

KDI-TAF 2015  
Asian Approaches to Development Cooperation  
Contemporary Asian Perspectives on  
South-South Cooperation

*edited by*  
Anthea Mulakala

**KDI**



**The Asia Foundation**

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## Preface

Twenty-first century aid has diversified beyond last century's narrow parameters. Western governments and western-led institutions no longer dominate in identifying the priorities, shaping the agenda, or providing the resources to address global challenges. Asia has become both a generator of huge development resources and an incubator for new ideas and practices. At the same time, practices and institutions of long standing in the west have taken new directions in Asia, thus spurring the evolution, understanding, and delivery of development cooperation itself.

Since 2010, the Asian Approaches to Development Cooperation (AADC) series — hosted jointly by the Korea Development Institute (KDI) and The Asia Foundation (TAF) — has provided a forum for Asian officials, experts, policymakers, and practitioners of development and south-south cooperation to address the challenges and opportunities that face the region. In the dialogues and resulting publications, participants from Malaysia to Mongolia share their experiences, strategies, and actions in addressing contemporary challenges through their development cooperation programs. Topics have included inclusive growth, climate change adaptation and mitigation, and the role of Asian civil society and the private sector.

This knowledge exchange also opens the door to opportunities for South-South and triangular cooperation. Dialogues have provided a platform for Asian experts to share their experience with Western counterparts, a process which becomes more vital and stimulating as Asian trends increasingly inflect global development discourse.

In 2015, we examined the South-South cooperation (SSC) agenda beyond the discussions around the Global Partnership for Effective Development Cooperation (GPEDC). While the GPEDC attempted to

expand the tent to include providers of all kinds, challenges persist in achieving this inclusive goal. The enthusiasm generated at the Busan High-Level Forum in 2011 had somewhat waned by the Mexico High-Level Meeting in April 2014. Participants in Mexico noted that the absence of China and India signalled a fragmentation of the Busan partnership; they also highlighted the work needed to find areas of convergence between the North-South and South-South dialogues. Southern providers reiterated the need for a definitively Southern-led dialogue and architecture for governing, managing, and coordinating the efforts of SSC.

Even if the GPEDC struggles as a viable forum to discuss these issues, alternate but complementary forums, such as the KDI-TAF AADC dialogues, can support progress on this agenda. Two meetings held in Cambodia and Jakarta discussed ways to improve SSC governance, management, and measurement in order to increase its impact and development effectiveness. Participants from more than 12 provider and partner countries in Asia shared their experiences and views on the evolving definition of SSC, new modalities such as triangular cooperation, and partner-country perspectives on improving SSC.

The collection of perspectives in this volume, drawn from these dialogues and edited by Anthea Mulakala of The Asia Foundation, reveals the continuous evolution of SSC. Representing Asian academia, government, and civil society, the authors provide fresh, contemporary perspectives on the practical and theoretical challenges facing Asian South-South cooperation. Their insights provide direction on how SSC can improve and offer prospects for increased collaboration and convergence between SSC and traditional aid.

The collaboration between KDI and TAF rests largely on the vision and leadership of Dr. Taejong Kim of the KDI School, and of the TAF representatives, Senior Vice President Dr. Gordon Hein and Ms. Anthea Mulakala, Director of International Development Cooperation. We acknowledge their ongoing support and commitment to the partnership. We also extend thanks to TAF Cambodia and Indonesia and to the Centre for International and Strategic Studies Indonesia for hosting the 2015 dialogues. We would also like to thank individuals working at KDI and TAF who provided invaluable assistance: Dr. Dong-Young Kim and

Ms. Taeyang Kim from KDI, and Mr. Dylan Davis, Ms. Kyung-sook Lee, Ms. Sunita Anandarajah, Mr. Jongbeom Choi, Ms. Minjae Lee of TAF for their support in coordinating, researching, editing, and providing logistical support to the dialogue participants, authors, and editors. Finally, from BlueSky International, we thank Leila Whittemore for her meticulous editorial work and Suzan Nolan for her patient yet persistent project management.

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## Abbreviations

ADB	Asian Development Bank
AIIB	Asia Infrastructure Investment Bank
ASEAN	Association of Southeast Asian Nations
ATDC	Agricultural technology demonstration center
AusAID	Australian Agency for International Development
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China, South Africa
CACID	China-Australia-Cambodia Trilateral Irrigation Dialogue
CECA	Comprehensive economic cooperation agreement
CNY	Yuan
CSO	Civil society organization
DAC	Development Assistance Committee
DFAT	Department of Foreign Affairs and Trade
EXIM	Export-Import
FDI	Foreign direct investment
FTA	Free trade agreement
G7	Group of 7 industrialised nations
G77	Group of 77
GDP	Gross domestic product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GPEDC	Global Partnership for Effective Development

GSTP	Global System of Trade Preferences Among Developing Countries
IBEC	International Bureau for Economic Cooperation
IFC	International Finance Corporation
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
LDC	Least-Developed Countries
LOC	Line of credit
MEA	Ministry of External Affairs
MOF	Ministry of Finance
MOFCOM	Ministry of Finance and Commerce
MOU	Memorandum of understanding
NAM	Non-Aligned Movement
NDB	New Development Bank
NEsT	Network of Southern Think Tanks
NGO	Nongovernmental organisation
NSC	North-South cooperation
OBOR	One Belt One Road
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
PNG	Papua New Guinea
PPP	Purchasing power parity
RMB	Renminbi
SSDC	South-South development cooperation
SSC	South-South cooperation
SSTC	South-South and triangular cooperation
SDG	Sustainable Development Goal
UN	United Nations

UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
US	United States (of America)
USAID	United States Agency for International Development
USD	United States dollars
WTO	World Trade Organization

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# Introduction

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Twenty-first century development cooperation has changed dramatically due to the growth, both in scale and volume, of South-South Cooperation (SSC). SSC — cooperation based on mutually beneficial trade, aid, diplomacy or strategic partnerships between and amongst countries at similar stages of development — has existed for decades. The year 2015 marked the 60th anniversary of the historic 1955 Asian-African conference held in Bandung, Indonesia, which laid the foundation for the solidarity that underpins South-South cooperation today (MOF Indonesia, 1955). While SSC is therefore not new, it has evolved since its mid-twentieth century genesis. In particular, the economic and strategic rise of Asia in the twenty-first century has led to its expansion and diversification.

Asian SSC is not homogenous in evolution, form, or application. While the principles of SSC remain the same now as they did six decades ago, some objectives and modalities have changed. China and India, the region's heavyweights, have the resources and capabilities both to invest significantly and offer aid-like support to partner countries. China raised its aid volumes nearly 30 percent annually between 2004 and 2009 (State Council, 2011), while India's 2013 development assistance volume was seven times that of 2000 (TAF, 2013). Midsized powers, such as South Korea and Japan, present a different model, sharing characteristics with Northern donors as well as Asian SSC providers. South Korea, for instance, transitioned from a low-income country (LIC) in the 1950s; its 2015 aid volumes now rank it fourteenth among the twenty-nine donors in the Organization for

Economic Co-operation and Development's Development Assistant Committee (OECD-DAC) (OECD, 2016). Emerging economies, such as Indonesia, Thailand, and Mongolia, have experimented with different cooperation modalities and administrative structures. Mongolia, for example, established a knowledge-sharing mechanism in 2013, the International Cooperation Fund (ICF), focusing efforts to broaden its role in the field of SSC (MOF Mongolia 2016).

During this growth spurt for SSC, traditional aid has stagnated and declined in importance for developing countries, which have proven more responsive to new forms of finance (Quinn, 2016; Goodman, 2016; Igoe, 2016). These phenomena have led to more international attention and interest in Asian approaches to SSC in recent years. The Global Partnership for Effective Development Cooperation (GPEDC), launched at the Fourth High-Level Forum on Aid Effectiveness in 2011, aimed to expand the policy tent — including SSC providers alongside traditional DAC donors (UNDP, 2016) and providing more avenues for collaboration, resource mobilization, and understanding among Northern and Southern providers. Although it has met with limited success (Mulakala and Wagle in this volume), the GPEDC has spawned numerous other platforms, some led by the South, which inject southern perspectives and positions into discussions on the future of aid (TAF, 2016; NeST, 2016; RIS 2016).

This volume contributes Asian perspectives to the international dialogue and body of literature on the future of SSC and its role in the global business of aid. Development experts, policy specialists, and government officials from eight countries reflect on SSC's historic path and dynamic future. Authors make specific policy contributions and recommendations on ways to better govern, manage, and measure SSC for increased impact and development effectiveness.

Most of the existing literature on emerging providers focuses on China and sometimes on India. Rarely do analysts provide insights into providers such as Indonesia or Mongolia, or from SSC partner countries, such as Nepal. The authors in this volume present contemporary perspectives on Asian SSC that explore this evolving diversity.

