



Support to UN Development Cooperation Forum 2010

South-South and Triangular Cooperation: Improving Information and Data

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Table of Contents

EXECUTIVE SUMMARY	iii
1. INTRODUCTION	1
1.1 Background	1
1.2 Rationale for Comprehensive South-South Cooperation Data	2
2. DEFINING SOUTH-SOUTH COOPERATION	2
2.1 Broader Context of South-South Cooperation	2
2.2 Current Definitions of Development Cooperation	3
Organisation	4
2.3 Proposal for Defining Southern Cooperation	5
2.4 Contributors and Recipients of South-South Cooperation	7
2.5 Triangular Cooperation	7
2.6 Flows Excluded from South-South Cooperation	8
2.7 South-South Cooperation by Type of Cooperation	8
Project cooperation	9
Programme cooperation	9
Technical cooperation	9
3. DATA COMPILATION ISSUES	12
4. IMPROVING THE ANALYSIS OF SOUTH-SOUTH AND TRIANGULAR DEVELOPMENT COOPERATION	16
4.1 Aggregate figures	16
4.2 Concessionality	17
4.3 Types of Cooperation	17
4.4 Distribution of Cooperation	18
4.5 Sector Composition	18
5. PROPOSAL FOR A SOUTH-SOUTH COOPERATION DATABASE	20
5.1 Aggregate Data for the DCF	20
5.2 National Data	21
6. PRACTICAL CHALLENGES TO DATA COLLECTION	23
6.1 Institutional Framework and Lack of Coordination Structures	23
6.2 Way Forward for Data Compilation	24
7. MAXIMISING SUPPORT TO AND IMPACT OF SOUTHERN COOPERATION	25
Annex 1: Calculating Loan Concessionality	27
Annex 2: IMF and OECD Online Concessionality Calculators	28
Annex 3: OECD CRS Sector/Purpose Codes and UN Economic and Social Statistical	
Classifications	29
Bibliography	30

Boxes

Box 1	Defining development cooperation and loan concessionality	3
Box 2	Data Recording Systems.....	22

Tables

Table 1	Alternative measures of loan concessionality	4
Table 2	Development Cooperation Cycle.....	12
Table 3	Proposed Indicators for Assessing Effectiveness of South-south Cooperation.....	19
Table 4	Sample of Database to be Compiled for Each Programme Country	21
	
	

EXECUTIVE SUMMARY

1. BACKGROUND AND INTRODUCTION

In preparation for the 2010 Development Cooperation Forum, one of the thematic areas on which the DCF is focusing as part of its review of trends in development cooperation, is the strengthening of South-South cooperation (SSC). To do so will require addressing three gaps:

- An analytical gap - through a better understanding of the scope of South-South Cooperation (SSC) and the provision on a voluntary basis of data and information on SSC,
- An operational gap - through improved analysis on the support SSC requires – notably through triangular cooperation- and on ways to maximize its impact,
- A political gap - through the promotion of a consensus amongst Southern partners (including countries offering cooperation programmes) on the basic principles of South-South cooperation, ways to measure its scope and what works to maximise its impact.

To begin addressing the first gap, the DCF has commissioned an analytical background study to address the following questions¹:

- What pragmatic definition should be used to measure South-south cooperation? What should the definition exactly cover? How would such cooperation flows be measured?
- What are the main practical obstacles and challenges to voluntary data collection in SSC at the country level?
- How should the work on the measurement and data collection move forward?
- What could be the possible focus of further analytical work of the DCF on SSC?

South-south cooperation has a long and proud history as an important form of solidarity between countries of the south and has increased significantly in recent years. For the international community to acknowledge accurately its increasing role and importance there needs to be better and more comprehensive data and information available. Furthermore it is largely recognised that SSC has considerable advantages and better information will benefit partner countries, enabling them to seek the most cost effective and appropriate funding for their development programmes and supporting policy making.

2. DEFINING SOUTH-SOUTH COOPERATION

The principles of solidarity and mutual cooperation underlie South-South cooperation, arising from the long and shared history of partner countries². As such South-South cooperation is a much broader and deeper concept than that of Northern donor aid. Not only does it encompass financial flows, such as loans and grants for social and infrastructure investment projects and programmes, but it also embraces cooperation through the sharing of experiences, technology and skills transfers, preferential market access and trade-oriented support and investments³. This is being achieved through cooperative relationships at the level of governments and their agencies or between enterprises or civil society organisations. In addition, South-South and triangular cooperation has adapted in recent years to encompass the global and transnational issues of climate change, energy and the environment.

While the concept of South-South cooperation is a broad one, for the UN DCF to strengthen and improve information and data flows of South-South and triangular cooperation, the emphasis initially is to be narrowed down. Therefore as a starting point, it is proposed to focus on the financial flows arising from South-South and triangular cooperation.

¹ This study was prepared by Alison Johnson, Development Finance International, with research assistance by Katerina Kyrili and helpful comments from Michel Vaugeois. Opinions expressed in this paper are those of the author and do not necessarily reflect the official views of the United Nations.

² For more background, see UNDP Special Unit for South-South Cooperation (2007).

³ For more discussion of some of these aspects, see Kumar (2008).

Measuring South-South Cooperation is fraught with difficulty because of the lack of clarity on definitions and methodology that accurately reflects the flows between partner countries. It is important to try and achieve as much international data comparability as possible while maintaining and adding value to mutual solidarity and cooperation principles underlying South-South cooperation.

The proposals are as follows:

The principle underlying south-south cooperation is that it represents a genuine transfer of resources from the country offering cooperation programmes into the economies of its partner countries.

South–South cooperation is defined to include grants and concessional loans (Including export credits) provided by one Southern country to another to finance projects, programmes, technical co-operation, debt relief and humanitarian assistance and its contributions to multilateral institutions and regional development banks.

Southern actors offering South-South cooperation programmes are Southern governments and their agencies and Southern multilateral institutions. Southern actors receiving South-South cooperation include Southern governments and their agencies, multilateral development institutions such as the World Bank, IMF, United Nations (UN), regional development banks, other multilateral institutions and civil society organisations.

The concessionality of South-South cooperation loans is to be designed to measure the opportunity cost of the funds to the lender. There are benefits and constraints of using the two alternative measures of the OECD and the IMF. The OECD calculation leads to reporting higher levels of aid than would be the case using IMF calculation. It would lead to international data comparability. The IMF approach on the other hand would lead to greater consistency with national policies of partner countries. Southern partners and the DCF should advise on which is the most appropriate one to be adopted for measuring the concessionality of southern flows.

Triangular cooperation is Northern donors, multilateral institutions or Southern partners providing cooperation to one Southern partner country to execute projects/programmes with the aim of assisting a third Southern partner country. Since Northern donors and multilateral institutions account for their triangular flows as Northern donor aid including these flows as part of South-South cooperation would result in a double-counting of these flows internationally.

All military assistance, grants and loans to the private sector, foreign direct and portfolio investment, flows which do not entail cross-border transactions and flows which are not part of cooperation agreements, subsidies between agencies within the Southern partner country and funding of activities aimed at combating terrorism are not to be classified as South-South cooperation.

Project cooperation is funding for specific activities, including investment projects designed to enhance infrastructure and physical capital of the country receiving South-South cooperation.

Programme support is budget or balance of payments support (including financing of imports and commodities) and sector programme support.

Technical cooperation is the provision of all types of know-how in the form of personnel, training, technology and expertise transfer, knowledge sharing, exchange of experiences, research and associated costs which lead to genuine capacity building and development within the partner country. It covers free-standing

cooperation and investment-related technical cooperation, with the latter usually being included as project and programme cooperation.

Debt relief is to be included in South-South cooperation.

Humanitarian assistance is defined as the support, in cash or kind, designed to save lives, alleviate suffering and maintain and protect human dignity during and in the aftermath of emergencies.

Contributions to multilateral institutions and regional development banks are grants and subscriptions to these organisations

3. DATA COMPILATION ISSUES

The development cooperation cycle illustrates how South-South cooperation have to be considered:

- Consultation phase which yields data on Southern partner country pledges or intentions
- Commitment/disbursement phase which yields data on grant and loan commitments and disbursements
- Debt servicing phase which provides data on loan repayments.

The key issues relating to the compilation of data on South-South cooperation for consideration by Southern partners and the DCF:

To have a comprehensive and consistent overview of South-South cooperation, it is important to have the following annual data recorded:

- *new commitments in aggregate and by concessionality, type of cooperation, sector and country receiving South-South cooperation,*
- *gross disbursements in aggregate and by concessionality, type of finance, sector and country receiving South-South cooperation,*
- *net disbursements (gross disbursements less loans amortisation payments) in aggregate and by concessionality, type of finance, sector and country receiving South-South cooperation.*

It is proposed that data on South-South cooperation be collected on a voluntary basis.

It is proposed that recording and analysis of data on South-South cooperation be on the basis of current prices and exchange rate (nominal terms) and the calendar year.

It is proposed that Southern partners compile the data in the national currency or if preferred in US dollar and currency conversions be done using period average exchange rates, published by the United Nations and available on UN Treasury Department (<http://www.un.org/Depts/treasury/>).

It is also proposed that ECOSOC uses the US dollar as the numeraire currency for analysis of South-South cooperation and that currency conversions be done using the UN published period average exchange rates.

It is proposed that Southern partners report separately on development cooperation commitments, disbursements and debt service flows which are nationally funded (from Southern partner country's own resources) and those which are funded from triangular cooperation flows received from Northern donors and multilateral institutions.

4. IMPROVING ANALYSIS OF SOUTH-SOUTH AND TRIANGULAR COOPERATION

The key indicator used internationally for monitoring Northern donor aid flows is net ODA as a percentage of Gross National Income (GNI). This indicator relates the amount of annual net

ODA disbursements⁴ to the scale of the donor country's economy, as measured by GNI. In addition, the ODA target of 0.7% of GNI ratio, set by the United Nations in 1970 and reaffirmed at the 2002 Monterrey Conference on Financing for Development, is used internationally as the target level for developed countries to achieve in terms of aid delivery per annum. It is also the target against which the scaling up of OECD DAC donors' aid flows are monitored and reported on.

This indicator does not and should not apply to gauge South-South cooperation. In any case, it would not be strictly applicable to South-South cooperation if the definition of South-South cooperation proposed in this study is to be used, as this definition differs from the definition of Northern donor ODA.

As a way forward, an analytical study could be conducted to assess what could potentially be an appropriate benchmark to highlight the scope of South-South cooperation in partner countries thereby enabling it to be looked at on its own terms.

In addition to the above, the Table below summarises proposed benchmarks and their implications for computing data. The proposed benchmarks are for all Southern partners countries in aggregate and on partner country basis.

Benchmarks	Data requirements for computation	Purpose of measurement
Aggregate development cooperation		
<i>Commitments (in US\$ millions)</i>	<ul style="list-style-type: none"> Amount of total commitments 	<ul style="list-style-type: none"> To assess the scale of intended South-south cooperation
<i>Gross disbursements (in US\$ million)</i>	<ul style="list-style-type: none"> Amount of total disbursements 	<ul style="list-style-type: none"> To assess the scale of disbursed South-South cooperation
Concessional of development cooperation		
<i>Grants as % of total South-South cooperation</i>	<ul style="list-style-type: none"> Gross grant disbursements Gross South-South cooperation disbursements 	<ul style="list-style-type: none"> To assess the share of South-South cooperation delivered as grants
<i>Concessional cooperation as % of total South-South cooperation</i>	<ul style="list-style-type: none"> Gross grant and concessional loan disbursements Gross South-South cooperation disbursements 	<ul style="list-style-type: none"> To assess the concessional proportion of South-South cooperation
<i>Standard or average¹ loan terms</i>	<ul style="list-style-type: none"> Standard or average maturity, grace period and interest rate or service fee Grant element of the loan terms 	<ul style="list-style-type: none"> To evaluate the concessional of average or standard loan terms It is useful to distinguish between standard or average terms of concessional and nonconcessional loans, if possible
Types of cooperation		
<i>Project / programme/ technical cooperation/ debt relief/ humanitarian support and contributions to multilaterals & RDBs cooperation as % of total South-South cooperation</i>	<ul style="list-style-type: none"> Gross disbursements for each of project, programme, technical cooperation, debt relief, humanitarian support, contributions to multilaterals & RDBs Total South-South cooperation 	<ul style="list-style-type: none"> To analyse the share of total South-South cooperation delivered for each of project support, programme support, technical cooperation, debt relief, humanitarian support, contributions to multilaterals & RDBs
Distribution of cooperation		
<i>Largest five countries receiving South-South cooperation/ by partner country: amount and % share</i>	<ul style="list-style-type: none"> Gross disbursements to each of the largest five countries receiving South-South cooperation and % share of total South-South cooperation 	<ul style="list-style-type: none"> To evaluate the amount and share of South-South cooperation going to the largest five countries receiving development cooperation for each partner country and for Southern partners in aggregate

⁴ Gross disbursements to the programme country less amortisation received from the programme country.

