well as attracting investment, increasing and diversifying exports and facilitating technology transfer. The challenges you mentioned are extremely valid ones, including potential environmental degradation and a need to take a broader approach to SEZ implementation and management.

Dr Elizabeth Sidiropoulos • 1 day ago
Some years ago SAIIA undertook some research on the case of the Chinese SEZ in Mauritius. One of the findings of the paper by my colleague, Ana Alves, was that unlike the other zones in Africa, this project came to fruition largely through the vision of the Mauritanian government. it displayed significant agency in this regard because it was initially seen as being disadvantaged in comparison to others that offered much better conditions to China such as natural resources, large markets and generous investment incentives. The major drive behind the Mauritanian government was not just economic benefits, but also about expressing its ambition to tune the island into a business platform between Asia and Africa. The experience in the Zambia China Cooperation Zone was different. It took a significant amount of time to get off the ground and when we were doing the research, it was already 5 years into the project but with limited operationalisation and benefits to the local economy. We need to go back and assess how all of these have fared since. At the time some of the major implementation challenges related to poor condition of infrastructure. There was also a lack of cohesive regulating framework to ensure transfer of expertise and involvement of domestic private sector. There were loose regulations on local content. There were also challenges in bringing new investors abroad.

Professor Sachin Chaturvedi • 6 days ago Moderator
Development Compact
With the detailing of delivery modalities at the practical level, SSC principles dovetail with ‘development compact’. ‘Development Compact’ rests on five action pillars: capacity-building and skills transfer; concessional finance (further divided into grants and lines of credit); preferential trade, investment; and technical cooperation. It implicitly depends on the principle of ‘equitable accesses to trade, investment, and technology in SSC initiatives. India’s deployment of a broad portfolio of modalities allows for flexibility that makes it much more attractive and appropriate for partner countries in the South.
For example India’s capacity building programmes are in practice since its independence in 1947. The number of scholarships for foreign nationals of Southern countries has expanded from 75 in 1948 to nearly 8000 in 2012. During 2012-13, 7920 civilian training slots under ITEC/SCAAP were allotted to 161 developing countries. The figure in 2018 is more than 10,000 scholarship slots for Southern nationals.
India has further provided duty free and quota free access to goods from LDCs in order to grant them access to Indian markets. This aspect of Indian solidarity goes beyond the concept of aid and is aimed at empowering the local production networks. With regards to line of credits, EXIM Bank of India is the nodal agency for disbursing financial credit for infrastructure projects to various countries. African nations have been the largest beneficiary of India’s LoCs along with India’s neighbouring countries of Nepal, Bangladesh, Bhutan, Myanmar, Sri Lanka, Afghanistan and Maldives. Till date EXIM Bank has disbursed USD 21.58 billion LoCs in over 100 countries.
India and other emerging (BRICS) countries have a broader concept of aid that goes beyond giving hand-outs, and generates economic activities in the partner country. Significantly, this ‘compact’ rests solidly on the concept of mutual gain. ‘Development Compact’ is, therefore, something less than the articulated policies of the DAC members, but more than a string of unrelated aid programmes, and intimately related to broader economic strategies of the recipient country.
Intersubstitutability of Development Compact
However, the modalities are inter-substitutable and on many occasions the projects engage more than one modalities simultaneously. For example, a solar panel manufacturing plant may make use of all the possible modalities at our disposal. Concessional finance or grant may have been provided for the project along with capacity building and skill transfer

through training programmes for the technicians involved with technology for the solar panel being shared with the partner country.
Intersubstitutability of the ‘development compact’ is to ensure demand and for mutual benefit of SSC. They are rather umbrella terms and take care of the plurality associated with SSC. Plurality is the strength of SSC and the acceptance of plurality lends flexibility to partner countries as long as basic principles of SSC are not tempered with.
Assessment versus Evaluation
Flexibility under SSC also excludes the possibility of a standard template to measure the so called impact of SSC. SSC require the flexibility in approach and calls for assessment, not evaluation. Evaluation by its own etymological structure brings in the aspect of comparison against a certain given set of norms, while assessment is an exercise to understand the impacts in a non-comparative spirit.
Being non-comparative in spirit, assessment does not require a standardised template. In order to respect possible pluralities and flexibilities, compacts are innovatively designed by SSC partners. These implications unlike in impact evaluation, impact assessment of a SSC intervention is not methodologically geared to compare the impact of an effort in development cooperation in country A with that of country B or further it also does not compare between the impact of an intervention by country A in two countries B and C.