Chapter 1, by Anthea Mulakala and Swarnim Wagle, frames the volume with a historical and comparative perspective on SSC and

traditional aid. After chronicling the rise of the South, the authors assess its impact on the contemporary manifestation of SSC and on the development cooperation landscape more broadly considered.

In Chapter 2, Gulshan Sachdeva argues that India's historic role as *development partner* has positioned it to contribute significantly to emerging international development architecture. He explores how commercial and strategic concerns have influenced India's role as a Southern provider, and how India may also emerge as a leader in policy thinking and as a vanguard nation in SSC practices.

Chapters 3 and 4 turn our attention to new trends in Chinese development cooperation. Denghua Zhang presents original research on China's trilateral development cooperation with Australia and Cambodia, delving into the incentives that drive such partnership. Zhou Taidong from The Development Research Center of the State Council of China describes new directions in Chinese evaluation of its SSC programs. The chapter also compares China's SSC evaluation approaches to the conventional OECD-DAC methods.

Chapters 5 and 6 share insights into how Indonesia and Mongolia, as emerging economies, have carved out their own roles in SSC. Shafiah F. Muhibat charts Indonesia's progress toward establishment of a coherent cooperation program and a complementary administrative structure. Despite numerous legal, regulatory, implementation, and governance hurdles, Muhibat sees a hopeful future for Indonesia's SSC and triangular-cooperation programs. Mongolian Ambassador Jambaldorj Tserendorj and Meloney Lindberg describe the growing pains and achievements of Mongolia's entry into the world of SSC. The authors highlight Mongolia's chief priority: sharing its democratization experience with partners on similar paths, including Myanmar and Kyrgyzstan. The chapter also describes Mongolia's creation of an International Cooperation Fund (ICF) to finance its SSC, and the challenges it faces in sustaining it.

In Chapter 7, Swarnim Waglé portrays the partner-country perspective of Nepal. Waglé provides an assessment and recommendations on future SSC by reflecting on Chinese and Indian assistance to Nepal in the wake of the April 2015 earthquake.

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describes the approaching tipping point in Asian SSC – a confluence of accumulated experiences, pressures from domestic and foreign stakeholders, and engagements with traditional aid actors.

At this juncture, controversy remains as to whether SSC and traditional aid will converge or diverge. This volume argues that Asian SSC brings new resources and different approaches to tackling global development challenges; these resources could transform discourse and practice for all partners, Northern and Southern, and shape the future of aid and cooperation.

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# CHAPTER 1

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## The Rise of the South and a New Age of South-South Cooperation

*By*

*Anthea Mulakala and Swarnim Waglé*

### **Abstract**

This chapter provides an overview of the rise of the global South and discusses its impact on South-South cooperation (SSC) – arguably the preferred mode of development partnership in the twenty-first century. It traces the parallel origins of SSC and traditional aid in the post-WW2 period, noting however that SSC embraced principles of solidarity and demand-driven, mutual-benefit cooperation. The early twenty-first century has seen an intensification and diversification of SSC among emerging Asian economies, one likely to continue given the explosive urban and economic growth in these countries and their increased participation in autonomous Southern platforms. The chapter concludes by examining the prospects for convergence with traditional aid in pursuit of the Sustainable Development Goals.

### **1. Introduction**

While traditional aid or North-South cooperation (NSC)<sup>1</sup> has come to

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<sup>1</sup> The terms “traditional aid”, “Western aid”, and “North-South aid” are used interchangeably in this chapter. Such references chiefly apply to DAC

define the aid landscape of the twentieth century, the rise of South-South cooperation (SSC) has arguably made it the preferred modus operandi of development cooperation in the twenty-first. NSC and SSC have evolved in tandem since the 1950s, and until recently largely followed different tracks. The increase in scale and scope of SSC in the twenty-first century parallels and participates in the rise of the South, whereby countries of the so-called “developing” world have emerged as global heavyweights — economically, politically, and strategically. This expansion has attracted comparisons between NSC and SSC among analysts of diverse viewpoints and agendas; some stakeholders — notably Western donors — have attempted to forge or even force convergence between them. In other words, SSC has become a contested field even as its scale and very definition expands.

This chapter argues that the growth and development of Southern countries, particularly those from Asia, have changed the global balance of power and contributed to the expansion of SSC. As a result, a phenomenon once under the radar of Western donors has now become more visible, crossing paths and even converging with traditional aid. New forms of SSC continue to transform the narrative and practice of development cooperation. The chapter begins with a brief historical overview of traditional or North-South aid and South-South cooperation prior to the South’s emergence, demonstrating how each evolved under specific historical circumstances and with distinct motivations and approaches. It then details the characteristics of the rise of the South and how the growth and development of Southern countries, particularly those from Asia, have shaped a new world order. Lastly, it assesses the impact of these trends on the understanding and practice of the contemporary development cooperation landscape.

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donors. South Korea constitutes a special case, since its development approach demonstrates many of the principles of SSC, despite its having joined the DAC in 2010.

## 2. The Evolution of Traditional Aid

Traditional foreign aid from developed Western countries (now known as the North) emerged in the mid-twentieth century, in part to address lagging social conditions in colonized territories (Edwards, 2014). During the post-Second World War reconstruction and Marshall Plan era many former colonies and occupied territories (e.g. Indonesia, India, Korea, Malaysia, Vietnam) gained their independence and began to manage their own development (USDOS, n.d.; AFE, 2009). The Bretton Woods Agreement (1944) institutionalized Western aid, giving birth to the International Monetary Fund and the World Bank. Development assistance became the means through which former colonial powers and other developed nations (such as the United States) could support growth and prosperity in former colonies. Many SSC providers, including those discussed in this volume, began as aid recipients in the postwar period.

During the Cold War, ideologically competing powers used development aid as a soft-power political tool to counter or cultivate communism (Abdel-Malek, 2015). The Republic of Korea (South Korea), for example, received generous US foreign aid support due to its geo-strategic location within Asia and south of the Soviet-backed Democratic People's Republic of Korea (North Korea) (Kim, 2011: 140). Similarly, the Soviet Union (USSR) supported China and Mongolia with large-scale infrastructure projects (Coutsoukis, 2014; Hays, 2008) and signed the "Treaty of Peace, Friendship and Cooperation" with India in 1971 (Kapila, 2000). In the 1960s, poverty became a global concern, and richer countries began to address the basic needs of poorer ones (Phillips, 2013). In 1961, the Organisation for Economic Cooperation and Development's Development Assistance Committee (OECD-DAC) was established as the main donor forum for the coordination of assistance from developed to developing nations.<sup>2</sup> China, India, Indonesia, and Thailand were all early recipients of DAC aid (OECD-

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<sup>2</sup> Its original members were Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Portugal, the United Kingdom, the United States, and the Commission of the European Economic Community.

DAC, 2011).

In the post-Cold-War globalization era of the 1980s and 1990s, many countries struggled with increasing poverty and underdevelopment. During this period, the Bretton Woods institutions encouraged poor countries, particularly in Latin America, to adopt a package of economic reforms that promoted macroeconomic discipline, a market economy, and openness to world trade (Williamson, 2002). Often referred to as the Washington Consensus because of their backing by the Washington-based Bretton Woods institutions, these policies faced heavy criticism from the South when they failed to show results in much of the developing world (Gore, 2000). In 2000, the United Nations launched the Millennium Development Goals (MDGs) to tackle the pressing challenges of the world's poorest nations by 2015. Rich countries rallied around the MDGs and pledged 0.7 percent of their gross national income (GNI) towards supporting developing nations in achieving them. The MDGs established the framework and benchmarks for North-South aid for the next fifteen years.

### **3. South-South Cooperation Historically**

SSC came into being during the same period as traditional aid. Countries emerging from colonialism faced common challenges and sought solidarity and cooperation to address them. Regional cooperation compacts, such as the Arab League (1945) and the Colombo Plan, (1950) focussed on the social and economic progress of their member states (Cabana, 2014). The year 2015 marked the 60th anniversary of the historic 1955 Asian-African conference held in Bandung, Indonesia, which laid the foundation for the solidarity that inflects South-South cooperation today. At that time, SSC had overtly political and ideological objectives. Many Asian and African nations were newly independent or engaged in liberation movements, while also navigating Cold War politics and struggling with social and economic development challenges. Unsurprisingly, the Bandung Conference forged solidarity against the challenges of colonialism, imperialism, Cold War aggression, and poverty (MOFA Indonesia, 1955).

The Non-Aligned Movement (NAM), formed in 1961 (Cabana, 2014), provided a forum for these Southern countries to promote their interests in the new international economic order (Chaturvedi, 2016). During the same period, Chinese Premier Zhou Enlai launched the five principles of peaceful coexistence, which provided a framework for South-South cooperation (MOFA PRC, 2014). These principles of equality, mutual solidarity and benefit, non-aggression and interference, and peaceful coexistence still underpin contemporary SSC. From its inception, SSC went far beyond monetary aid, encompassing trade, political, and military support, as well as training, education, and cultural exchange. Up until the first decade of the twenty-first century, SSC operated in a different sphere from traditional aid, remaining small in scale and consequently of little interest to Western donors.