<i>of South-South cooperation</i>		
<i>Regional total amounts and share of South-South cooperation</i>	<ul style="list-style-type: none"> • <i>Gross disbursements of South-South cooperation by region and as % share of total disbursements</i> 	<ul style="list-style-type: none"> • <i>To evaluate the amount and share of South-South cooperation by region for each southern partner and for Southern partners in aggregate</i>
Sector composition		
<i>South-south cooperation by sector: amounts and % share of South-south cooperation</i>	<ul style="list-style-type: none"> • <i>Gross disbursements of South-south cooperation by sector and as % share of total disbursements</i> 	<ul style="list-style-type: none"> • <i>To evaluate the amount and share of South-south cooperation by sector for each southern partner and for Southern partners in aggregate</i>
Triangular Cooperation		
<i>Triangular flows received from Northern donors: amounts</i>	<ul style="list-style-type: none"> • <i>Gross disbursements of triangular cooperation received</i> 	<ul style="list-style-type: none"> • <i>To assess the amount of triangular cooperation received from Northern donors by each southern partner and by Southern partners in aggregate</i>
<i>Triangular cooperation disbursed to countries receiving triangular cooperation: amounts and by beneficiary country</i>	<ul style="list-style-type: none"> • <i>Gross disbursements of triangular cooperation to countries receiving triangular cooperation by country</i> 	<ul style="list-style-type: none"> • <i>To assess the amount of triangular cooperation disbursed by one southern partner country to another partner country and to Southern partners in aggregate</i>

¹ Some partner countries have standard loan terms applicable to all countries receiving cooperation, whereas others have terms which can be negotiable.

While these areas of analysis will enable a basic analysis of South-South cooperation, longer-term it would also be useful to have additional indicators which provide for the analysis of the quality and effectiveness of South-South cooperation, such as those relating to its predictability and flexibility.

5. PROPOSAL FOR SOUTH-SOUTH COOPERATION DATABASE

To better understand the scope of South-South cooperation as a manifestation of solidarity among developing countries, a two-staged process is suggested. The first stage is the compilation by Southern countries of national data on a voluntary basis and on the basis of the agreed data concepts and definitions. The second stage is the reporting of this nationally compiled data, in a standardised database format to the DCF, which will be used in the overall reporting on South-South cooperation for the DCF.

As the second stage reflects the final outputs to be achieved, it provides a useful starting point. In order for the DCF secretariat to compile its overall reporting on south-south cooperation for the DCF, Southern countries will be encouraged to provide national development cooperation data in standardised format and on a voluntary basis. It is proposed that this be done in Excel which is both user-friendly and used internationally. A draft database page for the compilation by each country offering South-South cooperation programme of development cooperation data for each country receiving South-South cooperation annually, based on the proposed data concepts and classifications is provided in Table 4.

Turning to the compilation by each Southern partner of national data on South-South cooperation, it is recognised that countries currently have different ways of collecting and presenting national data. It is also recognised that partner countries may not currently be compiling and recording development cooperation data on the basis of the proposed data definitions and concepts and that to do so may involve additional efforts.

There are a number of options open to Southern partners for data collection and the modality to be used will depend on the existing status of national data collection and data recording systems and processes, as follows:

- For Southern partners which do not at present have any established systems or formats for collecting and recording development cooperation data, the main difficulty is likely to be the lack of data availability or it may be available but scattered across a number of different agencies. For these countries, it is proposed that they use the Excel format database of the DCF, discussed above, for voluntarily collecting and recording development cooperation data on the basis of the agreed definitions and classifications in the first instance. This is primarily a short-term solution for compiling data and longer-term it may be appropriate to consider using one of the data recording systems discussed in Box 2.
- For Southern partners, which currently have some form of development cooperation database in Excel or another software, it is proposed that the outputs from the existing system be downloaded or linked to the DCF Excel format database. The difficulty for some countries may be that the development cooperation data currently compiled is not on the basis of the proposed definitions and concepts. In which case, it is going to be necessary to review the data definitions of the existing database and ascertain what changes may be required, including the collecting of additional data and how this is to be achieved.
- For Southern partners which currently report ODA data to the OECD DAC it should be possible to use the existing national data, and where it is compiled on an ODA basis to make the necessary definitional adjustments to report on the basis of the proposed data definitions and concepts of South-South cooperation.

6. PRACTICAL CHALLENGES FOR DATA COLLECTION

One of the main challenges facing many Southern countries is that there is no single government ministry or agency responsible for the country's development cooperation programme. For example, the Ministry of Finance may have responsibility for project grants and concessional loans, whereas technical cooperation grants are agreed and disbursed by line ministries (agriculture, education, health and so on) and exports credits are the responsibility of the Export-Import Bank or the Ministry of Trade. Alternatively, the Ministry of Foreign Affairs or the Ministry of Planning may have the lead role in one or other of these areas. In some countries, project implementation and development cooperation disbursements may be handled by state-owned enterprises or other government agencies.

In such a situation, there is no overarching institutional structure which enables the partner country government to have an overview of its development cooperation in aggregate. For many Southern countries this means that development cooperation data are unlikely to be collected and compiled centrally. Furthermore, it is not unusual for there to be no or little commonality in the types of data collected (eg commitments or disbursements), the period for which it is collected or the format in which it is collected. As a result it can be difficult to get data on overall development cooperation.

On the other hand, a number of Southern countries have taken steps to strengthen and coordinate their development cooperation programmes and data collection process. A few countries are thinking about establishing specific government agencies to oversee and coordinate their development cooperation, which should result in improved data collection and reporting.

As a way forward the following proposals are put forward:

- To facilitate the coordination of national data collection, it is suggested that one senior official involved in the DCF takes the lead nationally in this regard. In particular, this will be a coordination/liaison role which will involve briefing the national agencies involved in providing development cooperation about Phase 2 of the DCF project,

seeking their assistance with the provision of data, facilitating a DCF mission if one is to take place nationally and liaising with the DCF secretariat during Phase 2 on data provision and issues arising regarding data collection.

- Each Southern partner country is asked to nominate an official responsible for compiling development cooperation data nationally. This will be a technical role and the nominee will be an official who is knowledgeable and has experience of development cooperation data. This official will liaise directly with all agencies involved to collect and compile the data for submission to the DCF secretariat.
- To assist with the data collection process, the DCF could consider funding a few missions to provide support for data collection.
- To assist data compilers with queries relating to data definitions and concepts and to provide guidance on how to complete the Excel-format DCF Database, the DCF secretariat is to provide support via email and telephone, through a nominated person.

7. MAXIMIZING THE SUPPORT TO AND IMPACT OF SOUTH-SOUTH COOPERATION

The DCF secretariat proposes to conduct analysis to learn and share good practices of South-South and triangular cooperation notably on how to maximise the support that South-South cooperation receives through triangular cooperation. To achieve this, it is proposed that the DCF commission an independent study to evaluate triangular cooperation. To support this work, it is also proposed to create a repository of good practices in triangular cooperation to garner more information on the practical lesson issues.

1. INTRODUCTION

1.1 Background

In 2008, the DCF established itself as the focal point within the UN system for a holistic consideration of development cooperation. Some of the DCF key messages and the DCF's role in the international debate on development cooperation were reflected in the outcome documents of the Doha Review Conference on Financing for Development and of the Accra High-level Forum on Aid effectiveness.⁵ In order to consolidate, strengthen and build on these achievements, the overarching objective of phase II of the DCF (2009-2010) is to improve the effectiveness of development cooperation by producing agreement on priority issues for action to better promote national and internationally-agreed development goals. While the 2010 DCF will review trends in development cooperation, including aspects such as the impact of the economic crisis or of the support to climate change, it will place a particular focus on areas such as: (i) mutual accountability in development cooperation; (ii) South-South Cooperation; and (iii) aid policy coherence. Inter-linkages among the three areas will be highlighted with a view to promoting a more holistic approach to the DCF preparatory activities.

To strengthen South-South cooperation will require the targeting of three mutually reinforcing results:

- Improved data and information on South-South Cooperation (SSC),
- Improved analysis on how to best support South-South cooperation and maximize its impact,
- Consensus among Southern partners (including countries offering cooperation programmes) on the basic principles of South-South cooperation, ways to measure its scope and what works to maximise its impact.

Building on a successful first DCF, the second cycle will promote learning from good practices, especially through expert level dialogue among Southern partners, to further enhance the understanding, definition, measurement/reporting, support to and impact of SSC.

To this end, the DCF has commissioned a background analytical study to address the following questions:

- What pragmatic definition and practicable indicators should be used to measure South-South cooperation? What should the definition exactly cover? How would such cooperation flows be measured?
- What are the main practical obstacles and challenges to data collection in SSC at the country level?
- How should the work on the measurement and data collection move forward?
- What could be the possible focus of further analytical work of the DCF on maximizing the support to and impact of SSC?

The present study attempts to answer these questions and it is organised as follows:

- Chapter 2 focuses on defining south-south cooperation,
- Chapter 3 discusses the data compilation and measurement issues,
- Chapter 4 is about improving the analysis of South-South and triangular cooperation
- Chapter 5 sets out a proposal for compiling a SSC database and proposed time frame,
- Chapter 6 considers the practical obstacles and challenges to data collection in SSC at the country levels,
- Chapter 7 considers the possible focus of further analytical work of the DCF on maximising the support to and impact of SSC.

⁵ The Doha Outcome document welcomes the DCF's efforts to improve aid quality and invites the Secretary-General to provide a report on systematic and universal ways to follow quantity, quality and effectiveness of aid flows for consideration by the DCF, giving due regard to existing schemes and mechanisms (A/Conf.212/L.1/REV1*).

The conclusions and the recommendations of the study are presented in the Executive Summary.

The study draws on work done for the preparation of the Background Study for the first DCF in 2008, including previous analysis undertaken by Debt Relief International and its regional partners for the Capacity Building Programme of the Heavily Indebted Poor Countries. In addition, there have been consultations with officials of the OECD Development Assistance Committee (DAC), UNCTAD, Commonwealth Secretariat and Development Gateway Foundation. The study also draws on the available literature and research of academics and practitioners.

This study proposes definitions and way forward. Based on the comments and the outcomes of these discussions, the consultant will prepare more detailed *Guidelines for Reporting South-South Cooperation* and a sample format for a SSC database.

1.2 Rationale for Comprehensive South-South Cooperation Data

South-South cooperation has a long and proud history as an important form of solidarity among developing countries. More recently, the number of southern countries offering development cooperation programmes has been growing, with several countries taking steps to establish fully-fledged development cooperation agencies, while broadening the focus from mainly technical cooperation to more comprehensive development programmes.

In 2006, South-South cooperation was estimated to be between US\$ 9.5 billion and US\$12.1 billion, which represents 7.8 to 9.8 per cent of total development cooperation flows, although this is reckoned to be an underestimate⁶. In order for the international community to acknowledge accurately its increasing role and importance, there needs to be better and more comprehensive data and information. Furthermore, the growth of south-south cooperation has not been without debate internationally, some of which has been based more on sentiments than facts. One of the reasons for this is the lack of accurate data and information on both its strengths and weaknesses. So developing comprehensive and accurate data of South-South and triangular cooperation would result in proper acknowledgement of its role and importance as well as help ground the debates on facts.

