



## **Towards BAPA+40: Challenges in Defining South-South Cooperation and Development Cooperation from Southern Powers**

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### **Distinguishing South-South Cooperation from Development Cooperation**

The following article draws from previous and ongoing work conducted by the author that led to the recent book publication titled *China and India's Development Cooperation in Africa: The Rise of Southern Powers*. It specifically draws from chapter two of the book, titled 'Conceptual Framework and the Importance of Consistent Definitions'. Given the interchangeable manner in which terms such as South-South Cooperation, development cooperation, or foreign aid are used, it is important that contemporary scholars and practitioners in the international development landscape add greater clarity to these terms and concepts. When a term begins to mean everything, it also loses its meaning or utility for scientific study and policy-making.

The forthcoming 2019 meeting in Argentina organised by the United Nations Office on South-South Cooperation, the BAPA+40, provides an opportunity for scholars and practitioners to add more clarity to these particular concepts forty years since the Buenos Aires Action Plan was adopted in 1978. As the geopolitical and international development landscape continues to shift with Southern powers taking on greater responsibilities, they will be called upon to also lead the discussion on definitions, lest they allow Northern scholars and journalists to set the parameters and tone of the narrative through their own interpretations.

While the concept of South-South Cooperation generally includes various exchanges amongst countries of the global South, including trade and investment, one must be more disciplined when using the concept of development cooperation, which is only one amongst many available tools of South-South Cooperation. Indeed while development cooperation forms only one aspect or sub-set of South-South Cooperation, it is not the case that other forms of South-South Cooperation such as trade and investment can be characterised as development cooperation from the South. Yet this is an often-repeated mistake in various discussions taking place at international platforms. The following paper grapples with the complexity of defining South-South Cooperation and development cooperation from Southern powers, arguing that this important distinction must be made leading up to BAPA+40. It seeks to add clarity and emphasise the importance of consistent definitions when studying South-South Cooperation and development cooperation flows from the global South.

Indeed the paper argues that there should be no confusion on why South-South Cooperation as a concept covers the myriad flows amongst countries of the global South. At the time when it was conceptualised as a term, flows amongst countries in the global South were very few, and often had to be mediated by the Northern countries and institutions. However, with South-South flows having rapidly grown in the past few decades, it now becomes more important to distinguish between the various components of South-South Cooperation, especially development

cooperation, where confusion persists. What is important leading up to BAPA+40 is to clearly distinguish between South-South Cooperation as a broader concept and development cooperation from Southern powers so that they are not used interchangeably, whether explicitly or implicitly.

### **Defining Development Cooperation from Southern Powers**

Dane Rowlands (2008: 3) once stated that “[i]nternational development assistance can be a difficult concept to work with. Value-laden euphemisms such as ‘foreign aid’ and technically specific terms such as ‘official development assistance’ are often used as awkward substitutes, making it difficult to describe development assistance in a manner that is both sufficiently broad in conception and analytically precise in application. Moreover, traditional donors have dominated international development assistance – both as a concept and a field of endeavour – making it necessary to re-examine the practice in the presence of new emerging donors”.

Since research on the topic has not agreed on a standard way of defining and measuring development cooperation from Southern powers, this shortcoming must be addressed as preparations for the BAPA+40 conference in March 2019 gather pace.

While it is understandable that confusion persists on what constitutes development cooperation from Southern powers due to the relative difficulty of accessing comparable data, it is not excusable that researchers continue to accept any numbers published in the media and research papers. Failure to ask critical questions will only further cloud this topic and create more unnecessary mysteries and misinformation. This weakness in the research not only has consequences for academic inquiry, but crucially for policy advice and action on the part of nation states.

Development cooperation forms a part of a wider range of political and economic tools available to nation states as they conduct relations with each other. It is considered as official finance, since it comes directly from the government’s budget, in contrast to private sources of finance. However, while it is considered as official finance, it is not the only form of official finance that is at the disposal of nation states.

Nation states and their state institutions also give loans at commercial rates, which at times offer slightly better terms to recipients than those provided by private institutions. They also provide export credits to assist mostly local companies in their operations abroad; and buyers’ credits, which are often provided to foreign governments that seek to buy goods from the countries providing the credits. These types of credits often explicitly promote the economic interests of countries issuing them and boost exports.