Early forms of SSC had both multilateral and bilateral elements. Beyond the NAM, several new forums and initiatives — such as the United Nations Conference on Trade and Development (UNCTAD), G-77, GSTP (Global System for Trade Preferences) — aimed to promote solidarity, collective self-reliance, and cooperation (Kumar, 2008). Then as now, the countries of the global South shared their own development lessons and experiences with their peers. During the 1950s, China provided in-kind assistance to Vietnam and North Korea within Asia, along with military and strategic support to Africa (Li and Wu, 2011). India established a training program with fellows from China and Indonesia as early as 1947 (Chaturvedi, 2016) and launched its flagship Indian Technical and Economic Cooperation (ITEC) program in 1964, with the goal of promoting the social and economic advancement of countries recovering from colonial rule (Tuhin, 2016). Malaysia's foreign policy under Prime Minister Mahathir advocated for Third World concerns and aspirations; its Technical Cooperation Program (MTCP), launched in 1980, also reflected the principles of South-South solidarity (Hazri and Tang, 2011).

Not all Asian countries followed precisely the same path, either in postwar development or in graduation from recipient to donor status. South Korea<sup>3</sup> was an aid recipient during this period and similarly

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**3** South Korea, though a member of the DAC since 2010, exhibits many

engaged in SSC, offering technical training to partner countries from the 1960s onward. South Korea funded its early training with support from its own donors, through early forms of trilateral cooperation. Though not part of the NAM political platform (albeit a participant in the G-77), South Korea's development cooperation had similarly political and economic motives in the 1960s. Its SSC activities aimed to bolster its economy and diplomatically isolate North Korea. Later, South Korea's SSC became less political and more about sharing its own lessons as an aid recipient and expanding its markets in Southeast Asia (Kim, 2016; Kim, 2014) — characteristics it continues to share with many of the Asian providers discussed in this volume. Japan's postwar cooperation with Asian countries also reflected principles of demand-driven response, unconditional support, and mutual benefit. Ravaged by World War II, Japan became at the same time an aid recipient (largely from the US) and a development partner to countries in Southeast Asia. Japanese SSC with Asia became a means to promote its own recovery and growth. By the 1960s, Japan's economic recovery and rise as an advanced industrial country led to its joining the DAC (Fukuda-Parr and Shiga, 2016), and adhering to Northern aid effectiveness principles thereafter.

During the Cold War and globalization period, some central elements of SSC (the developmental state, public-sector partnerships, and Southern solidarity) became weakened or attenuated (Gosovic, 2016; Kumar, 2008). SSC levels fell significantly in the 1980s as developing countries struggled with debt and inflation during the financial crisis fallout, with many forced into high-conditionality borrowing arrangements via the Bretton Wood institutions and the liberalization model of the Washington consensus (Walz and Ramachandran, 2011; Kumar, 2008).

Up until the twenty-first century, traditional aid and SSC rarely crossed paths; few observers or stakeholders compared or contrasted them because they shared so few similarities. Most analysts and

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characteristics of SSC providers and may be considered a non-traditional provider. Up until it joined the DAC, South Korea was a member of the G-77. Its cooperation model has always reflected the sharing of its own experience of state-led development and export-oriented industrialization.

**Table 1-1 | Features of SSC and Traditional Aid Prior to 2000**

Feature	SSC	Traditional aid
Definition of development	Current challenge(s) faced by countries Growth-centric Shared experience between partners at similar levels of development “Bootstrapping” – prioritizing state capabilities to address challenges	Origins in colonialism and post war construction Aid-centric First world/third world divide Washington consensus – liberalization as the pathway to development
Partnership	Reciprocal Both partners at similar stages of economic development Voluntary	Hierarchical Driven by sense of historical responsibility Large differences in stages of economic development Commitment-based
Key actors	State, State-owned enterprises, private sector No role for non-state actors	State and NGOs
Purpose	Mutual benefit and growth, solidarity	Poverty reduction and social development (often masking political and economic drivers)
Sectors	Hardware, economic and technical cooperation	Grants for budget support and social sector
Conditionality	No strings attached, non-interference	Policy conditionalities
Working with partners and coordination	Bilateral relations preferred Limited coordination and dialogue with other actors	Harmonization, coordination of bilateral and multilateral efforts Centrality of the DAC

**Table 1-1 | (Continue)**

Feature	SSC	Traditional aid
Modalities	Tied aid Lack of transparency Limited monitoring and evaluation Opaque hybrid financing combining aid and commercial investment	Discourages tied aid Consolidated statistics Systematic impact assessment Grants or highly concessional credits
Institutional Arrangements/ Architecture	Limited designated agencies No tradition of development studies	Specialized agencies History of development studies

*Source:* Fues (2015); Chaturvedi (2012; 2016); Jing (2015); Lim (2010); Kharas (2011) Authors' compilation.

academics agree that by 2000, traditional aid and SSC had acquired distinct principles, architecture, and modalities, summarized in Table 1-1.

Many of these differences have continued to characterize SSC in ways that this volume will clarify for specific countries. In particular, we would draw attention to the different roles played by the state in each model, the impact of aid-recipient experience, distinctions in conditionality and monitoring, and above all in the very definition of development cooperation. As the next section will address, this last point is where Southern and Northern countries definitively part company, since Southern “development cooperation” has taken a decisively different and accelerating trajectory in the twenty-first century.

#### **4. The Rise of the South**

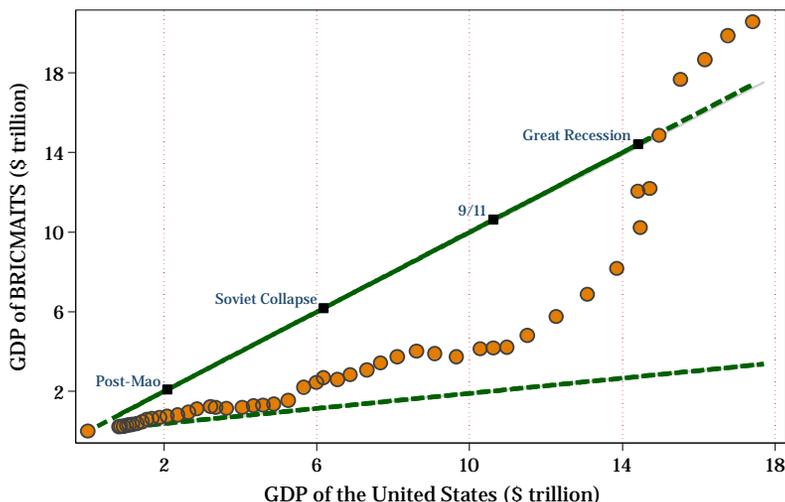
Sustained economic growth is a recent phenomenon, one that only characterizes the past 250 years of human history. Prior to 1750, the annual global economic growth rate, rounded down one decimal place,

stood at zero (Economist, 1999). Ruling elites lived well, but almost all other groups remained at subsistence levels and died early, with families replicating such livelihoods across multiple generations. Only after the 1820s did growth become a predictable phenomenon, and we have seen the great divergence in living standards that subsequently emerged between the industrialized West (North) and the developing South. In 1820, Asian countries produced over 56 percent of world output, overwhelmingly accounted for by China and India (but excluding Japan) (Madisson Project, 2013). By 1950, the share of China and India had fallen to less than 9 percent. In the larger sweep of history, this anomaly has begun a course correction in the twenty-first century.

During this period of anomaly — one with a rich North and a poor South — the international architecture of foreign aid took shape. The contemporary story of the South's economic catch-up is a dramatic one, especially when it measures gross domestic output (GDP) in market exchange rates (and not just purchasing power parity [PPP], which magnifies the clout of countries with lower costs of living). Take Figure 1-1, which contrasts the combined (nominal) GDP of nine large developing countries — all members of the G20 — with that of the United States, the world's dominant economy. In 1965, the ratio of their relative national incomes was 0.2. With no change, this trajectory of economic development would have followed the lower ray. In 2008, the year of the Great Recession, the ratio achieved parity (reflected by the upper trajectory), and has since surpassed U.S. GDP. The 'action' in the cone between the two projections, of increasing distance between successive data points, represents the pace of faster economic change.

Of course, annual growth rates fluctuate. Going forward, a slowing China or a Brazil in recession will continue to dominate daily news at regular intervals, but the *longer-term* trends appear unmistakably irreversible, especially on the basic achievements of human development that take decades to accrue: longer and healthier lifespans, wider access to knowledge, and increasing median incomes that support an enhanced living standard. They do not merely represent projections of recent patterns onto the future. The twenty-first century will see a profound structural shift in the center of economic gravity. Already, China and India account for at least one-quarter of global output, while

Figure 1-1 | The Rise of the South in GDP



- Note: 1) BRICMAITS refers to Brazil, Russia, India, China, Mexico, Argentina, Indonesia, Turkey and South Africa,  
 2) Markers represent each year after 1966; Russia included after 1988,  
 3) GDP measured in nominal United States Dollars (USD or \$).