Many countries, which have been receiving South-South cooperation, are often aware of some of its advantages and drawbacks, based on national experiences. For example, South-South cooperation has tended to focus more strongly on regional projects than Northern donor aid. However, this aspect of South-South cooperation is not necessarily widely known amongst all such countries and therefore they do not necessarily seek such funding for regional projects.

So better information would benefit countries resource mobilisation efforts, enabling them to seek the most cost effective and appropriate funding for their development programmes. This would include the ability to compare South-South cooperation with Northern donor aid or market-based finance. It would also help them negotiate better terms and conditions of their funding as they will have more information and experience of what is available in the widest sense, both from Northern donors and southern partners.

2. DEFINING SOUTH-SOUTH COOPERATION

2.1 Broader Context of South-South Cooperation

⁶ ECOSOC (2008c)

The principles of solidarity and mutual cooperation underlie South-South cooperation, arising from the long and shared history of partner countries⁷. As such South-South cooperation is a much broader and deeper concept than that of Northern donor aid. Not only does it encompass financial flows, such as loans and grants for social and infrastructure investment projects and programmes, but it also embraces cooperation through the sharing of experiences, technology and skills transfers, preferential market access and trade-oriented support and investments⁸. This is being achieved through cooperative relationships at the level of governments and their agencies or between enterprises or civil society organisations. In addition, South-South and triangular cooperation has adapted in recent years to encompass the global and transnational issues of climate change, energy and the environment.

As the UN Secretary-General's Report⁹ notes, the deterioration in the global economy in the past few years has paradoxically created a number of new opportunities for South-South cooperation, as partner countries are now looking to one another and to their innovative cooperation mechanisms to facilitate economic recovery.

While the concept of South-South cooperation is a broad one, for the DCF to strengthen and improve information and data flows of South-South and triangular cooperation, The emphasis initially is to be narrowed down. Therefore as a starting point, the DCF proposing to focus on the financial flows arising from South-South and triangular cooperation.

2.2 Current Definitions of Development Cooperation

The Background Study on South-South and Triangular Development Co-operation prepared for the first DCF highlighted the need to define the types of flows which should be counted as South-South cooperation. This task is not straightforward in that to date there is no internationally agreed definition on what constitutes development cooperation¹⁰ or on how to calculate the concessionality of loan finance.

Box 1 below summarises the key issues relating to the definition of development cooperation and loan concessionality.

Box 1 Defining development cooperation and loan concessionality

The OECD DAC defines official development assistance (ODA) as "those flows to countries and territories on the DAC List of ODA Recipients and to multilateral development institutions which are:

(i) provided by official agencies, including state and local governments, or by their executive agencies; and

(ii) each transaction which:

- is administered with the promotion of the economic development and welfare of the developing countries as its main objective; and
- is concessional in character and conveys a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent)¹¹.

Unpacking this definition, ODA is comprised of grants and loans, which fulfil the following criteria:

- The provider is a government or its agency, so all private sector financing is excluded;
- The recipient is a developing country government or multilateral development institution, such as the World Bank, IMF, United Nations (UN), regional development bank and the main international non-governmental organisations (NGOs)¹²;

⁷ For more background, see UNDP Special Unit for South-South Cooperation (2007).

⁸ For more discussion of some of these aspects, see Kumar (2008).

⁹ United Nations (2009)

¹⁰ This is the case in the context of both Northern aid and South-South cooperation.

¹¹ OECD (2008c) and OECD (2007).

- The funding being provided is for the purpose of promoting economic development and welfare. This is often the crucial criterion for deciding which flows are classified as ODA and it can involve a degree of subjectivity because it relates to the provider's intention, which may not be readily discernable. However, a main purpose of this criterion is to specifically exclude loans and grants for strictly commercial and export financing purposes (such as export credits), as well as all aspects of foreign direct investment¹³;
- The types of flows classified as being ODA include programme and project cooperation, technical co-operation, humanitarian assistance, debt relief, costs of education provided to developing country nationals in the donor country, administrative costs of ODA programmes, subsidies to NGOs, and programmes to raise development awareness in donor countries.

In the OECD lexicon, a loan qualifies as ODA if it is deemed to be concessional, which it defines as a credit having one or more years maturity and a grant element of 25 per cent or more (calculated using a 10% discount rate). Export credits extended by a provider government or its agencies and short-term debt (loans with maturity of less than one year) are specifically excluded¹⁴.

On loan concessionality, there is international consensus that it is a measure of the opportunity cost of the money to the lender. However the key international organisations adopt different discount rates to reflect their opportunity costs of advancing funds to a borrower in comparison to the alternative uses, such as the interest to be earned by depositing, investing or lending the funds elsewhere, as well as having different benchmarks for determining loan concessionality.

The two main players, the OECD and IMF¹⁵, use different discount rates and have different concessionality thresholds as summarised in Table 1 and discussed in more detail in Annex 1. Furthermore the OECD uses different discount rates for defining ODA and export credits, while the IMF also has different discount rates for assessing loan concessionality limits within the context of a country's IMF adjustment programme and for evaluating the long-term debt sustainability of a country's aggregate loan portfolio.

Table 1 Alternative measures of loan concessionality

Organisation	Purpose	Discount rate	Grant element of a concessional loan
OECD	Defining ODA flows	10%	> 25%
	Assessing concessionality of export credits	6-month average CIRR ¹⁶	> 35%
IMF/World Bank	Assessing concessionality of a new borrowing within the context of an adjustment programme	10-year avg. CIRR for loans with maturity >10 years + margins; 6-month avg. CIRR for shorter-term loans	>35% or more for some countries
	Assessing long-term debt sustainability of loan portfolio	5% ¹⁷ , approximating the US\$ CIRR rate as the analysis is done in US \$	Does not apply to individual loans

As a result of the different concessionality measures, loan terms may be classified as ODA according to the OECD methodology, but considered nonconcessional and breach the concessionality limits agreed in a country's IMF adjustment programme. This is because the OECD calculation uses a higher discount rate, which yields a higher grant element, thereby making a loan more concessional than would be the case using the IMF calculation. For example, OPEC Fund loans are classified as ODA by the OECD, but may not always be concessional new borrowings within the context of an IMF programme¹⁸.

¹² Full listing of the relevant institutions is found in Annex 2 of OECD (2007).

¹³ To reduce the scope for subjective interpretation and to encourage comparable data reporting by OECD DAC-donors, the OECD classifies the following as not being ODA: military assistance, enforcement aspects of peacekeeping, police services to control civil disobedience, sponsoring of concert tours or athletes' travel costs, assistance to refugees with over one year stay in the donor country, military applications of nuclear energy, research not directly and primarily relevant to developing countries, and activities combating terrorism.

¹⁴ Where concessional and non-concessional finance are combined as mixed credits or associated financing packages, the concessional component counts as ODA.

¹⁵ The World Bank uses the same loan concessionality measures as the IMF.

¹⁶ CIRR is the currency specific Commercial Interest Reference Rate for officially supported export credits of OECD member states.

¹⁷ This is to be reduced to 4% reflecting the decline in US dollar interest rates.

¹⁸ ECOSOC (2008c)

Furthermore in the recent low interest rate environment internationally, even some commercial loans may appear to be concessional on the basis of OECD's definition of ODA.

One implication is that aid levels reported by DAC-donors using the OECD measure are higher than would be the case if the IMF measure was to be used.

In light of these definitional issues, the OECD DAC has recognised that its current ODA definition does not provide a realistic measure of the genuine transfer of resources to the economies of developing countries because of some of the types of flows included. To address this issue, it has introduced the concept of 'country programmable aid (CPA)',¹⁹ which aims to capture the flows relevant to decision-making by the developing country. CPA is defined by excluding the following from gross ODA disbursements:

- unpredictable flows (debt relief and humanitarian aid²⁰),
- flows which do not cross borders (administrative costs, imputed student costs, promotion of development awareness and research and refugees in donor countries),
- flows which do not form part of co-operation agreements between governments (food aid and aid for local governments), and
- flows which are not country programmable by the donor (core funding to NGOs).

More pragmatically the OECD also recognises that it is often difficult to compile data on these types of flows.

In 2007, CPA represented 57% of the US\$ 97 billion of gross bilateral ODA of OECD DAC member states. Debt relief, at 10% of total gross ODA, and humanitarian assistance, at 9%, accounted for the largest exclusion in the CPA computation²¹. For individual OECD DAC donors, CPA varies from as little as 8% to as much as 93% of gross disbursements.

The lack of international census on how development cooperation is defined and concessionality is measured has resulted in a number of difficulties for Southern partners. In particular Southern partners do not necessarily know whether their development cooperation flows should be classified as ODA or CPA, or their loan terms are breaching the concessionality limits of IMF country programmes. Furthermore, there is uncertainty about the development cooperation data Southern partners should be collecting and reporting on.

On the other hand, the lack of international clarity on this issue provides an opportunity for Southern partners to identify how they want to define and measure development cooperation in a way which best reflects the flows currently provided as part of South-South cooperation. In doing so, it is important to try and achieve as much international data comparability as possible while maintaining the solidarity and mutual cooperation principles underlying South-South cooperation.

2.3 Proposal for Defining Southern Cooperation

A useful starting point is to build on the principles of solidarity and mutual cooperation which underlie South-South cooperation and to define *South-South cooperation as being the genuine transfer of resources from the country offering cooperation programmes into the economies of partner countries.*

There are two modalities of South-South cooperation which are:

- Grants, which are transfers in cash, or in kind, for which no legal debts are incurred by the recipient. This includes financial support in the form of project and programme

¹⁹ OECD (2008a) and OECD (2009)

²⁰ As the OECD notes this is not to deny the significance of debt relief, which has, and will continue to have, a substantial impact on developing countries, however its timing is not predictable as it frequently depends on the outcome of negotiations or international initiatives. Similarly humanitarian assistance is not predictable as it is in response to emergencies.

²¹ OECD (2009)

cooperation, technical co-operation, debt relief, humanitarian assistance and contributions to multilateral institutions and regional development banks. Most Southern partners provide technical co-operation, humanitarian assistance and contributions to multilateral institutions and regional development banks as grants, with some also providing project and other types of cooperation in grant form.

- Loans, which are transfers in cash, or in kind, resulting in a legal debt, for which repayments are made by the recipient. Loans are usually for financing programmes and projects and not for funding technical cooperation, humanitarian assistance and contributions to multilateral institutions and regional development banks. Many southern partners also provide project cooperation in loan form.

As noted above, loans may be classified as being concessional or nonconcessional and as discussed above the OECD DAC includes only concessional loans (as defined by the OECD) as ODA and CPA and nonconcessional loans are excluded from aid flows, although OECD DAC does also collect data and report on nonconcessional loans. In addition, the OECD DAC excludes export credits from ODA and CPA, because these instruments are seen as being primarily for commercial purposes and not for the 'promotion of economic development' as an export credit usually finances the purchase of exports of the partner country, thereby being tied to the specific purchase of the lender country's goods and services. This exclusion from ODA and CPA applies irrespectively of whether the export credit terms are concessional or nonconcessional.

So the question is what types of loans are to be included as South-South cooperation? There are two aspects to be considered in addressing this question: the first is about the purpose of the loan and the second is about the loan concessionality:

- Regarding the purpose of the loan: based on the principle that South-South cooperation represents a genuine resource transfer, then loans, including export credits, which meet this criterion should be included. Furthermore, it is often not easy to distinguish clearly between loans for economic development and export credits. Many Southern partners provide export credit type of finance which is wholly in support of economic development in partner countries, and whether it is tied or not does not affect its economic purpose. So it is proposed that export credits be included as South-South cooperation, in contrast to the OECD DAC's definition of ODA, where it is excluded.
- As for concessionality, it is proposed that southern cooperation be comprised of concessional loans, including export credits which have concessional terms. The Background Study on South-South and Triangular Development Cooperation prepared for the first DCF in 2008 found that Southern partners' programme and project cooperation is mainly provided as loans, with mainly highly concessional loans (on both the OECD and IMF measures) being offered to the poorest countries. In addition, Southern partners also provided concessional exports credits, through established EXIM banks and other agencies.