Adedeji Adeniran • 6 days ago
I want to add another dimension to the interesting discussion you raised on SSC. It is ripe for a discussion on technology, knowledge sharing and institution mechanism for property right in the SSC. It is assuring that the global south are at cutting edge of development in renewable and green technologies and this could provide an opportunity in catching up or even leapfrogging the traditional actors. It is generally known that economic development comes through technological adoption and adaptation. Yet, a widely acknowledged challenge to technological adoption for developing countries is the messy global property right framework. This has put the North on the top pyramid of development, as they lead in technological development. However, the trends are changing. China, India and Brazil are ranked among top countries for innovation and invention into green technologies. Interesting, SSC is inherently built on technical cooperation and technological sharing. My take is that the recent development is an opportunity to develop a more effective technological sharing mechanism with global south. In fact, BAPA+40 could not have come at a better time with SDGs just shaping up and renewable energy and technology becoming economically viable.

South-South Global Thinkers Team • 5 days ago
Dear Professor Chaturvedi, thank you very much for your insightful comments and facilitation support! Thank you for providing a remarkable overview of the Development Compact concept, along with concrete examples. In addition, many thanks for sharing India's role and perspective, which as you highlighted, goes beyond the concept of aid and includes for example enabling LDCs to access Indian markets through providing duty free and quota free access to goods. Also, appreciate the emphasis that India's solidarity is reflected in its flexibility in offering a broad portfolio of modalities, as was highlighted in the example of the solar panel manufacturing plant initiative that made use of concessional finance, along with capacity building and skill transfer through training programmes. We look forward to additional comments from the Global Thinkers community!

Pratyush Sharma • 1 week ago

Hello from New Delhi

It is heartening to see vibrant discussions on the topic of investing in SDGs through SSC: Policies, legal practices and challenges on this e platform.

Few of the important characteristics of achieving development through the principles of SSC since last 7 decades have been sustainability (social, economic and ecological) and inclusion.

The principles of SSC as enumerated below are:

• Demand Driven

In SSC, it is the partner or the recipient, rather than the provider as the source of funds or capacities that determines the priorities in the project. The selection of projects and the methods for implementation are decided in consultation with the partner which is never imposed.

• Respect for national sovereignty

In line with the principle of national sovereignty, the partner or the recipient countries themselves initiate, organise and manage SSC activities. SSC is basically about interdependences, not 'new dependencies'.

• Political and Macroeconomic Non-Conditionality

SSC never interferes with internal dynamics of the partner countries by providing policy recommendations thereby, challenging the national sovereignty of the partner. Nor does it with-hold or/and rescinds partnerships due to changes happening within partner country.

• Mutual Benefit

SSC is carried out in the nature of partnership to promote mutual benefit and thereby rejecting an unequal dependent relationship. The aim of cooperation is to create higher level of capability and economic opportunity for both the partners, aimed at mutually beneficial interdependency.

However, it is important to realise the fact that adherence of these principles have to be backed by tools of operationalisation that are sustainable in nature as well.

As has been mentioned elsewhere 'Development Compact' entails:

• Capacity-building and Skills Transfer,

• Technology and Technical Assistance,

• Development Finance (which includes concessional loans
and lines of credit),

• Grants, and

• Trade and Investment (which also include credit lines).

The conceptual planes of sustainable development and SSC have to be ensured and strengthened by the operational plane of 'Development Compact'.

The issue of responsible and sustainable development partner is very much ingrained both in the principles of SSC and its operational tool of 'development compact'.

South-South Global Thinkers Team • 6 days ago

Thank you Pratyush for enumerating the key principles of SSC, which are fundamental and should undoubtedly continue to guide and support SSC. Principles of national ownership and leadership, the promotion of horizontality and equality as well as engaging the countries involved in a mutually-beneficial relationship that promotes self reliance and self-help.