Source: World Development Indicators (n.d.); Author compilation.

all developing countries combined account for the majority.<sup>4</sup> The rise of the South shapes the redistribution of global power, along with the modes of development that the lagging countries will likely follow. It also necessarily shapes the forms that current and future SSC will assume. The defining features of this phenomenon are described below.

#### (1) Broad Economic Rise and Global Rebalance of Influence

On December 18, 2015, the United States Congress approved a package reforming the governance of one of the world’s most significant institutions, the International Monetary Fund (IMF). It increased the share of quotas to developing countries by six percentage points, with China, India, Brazil and Russia now among the top ten

4 When GDP is measured in PPP; see IMF (2016).

largest members of the Fund.<sup>5</sup> In 2010, the World Bank had already increased the voting share of developing countries by three points to 47 percent. Calls to reconstitute the veto-wielding membership of the United Nations Security Council remain strong. All this reflects an acceptance that the old balance of power has irretrievably broken.

The rise of the South, however, reflects more than a revised headcount. It is a wider phenomenon representing a larger number of countries. Figure 1-2 shows that among 143 countries for which we have relatively complete data series over time, 142 improved their Human Development Index (HDI) (measuring average achievements in income per capita, education and health) between 1990 and 2014.<sup>6</sup> The speed of development proved particularly rapid in more than 40 countries, whose improvements in HDI between 1990 and 2014 exceeded predictions for countries at a similar level of HDI in 1990.

As the figure highlights, this includes countries as diverse as Rwanda and Uganda in sub-Saharan Africa; Bangladesh and India in South Asia; Morocco among the Arab States; almost all countries in Southeast Asia; and Brazil and Chile in Latin America. China has perhaps witnessed the most striking ascent, having pulled nearly 700 million people out of poverty between 1981 and 2008 (Chen and Ravallion, 2012). Singapore and the South Korea, which had already graduated to middle-income status in 1990, are today among the richest countries in the world.

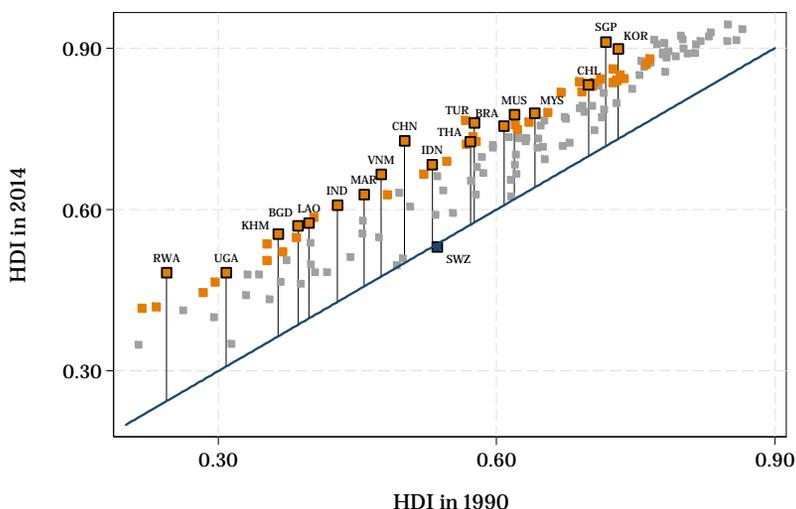
Furthermore, Southern countries accumulated three-quarters of the increase in foreign exchange reserves between 2000 and 2012 (over USD 10 trillion), partly as self-insurance against future financial downturns and crises (RIS, 2016). The diversity of Southern policy experiences, from socialist Vietnam to liberal Chile, has also tended to encourage home-grown models, in lieu of straitjacketed prescriptions laden with economic policy or governance conditions. Such features have a double importance: first, they demonstrate a strong capacity for

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**5** China received an increase of 2.3 percentage points (pp), Brazil of 0.5pp, and India of 0.3pp. The other members in the top 10 are the United States, Japan, Great Britain, Germany, Italy and France.

**6** Only Swaziland had a lower HDI in 2014 than in 1990. In the 2012 assessment of 132 countries (UNDP, 2013), Zimbabwe and Lesotho had lower HDI in 2012 than in 1990, but both appear to have recovered since.

Figure 1-2 | Broad-based Progress



Note: 1) In a balanced panel of 143 countries, 142 lie above the 45-degree line, indicating a higher HDI value in 2014 than in 1990.

2) Orange markers show more than 40 developing countries with significantly better than predicted HDI improvements given their initial HDI, based on residuals obtained from a regression of the change in (log of) HDI between 2012 and 1990 on the (log of) HDI in 1990.

Source: Authors' calculations based on latest UNDP Human Development Report Office (HDRO) data for 1990 and 2014.

resilience against shocks and a greater likelihood of sustaining growth; secondly, they offer a range of lessons for other developing countries to draw upon, as we shall see later in this volume.

## (2) Middle Class in Megacities as the New Sovereign Economic Units

The biggest city in the world has a name not yet widely known. In 2015, China endorsed a plan to create the megalopolis of Jing-Jin-Ji, with 130 million inhabitants amalgamating Beijing, Tianjin and Hebei. Chinese urbanization will take further shape with an additional 25 megacity clusters, with populations up to 100 million people each

(Khanna, 2016).<sup>7</sup> While national boundaries will continue to define the political identity of states, megacities of the South will emerge as the new economic juggernauts of the world, peopled by a growing middle class. In 1990, there were only ten megacities with more than 10 million people; that number has now tripled. Of the 20 largest megacities in the world, 15 are in the South. By 2030, more than 40 megacities will house nearly one-tenth of the world's population; only about five of them will be in the North (United Nations, 2014).

This rapid urbanization will inevitably pose enormous challenges. However, well-governed megacities, connected to each other by efficient transportation, digital infrastructure, and power grids, could provide a source of future endogenous growth. As Glaeser (2011) has argued, cities are one of the greatest inventions of the human species, since proximity makes people more inventive, as talented minds interact; more productive, as economies of scale lead to specialization; and more friendly to the planet, as city-dwellers live in smaller houses and travel in public transportation, thus reducing carbon emissions.

At the same time, the rise of the South presents a new paradox: while the larger developing countries have become richer in the aggregate, they also house three-quarters of the world's 1.3 billion poor. More poor people live in middle-income countries than in the least-developed countries. But yesterday's poor become tomorrow's middle class (Sumner, 2012).

By 2030, barring an unforeseen global shock or downturn over the next decade, more than 80 percent of the world's middle class will live in the megacities of the South. They will account for 70 percent of total consumption expenditure.<sup>8</sup> Within Asia, United Nations analysts expect India and China to account for more than 75 percent of the middle class, as well as their share in total consumption (UNDP, 2013). According to the McKinsey Global Institute (Dobb *et al.*, 2012), by 2025, annual consumption in emerging market economies will rise to an estimated

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<sup>7</sup> To put this into perspective, only 12 *countries* (not cities) today have populations exceeding 100 million.

<sup>8</sup> With calculations based on Brookings Institution (Kharas and Gertz, 2011); the middle class includes people earning or spending between USD 10 and USD 100 per person per day (2005 PPP USD)

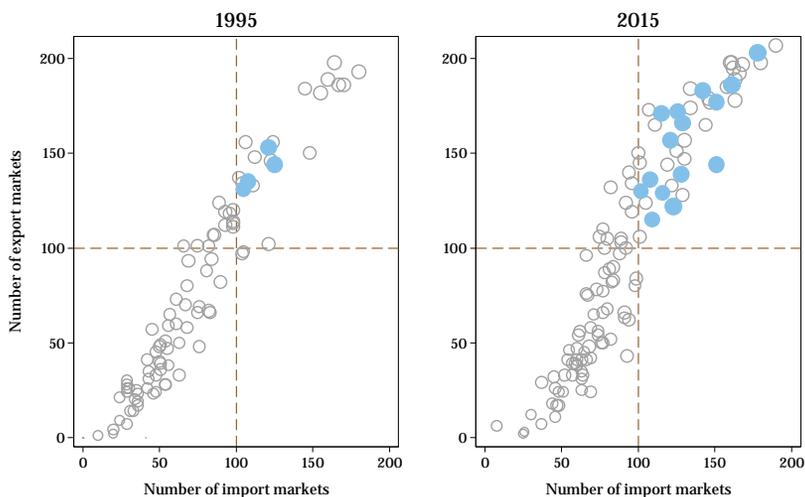
USD 30 trillion from USD 12 trillion in 2010, with the South accounting for three-fifths of the one billion households earning more than USD 20,000 a year. The expansion of the middle class, and their location in megacities connected with peers around the world, will profoundly alter the development map of the world. It will also concentrate the greatest body of knowledge about large-scale development concerns in the Southern countries that house those megacities — a reservoir of knowledge with profound implications for future geopolitical alignments as well as for SSC.