While the OECD DAC focuses on ODA it also asks its member states and others to report on nonconcessional loans as well as concessional loans, thereby providing an overall picture of donor flows to developing countries. In a similar vein, Southern partners could be asked to voluntarily report on both concessional and nonconcessional loans.

The question then arises as to how to measure the concessionality of South-South cooperation. As discussed in Box 1 and Table 1 above there are effectively two methodologies in use internationally, the one of the OECD DAC and the one of the IMF, both of which aim to measure the opportunity cost to the lender of alternative uses of the funds. The main implications of the each of these measures are as follows:

- The OECD approach using a 10% discount rate for ODA yields a higher grant element, which when coupled with the lower 25% threshold, results in more loans being

classified as concessional and therefore yields higher levels of concessional development cooperation²².

- Using the OECD approach would lead to greater international data comparability as South-South cooperation and Northern donor aid would be based on the same measure of concessionality.
- The IMF approach using the average CIRR rates plus margins would provide greater coherence with the concessionality limits used within the context of IMF programmes. As many partner countries have also established a 35% concessionality threshold as part of their national debt or aid strategies, using the IMF approach would lead to greater consistency with national policies of partner countries.
- Both the OECD and IMF provide online concessionality calculators, based on their respective methodologies which can easily be used by partner countries to calculate the grant elements of their loan terms. As discussed in Annex 2, these are available at <http://www.oecd.org/dataoecd/34/6/15344611.xls> for the OECD and <http://www.imf.org/external/np/pdr/conc/index.htm> for the IMF.

There are benefits and constraints of using each of these two alternative measures and a decision should be taken on which is the most appropriate one to adopt for measuring the concessionality of South-South cooperation.

2.4 Contributors and Recipients of South-South Cooperation

Before moving on to identify the types of flows, which make up South-South cooperation, it is useful to consider which actors engage in the context of South-South cooperation as follows:

- The southern actors offering South-South cooperation programmes are Southern governments and their agencies and Southern multilateral institutions. Herewith it is proposed that countries offering South-South cooperation programmes denote countries or economies that provide development cooperation, excluding developed countries and countries with economies in transition²³. Southern multilateral institutions denote institutions wholly owned by developing countries.
- Southern actors receiving South-South cooperation include Southern governments and their agencies, multilateral development institutions such as the World Bank, IMF, United Nations (UN), regional development banks and other multilateral institutions. Including multilateral institutions and regional development banks in the recipient list means that contributions and subscriptions to these organisations are to be classified as development cooperation²⁴. Southern partners may also channel their cooperation through Non-Government Organisation or Civil Society Organisations (CSOs), although the scale of contributors via these organisations is thought to be small.

It is important to note that all South-South cooperation to the private sector in countries receiving South-South cooperation is to be excluded within the narrower context of this study. In addition, all foreign direct investment and portfolio investment in such countries are to be excluded because these are for the purchase of equity and other types of financial investments.

2.5 Triangular Cooperation

Triangular cooperation is usually interpreted as OECD/DAC and other Northern donors, multilateral institutions or other Southern partners providing developing assistance to

²² Since the proposed definition of South-South cooperation loans does not distinguish between loans and exports credits, the 10% discount rate would be applicable for assessing the concessionality of all loans.

²³ As defined by the United Nations Statistical Division (<http://unstats.un.org/unsd/methods/m49/m49regin.htm>).

²⁴ A full list of multilateral institutions to be classified as recipients of South-South cooperation will be provided in the *Guidelines for Reporting South-South cooperation*.

Southern governments to execute projects/programmes with the aim of assisting other programme countries. It is proposed that this definition be adopted.

Triangular cooperation can be subdivided into the following flows:

- Flows received by a Southern partner country from Northern donors, which the partner country then spends to provide assistance to another partner country,
- Flows a Southern partner country itself provides from its own resources to another Southern partner country which in turn uses the funds to provide assistance to a country receiving South-South cooperation.

Since Northern donors report on the first type of flows listed above as Northern donor aid including these flows as part of South-South cooperation would result in double-counting of these flows internationally. Therefore it is proposed that for the purpose of defining South-South cooperation, only triangular cooperation being provided by a Southern partner country to another Southern partner from its own resources be included.

However, as noted in the Background Study on South-South and Triangular Development Cooperation prepared for the first DCF in 2008, triangular flows are thought to represent a significant source of funding of development cooperation programmes of some Southern partners, although the amounts involved are difficult to ascertain. Therefore, it would be useful for Southern partners to compile and report voluntarily on the triangular flows received from all sources, including OECD/DAC and other Northern donors and multilateral institutions, as well as those from other Southern partners.

2.6 Flows Excluded from South-South Cooperation

As with the definition of Northern donor ODA, not all financial flows are to be included as South-South cooperation. In particular, those flows which do not represent a genuine transfer of resources to the economies of countries receiving South-South cooperation and hence are not classified as part of South-South cooperation are as follows:

- All military assistance, whether as grants or loans,
- All grants and loans to the private sector, and all foreign direct investment and portfolio investment,
- Flows which do not entail cross-border transactions, such as administrative costs, imputed student costs, promotion of development awareness, research and in-partner country refugees costs,
- Flows which are not part of cooperation agreements between partner country governments, such as support from local governments and municipalities of the country receiving the cooperation,
- Flows which provide core funding for international and partner country NGOs,
- Subsidies between agencies within the Southern partner country as these are internal flows within the partner country,
- Funding of activities aimed at combating terrorism.

2.7 South-South Cooperation by Type of Cooperation

It is proposed that the types of flows included as South-South cooperation are project and programme support, technical cooperation, debt relief, humanitarian assistance and contributions to multilateral institutions and regional development banks. The Background Study on South-South and Triangular Development Cooperation prepared for the first DCF in 2008 analysed the types and characteristics of development cooperation flows provided by Southern partners and this analysis forms the basis for the classifications of flows identified and defined in this section. In addition, this section draws on the definitions of ODA and CPA and those set out in the *DAC Statistical Reporting Directive*²⁵, while noting that aspects of the DAC definitions are not appropriate to South-South cooperation and the differences and

²⁵ OECD (2007)

exclusions or inclusions are highlighted in the discussion. The study has also drawn on United Nations definitions where appropriate.

Project cooperation

Project cooperation is funding for specific activities, including investment projects designed to enhance the infrastructure and physical capital of the country receiving South-South cooperation. In addition to the capital costs, project support can cover local and recurrent costs and investment-related technical co-operation. It can be provided as grants or loans or as mixed credits, which is when a less or nonconcessional loan and grant are packaged together usually to achieve a desired level of concessionality.

The Background Study on South-South and Triangular Development Cooperation prepared for the first DCF in 2008 found that the bulk of Southern partners' development cooperation was in the form of project assistance. As noted above, this cooperation is mainly provided as concessional or nonconcessional terms loans (including export credits), while the technical cooperation element of a project is almost always supplied in grant form. While most Southern partners report on aggregate project cooperation, more disaggregated project data by sector and by countries benefiting from South-South cooperation are not necessarily available. Such disaggregated data will be useful for analysing South-South cooperation.

Programme cooperation

Programme cooperation refers to budget and balance of payment support (including specific financing of imports and commodities) and sector programme support. This type of cooperation is usually provided as grants or concessional loans. It is estimated that about 10% of South-South cooperation is provided in budget or balance of payment support²⁶. As with project cooperation, the data available from Southern partners are mainly in aggregate form and disaggregated data will be useful for analysis.

Technical cooperation

Technical cooperation is often defined as the provision of know-how in the form of personnel, training, research and associated costs. More specifically it covers support for (1) education and training of countries benefitting from South-South cooperation at home or abroad and (2) payments to consultants, advisors, teachers and other personnel serving in such countries (including associated equipment costs).

This definition is useful as a starting point. However, it needs to be extended to encompass the notion of the mutual cooperation of Southern partner countries through genuine capacity building, technology and expertise transfer, knowledge sharing and exchange of experiences. This implies that South-South technical cooperation is more all embracing in terms of the types of cooperation and the support it provides to countries benefitting from South-South cooperation. Often this cooperation between Southern partners is provided in-kind and so for it to be appropriately accounted for, it needs to be valued in monetary terms, using relevant international or national pricing mechanisms.

So South-South technical cooperation is the provision of all types of know-how in the form of personnel, training, technology and expertise transfer, knowledge sharing, exchange of experiences, research and associated costs which lead to genuine capacity building,

The most straightforward situation is when technical cooperation is provided on its own (ie it is free standing). This category includes, for example, training or education opportunities, technology transfer or experience exchanges, which are provided as part of project cooperation.

²⁶ ECOSOC (2008b).

However technical cooperation can also be provided to finance consultant services, technical support and provision of know-how linked directly to the investment project execution (ie investment-related). This type of cooperation is part of project cooperation for which the data can be difficult to disentangle separately as it can be embedded in project costs. So in the OECD DAC reporting system investment-related technical cooperation is captured as part of project aid, although ideally it would be useful to separate out this type of technical cooperation. As a similar situation arises with regard to South-South cooperation, it is proposed that technical cooperation be comprised of free-standing cooperation and investment-related technical cooperation be included as part of project cooperation²⁷. However if a partner country is able to separate out investment-related technical cooperation this would be better.

Most partner countries provide technical cooperation and it is the key type of cooperation provided by a number of countries.

Technical cooperation data can be cumbersome to collect, especially in partner countries where it is provided through a number of government ministries and agencies. For analytical purposes it is useful to aggregate data as well as disaggregated data by sector, project and country benefiting from South-South cooperation.

Debt relief

The question 'is debt relief development cooperation?' has been the subject of international debate for a number of years.²⁸ While the OECD DAC maintains that debt relief is a form of ODA and includes it in its aid statistics, some OECD DAC critics (mainly in the NGO community) argue that it does not represent a real transfer of resources²⁹ in part because some of the debt relief represents transfers among creditor agencies to wipe out unpaid debts and therefore it should not be included in ODA. Certainly the large amount of debt relief provided by Northern donors in recent years has inflated their aggregate aid figures³⁰. Although as noted above the OECD DAC has also started publishing data on CPA, which excludes debt relief because of its unpredictability.

However, debt relief has constituted an important form of resource transfer to many countries benefitting from South-South cooperation for more than a decade by allowing these countries to use the money that they would have paid as debt service to fund other expenditures, such as health, education and social sector developments. As such it is proposed that debt relief be included in South-South cooperation.

Southern partners and the southern multilateral institutions have provided significant amounts of debt relief in recent years. Pragmatically, the amounts of debt relief to be provided by a number of Southern partners could increase significantly if all countries offering South-South cooperation were to implement fully the terms of the HIPC Initiative.

Humanitarian assistance

Humanitarian assistance is support, in cash or in kind, aimed at saving lives, alleviating suffering and maintaining and protecting human dignity, during and in the aftermath of emergencies. It includes the provision of food, shelter, water and sanitation, health services, measures to protect the safety and welfare of civilians (excluding the use or display of force to do so), rehabilitation and reconstruction during the emergency and assistance to refugees in the country receiving cooperation. This is the OECD DAC definition and it is proposed to use this as an interim measure until such time as there is a more formally agreed inter-agency definition established.

²⁷ As noted above in Section 2.6, flows which do not entail cross-border cooperation such as imputed student students costs are to be excluded.

²⁸ Action Aid (2005 and 2006) , Manning (2006)

²⁹ ECOSOC (2008b)

³⁰ In 2005 and 2006 most of the growth in net ODA of DAC member states was debt attributable to debt relief provided to Iraq and Nigeria.

Humanitarian assistance does represent a genuine transfer of resources to the country receiving cooperation although it is not predictable, so it is proposed that it be included as part of South-South cooperation³¹.