Shagufta Ahmad • 1 week ago

Greetings from Bahrain!

One of the high impact recent trade initiatives into the MENA region is the OBOR, the largest infrastructure project of the century. Launched in 2013, the One Belt One Road (OBOR) initiative aims to expand links between Asia, the Middle East, Africa, and Europe by recreating the ancient Silk Road trade routes by land (the Belt) and sea (the Road). According to the Middle East Institute, growing its trade relations with the Arab states is a top priority for China, the latter now being the region's largest trading partner. The Chinese are negotiating a free trade zone with the G.C.C., and have already established one with Egypt. Such large-scale investment is welcomed by the region and is long overdue in the wake of decades of oil incentivized proxy wars that have been played in the region weakening it in the post-colonial era. Additionally, according to a 2014 OECD report, economies in the MENA region have since 2009 been exposed to repeated external and internal shocks as a result of the global economic and financial crisis (2008), the Arab Spring (2011) and the drop in oil prices (2014). The ensuing economic, political and social turmoil significantly affected the macroeconomic fundamentals of the region, particularly in Arab Countries in Transition. The OBOR initiative is expected to turn the tide and inevitably contribute positively to the SDGs in many of its priority areas.

South-South Global Thinkers Team • 5 days ago

Dear Shagufta, thank you for sharing your views and concrete examples, such as the unprecedented and innovative One Belt One Road (OBOR) initiative, which aims to boost regional integration and trade. This initiative is indeed expected to contribute to the achievement of the SDGs, including boosting economic prosperity, as well as peace and development.

André de Mello e Souza • 5 days ago

Yes, Shagufta, the OBOR initiative is definitely a game changer. Its impact in Euroasia, East Africa and the Middle East is bound to be profound and generally positive. Yet, for other regions of the developing world, such as Latin America and West and Sub-Saharan Africa, OBOR brings the considerable risk of trade diversion, and no forseeable benefits.

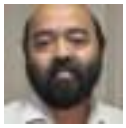
Dr Elizabeth Sidiropoulos • 1 day ago

The Belt and Road has galvanised the interest of all, and has significant economic and developmental potential. As it is rolled out it is important to keep track of the opportunities it creates for local companies in the countries that are part of the initiative. Part of this should also include robust sustainability elements that tie up with the SDGs. African countries in particular should also not ignore rising indebtedness in the process of building up infrastructure to drive productive economies.

South-South Global Thinkers Team • 21 hours ago
Dear Elizabeth and André, many thanks for your comments regarding the One Belt One Road (OBOR) initiative, including the positive benefits as well as the challenges, for example the risk of trade diversion impacting other regions. It also seems to be a common thread to emphasize the need to integrate sustainability and the SDGs in the roll out of the OBOR initiative.

Adedeji Adeniran • 1 week ago
Let's me join this fascinating discussion by drawing your attention to African experience in terms of policy and legal practices that have galvanized South-South investments for SDG implementation. One important policy that has worked is regional cooperation in interfacing with major actors in the north and south. An example is the Forum on China-Africa Cooperation (FOCAC) a platform for collective consultation on development agenda between African countries and China. This has significantly led to investment in education, health and infrastructural development. Another instance is the Economic Partnership Agreement (EPA) between the African and the European Union. An obvious advantage to this practice is that it helps strengthen the hand of LICs and allows them to benefit from the SSC. In addition, it reduces the shortcoming that has been highlighted in SSC which is predominantly bilateral in nature.
There is also more intensity around robust regional economic integration. Earlier in the year, African countries signed the historic Continental Free Trade Area (CFTA) that made the entire continent a single market. In all, two patterns are shaping here. Countries are binding together to get the optimal benefit from interaction with other actors. This has opened up the continent more opportunity through trade, investment and technical exchanges. This has also led more linkages with key actors in the south. China for example has led several of the regional integration efforts. However, this development is also raising critical question as regards to what differentiate the southern actors from the traditional actors.