### (3) New Economic Flows and Technologies Deepening Inter-connectedness

The expansion of trade and foreign direct investment (FDI), and the flow of people as tourists or temporary migrants after 1990, are both well-documented phenomena: the combined value of trade and financial flows represented over one-third of global GDP in 2013, a jump of 10 percentage points from 1990 (Manyika *et al.*, 2014). While policy liberalization and advancement in transport and communication account for the initial burst in inter-connected commerce, it is the new technologies that will deepen the flows. Digitization has lowered the cost of participation in the global marketplace. Today, 80 percent of global exports are linked to the production networks of transnational corporations that span dozens of countries (UNCTAD, 2013). For the first time in 2014, more FDI went to developing countries than developed countries; the former have now become the source of about one-third of *outgoing* FDI (RIS, 2016). At least 15 developing countries have substantial trading relationships with more than 100 trade partners, both as exporters and importers — quadruple the equivalent figure of 20 years ago (Figure 1-3).

Southern models of trade, investment, and technology transfer have found ready applications at home and abroad. One might cite the transformative power of business models where companies produce a large number of low-income customers with small profit margins: one-chip mobile handsets and low-power desktops for internet connectivity have propelled innovations such as cheap mobile banking, empowered

Figure 1-3 | Massive Trade Expansion



Note: 1) Only includes bilateral trade exceeding USD 1.5 million in 1994-95 and USD 2 million in 2014-15.,

2) 15 developing countries in the first quadrant in 2014-15 and 4 in 1994-95.

Source: Authors' calculations based on UNSD (2016).

access to market information, and the production of affordable generic medicines, seeds, and crop varieties. Evidence shows that differences in institutional quality between host and receiving countries have less deterrent effect on South-South FDI, while employment of local personnel and lower overhead costs tend to make it more resilient to local crises (Bera and Gupta, 2009; Aleksynska and Havrylchyk, 2011).

Movements of people have also generated enormous flows. In 2015, 250 million people lived in countries other than their place of birth, an increase of nearly 100 million from the baseline in 1990. Of the top 20 recipient countries of inward remittances, 14 are from the South, including eight in the top ten. As a share of national income, remittances account for a larger proportion in the South; for example, estimates put the 2015 United States and Nepal inward remittances at about USD 7 billion each, which represents about 30 percent of Nepal's GDP versus only 0.03 percent for the United States (World Bank, 2016).

More than 3.5 billion people now use the Internet, seamlessly engaging with people across borders. Excluding China, which has its own social networking sites, Southern countries comprise seven of the top ten nations using Facebook. From crowdsourcing of ideas and funds for collaborative projects across borders, to organizing car-pooling initiatives in a fuel-starved city, to organizing mass political protest against theocracies — online platforms and social media have connected people in ways never seen before (ITU, 2016).

These trends of cross-border connectedness will magnify as emerging industries mature over the next decade. According to Ross (2016), one industry of the future will involve the digitization of money and markets: the application of computer code to commerce will enable anyone in the North or the South to “receive, hold, spend and transfer” money. Another future industry identified by Ross (2016) – gathering operant business and social solutions through “big data” mining – also holds great promise, since it will lower barriers to entry for educated professionals from the South. Unlike land and minerals in the agro-industrial ages, data in the information era will level the field for borderless collaboration. An analysis of 300 million members of LinkedIn users in 52 cities showed that India has five of the top ten destinations for new talent in technology, followed by the U.S. and Australia (Dutta, 2014).

All these phenomena of interconnection have altered and will continue to influence the unfolding of twenty-first-century development; they will also supply the means through which cooperation expands and redefines itself. Our next section gives a *tour d’horizon* of the current SSC landscape, reflecting on how the South’s rise has redrawn the boundaries of cooperation, and assessing the impact of the emerging Asian providers in particular.

#### (4) Diverse Space for Alternative Partnerships

For the purpose of this volume of essays, the most significant feature of the rise of the South may be its impact on aid and development cooperation. In Asia itself, Chinese, Indian, and Korean SSC activities have expanded in proportion to their national economies. They now

include trade and investment, diplomatic and strategic support, and also efforts resembling (and occupying similar space to) traditional Western aid. Since the days of NAM, more heterogeneity has developed within the South. Cooperation approaches differ and economic partnership, rather than political solidarity, underpins more SSC relationships. A small group, notably China and India, have emerged as superpowers with the resources and capabilities to both invest significantly and offer aid-like support in partner countries. Investments, primarily in infrastructure, now comprise the majority of their SSC activities (Saxena, 2016; Li and Zhou, 2016) but both countries have increasingly taken on humanitarian assistance and development projects. When measured in terms applied to ODA, China is now the fifth-largest provider of development assistance (Kitano and Harada, 2014). In 2014, Indian development assistance came to USD 1.4 billion in current prices, commensurate with the aid budgets of Austria and South Korea (Mullen, 2014); in PPP terms, this comes closer to USD 5.3 billion, comparable to Australia (Mullen, 2014). Neither country however, has shown inclination towards the DAC or the norms of traditional aid.

South Korea and Japan, as Asian middle powers, present a distinctive Asian approach to DAC participation. Both Kondoh (2015) and Kim (2016) assert that South Korea's cooperation shares features with that of China and India as well as the DAC. Like SSC providers, South Korea promotes lessons from its own state-led development experience, pursues economic objectives, and ties its aid. Joining the DAC in 2010 provided Korea the opportunity to raise its credibility as part of the donor club and also to showcase its remarkable development experience to the world. Japan maintains its commitment to the principle of mutual benefit, but since joining the DAC has broadened its engagement beyond Asia and infrastructure, reduced its tied aid, and adopted more DAC norms (Fukudo-Parr and Shiga, 2016). Other emerging economies in Asia, including Indonesia, Thailand, and Mongolia (see Muhibat; Jambaldorj and Lindberg, this volume) have also developed their cooperation programs with features from both SSC and traditional aid, as we shall see. By contrast, since 2000 DAC aid has experienced only modest growth or stagnation (OECD-DAC, 2014). We will highlight here some of the more recent and significant impacts of SSC

diversification and expansion, addressing themes that both unite and distinguish the individual countries discussed in succeeding chapters.

### ***Converging and Diverging Institutional Architecture***

Contemporary architecture for aid and SSC demonstrates both convergence between the North and South at national levels and divergence at international levels. Four notable trends merit discussion here.

As their SSC grows, provider countries find it increasingly difficult to sustain the fragmented, multi-pronged management structures of their cooperation programs. In response, several Asian countries have begun developing discrete institutional architecture for SSC. India established the Development Partnership Administration within its Ministry of External Affairs in 2012 to oversee India's cooperation programs. Korea and Thailand have dedicated aid agencies — the Korean International Cooperation Agency (KOICA), established in 1991 and the Thailand International Cooperation Agency (TICA), set up in 2004 — that oversee their grants and technical training. Both also have separate agencies that deal with loans and export credits (Wajjwalku, 2011; Kim, 2016). Indonesia has established an interministerial task force on South-South cooperation, as a preliminary step to creating a single SSC agency (Muhibat, this volume). The value of these institutions lies in their ability to consolidate development initiatives. The risk lies in their becoming rigid bureaucracies that may stifle the flexible, fast, and situationally-responsive nature of SSC that has long made it effective. In this connection, one might note that Canada, Australia and New Zealand (all DAC members) have all collapsed their once-distinct aid departments within their ministries of foreign affairs and trade, reflecting the closer ties between aid and foreign policy (CBC, 2013; SBS, 2013; Tran, 2013) — and possibly learning from the example of SSC providers.

A second development is the growth in Southern scholarship on SSC, with notable contributions from stakeholders and actors in the field. Development studies are no longer the sole province of Western analysts. The Korea Development Institute, founded in 1971, boasts an

international reputation: it hosts Korea's Knowledge Sharing Program (KSP) as well as extensive development policy research, including an annual series on Asian Approaches to Development Cooperation (TAF, 2016) that explores the similarities and differences among Asian SSC providers. India, China, and Thailand have also developed academic expertise and have established think-tanks and multi-stakeholder networks focused on SSC. The Network of Southern Think-Tanks (NeST), created in 2011, aims to "provide a global platform for Southern Think-Tanks to collaboratively generate, systematize, consolidate and share knowledge on South-South Cooperation (SSC) approaches in international development" (NeST, 2016a). Members include the Research and Information System for Developing Countries (India), China Agricultural University, the South African Institute of International Affairs, and the Instituto de Pesquisa Econômica Aplicada, Brazil. These institutions have both shaped and shared knowledge in ways vital to the evolution of SSC discourse, a point we will revisit below.