As noted in the Background Study on South-South and Triangular Development Cooperation prepared for the first DCF in 2008, it is difficult to know the scale of South-South humanitarian assistance as the data are not readily available, although it is well known that Southern partners have responded generously to catastrophic events. This is one area where partner countries' efforts on data collection are required.

Contributions to multilateral organisations and regional development banks

This type of South-South cooperation includes grants and subscriptions to multilateral organisations (such as the World Bank and United Nations) and regional development banks (such as the Asia, African, Inter-American and Caribbean Development Banks). These flows are classified as development cooperation because the multilateral institutions and regional development banks use these monies to fund their cooperation to developing countries. It can be argued that this is a cost effective way for a Southern partner country to provide development cooperation initially as it circumvents the need to set up institutional structures and procedures nationally for delivering development cooperation.

On average contributions to multilateral institutions accounted for about 18% of Southern development cooperation in 2006 although it ranged quite widely between countries³². Data on this type of development cooperation should be fairly straightforward for Southern partners to compile.

Proposals for defining South-South Cooperation

The following summarises the proposals for defining South-South cooperation:

The principle underlying South-South cooperation is that it represents a genuine transfer of resources from the country offering the cooperation programmes into the economies of partner countries.

South-South cooperation is defined to include grants and concessional loans (including export credits) provided by one Southern country to another to finance projects, programmes, technical co-operation, debt relief and humanitarian assistance and its contributions to multilateral institutions and regional development banks.

Southern actors offering South-South cooperation programmes are Southern governments and their agencies and Southern multilateral institutions. Southern actors receiving South-South cooperation include Southern governments and their agencies, multilateral development institutions such as the World Bank, IMF, United Nations (UN), regional development banks, other multilateral institutions and civil society organisations..

The concessional nature of South-South cooperation loans is to be designed to measure the opportunity cost of the funds to the lender. There are benefits and constraints of using the two alternative measures of the OECD and the IMF and Southern partners a decision should be taken on which is the most appropriate one to be adopted for measuring the concessional nature of South-South cooperation.

Triangular cooperation is Northern donors, multilateral institutions or Southern partners providing cooperation to one Southern partner country to execute projects/programmes with the aim of assisting a third Southern partner country. Since Northern donors and multilateral institutions account for their triangular flows as Northern donor aid including these flows as

³¹ It is included in the OECD DAC definition of ODA, but excluded from CPA because of its unpredictability.

³² ECOSOC (2008c)

part of South-South cooperation would result in double-counting of these flows internationally. Therefore it is proposed that for the purpose of defining South-South cooperation, only triangular cooperation being provided by a Southern partner country from its own resources be included.

All military assistance, grants and loans to the private sector, foreign direct and portfolio investment, flows which do not entail cross-border transactions, flows which are not part of cooperation agreements, subsidies between agencies within the Southern partner country and funding of activities aimed at combating terrorism are not to be classified as South-South cooperation.

Project cooperation is funding for specific activities, including investment projects designed to enhance infrastructure and physical capital of the country receiving South-South cooperation.

Programme support is budget or balance of payments support (including financing of imports and commodities) and sector programme support.

Technical cooperation is the provision of all types of know-how in the form of personnel, training, technology and expertise transfer, knowledge sharing, exchange of experiences, research and associated costs which lead to genuine capacity building and development within the partner country. It covers free-standing cooperation, with investment-related technical cooperation being included as project and programme cooperation.

Debt relief is to be included in South-South cooperation.

Humanitarian assistance is defined as the support, in cash or kind, designed to save lives, alleviate suffering and maintain and protect human dignity during and in the aftermath of emergencies. It is also to be included

Contributions to multilateral institutions and regional development banks are grants and subscriptions to these organisations.

3. DATA COMPILATION ISSUES

Having defined the types of flows that are to comprise South-South cooperation, it is also important to flesh out what this means for data collection. A useful way to do this is by looking at the development cooperation cycle and the flows arising therein. Table 2 illustrates the development cooperation cycle from the partner country's perspective.

Table 2 Development Cooperation Cycle

Phase	Outcomes	Data
Consultation	Discussion of future collaboration resulting in framework agreements, promises of support	Pledges of future collaboration over a number of years
Commitment	Negotiated and signing of specific project, programme, technical cooperation agreements	Grant and loan commitments For loans, maturity and interest terms
Conditions precedents	Fulfilling effectiveness conditions to permit disbursements	No data requirement
Disbursement	Recording of loan/grant disbursements and monitoring project/programme progress. For loans, monitoring debt service payments	Grant and loan disbursements
Evaluation	Evaluation of completed project/ programme	No data requirement
For loans, debt servicing	Debt service payments	For loans: amortisation + interest payments

Consultation phase

The first phase involves the meetings and discussions, formally or informally, about future collaboration between the partner countries. These discussions are often conducted at a very senior level, such as Heads of State or Finance Ministers or senior policymakers. The outcome is usually a statement or protocol indicating a pledge or an amount of development cooperation that one country is willing to provide to another over a number of years, with a general indication about the types of projects and programmes to be supported, such as the expansion of telecommunication systems, development of hydropower capacity or the construction of schools, hospitals and so on.

The data available at this stage are primarily indicative amounts of aggregate development cooperation to be delivered over a period of time. These data are useful as an indication of the future scale of development cooperation being offered by a partner country, however they are less useful from an analytical perspective as they provide no information on the actual transfer of resources.

Commitment/ disbursement phases

Once a pledge has been made, the partner countries then negotiate specific agreements about how the money is to be spent, including the financial terms as set out in a grant or loan agreement³³. When a grant or loan agreement has been signed this represents a *commitment, defined as a written obligation by the Southern partner to make available the agreed funds, on specified financial terms and for specified purposes*. Therefore the information available includes the amount committed, its concessionality as set out in the financial terms and the type of activity to be financed (project, programme, technical cooperation and so on). In addition a signed grant or loan agreement may yield information on the sector, recipient/implementing agency within the partner country, and the procedures to be followed for disbursement, procurement and monitoring and evaluation.

In terms of data, the grant or loan commitment represents a total amount that is to be disbursed in the coming years, that is it is the intended transfer of resources. The actual transfer of resources between the partner countries are the *disbursements of the funds, which is when the funds are available to be spent by the country receiving the South-South cooperation*.

It is useful to note that the sum committed may not be fully disbursed over the life of a project or programme, because, for example, there are project underspends or cancellations, so the commitments may overstate the level of development cooperation. While it is helpful to have data on new commitments annually, disbursement data are more appropriate for monitoring the actual, rather than the intended, resource transfers. As noted in the Background Study on South-South and Triangular Development Cooperation prepared for the first DCF in 2008, some Southern partners report thoroughly on new commitments made during the year but provide less data on annual disbursements.

When compiling disbursement data there are a few factors to consider, as follows:

- Disbursements may be made on a cash or accrual basis³⁴. The OECD DAC reporting systems recommends that monetary disbursements should be reported on a balance-of-payment basis if possible, and that the measurement should be on an accrual, not cash basis, and it is proposed that this approach be adopted for the reporting of South-South cooperation.
- Disbursements may also be made in kind, in which case the goods or services are to be valued where possible at the prevailing international or national market prices at the time of transfer.

³³ The project/programme details may be included as part of the grant or loan agreement, or they may be specified in a separate project/programme agreement.

³⁴ This is in accordance the IMF's Fifth Edition of the Balance of Payment Manual. Accrual basis means the flow is recorded at the time of its economic impact or exchange, irrespective of when the cash was received or paid; whereas a cash basis records the flow when the cash is received or disbursed.

Debt servicing phase for loans

As loans have to be repaid, the country receiving South-South cooperation will have to make amortisation payments, in accordance with the agreed loan terms. In addition, most loans also attract interest which is paid concurrently with the amortisation payment, the total being referred to as debt service payments. It is the most common practice for debt service payments to be made in cash. However on occasion, a loan agreement may specify in-kind debt service payments, in which case the payments are to be valued at the prevailing international or national market price. In-kind debt service payments are often related to commodities, such as oil or minerals, produced by the partner country.

Compiling data on loan amortisation and interest payments is necessary, as the amortisation data are used to compute the net flow of resources to the partner country. For Northern donors, one of the mostly commonly used measures of aid flows is net ODA disbursements or net flows, which is defined as gross ODA disbursements to the country receiving South-South cooperation less amortisation payments received from this partner country, with no account of interest payments. Net transfers, on the other hand, are net flows less interest payments received from the country receiving South-South cooperation (or gross disbursements minus amortisation minus interest payments).

As discussed in the Background Study on South-South and Triangular Development Cooperation prepared for the first DCF in 2008, some Southern partners record and publish development cooperation data for both gross and net disbursements, whereas for others, data are only available on a gross disbursement or commitment basis.

Current and constant price development cooperation flows

Usually development cooperation flows are recorded and analysed on the basis of current prices and exchange rates, that is in nominal terms. This is certainly the case for all Southern partners' cooperation data included in the Background Study on South-South and Triangular Development Cooperation prepared for the first DCF in 2008. Most of the ODA statistics published by the OECD DAC are also at current prices and exchange rates. However the OECD DAC does compute net disbursements at constant prices and exchange rates (ie in real terms), so as to analyse the change in the volume of Northern donor ODA, that is excluding the influences of inflation and exchange rates movements. It is proposed that South-South cooperation data recording and analysis be on a current prices and exchange rate basis (nominal terms) initially. Further consideration can be given to reporting data on other basis at a later stage.

Currency conversions

In recording development cooperation data, it is often necessary to do currency conversions, so as to record the data in a numeraire currency. For the purpose of compiling development cooperation data, Southern partners may select to compile and report data in the national currency or if preferred in US dollar. If the US dollar is being used as the reporting currency and exchange rate conversions are required, it is proposed that these be done using period average exchange rates, published by the United Nations³⁵.

It is also proposed that ECOSOC uses the US dollar as the numeraire currency for the reporting analysis of South-South cooperation and that currency conversions be done using the UN published period average exchange rates.

Calendar vs fiscal year

In the Background Study on South-South and Triangular Development Cooperation prepared for the first DCF in 2008, it was noted that most, but not all, Southern partners compile and

³⁵ Available on UN Treasury Department (<http://www.un.org/Depts/treasury/>).

publish development cooperation information on a calendar year basis. It is proposed that data compilation of South-South cooperation be on a calendar year basis.

Triangular Cooperation

As indicated in the Background Study on South-South and Triangular Development Cooperation prepared for the first DCF in 2008, there are very little data available on triangular cooperation. As a starting point it would be helpful if each Southern partner can identify and report on the following triangular development cooperation flows:

- The commitments and disbursements it receives from Northern donors and multilateral institutions by source and, and how and where the partner country subsequently spends the money in terms of the types of cooperation provided and their destinations.
- The commitments and disbursements the Southern partner country itself provides from its own resources as triangular cooperation to another southern partner country, which in turn uses these funds to provide assistance to a country receiving South-South cooperation, and the purpose (project, programme, technical cooperation, debt relief, humanitarian assistance) and the destinations of these flows.

At present the OECD DAC member states do not report separately on their triangular cooperation to Southern partners, instead the data are reported as part of aggregate disbursements/commitments. However to assist with the compilation of triangular cooperation data, ECOSOC is to ask the OECD DAC to request its member states to start reporting separately on these flows.

For Analysis of South-South Cooperation

As will be discussed in more detail below, for analysis purposes, it is useful to have not only South-South cooperation data in terms of aggregate commitments, disbursements and net disbursements, but also to have the cooperation provided by each country offering South-South cooperation on the following basis:

- By concessionality of flows (grants, concessional and nonconcessional loans)
- By type of cooperation (project support, programme support, technical cooperation, debt, humanitarian assistance, contributions to multilateral organisations and regional development banks,
- By geographical distribution (by country receiving South-South cooperation),
- By sector (social and administrative infrastructure, economic infrastructure, production sectors and so on (see below)

Data on triangular cooperation received from Northern donors and disbursed to another Southern partner country as well as data on Southern partner countries triangular cooperation from its own resources would be useful for analytical purposes..