While these various official economic tools are used by nation states, not all of them fall into the category of development cooperation. Journalists and scholars who want to compare China and India’s development cooperation to that of OECD countries often use non-comparable figures, which results in heavily inflated numbers and misleading results. A failure to provide a clear definition has mostly led to inflated numbers from Southern powers as economic tools given at commercial rates are often incorrectly included as development cooperation. These non-concessional funds are usually called ‘other official flows’ (OOF) by the OECD, and include those loans that are not concessional in character or those with a grant element of less than 25 per cent (Brautigam 2009: 204). While developed countries in the OECD do provide such funds, they are not included in their development cooperation calculations. While these commercial credits from Southern powers certainly form part of their overall South-South Cooperation, they should not be referred to as development cooperation as they are not explicitly offered at concessional rates.

However, despite researchers not including such flows when referring to DAC members, the same transactions have too often been included by scholars in the calculations for China and India's development cooperation. Chin and Frolic (2007, 13) suggest that "[t]he Chinese definition of foreign assistance is much broader than conventional Western definitions. In China, foreign assistance encompasses not only grants and loans, but also commercial investments, trade-related concessional financing, and educational and cultural exchange programs." When researching Southern powers, it has been quite common to incorrectly adopt such a broad definition of their development cooperation, thus also counting commercial investments as development cooperation, even when countries such as China have themselves not counted them as part of their development cooperation.

This has often resulted in inflating their actual disbursements as seen through a now widely quoted paper on China's activities in Africa, Latin America and Southeast Asia by the Congressional Research Service (CRS) in the United States (Lum, Fischer, Gomez-Granger 2009). In this report, China's development cooperation has been defined very broadly, encompassing all sorts of activities such as commercial loans and investments, prompting Deborah Brautigam (2010) to argue on her blog that the report has "done a great disservice to efforts to understand this issue."

This misunderstanding and inaccurate measurement of the international development programmes of Southern powers is more widespread within the academic community and cannot be restricted to just a few research reports.<sup>1</sup> It also continues to be pervasive in the reporting conducted by mainstream media outlets, who often mistake commercial investments from China and India for development cooperation, which arguably leads to a lot of misinformation in the public discourse.<sup>2</sup> A recent example is the 2018 FOCAC Summit, where China pledged another \$60 billion towards Africa in the next three years. Following that announcement, some newspapers were already saying that China has pledged \$60 billion in 'aid', despite only \$15 billion of that money being allocated towards interest free loans, low interest loans, and concessional loans, which do indeed qualify as development cooperation. The rest of the funds were largely for various types of credits and investment vehicles, offered at commercial, yet competitive rates.

The lack of clear and consistent definitions or the use of very broad ones has had immense ramifications for how development cooperation from Southern powers such as China and India is perceived, which in turn affects real policy choices from members of the DAC and multilateral financial organisations such as the World Bank. Understanding what to look for and what to exclude is thus not simply a mental exercise in academia, but a vital part of scientific research on an issue with real world implications.

Thus, when Hillary Clinton (2011) – as then Secretary of State of the United States – warned African leaders about China's "aid" in Africa, her warning bells were already based on a very broad interpretation of what constitutes it.<sup>3</sup> Central to her argument was that China is not interested in the development of least developed countries in Africa - supposedly in contrast to the United States-, but primarily interested in extracting as many natural resources to quench its thirst as it seeks to continue its rapid development in the face of growing demand for new energy sources and mineral deposits.

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<sup>1</sup> Kragelund (2008) also made this assumption in earlier research conducted on Non-DAC donors in Africa, although later work pays more attention to the importance of defining their aid in a concise manner

<sup>2</sup> The Economist has published several articles on China, which constantly equate foreign investment with aid. This issue has been picked up by Brautigam in her blog.

<sup>3</sup> This interpretation is clearly evident in research conducted by the Congressional Research Service on "China's Foreign Aid Activities in Africa, Latin America, and Southeast Asia".

Contrary to this commonly held assumption on the broad nature of its development cooperation, China’s actual official definition of development cooperation is not “much broader than conventional Western definitions” as Gregory Chin and Michael Frolic argued before (2007, 13). This fact is well illustrated through China’s White Paper on Foreign Aid (2011), which clearly shows that in fact China’s definition is far closer to that of the DAC (yet not identical), and not as “broad” as often suggested.