The third trend consists of efforts, chiefly led by Northern and DAC providers, towards converging aid effectiveness principles, and the Southern-led responses that have clarified the distinctive character of SSC. Both rest upon the emergence of new global platforms. The Global Partnership for Effective Development Cooperation (GPEDC), created at the 2011 Fourth High-Level Forum on Aid Effectiveness in Busan, offers a forum for all development actors — Northern, Southern, DAC and non-DAC — to share global responsibilities. However, it has seen only lukewarm participation from key countries such as China, India, and Brazil, who view the GPEDC as a traditional-donor ploy to extract DAC-like commitments from SSC providers. As Chaturvedi points out, Southern actors see this as "erroneous and contradictory to the principle of SSC, which in essence must remain a voluntary, demand-driven process operating at bilateral and multilateral levels" (Chaturvedi, 2016: 185). Some emerging countries, such as South Africa, Mexico, and Indonesia, have engaged with the GPEDC, while South Korea has tried to play a bridging role between DAC and non-DAC actors, hosting the first (2011) meeting of the GPEDC in Busan.

Meanwhile, as a counter-proposal to the GPEDC, India convened (in

April 2013 and again in March 2016) the first self-supported dialogues on development cooperation among the South (RIS, 2016). Five hundred participants, mostly from Asia, Africa, and Latin America, gathered in Delhi at the April 2016 conference, laying the groundwork for a comprehensive framework on SSC. This “Delhi Process,” as it has been named (RIS, 2016), establishes a separate institutional platform for the South to pursue dialogue and share experience (Fues, 2015). While still in its embryonic stages, the Delhi Process holds the potential to challenge mainstream discourse and forge more points of theoretical and practical convergence amongst southern actors. It also reflects India’s vanguard role in forging an autogenous SSC narrative, marked by the introduction of the “development compact” as a framework for better defining twenty-first-century SSC. The development compact has five pillars of cooperation: trade and investment, technology, capacity-building, development finance through credit lines, and grants (Chaturvedi, 2016).

This framework captures the breadth of SSC and clarifies its distinctiveness from ODA. It also resembles the so-called “Beijing consensus” which — in contrast to the Washington consensus — advocates government-led development, non-interference in internal affairs of recipient countries, active utilization of FDI and loans, and heavy attention to trade and industrialization (Kondoh, 2015). However, neither the “development compact” nor the “Beijing consensus” have yet become common parlance in SSC circles, suggesting it will take some time for southern providers to find a unified voice.

The fourth trend supplies a new type of global platform and aid architecture in the form of two new Southern-led multilateral banks. The New Development Bank (NDB) and the Asia Infrastructure Investment Bank (AIIB) have challenged the old order dominated by the Bretton Wood institutions. Not only do they deliver much-needed resources to meet the global infrastructure gap, but they also provide an opportunity for Southern powers to set new norms and a new vision for development cooperation. When paired with comprehensive regional economic strategies, such as the Belt and Road Initiative (BRI)<sup>9</sup> (SCPRC, 2016)

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9 The “Belt and Road Initiative” was previously known as the “One Belt One

or the New Silk Road strategy, these institutions have become potential game-changers — connecting and developing markets over a vast geographic area, transforming the international development system, and launching Southern powers, especially China, as norm-setters in development cooperation and global governance.

### *Prioritizing and Financing Infrastructure*

The global infrastructure gap looms as a major impediment to the continued development of the South. The ADB estimates that Asia alone requires USD 1 trillion annually to meet its infrastructure needs (ADB, 2016). Only a few years ago, a least-developed country without the credit capacity to borrow in international capital markets had no option but to go to a global financial institution, such as the World Bank, or to a regional multi-lateral bank for large-scale funding. Since the 2000s, China, India, and Brazil, but also other Southern-based institutions, have emerged as a major source of concessional development financing in Africa and Asia. Some of the largest financiers of infrastructure in sub-Saharan Africa between 2001 and 2008 were regional banks and funds based in Arab States.<sup>10</sup> The line of credit (LOC) has become India's fastest growing cooperation instrument. In 2014/15, India's LOCs totalled more than USD 40 billion across 66 countries, the majority going to Africa and in the energy and transport sectors (Saxena, 2016). The formal establishment of the AIIB and NDB increase the range of financing opportunities for developing countries, especially for infrastructure development. China's Belt and Road Initiative aspires to develop connectivity and cooperation among countries in Asia, Africa, and Europe, through an elaborate network of land and sea infrastructure known as the Silk Road Economic Belt and the Maritime Silk Road. The strategy is expected to benefit 63 percent of the global population

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Road" (OBOR) strategy.

**10** According to United Nations (2012), these included the Islamic Development Bank, the Kuwait Fund for Arab Economic Development, the Arab Fund for Economic and Social Development, the Arab Bank for Economic Development in Africa, the Saudi Fund for Development and the Abu Dhabi Fund for Development

and contribute USD 2.1 trillion to global GDP (Flynt *et al.*, 2015). Such Southern-led initiatives represent a significant shift in development emphasis and resources, from governance and social sectors favored by traditional donors to priorities demanded by the South.

### ***Expanding role of NGOs in SSC***

For decades, NGOs have served as principal partners in implementing traditional development assistance, but historically they have not had a significant presence in SSC. In the twenty-first century, however, Asian NGOs have raised their SSC profile and their engagement in development policy. Currently, 516 Chinese NGOs operate outside China (Zeng and Mulakala, 2016), many in humanitarian assistance in countries such as Nepal and the Philippines. Korean NGOs have implemented programs in Cambodia, the Philippines, Myanmar, Nepal, and Vietnam. Indian NGOs, though less active outside India because of legal constraints, take limited part in technology transfer and capacity-building in Nepal, Bhutan, and Afghanistan (Mawdsley and Roychoudhury, 2016). Multi-stakeholder development cooperation forums, involving both civil society organizations (CSOs) and NGOs, now exist in several Asian countries: Thailand (Network for International Development Cooperation, NIDC), China (China International Development Research Network, CIDRN), India (Forum for International Development Cooperation, FIDC), and South Korea (Council for Overseas Development Cooperation, KCOC). These forums provide capacity-building for members engaged in development policy dialogue. This expanding (though still constrained)<sup>11</sup> space for civil society represents a significant shift from conventional state-led

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**11** In 2016, the Asia Foundation brought together Northern and Southern NGOs in Beijing to share their experiences as development cooperation providers in Asia. The discussions revealed that, while on the one hand Asian provider governments now value the role of NGOs in development cooperation and demonstrate more openness toward them, on the other hand the space for policy advocacy in provider countries has shrunk. In many countries, the legal and policy environment for NGOs has either become more restrictive or changes frequently, making it challenging for NGOs to operate (Zeng and Mulakala, 2016).

models of development and SSC. It also opens up channels for convergence and dialogue between Northern and Southern civil society.

### ***Transparency, Accountability, and Impact Measurement***

Western civil society has traditionally played a watchdog role over foreign aid. In recent years, the more prominent engagement of civil society has contributed to greater transparency and accountability amongst Asian SSC providers. South Korea, India, and China have increasingly vocal constituencies demanding justification of foreign assistance transfers in the face of persistent domestic needs. In 2011 and 2014, the Chinese State Council issued two white papers on “China’s Foreign Aid,” representing a modest improvement in transparency and an interest in engaging both domestic stakeholders and the global aid architecture (SCIO, 2011; 2014). India’s new guidelines on lines of credit (LOC) address many of the issues raised by critics around LOC transparency and accountability (Saxena, 2016). New multilateral initiatives, such as the AIIB and NDB, have committed themselves to transparency and openness.

Asian SSC providers have also stepped up their monitoring, evaluation, and assessment of SSC programs, particularly as pressure mounts from partner countries for better and faster delivery (Chaturvedi, 2016). In the past, Asian providers followed a strict demand-driven principle and did not concern themselves with impacts, outcomes, or value for money. Most SSC providers also reject the complex and expensive monitoring and evaluation frameworks associated with traditional aid. At the same time, they struggle with how to assess longstanding SSC aims such as mutual benefit. Today, government officials and academics in India, China, Korea, and Thailand have all embarked on assessment exercises, developing their own evaluation frameworks to better understand the impact of their SSC efforts (see Zhou in this volume). NeST has now worked for two years on developing a monitoring and evaluation framework for SSC. The result is a set of 20 indicators around five dimensions: inclusive national ownership, horizontality and mutuality, self-reliance and sustainability, transparency and accountability, and development efficiency. This

framework will appear on the agenda of the 2nd High Level Meeting (HLM2) of the GPEDC, held in Nairobi at the end of November 2016 (NEST, 2016b). These bilateral and multilateral efforts represent movement towards a uniquely Southern approach to benchmarking SSC effectiveness.

### *An Evolving Narrative on Development Cooperation*

This brief overview, one that successive chapters in this volume will elaborate, demonstrates that SSC has prompted an evolution in both Western aid discourse and the autogenous SSC narrative, a process that signals elements of convergence and areas of contested meaning.