Key issues for decision relating to the compilation of South-South cooperation data:

To have a comprehensive and consistent overview of partner countries development cooperation, it is important to have the following annual data recorded:

- *new commitments in aggregate and by concessionality, type of cooperation, sector and country receiving South-South cooperation,*
- *gross disbursements in aggregate and by concessionality, type of finance, sector and country receiving South-South cooperation,*
- *net disbursements in aggregate and by concessionality, type of finance, sector and country receiving South-South cooperation.*

It is proposed that data on South-South cooperation be collected on a voluntary basis.

It is proposed that the recording and analysis of South-South cooperation data be on the basis of current prices and exchange rate (nominal terms) and the calendar year.

It is proposed that Southern partners compile the data in the national currency or if preferred in US dollar and currency conversions be done using period average exchange rates, published by the United Nations and available on UN Treasury Department (<http://www.un.org/Depts/treasury/>).

It is also proposed that ECOSOC uses the US dollar as the numeraire currency for analysis of South-South cooperation and that currency conversions be done using the UN published period average exchange rates.

It is proposed that Southern partners report separately on triangular cooperation commitments, disbursements and debt service flows which are nationally funded (from Southern partner country's own resources) and those which are funded from triangular cooperation flows received from Northern donors and multilateral institutions.

4. IMPROVING THE ANALYSIS OF SOUTH-SOUTH AND TRIANGULAR DEVELOPMENT COOPERATION

It would be important to promote consensus among Southern partners on ways to maximise the impact of their development cooperation for the second cycle of the DCF³⁶.

As a starting point it is useful to review the main aid indicators published by the OECD DAC, using data submitted by OECD DAC member states³⁷. Although the OECD DAC has many years of experience in aid analysis, OECD DAC aid indicators may not be appropriate for analysing South-South cooperation. Table 3 below identifies areas where data should be collected for analysing the development cooperation of individual Southern partners, and analysing aggregate South-South cooperation flows.

4.1 Aggregate figures

The key indicator used internationally for monitoring Northern donor aid flows is net ODA as a percentage of Gross National Income (GNI). This indicator relates the amount of annual net ODA disbursements³⁸ to the scale of the donor country's economy, as measured by GNI. In addition, the ODA target of 0.7% of GNI ratio, set by the United Nations in 1970 and reaffirmed at the 2002 Monterrey Conference on Financing for Development, is used internationally as the target level for developed countries to achieve in terms of aid delivery per annum. It is also the target against which the scaling up of OECD DAC donors' aid flows are monitored and reported on.

This target does not and should not apply to gauge South-South cooperation, and has been established to date as a target for developed countries only. Furthermore, it will not be applicable as the definition of South-South cooperation proposed in this study differs significantly from the definition of Northern donor ODA.

As a way forward, Southern partners and the DCF South-South Forum may want to recommend that an analytical study be conducted to assess whether it would be useful to have an appropriate benchmark for South-South cooperation and what it should be, thereby enabling South-South cooperation to be evaluated on its own terms.

³⁶ ECOSOC (2009)

³⁷ OECD DAC member states submitted the following data to the DAC (1) aggregate data published annually in the OECD's Development Cooperation Report and (2) detailed project level data to the Credit Reporting System (CRS). Some Southern partners and non-DAC member states also submit aggregate data for (1) above.

³⁸ Gross disbursements to the country receiving the cooperation less amortisation payments it receives from the country benefitting from the cooperation.

The OECD DAC also analyses aggregate data on annual new commitments as an indicator of the scaling up or down of a donor's aid flows. As these are data on which a number of Southern partners already report, it is suggested that annual new commitments could be used for assessing the scaling up (or down) of South-South cooperation. If so, the data required are annual total commitments.

4.2 Concessional

The concessional of South-South cooperation is frequently used to measure its effectiveness, in particular its cost effectiveness. The underlying premise is the more concessional the South-South cooperation provided, the less costly it is to the country benefitting from it.

There are a number of ways to report on the concessional of a partner country's South-South cooperation, as follows:

- Grants as a proportion of total South-South cooperation,
- Concessional cooperation (the sum of grants and concessional loans) as a percentage of the total South-South cooperation,
- Standard or average loan terms of a partner country, including maturity (in years), grace period (in years), interest rate or service fee (%) and grant element (as %). Some countries offering South-South cooperation programmes have standard loan terms applicable to all countries in which case these will be used, whereas others have terms which can be negotiated on a country basis and in this case it is the average of the Southern partner country's terms in recent years, which are used. It is also useful to distinguish between the Southern partner country's standard or average terms for concessional and nonconcessional loans, if possible.

The data requirements for assessing concessional are gross disbursements for grants and concessional loans. The OECD DAC also publishes grant and loan commitments as a percentage of total commitments. If, for Southern partners, it is straightforward to compile both gross disbursement and commitment data on this basis, then it would be useful to have these data.

4.3 Types of Cooperation

The breakdown of Southern partners' cooperation by type of flows provides an indication of how effectively the South-South cooperation aligns with the beneficiary country's priorities and whether it is tied or untied to goods and services of the country offering South-South cooperation. Generally, programme cooperation, which is delivered directly to the government budget of the country receiving South-South cooperation, is often seen as being the most effective as it enables the beneficiary country to spend the money in accordance with national priorities. However if a country's priorities are for infrastructure development, then providing it with project cooperation might be more appropriate. On the other hand, providing South-South cooperation as export credits or in-kind, rather than on a cash basis, means the cooperation is likely to be tied, which can at times result in less cost effective cooperation.

Such information enable the analysis of the proportion of total South-South cooperation disbursed by type of finance, namely as project support, programme cooperation, technical cooperation, debt relief, humanitarian assistance and contributions to multilateral organisations and regional development banks.

The data requirements for these calculations are gross disbursements by type of finance. The OECD DAC publishes aid flows by type on the basis of net disbursement data, rather than gross disbursements. However, for Southern partners it is proposed that gross disbursements by type of finance be used initially as this is more straightforward data to compile. At a later stage, Southern partners may decide to use net disbursements as the numerator.

4.4 Distribution of Cooperation

A measure of the extent and depth of a partner country's South-South cooperation is the distribution by country and by region. For example, supporting neighbouring countries and regional initiatives often reflects a better understanding of these countries' needs as well as being more cost effective due to lower administrative costs. Cultural and language similarities can reduce potential difficulties and costs arising from misunderstandings. Similarly having a development cooperation programme focused on a set of priority countries is reckoned to be more effective for the same reasons. Conversely, a cooperation programme which is spread rather thinly over a large number of countries is often viewed as being less effective and more costly to deliver.

The distribution of development cooperation may be inferred through gross disbursements to the Southern partner's priority countries and by geographical region³⁹. This can be in terms of the amounts of development cooperation as well as by the percentage distribution.

For countries offering South-South cooperation, it is recommended that gross disbursement data by country receiving support be compiled. It is proposed that data for the top five beneficiary countries and by region be reported on initially. It is also proposed that total disbursements by all South-South cooperation to each country be published.

4.5 Sector Composition

The sector composition of a Southern partner country's development cooperation is also used as a measure of its ability to channel resources to meet countries' priorities, as well as signalling the focus of the Southern partner's cooperation programme to countries. As noted in the Background Study on South-South and Triangular Development Cooperation prepared for the first DCF in 2008, South-South cooperation has been effective in meeting countries' priorities for infrastructure and productive sector investments in recent years, whereas Northern donors have been focusing more on achieving the IADGs through social sector support.

The OECD DAC records the sector composition of Northern donor aid flows on the basis of both commitments and net disbursements. However for Southern partners it would be more appropriate, in the first instance, to use gross disbursements by sector. In addition, the OECD DAC uses a sector classification specifically designed to track and measure the sector/purpose breakdown of aid flows, including alignment with the IADGs. These main sector/purpose categories are listed in Annex 3.

The United Nations has a set of economic classification codes, summarised in Annex 3. However these codes are not designed specifically to assess the sector/purpose of aid flows and are therefore less user-friendly in this regard. For example, the OECD DAC sector classifications enables the tracking of development cooperation flows for education, health, water and sanitation, economic infrastructure, production and sub-categories within each of these as shown in Annex 3. The UN economic classifications are the ones traditionally used for national income accounting, and hence less applicable for monitoring development cooperation.

Therefore it is proposed to use of the OECD DAC sector/purpose classifications, for South-South cooperation data recording and analysis. However a few OECD DAC codes are not applicable as they relate to flows which do not fit with the definition of South-South cooperation (eg in-country refugee costs and donor administration costs). Detailed definitions of the applicable sector/purpose codes will be set out in *Guidelines for Reporting South-South cooperation*.

The required data for computing information on the sector composition will be gross disbursements by sector for each Southern partner.

³⁹ It is proposed that the United Nations Statistical Division (<http://unstats.un.org/unsd/methods/m49/m49regin.htm>) definitions of countries, regions and country groupings be adopted.

While there are numerous ways to analyse the characteristics of South-South cooperation, it is proposed that these be considered at a later stage and the initial focus be on compiling the data necessary to assess the aspects summarised in Table 3, and that this information be incorporated as part of the analytical work discussed in Section 5 below.

Table 3 below summarises the benchmarks and their implications for data computation. The areas of proposed data compilation are for all Southern partners countries in aggregate and on partner country basis.

Table 3 Proposed Indicators for Assessing Effectiveness of South-South Cooperation

Area for data compilation	Data requirements for computation	Purpose of measurement
Aggregate development cooperation		
Commitments (in US\$ millions)	<ul style="list-style-type: none"> ○ Amount of total commitments 	<ul style="list-style-type: none"> ○ To assess the scale of intended South-south cooperation
Gross disbursements (in US\$ million)	<ul style="list-style-type: none"> ○ Amount of total disbursements 	<ul style="list-style-type: none"> ○ To assess the scale of disbursed South-South cooperation
Concessional development cooperation		
Grants as % of total South-South cooperation	<ul style="list-style-type: none"> ○ Gross grant disbursements ○ Gross South-South cooperation disbursements 	<ul style="list-style-type: none"> ○ To assess the share of South-South cooperation delivered as grants
Concessional cooperation as % of total South-South cooperation	<ul style="list-style-type: none"> ○ Gross grant and concessional loan disbursements ○ Gross South-South cooperation disbursements 	<ul style="list-style-type: none"> ○ To assess the concessional proportion of South-South cooperation
Standard or average ¹ loan terms	<ul style="list-style-type: none"> ○ Standard or average maturity, grace period and interest rate or service fee ○ Grant element of the loan terms 	<ul style="list-style-type: none"> ○ To evaluate the concessional of average or standard loan terms ○ It is useful to distinguish between standard or average terms of concessional and nonconcessional loans, if possible
Types of cooperation		
Project / programme/ technical cooperation/ debt relief./ humanitarian support and contributions to multilaterals & RDBs cooperation as % of total South-South cooperation	<ul style="list-style-type: none"> ○ Gross disbursements for each of project, programme, technical cooperation, debt relief, humanitarian support, contributions to multilaterals & RDBs ○ Total South-South cooperation 	<ul style="list-style-type: none"> ○ To analyse the share of total South-South cooperation delivered for each of project support, programme support, technical cooperation, debt relief, humanitarian support, contributions to multilaterals & RDBs
Distribution of cooperation		
Largest five countries receiving South-South cooperation/ by partner country: amount and % share of South-South cooperation	<ul style="list-style-type: none"> ○ Gross disbursements to each of the largest five countries receiving South-South cooperation and % share of total South-South cooperation 	<ul style="list-style-type: none"> ○ To evaluate the amount and share of South-South cooperation going to the largest five countries receiving development cooperation for each partner country and for Southern partners in aggregate
Regional total amounts and share of South-South cooperation	<ul style="list-style-type: none"> ○ Gross disbursements of South-South cooperation by region and as % share of total disbursements 	<ul style="list-style-type: none"> ○ To evaluate the amount and share of South-South cooperation by region for each southern partner and for Southern partners in aggregate
Sector composition		
South-south cooperation by	<ul style="list-style-type: none"> ○ Gross disbursements of South-south cooperation 	<ul style="list-style-type: none"> ○ To evaluate the amount and share of South-south cooperation by

<i>sector: amounts and % share of South-south cooperation</i>	<i>by sector and as % share of total disbursements</i>	<i>sector for each southern partner and for Southern partners in aggregate</i>
Triangular Cooperation		
<i>Triangular flows received from Northern donors: amounts</i>	○ <i>Gross disbursements of triangular cooperation received</i>	○ <i>To assess the amount of triangular cooperation received from Northern donors by each southern partner and by Southern partners in aggregate</i>
<i>Triangular cooperation disbursed to countries receiving triangular cooperation: amounts and by beneficiary country</i>	○ <i>Gross disbursements of triangular cooperation to countries receiving triangular cooperation by country</i>	○ <i>To assess the amount of triangular cooperation disbursed by one southern partner country to another partner country and to Southern partners in aggregate</i>

¹ Some partner countries have standard loan terms applicable to all countries receiving cooperation, whereas others have terms which can be negotiable.