Conclusions reached by researchers who start from the basis of a broad definition are hardly surprising since they include large commercial loans and investments in their calculations. A particularly problematic issue with such a broad definition is that it ceases to have any real meaning since it classifies just about any type of economic transaction between Southern powers and developing countries as development cooperation. While this is not problematic for when analysing the broader concept of South-South Cooperation, which does involve trade, investment, and other types of transactions amongst countries of the South, it is highly problematic when trying to understand their development cooperation in contrast to that of OECD countries in the Development Assistance Committee (DAC).

According to research undertaken by UNESCO (2008: 3), it is imperative to understand that “external financial resources available to developing countries fall into two main categories: (a) development assistance or concessional finance and (b) non-concessional or market-related finance. Many studies analysing South-South cooperation tend to mix these two types of financing.” Based on the distinction by UNESCO, the below table outlines the various types of finance available to developing countries.

**Table 1. Official Financial Resources Available for Developing Countries**

<i>Concessional Finance</i>	<i>Non-concessional Finance</i>
Interest Free Loans	Commercial Lines of Credit (LoC)
Concessional and Low Interest Loans	Commercial Export Credits
Grants	Commercial Buyer’s Credits
Humanitarian assistance	
Volunteer Work	

The primary distinction made to separate what is development cooperation and what is not development cooperation is through an analysis of whether it is explicitly disbursed under explicit concessional rates subsidised by the respective governments or not. Development cooperation from Southern powers could thus more aptly be understood as official transfers of money, goods, and services to developing countries specifically for their economic development and welfare. These transfers need to come from official government ministries or agencies and be concessional in nature.

This definition allows for comparability, while it is neither too technical nor too broad. It allows one to identify flows such as commercial export and buyer’s credits as falling outside the realm of development cooperation while including the aid in kind that Southern powers are known to provide. It also removes the technicalities such as the DAC requirement of 25 percent grant element as Southern powers do not often report on this. The following table shows what the paper considers as development cooperation, and what it considers to fall outside of the definition. It thus simplifies the comparability of development cooperation amongst Southern powers, while also making it easier to compare their activities to those activities of the OECD DAC countries.

**Table 2. Classification of Development Cooperation from Southern Powers**

	Development Cooperation	Not Development Cooperation
Tools	Grants Interest Free Loans Humanitarian Assistance Volunteer Programmes Technical Cooperation Other Concessional Loans	Military Aid Commercial Lines of Credit Commercial Export Sellers Credits Commercial Export Buyers Credits

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## About NeST Africa

The past decade has generated growing interest and debate on the role of emerging economies and Southern partners in global development. It has also demonstrated tensions in the integration of new development players in the global aid effectiveness regimes, originally spearheaded by the OECD-DAC donors, as witnessed for example in international development cooperation conferences such as Busan HLF4 (2011) and Mexico HLM (2014). Despite some efforts to address knowledge gaps and to develop appropriate platforms for the exchange of knowledge, such as the Delhi Conference of Southern Providers (2013), limited understanding and evidence continues to exist on the role and contribution of Southern partners in global development.

Against this background the Network of Southern Think-Tanks (NeST) was established on the fringes of the Mexico High Level Meeting (HLM) in March 2014. This network of development cooperation experts and academics from the global South was formed in order to generate, systematise, consolidate and share knowledge on South-South Cooperation (SSC) approaches in international development. The executive group of NeST met in Beijing in November 2014 to finalise the governance arrangements, and to draw up the work plan, which included an ambitious agenda of methodology development, empirical research, capacity development, improvement of data and M&E systems, knowledge sharing and policy support to Southern development agencies. While some of the plans of NeST remain global in nature, many of the activities are to be further elaborated and implemented by the various national and regional chapters of the network. In 2015 the South African chapter of NeST was established.

NeST Africa's aim is to generate evidence, understanding and systematised knowledge on South Africa and African development cooperation, and how this relates to approaches of other Southern providers and traditional donors operating on the African continent. This paper is a result of meetings held on 4 April 2018 and from 12-13 June 2018, which brought African stakeholders together to discuss the key priority areas that civil society identify as important for feeding into the discussion on BAPA+40.

Select participants agreed to develop a number of papers on specific thematic areas that would be submitted to the United Nations Office of South-South Cooperation in the lead-up to BAPA+40. These include: 1) definitions 2) monitoring and evaluation 3) civil society's role in BAPA+40 and 4) peace and security.