First, the traditional aid narrative has become less hierarchical and more inclusive on all sides. Traditional aid has historically presented itself as primarily altruistic and philanthropic in nature. However, in the last two decades, traditional donors have acknowledged the element of self-interest in their aid schemes, and have aligned aid more explicitly with economic objectives. The Australian Government has set a target of increasing aid for trade expenditure to 20 per cent of Australia's aid budget by 2020 (DFAT Australia, 2015). The policy of the United States Agency for International Development (USAID) explicitly states that its "economic growth programs also help build new markets for the United States by expanding trade and supporting the emergence of middle-class consumers that can buy U.S. goods and services" (USAID, 2016). Trade and investment are two of the six priorities of France's development policy (MOFAID France, 2016). While most development analysts would argue that national interests have always driven Western aid at least in part, in the twenty-first century Western donors are not afraid to admit it. The West no longer views aid and trade as discrete domains, but as parts of a single fabric of bilateral cooperation; increasingly, mutual benefit — long a key principle of SSC — has become accepted as a core principle of development partnerships. Within the DAC, "aid effectiveness," with its hierarchical connotations and narrow concept of "aid," has given way to the broader notion of "development effectiveness," providing an optimistic approach to bridging traditional Western and Southern modes of development cooperation. Japan's new

2015 development charter reflects this shift, creating some distance from the DAC and branding Japan's approach to development cooperation as distinctive and based on its own historical experience (King, 2016).

Second, SSC has struggled to find its own contemporary narrative. Although the political solidarity of the NAM days has given way to increasing focus on economic interests, the principles of mutual benefit, non-conditionality, non-interference in domestic affairs, and demand-driven partnerships remain fundamental to SSC. While Southern providers, notably India and China, resist the invitation to adopt a shared narrative with the North, many borrowed phrases and concepts emanating from the traditional aid narrative, such as “transparency,” “foreign aid,” “donor,” and “effectiveness,” have crept into the SSC discourse (Chaturvedi, 2016; Fues, 2015). When South Korea joined the DAC, it formally adopted the language of traditional aid. However, its approach to development cooperation reflects both OECD-DAC standards and norms as well as the SSC priority of sharing its own successful experience in the twentieth century (Kim, 2014). China, as noted above, has produced two white papers on its “Foreign Aid,” but has not adopted traditional aid practices. At the same time, China's model of “transformative investment” has become absorbed into the contemporary discourse of the G20 and World Bank (Xu and Carey, 2015). The growing diversity of the South, along with the absence of a contemporary unifying platform for Southern actors, has on the one hand inhibited the evolution of a single SSC narrative; on the other hand, it questions whether such a narrative is realistic or desirable.

However, there are some signs that this may change — signs that the present volume will address through the lens of Southern provider experience. India has emerged as significant shaper of multilateral discourse. NeST and the embryonic Delhi Process, mentioned above, may provide platforms articulating a common direction. Sachin Chaturvedi, the leading architect of the Delhi Process, has emphasized “the urgent need for countries of the South to understand their own position” (Chaturvedi, 2016, p. 187). He calls on the Southern academic communities to lead the development of the contemporary SSC narrative. The diverse factors we have addressed as now driving the rise

of the South, as well as the specific responses of provider countries, will shape the narrative of cooperation discourse across the board. As we have also suggested, new areas of contested meaning — between North and South as well as among Southern providers — will also emerge in that process.

## 5. Conclusion

### *The Way Forward Common Challenges, Differentiated Responsibilities*

In April 2016, led by China and the United States, countries officially began ratifying the landmark Paris Accord of the Framework Convention on Climate Change (the Paris Climate Accord). This agreement apportions responsibility to *all* countries in the North and South for limiting global average temperatures, holding them well within 2oC above pre-industrial levels (United Nations, 2015). While developed countries will take the lead in mobilizing climate finance, all countries bear responsibility for reducing anthropogenic carbon emissions. This accord signals both a first in global climate action and a possible model for addressing other global concerns.

To echo Jean Monnet, “nothing is possible without humans. Nothing is sustainable without institutions.” The convening of the G20 forum beginning in 2008, in the wake of the Great Recession, proved a major step in reconstituting global governance. The institutions for global norm-setting and development — especially the United Nations, the Bretton Woods institutions, and the World Trade Organization (WTO) — have now begun to give additional space to new players from the South. Southern-led institutions such as AIIB and NDB bring their own legitimacy and money to the table. From global trade rules and national fiscal policies to shifting demographics and the consequences of climate change, no common agenda will advance without the consent and contribution of the South.

The United Nations Sustainable Development Goals (SDGs) for 2015 to 2030 represent the latest global compact for progress, one that will

largely depend on a North-South division of labour and financial resources. Unlike the Millennium Development Goals, the SDGs take on the contentious challenges of confronting inequality, human right violations, and environmental risks. While the 17 goals and 169 targets appear unwieldy, the SDGs explicitly acknowledge their shared challenges — as well as the key role that the rise of the South will play in potential solutions. Much has already been written on the need to change the composition of the permanent membership of the UN Security Council to reflect the balance of power of the 21st century, not of 1945.

At the UN Development Summit in September 2015, China's President Xi Jinping committed USD 2 billion with the promise of up to USD 12 billion to support developing countries in implementing the 2030 SDG development agenda. In his speech at the UN Summit for the adoption of Post-2015 Sustainable Development Agenda, Indian Prime Minister Modi stated that the “principle of common but differentiated responsibilities is the bedrock of our collective enterprise” (NITI, 2015). Southern countries continue to rally around the SDGs. At the second meeting of the Delhi Process in March 2016, Erik Solheim, chair of the Development Assistance Committee (DAC), argued that the SDG framework provides the global platform that will allow SSC and traditional aid to converge (RIS, 2016).

The rise of the South and the expansion of SSC have unquestionably transformed the norms of development cooperation. From a historical perspective, the “aid age” appears as a twentieth-century anomaly that has begun to correct itself in the twenty-first century. The hierarchical donor-recipient relationship of the past has given way to more inclusive and equal partnerships. Expanded choices have put partner countries more firmly in the driver's seat. Influential Southern voices and institutions now lead the development discourse in new directions. The SDGs and Paris Climate Accord provide a set of common challenges around which new and innovative partnerships can emerge. Separate institutional platforms have become acceptable, provided that they contribute to solidarity, shared vision, and commitment to the challenges at hand. The received wisdom of contemporary aid discourse holds that global challenges facing the twenty-first century must look beyond aid

for solutions, and that North and South alike must share the responsibilities for sustainable and equitable growth and development.

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# CHAPTER 2

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## India, South-South Cooperation and International Development Architecture

*By*

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### **Abstract**

This chapter argues that India's history as *development partner* – encompassing both recipient and provider roles – means that it may contribute significantly to emerging global development architecture. The author details major developments since 2000, including new institutional architecture, the growing use of lines of credit, and the geographic expansion of Indian SSC. He describes the “development compact” as an emergent Indian model: sustainable development strategies entail not only aid and credit, but also technology transfer, trade concessions, and mutual-benefit projects. This development compact approach distinguishes India from traditional OECD-DAC providers. This chapter also considers India's participation in global aid platforms, and in multilateral initiatives, especially with China. The author concludes that Indian development cooperation will likely retain its distinctive elements, even as it helps redefine SSC worldwide.

### **1. Introduction**

Development cooperation has clearly become a significant aspect of Indian foreign policy discourse and strategic thinking in recent years,

although its institutional mechanism is still evolving. Officially, it broadly appears within the framework of South-South Cooperation (SSC). As Emma Mawdsley (2012) has rightly argued, it is inappropriate to categorize India as a “new donor,” an “emerging donor,” or a “non-traditional donor”. Since India has engaged in development cooperation activities for decades, these categories do not fully capture the story. Even the concept of a “non-Development Assistance Committee (DAC) donor” may prove inappropriate, for two reasons. First, it will put countries like India into a “residual category which defines what they are not rather than what they are” (Mawdsley, 2012, p. 6). Second, Indian policy-makers are averse to labelling India as a “donor” at all.<sup>1</sup>

For decades, India struggled against the concept of “donor-recipient” at multilateral forums. It believed that Northern countries had an “obligation” rather than a voluntary “charitable” reason to assist development efforts in their former colonies. As some of these countries have now become relatively developed and prosperous, they can share their experiences and resources with their counterparts in the developing world. Indian analysts would therefore prefer to call these activities “development partnerships,” rather than assistance provided by “new donors” (Chaturvedi and Mohanty, 2016). In these circumstances, the most appropriate nomenclature for India might be a *Southern provider of development cooperation*.