While these areas of analysis will enable a basic analysis of South-South cooperation, longer-term it would also be useful to have additional indicators which provide for the analysis of the quality and effectiveness of South-South cooperation, such as those relating to its predictability and flexibility.

5. PROPOSAL FOR A SOUTH-SOUTH COOPERATION DATABASE

As part of the second cycle of the DCF it is planned to promote agreement among Southern partners on the basis of voluntary provision of comprehensive harmonized data on their development cooperation⁴⁰. To achieve this requires a two-staged process. The first stage is the compilation by Southern partners of national development cooperation data on the basis of the agreed data concepts and definitions, and the modalities for doing this can vary as will be discussed below. The second stage is the voluntary reporting of this nationally compiled South-South cooperation data, in a standardised database format to the DCF, which will be used in the overall reporting on South-South cooperation for the 2010 DCF.

The discussion below is intended to map a proposed way forward to improve data and information on South-South cooperation. It may be that in the future the DCF and Southern partners want to investigate linking with other international data reporting systems, such as the OECD DAC's Credit Reporting System or the online reporting process of the Aid Management Platform (AMP), and the possibilities these may provide for achieving this objective over the longer-term.

5.1 Aggregate Data for the DCF

As the second stage reflects the final outputs to be achieved, it provides a useful starting point. In order for the DCF to compile its overall reporting on South-South cooperation, it is suggested that Southern partners provide national development cooperation data on a voluntary basis and in standardised format. It is proposed that this be done in Excel which is both user-friendly and used internationally.

Table 4 shows such a draft database page for the voluntary compilation by each Southern partner of development cooperation data annually, based on the data concepts and classifications discussed above. Table 4 illustrates the categories for gross disbursement data and there will also be other worksheets for compiling commitments, net disbursements and triangular cooperation data. The sample data table shown in Table 4 is for data for one year and ideally Southern partner countries will be able to provide data for up to five historical

⁴⁰ ECOSOC (2009)

years. Details of the proposed format for DCF database, in Excel format, will be available for discussion for Southern partners and the DCF at the Vienna High-level symposium.

The data compilation illustrated in Table 4 represents the breakdown of the annual Southern partner country data on which the DCF secretariat would like to be reporting to the 2010 DCF Forum. However, it is recognised that the availability of detailed cross-country data in some partner countries may be limited, as will be discussed in more detail below. Hence Southern partner countries will be asked to provide on a voluntary basis as much disaggregated data as possible,

Table 4 Sample of Database to be Compiled for By Each Southern Partner Country

Countries receiving South-South Cooperation	Units	Country A	Country B	Country C	Country D	Country E
Grosscooperation by concessionality and type						
Gross disbursements (including nonconcessional loans)	US\$ million	0	0	0	0	0
Gross South-South cooperation (grants + concessional loans)		0	0	0	0	0
1. Grants		0	0	0	0	0
1.1 Project cooperation						
1.2 Programme cooperation						
1.3 Technical cooperation						
1.4 Debt relief						
1.5 Humanitarian assistance						
2. Concessional loans		0	0	0	0	0
2.1 Project cooperation						
2.2 Programme cooperation						
2.3 Technical cooperation						
2.4 Debt relief						
2.5 Humanitarian assistance						
3. Nonconcessional loans		0	0	0	0	0
3.1 Project cooperation						
3.2 Programme cooperation						
3.3 Technical cooperation						
3.4 Debt relief						
3.5 Humanitarian assistance						
Gross development cooperation by sector (grants + concessional loans)						
Gross South-South Cooperation		0	0	0	0	0
1. Social and administrative		0	0	0	0	0
1.1 Education						
1.2 Health						
1.3 Population						
1.4 Water supply and sanitation						
1.5 Government and civil society						
1.6 Others social services						
2. Economic infrastructure		0	0	0	0	0
2.1 Transport and storage						
2.2 Energy generation and supply						
2.3 Banking and financial services						
2.4 Business and other services						
3. Productive sectors		0	0	0	0	0
3.1 Agriculture, forestry and fisheries						
3.2 Industry, mining and construction						
3.3 Trade and tourism						
4. Multisector		0	0	0	0	0
4.1 Environmental services						
4.2 Other multisector						
5. Programme cooperation						
6. Action related to debt (Debt relief)						
7. Humanitarian assistance		0	0	0	0	0

5.2 National Data

Turning to the first stage, which is the compilation by each Southern partner of national development cooperation data, it is recognised that partner countries currently have different ways of collecting and presenting national data. It is also recognised that partner countries may not currently be compiling and recording development cooperation data on the basis of the proposed data definitions and concepts and that to do so may involve additional efforts.

There are a number of options open to Southern partners for data collection and the modality to be used will depend on the existing status of national data collection and data recording systems and processes, as follows:

- For Southern partners which do not have at present any established systems or formats for collecting and recording development cooperation data, the main difficulty is likely to be the lack of data availability or it may be available but scattered across a

number of different agencies. For these partner countries, it is proposed that they use the Excel format database of the DCF, discussed above, for collecting and recording development cooperation data on the basis of the agreed definitions and classifications in the first instance. This is primarily a short-term solution for compiling data and longer-term it may be appropriate to consider using one of the data recording systems discussed in Box 2.

- For Southern partners, which currently have some form of development cooperation database in Excel or another software, it is proposed that the outputs from the existing system be downloaded or linked to the DCF Excel format database. The difficulty for some countries may be that the development cooperation data currently compiled is not on the basis of the proposed definitions and concepts. In which case, it is going to be necessary to review the data definitions of the existing database and ascertain what changes may be required, including the collecting of additional data and how this is to be achieved.
- For Southern partners which currently report ODA data to the OECD DAC (see below), it should be possible to use the existing national data, and where it is compiled on an ODA basis to make the necessary definitional adjustments to report on the basis of the proposed data definitions and concepts of South-South cooperation.

Box 2 Data Recording Systems

There are a number of internationally recognised computerised data systems, which have been designed for aid and/or debt recording, monitoring and management, some of which may be useful for Southern partners to consider as a longer-term option for recording and monitoring development cooperation data, if they do not have one in place. The main ones are as follows:

- **DAC Creditor Reporting System (CRS)** has been specifically designed for recording and monitoring the aid flows of Northern donors, based on OECD definitions and concepts, at detailed project/instrument level. For more information: http://www.oecd.org/document/0/0,2340,en_2649_34447_37679488_1_1_1_1,00.html
- **Reporting aggregate data to the OECD DAC annually** (but not to the CRS) is being done by a number of Southern partners and it is reported in the OECD DAC's annual Development Cooperation Report. uwait, Saudi Arabia, Taiwan Province of China, Thailand and the United Arab Emirates also report ODA data to the DAC. The DAC has indicated its willingness to discuss closer cooperation with Southern partners and to share experiences and good practices. The main forum for this is through its South-South Working group. For more information: http://www.oecd.org/document/62/0,3343,en_2649_33721_42195902_1_1_1_1,00.html.

As noted above, reporting development cooperation to the OECD DAC will be on different definitional basis than is proposed in this study for South-South cooperation. However, it should be possible for partner countries to report on both bases, taking into account the definitional differences.

- **Commonwealth Secretariat's Debt Recording and Management System (CS-DRMS)** is a software application for debt data recording, monitoring and management, designed for use by debtor countries. However in principle, it can also be used by Southern partners to record and monitor development cooperation outflows. For more information: <http://www.csdrms.org/default.asp>.
- **Development Gateway Foundation's Aid Management Platform (AMP)** is a web-based application that enables countries receiving cooperation to record, track, manage and coordinate development cooperation received. It strengthens the transparency of the aid management process, including donor alignment with national priorities, compliance with the Paris Declaration on Aid Effectiveness and impact on the MDGs. The AMP is usually a joint venture between a partner government and its in-country development partners, and access to the platform is governed by agreed protocols and permissions. Although at present AMP focuses on the development cooperation partner countries receive, a number of partner country governments have asked about its use to track their development cooperation outflows and the Development Gateway is looking into this area. AMP is currently being used in eight countries. For more information: <http://amp.developmentgateway.org/index.do>

- **UNCTAD's Debt Management and Financial Analysis System (DMFAS)** is a software system, which although mainly used by debtor countries for debt recording, monitoring and management, can also be used by Southern partners to record and monitor the development cooperation they provide to other partner countries. DMFAS also has a module specifically for recording and monitoring grant data. Algeria, Argentina, Chile, Egypt, Indonesia, Iran, Pakistan and Venezuela are all DMFAS-users and so could in principle use the DMFAS software for recording their development cooperation flows. For more information: <http://r0.unctad.org/dmfas/>.
- **UNDP's Development Assistance Database (DAD)** is a web-based aid management and coordination system for information collection, tracking, analysis and planning tool for use by governments and other stakeholders. It is used to record and monitor aid data on a donor and project specific basis and has been installed in over 20 countries. While it is focused on tracking aid receipts, it would be helpful to assess if it can also be used for recording and monitoring cooperation outflows.

The Commonwealth Secretariat, Development Gateway and UNCTAD do more than just provide software systems as all three provide their systems as part of a package of support which includes assistance in developing appropriate institutional arrangements for data collection and management, training/capacity building and technical support as required.

6. PRACTICAL CHALLENGES TO DATA COLLECTION

The main practical challenges to collecting South-South cooperation data at a partner country level revolve around the lack of a clear institutional framework and coordination structures for managing and monitoring development cooperation, which results in the lack of data collection and availability in a comprehensive and timely manner.

6.1 Institutional Framework and Lack of Coordination Structures

One of the main challenges facing many Southern partners is that there is no single government ministry or agency responsible for the country's cooperation programme. For example, the Ministry of Finance may have responsibility for project grants and concessional loans, whereas technical cooperation grants are agreed and disbursed by line ministries (agriculture, education, health and so on) and export credits are the responsibility of the Export-Import Bank or the Ministry of Trade. Alternatively, the Ministry of Foreign Affairs or the Ministry of Planning may have the lead role in one or other of these areas. In some countries, project implementation and development cooperation disbursements may be handled by state-owned enterprises or other government agencies.

In such a situation, there is no overarching institutional structure which enables the Southern partner government to have an overview of its development cooperation in aggregate. This is not an uncommon situation, as many Southern partners move from being South-South cooperation recipients to partner countries; they have not as yet had time to set up the institutional frameworks needed to enact their new role.

For many such countries this means that South-South cooperation data are unlikely to be collected and compiled centrally. Furthermore, it is not unusual for there to be no or little commonality in the types of data collected (eg commitments or disbursements), the period for which it is collected or the format in which it is collected. As a result it can be difficult to get data on overall development cooperation.

On the other hand, a number of Southern partners have taken steps to strengthen and coordinate their development cooperation programmes and data collection process. A few countries are thinking about establishing specific government agencies to oversee and coordinate their development cooperation, which should result in improved data collection and reporting.