South-South Global Thinkers Team • 5 days ago
Thank you very much Adedeji for highlighting important platforms for collective dialogue and effective mechanisms for cooperation between China and African countries, specifically the Forum on China-Africa Cooperation (FOCAC) and the Economic Partnership Agreement (EPA) between Africa and the European Union. In addition, thank you for highlighting key initiatives to boost trade, investment and technical exchanges in Africa, such as the Continental Free Trade Area (CFTA).



Prof. Milindo Chakrabarti • 1 week ago
Comments by Victor are extremely valuable in the context of the present discussion. He captured the role of FOCEM in spearheading SSC in the MERCOSUR region. His observation vis-a-vis the success of FOCEM excites me to initiate a discussion on the role of investment in building effective institutions -- framing the relevant rules of the game, to be

precise -- in facilitating development cooperation. I already mentioned in my earlier comment that development cooperation involves "collective action" among the stakeholders. SSC is premised on such a fundamental principle. Triangular Development Cooperation also is keen to imbibe the spirit of "collective action".
A basic condition necessary to be fulfilled for success of a collective action process is the realization across the stakeholders that the cost of collective action needs to be less than that of collective inaction. BREXIT is an option when the stakeholders involved believes that the cost to Britain by remaining a part of EU is much higher than that to be incurred by leaving it. The same argument holds good for countries refusing to join the global climate change agreement. Those favouring the agreement find merit in bearing the cost of signing on the dotted line and accept the consequent constraints imposed on their activities, which, undoubtedly, will add to their costs. They are convinced that the costs to be incurred in the future by not adhering to the constrains imposed would be much higher that the sacrifice made today.
Cost of collective action can be considerably reduced by crafting an effective set of rule of the game through consultations and negotiations among the stakeholders. However, investments -- efforts, time and financial resources -- are required to frame such rules or design the relevant institutions.
The success of FOCEM rightly points out the fruits arising out of the investments incurred in institutionallizing it. As we discuss the role of investments in SDGs through SSC and TDC, we also need to look beyond the traditional understanding of investments, i.e., investments in physical infrastructure, technology, skill development, trade etc. Investment in institution building is also a necessary condition for achievement of SDGs.

South-South Global Thinkers Team • 1 week ago
Dear Prof. Milindo Chakrabarti, thank you very much for your comments. Agree with your highlighting the importance of collective action and that investing in institution building is a key ingredient towards the achievement of the SDGs.

André de Mello e Souza • 5 days ago
I agree, Milindo, that investing in institutional building is crucial for SSC to contribute to the achievement of the SDGs. Brazil has endorsed the concept of "structuring cooperation" which means precisely the provision to partners of capacitation programs, not just of individuals, but also of institutions. The aim is to allow partners to gain greater autonomy by means of institutional building and human resource development, and to be able to accomplish durable development goals. Structuring cooperation entails necessarily long term planning and strategy, which must of course involve partners, but is in sharp contrast with ad hoc, improvised projects of SSC. Examples include the Pro-Savannah agricultural project Brazil implements in Northern Mozambique, with the support of Japan in a triangular cooperation arrangement; and the building of an antiretroviral factory in Maputo.

Professor Sachin Chaturvedi • 1 week ago Moderator
Thank you Victor for this comment on centrality of Paraguay in developing cooperation activities in the region. It is quite satisfying to know that both Southern and traditional donors are involved in the developmental journey of Paraguay. This goes along with the UN

resolution on SDGs which calls both South-South Cooperation (SSC) and North-South Cooperation as complementary processes for development. I firmly agree with you on the role of civil society organisations and think tanks in SSC and implementation of sustainable development goals (SDGs). Sharing from the Indian perspective, I must share with you and others in this discussion forum that civil society has played an active role towards strengthening SSC and have been working towards achieving SDGs.

Victor Vazquez Aranda • 2 weeks ago

Greetings from Paraguay!!! Thank you all for this welcomed and timely conversation, that hopefully will contribute for the analysis of some relevant topics for next year's meeting in Buenos Aires.

Among the issues that would be useful are the analysis of what happened within the framework of the BAPA, since 1978, especially to collect the lessons learned and to renew efforts to accelerate the pace of South-South cooperation in the coming years.