There is considerable variation in the range of government ministries and agencies involved in the provision of South-South cooperation for the Southern partners covered in the Background Study on South-South and Triangular Development Cooperation prepared for the first DCF in 2008. The practical implications of the existing institutional structures within Southern partner countries for the data collection process are as follows:

- In most partner countries, there are two or more agencies involved in providing development cooperation, which indicates that data collection will need to be coordinated across multiple agencies.
- In countries with complex institutional structures, data collection could be difficult if there is limited coordination between the agencies. In particular there are number of countries where the responsibilities for concessional loans and export credits lies with two ministries and so it will be necessary to seek comparable data from both. Similarly there are some countries where the responsibilities for grants (other than technical cooperation grants) are with more than one agency.
- As some of the largest Southern partners do not officially publish development cooperation data and have multiple agencies involved, the practicalities of data collection in these countries could prove to be challenging.
- Country export credit agencies usually compile reasonably comprehensive data. However it will be necessary to review the data on the basis of the agreed definition for loan concessionality. In a few cases, the export credit agencies publish commitment but not disbursement data, although the latter is likely to be available from agency records.
- Information on institutional responsibilities for contributions to international organisations and regional development banks is patchy. For Southern partner countries for which there is no information available, it may be possible to obtain data from annual budget statements, which list expenditures by ministry or department. Usually it is the responsibility of the Ministry of Finance or Ministry of Foreign Affairs to make such payments.
- Many countries provide technical cooperation through a single agency which should facilitate the collection of data. For others, it may be more complicated as there are two or more agencies involved, especially where line ministries and other agencies of government are involved.
- Information and data on humanitarian assistance should be available in partner countries where a responsible agency has been identified. For other countries, it may be more difficult to compile and this has already been identified as an area where further work is required to strengthen data reporting.
- To date available data on debt relief provided by Southern partners have been taken from the IMF and World Bank publications as there is little aggregate data or information published by Southern partners. This is an area where further work is required to improve data collection at a partner country level.

6.2 Way Forward for Data Compilation

As a way forward the following proposals are for consideration by the DCF South-South Forum and the DCF:

- To facilitate the coordination of national data collection, it is proposed that a senior official involved in the DCF in Southern partner countries takes the lead nationally in this regard. In particular, this will be a coordination/liason role which will involve briefing the national agencies involved in providing development cooperation about Phase 2 of the DCF project, seeking their assistance with the provision of data, facilitating a DCF mission if one is to take place nationally and liaising with the DCF during Phase 2 on data provision and issues arising regarding data collection.
- In addition, each Southern partner country could be asked to nominate an official responsible for compiling development cooperation data nationally. This will be a technical role and the nominee will be an official who is knowledgeable and has experience of development cooperation data. This official will liaise directly with all agencies involved to collect and compile the data for submission to the DCF.
- To assist with the data collection process, the DCF could consider funding a few missions to provide support for data collection.

- To assist data compilers with queries relating to data definitions and concepts and to provide guidance on how to complete the Excel-format DCF Database, the DCF is to provide support via email and telephone, through a nominated person.

7. MAXIMISING SUPPORT TO AND IMPACT OF SOUTHERN COOPERATION

As part of efforts for strengthening South-South cooperation, the DCF secretariat aims to produce regular analysis and learning lessons from best practices on how to maximise the support to and impact of South-South cooperation⁴¹, through independent analysis and mutual learning among Southern partners. As noted in the Background Study on South-South and Triangular Development Cooperation prepared for the first DCF in 2008, there are many good practices in South-South cooperation, notably on infrastructure provision, regional programmes, value for money, technology transfer and capacity development. There are also a lot of misconceptions about the effectiveness of South-South cooperation and so it is important to reflect its qualities and attributes realistically. However methodologies are lacking for maximizing impact systematically at country level, and for the dissemination of best practices to other Southern partners and stakeholders. In addition, information on Southern partners' monitoring and evaluation systems are also lacking.

As a result, the DCF secretariat proposes to conduct analysis to learn and share good practices to be discussed and agreed with Southern partners.

It is proposed that the first study be structured around an independent evaluation of triangular development cooperation. To support this work, it is also proposed that case studies are conducted to garner more information on the practical lessons and best practices learned in this area.

The analysis could assess the experiences of South-South cooperation in terms of:

- Meeting national priorities: The analysis will be on the degrees to which South-South cooperation accords with the priorities of the country receiving South-South cooperation.
- Value for money: Although most Southern technical cooperation is provided as grants, it is useful nonetheless to assess its cost effectiveness. For example can training be provided at a lower cost than provided by Northern donors?
- Technology transfer: The analysis will assess whether technical cooperation programmes have focused on appropriate technology transfers and in which areas?
- Capacity development: The analysis will focus on whether there has been significant skills transfers through technical cooperation and if so in which areas.

The methodology for conducting the study will include:

- Review of relevant literature available from academic, multilateral organisation and NGO sources. This will involve desk work.
- Case studies on good practices to garner lessons learnt on what makes technical cooperation work. The case studies would be conducted by missions to a number of providing and receiving partner countries.
- Liaison with the OECD DAC, UN agencies and other organisations doing work in this area.

The outcome will be a 30-40 pages study, identifying triangular development cooperation experiences, lessons to be learnt and good practices. The case studies will be written up separately as supporting documents. Any information and data collected as part of this study preparations will be used to validate/cross check with the South-South cooperation data being submitted to the DCF.

⁴¹ ECOSOC (2009)

The proposed study is to be reviewed by Southern partners and the DCF

In a second step, it is suggested to conduct two further analytical studies on other areas of good practices in South-South cooperation namely (1) delivery of infrastructure projects, (2) promotion of regional programmes and comparative advantage of each of these areas in terms of meeting national priorities, value for money, technology transfer and capacity development.

Annex 1: Calculating Loan Concessional

Loan concessionality is determined by the grant element (GE) calculation, which is defined as:

$$GE (\%) = \frac{(\text{nominal loan amount} - \text{present value}) \times 100}{\text{nominal loan amount}}$$

The calculation reflects the loan terms at the time of commitment, when the loan is agreed. The present value is the discounted stream of future debt service payments assuming the loan is fully disbursed on the date of contract. In other words, the calculation of future interest payments is on the total loan amount and does not take into account that disbursements can take place over a number of years.

Since a grant is an outright gift and not repaid, nor is there any interest charge, the present value of future payments is nil and therefore it has a grant element of a 100 per cent.

For loans, however, the length of the grace and maturity periods and rate of interest will determine the present value of future debt service payments, hence the grant element. In general, loans with longer grace and maturity periods and lower interest rates have a smaller present value and therefore a larger grant element. If a loan has a grant element of 70 per cent, this means that over the life of the loan, the borrower will, in present value terms, only be repaying 30 per cent of the nominal loan amount, the other 70 per cent being equivalent to a grant. Loans with shorter grace and maturity periods and/or higher interest rates will have lower grant elements and therefore be less concessional or more costly to service.

For the OECD, the discount rate used in the grant element calculation reflects the opportunity cost to the lender of advancing the funds to a particular borrower in comparison to its alternative uses such as the interest that can be earned by depositing the funds in a bank or investing or lending the money elsewhere. In defining ODA, the OECD identifies concessional loans as those with a grant element of at least 25 per cent, when using a 10 per cent discount rate.

Until 1996, the international convention was to use the 10 per cent discount rate for computing all loan concessionality. However in 1996, the OECD changed the way in which it determines the concessionality of export credits, but not that of ODA, whereby the discount rate for calculating the grant element of an export credit was changed to the market-related Commercial Interest Reference Rates (CIRR)⁴². These currency-specific rates are more representative of interest rate movements on the international markets and therefore more reflective of the opportunity cost of the funds. With this change in the discount rate, the definition of concessionality for export credits (but not ODA) was changed so that an export credit is considered to be concessional if it has a grant element of at least 35 per cent (50 per cent for least-developed countries).

However the IMF does not use exactly the OECD discount rates to monitor the concessionality of new borrowings by a developing country, as part of a macroeconomic stabilisation programme. Instead the IMF and World Bank use as the discount rate the ten-year average CIRR rates for loans with a maturity of at least 15 years, and the six-month average CIRR rate for loans with a shorter maturity⁴³. In addition, the Fund and World Bank add to the discount rate a margin of between 0.75 - 1.25 per cent to reflect loan maturity, thereby reflecting more accurately the opportunity cost to the lender.

The IMF and the World Bank also use the grant element calculation for the purpose of assessing long-term debt sustainability of countries' aggregate loan portfolio, using the Debt Sustainability Framework (DSF), which calculates the present value of debt (in US dollars) using a single discount rate, currently set at 5 per cent, which approximates the US dollar CIRR rate. This uniform discount rate is to be adjusted if there are significant changes in US dollar interest rates.

⁴² For the latest CIRR rates issued by the OECD, see <http://www.oecd.org/dataoecd/15/47/39085836.pdf>.

⁴³ Except for HIPC Initiative purposes, where the IMF and the World Bank use the OECD's 6-month average currency-specific CIRRs as the discount rates for calculating the present value of debt.

Annex 2: IMF and OECD Online Concessionality Calculators

The IMF provides an online facility, shown below which can be used to calculate the concessionality of a loan, using the IMF methodology. The facility is accessible at <http://www.imf.org/external/np/pdr/conc/index.htm>.

The screenshot shows the IMF website's "Calculation of Grant Element" tool. The page title is "Calculation of Grant Element - Windows Internet Explorer". The IMF logo and navigation menu are visible at the top. The main heading is "Calculation of Grant Element". Below the heading, there is a brief description: "Fund-supported programs include limits on nonconcessional external debt. This page provides a tool that allows the calculation of the grant element for a broad range of financing packages." Below this is a form with the following fields:

input	
Currency	U.S. Dollar
Repayment profile	Fixed principal payment
Face value of loan	25,000,000
Cost (as part of financing package)	0
Hybrid commission (in percent)	0
Management fees (Amount in percent of outstanding loan)	0
Interest rate (in percent)	7.25
Maturity (in years)	20
Payments per annum	12
Grace period (in years)	5

A "Go" button is located at the bottom right of the form.

The OECD's online calculator, using a 10% discount rate, is available at <http://www.oecd.org/dataoecd/34/6/15344611.xls>.

The screenshot shows the OECD's online calculator for Grant Element. The page title is "Calculation of the Grant Element". The form has a purple background and contains the following fields:

Face value of loan (US\$)	10000
Type of repayment	Exact date's payments
Payments per annum	**
Interest rate (in %, e.g. 1.0)	0.10
Maturity (in years)	3
Grace period (in years)	1
Discount rate (in %)	1

A "Go" button is located below the form. Below the form, there is a "Grant Element (in %)" field with a value of 43.8% and a "Go" button. At the bottom, there is a note: "Note: This calculator is under development. It may be subject to change without notice."

Annex 3: OECD CRS Sector/Purpose Codes and UN Economic and Social Statistical Classifications

OECD CRS Sector/Purpose Codes	UN Economic and Social Statistical Classifications
Social and administrative infrastructure:	Agriculture, forestry and fishing
Education	Mining and quarrying
of which: basic education	Manufacturing
Health	Electricity, gas, steam and air conditioning supply
of which: basic health	Water supply; sewerage, waste management and
Population policies/ programmes and reproductive health	Construction
Water supply and sanitation	Wholesale and retail trade; repair of motor vehicles and motorcycles
Government and civil society	Transportation and storage
Other social infrastructure and services	Accommodation and food services activities
Economic infrastructure:	Information and communication
Transport and storage	Financial and insurance services
Energy generation and supply	Real estate activities
Banking and financial services	Administrative and support services activities
Business and other services	Public administration and defence; compulsory social security
Productive sectors:	Education
Agriculture, forestry and fishing*	Human health and social work activities
Industry, mining and construction*	Arts, entertainment and recreation
Trade and tourism*	Other service activities
Multisector:	Activities of households as employers; undifferentiated goods - and services- producing activities of households for own use
Environmental protection	Activities extraterritorial organisations and bodies
Other multisector (including urban development, rural development, research/scientific institutions)	
Programme cooperation (general budget support, commodity and food assistance, aid)	
Action related to debt	
Humanitarian assistance	
Administrative costs to donors**	
Support to NGOs**	
Refugees in donor countries**	
Others/unspecified	

* These categories can be separated.

** These classifications would not be used as they are not defined as southern development cooperation

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