Paraguay is the most benefited country by the MERCOSUR Structural Convergence Fund (FOCEM), created under the inspiration of the funds established by the EU with the purpose of helping member countries to improve their infrastructure for commercial integration. We also share successful bilateral experiences with Brazil and Argentina in the construction of hydroelectric dams (Itaipú and Yacyretá, respectively).

In my personal experience, it is worth mentioning some South-South cooperation efforts promoted by FAO, where the government of Chile has been especially active. FAO also promoted some regional rural development projects (among them cotton production), financed by the government of Brazil.

Japan International Cooperation Agency (JICA) promotes cooperation with Central American countries, through the exchange of experiences, as for example, with El Salvador and Costa Rica regarding territorial development issues.

USAID has also recently promoted exchanges of experiences among Paraguay and African countries.

However, in my opinion, there are still great opportunities to increase the volume and quality of South-South cooperation, not only at regional countries level, but also between countries of different continents.

With regard to the factors that can stimulate South-South cooperation, in my opinion, they are not related so much to regulatory or institutional reforms, but to the political will of other relevant actors.

In this regard, think tanks have greater advantages than governments, as they do not depend on the particular political and short-term agendas that politicians tend to prioritize. Having the SDG at the center of the international agenda must facilitate the dialogue and promote a more effective exchange of experiences between our think tanks. This forum is an excellent demonstration of the actions that can be taken to advance the South-South cooperation agenda, with the intention of adopting in Buenos Aires a more dynamic and effective new Plan of Action, centered on the SDG, and with a more active role from civil society.

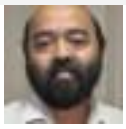
South-South Global Thinkers Team • 1 week ago

Dear Victor, many thanks for sharing the concrete examples of South-South exchanges, in particular FOCEM's support towards infrastructure works, as well as FAO's regional rural development initiatives and JICA's strengthening cooperation and development with Central American countries. Thank you for highlighting the importance of and the need to scale up

cooperation between countries of different continents. Dear global thinkers, please share your views and perspectives on this important topic!

André de Mello e Souza • 5 days ago

Thank you Victor for reminding us of the role of FOCEM in mitigating regional asymmetries and thereby supporting integration initiatives. The premise of FOCEM is that MERCOSUR, as other regional blocs, can only succeed if it addresses such asymmetries. However, the problem with FOCEM is that it lacks resources. The fund is made up of only about US$ 100 million, provided mostly from Brazil. The economic crisis in Brazil may have reduced even further the funding of FOCEM. The initiative of FOCEM could also be improved by allowing private projects to apply for funding (not just governmental ones) and by providing technical support for project elaboration. Finally, it is worth noting that economic and social asymmetries within MERCOSUR are not just regional, but also national. For instance, northeastern Brazil has similar or worse socioeconomic indicators than Paraguay. For this reason, the political support for FOCEM and other such funds depends on addressing development challenges in local backward subregions as well. This problem was much less pronounced in the EU (which as you pointed out inspired FOCEM), a relatively a much more homogenous region. Other regional blocs, like SADC, may also learn from the experience of FOCEM.



Prof. Milindo Chakrabarti • 2 weeks ago

Looking forward to a very invigorating discussion on the role and potentials of SSC and Tr.DC in creating desired incentives for investing in SDGs. The desired nature of "collective action" within the global community that is required to facilitate the process is necessary to be identified through innovative policies and legal practices.

Professor Sachin Chaturvedi • 2 weeks ago Moderator

Welcome to this group to discuss various dimensions of South-South Cooperation on "INVESTING IN THE SUSTAINABLE DEVELOPMENT GOALS THROUGH SOUTH-SOUTH AND TRIANGULAR COOPERATION - PROVEN POLICIES, LEGAL PRACTICES AND CHALLENGES"

I'm sure with our collective efforts we would make this discussion forum and interesting and important discussion platform as we move for BAPA+40

Thank you for your contributions! If you have more information that you would like to share with the South-South Global Thinkers Community of Practice e-Discussion, click on the link: https://www.ssc-globalthinkers.org/node/105