This paper attempts to answer four main queries. First, what role has India played, as a significant Southern provider, in strengthening SSC? Second, to what extent have strategic and commercial considerations

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<sup>1</sup> In a speech on 15 April 2013, Indian Foreign Secretary Rajan Mathai clearly outlined that SSC remains the underlying philosophy determining Indian development assistance. He asserted that “our engagement is demand-driven and responds to the developmental priorities of our partner countries. We do not attach conditionalities, we do not prescribe policies and we do not challenge national sovereignty. We promote a mutually beneficial exchange of development experiences and resources.” Moreover, he argued that “North-South cooperation is a historic responsibility, South-South cooperation is a voluntary partnership” (MEA, 2013). Also see a lecture given by former Foreign Secretary Shyam Saran (2014) at Harvard University.

influenced Indian development activities abroad? Third, how do strategic concerns impact India's partnerships with other development providers both from the South and the North? And finally, how has India influenced global development architecture? The paper argues that India's historic role as *development partner* has positioned it to contribute significantly to emerging international development architecture. With an appropriate framework and policies, India may also emerge as a leader in policy thinking and as a vanguard nation in Southern-driven development cooperation.

## 2. Emerging South-South Cooperation Dynamics

An extensive literature indicates a significant increase in trade and investment — as well as exchange of resources, technology, and knowledge — among countries of the South. Scholars have tried to incorporate these developments within the broader concept of SSC<sup>2</sup>. The idea of SSC emerged as a principle of solidarity among developing countries. As a result, India played an important role in its development within the Non-Aligned Movement (NAM), Group of 77 (G77), and the United Nations (UN) system. The establishment of the UN Conference on Trade and Development (UNCTAD) in 1964 and the declaration of the New International Economic Order (NIEO) in 1974 supplied clear manifestations of these aspirations. Similarly, as larger numbers of developing countries participate in the globalization process (along with moving towards democratic systems), sharing common experiences has become an important theme within SSC (UNCTAD, 2012).

Increasingly, the broader category of SSC has come to include a specific dimension of development cooperation as well. This emphasis has become more marked since many countries from the South, including India and China, have become significant providers of development assistance. However, within the changed geo-political (and geo-economic) realities both in Asia and the world, a blanket inclusion of such activities under the SSC umbrella appears more problematic.

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<sup>2</sup> See e.g. Chaturvedi (2014) and Centre for Policy Dialogue (2014).

Although official SSC rhetoric still relies on concepts of “self-reliance”, “self-help”, and “win-win” (Chaturvedi, 2012) partnerships among developing countries, such notions must synchronize with rapidly-changing balances of power (both Asian and global) if they are to capture actualities. Such actualities appear clearly in the emergence of new groupings, such as the Brazil-Russia-India-China-South Africa (BRICS), India-Brazil-South Africa (IBSA) and Group of 20 (G20). Although some of the discussions at these platforms do articulate SSC principles, they also suggest a new element of conscious power projected towards the North and also towards small developing nations (MEA, 2015; BRICS, 2015).

The Indian experience has significant relevance for many other developing countries. In its earlier development phase, India itself relied on assistance from DAC countries and from multilateral institutions. This experience (both positive and negative) as a recipient of foreign assistance has deeply influenced India’s approach to its own development cooperation. When Indian growth began to accelerate in the late 1990s, the Indian attitude towards foreign aid became more assertive. New Delhi became selective in receiving aid. In 2003, the government announced that India would accept bilateral aid only from the United Kingdom, United States, Russia, Germany, Japan and the European Union; it requested that another 22 bilateral donors channel aid through the nongovernmental organizations (NGOs), United Nations agencies, or other multilateral institutions. It also announced that India would not accept any tied aid and that it would pre-pay all outstanding debts to donors (Price, 2004). As a result of these changes, in recent years India has provided more assistance abroad than it has received from bilateral and multilateral donors (Piccio, 2014).

We must situate this changing Indian profile within the profound transformation that New Delhi’s economic and foreign policy engagements have undergone in the last twenty-five years. This has arisen from changes in the global and Asian balance of power, as well as intensification of global integration, technical changes, and increasing trends in regional economic integration. The country has made a successful transition from an excessively inward-oriented to a more globally-integrated economy. As a result of new policies, it has become

one of the fastest growing economies of the world. The last 25 years' growth has broken all recent trends. Between 1900 and 1950, the Indian economy grew on average 0.8 percent a year. As the population also grew at the same pace, per capita income remained almost stagnant (Das, 2006). India won its independence from Britain in 1947; between 1950 and 1980, the average economic growth hovered around 3.6 per cent per year. With limited liberalization, economic growth accelerated to about 5.6 per cent annually in the 1980s. In the 25 years since 1991, however, the average economic growth has risen to above 6.5 per cent per year. In the five years before the global economic slowdown in 2008-09, the Indian economy had grown at about 9 per cent per year.<sup>3</sup> Despite some serious challenges — such as global economic slowdown, energy security, poverty, infrastructure, regional disparities, and internal security — strong indications suggest that rapid growth will continue (MOF, 2016). The main drivers of growth will be favorable demography, a relatively large middle class, a strong information technology sector, and infrastructure-focused investment.

Apart from expansion, the Indian economy has also seen significant diversification. Traditionally, the economy depended upon markets in Europe and the United States. The last two decades have witnessed a rapid integration of the Indian economy within Asia, reinforced by India's "Look East" policy initiated in the early 1990s and evidenced by rapidly increasing India-China as well as India-ASEAN (Association of Southeast Asian Nations) trade. Similarly, India's economic engagement with Africa has also expanded significantly. India's economic performance has had clear strategic consequences (Baru, 2006): growth and outward engagement have helped India reorient its traditional partnerships with the developing world while forging new relationships with all the major powers. New Delhi has signed strategic partnerships with more than two dozen countries. Apart from the United States, Russia, Japan, the European Union, Germany, France and the United Kingdom, these partnerships link India with such diverse partners as Afghanistan, ASEAN members, Australia, Brazil, Indonesia, Tajikistan,

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**3** Figures are author's calculations based on data from India's Ministry of Finance (MOF, 2015, A3-A4, Table 1.2).

Kazakhstan, Malaysia, Nigeria, South Africa, South Korea, Singapore, Saudi Arabia, Uzbekistan, United Arab Emirates, and Vietnam. The India-Africa Forum summits have also established a separate India-Africa framework for strategic cooperation. This broader context of economic growth and engagement should inform our understanding of India's emerging development partnerships with its neighbors in South, Central, and Southeast Asia, as well as with Africa. Inevitably, it has also changed what sorts of activities fall under the heading of SSC.

### **3. Evolution of Indian Development Activities Abroad**

India started its aid activities immediately after independence in the form of loans and technical assistance programs to Burma and Nepal. Important initial efforts included the Indian Aid Mission in Nepal in 1954, the first Indian Technical and Economic Cooperation (ITEC) Programs in the mid-sixties, and the Joint Commission in Afghanistan in 1969. Later, many of these activities extended to several other developing countries within the framework of the NAM and SSC (De Bruyn, 2013; Sachdeva, 2014; 2016).

As a result of its own development experience, India focused its first efforts on capacity-building and technical cooperation. Still, in terms of dollar exchange rates, these remained relatively small in scale compared to major western donors, and have only increased significantly in the last fifteen years. India is not a member of the Development Assistance Committee (DAC) of the Organisation for Economic Development and Cooperation (OECD); it therefore neither follows DAC guidelines to define its aid activities nor reports its development data to the OECD. Still, OECD sources calculate that India's "ODA-like" flows amounted to USD 794 million in 2011, USD 1.077 billion in 2012, USD 1.223 billion in 2013, and 1.398 billion in 2014 (OECD, 2014). In the past, the Indian government did not provide precise figures for its development activities abroad. Citing an approximate figure for the first time, the Indian Finance Minister, Mr. P. Chidambaram mentioned in his budget speech in 2007 that development cooperation extended through a number of Ministries and agencies amounted to "about USD 1 billion

per annum” (MOF, 2007). Some independent studies have calculated that Indian development assistance has increased about sevenfold, from around USD 200 million in the year 2000 to about USD 1.3 billion 2013 (TAF, 2013, p. 2). These figures indicate two broad trends. First, Indian development activities have grown too significant to be ignored. Secondly, trends in the last few years indicate that these activities will increase further. This contrasts sharply with traditional Northern donor activities, which have remained almost stagnant for some time.

#### **4. Major Development Cooperation Activities**

Indian development activities abroad broadly fall under three major headings. These include lines of credit (LOCs), capacity-building, particularly the Indian Technical and Economic Cooperation (ITEC) program, and bilateral grant assistance projects. During the mid-sixties, the Indian government opened LOCs for several developing countries, a program implemented by the Ministry of Finance (MOF) in collaboration with the Ministry of External Affairs (MEA). Until 2003, when this arrangement changed significantly, the ministries deployed a total of 83 LOCs to 23 countries, amounting to about USD 500 million.

In 2003, the government announced the India Development Initiative (MOF, 2003). Mr. Jaswant Singh, the Finance Minister at the time, asserted that “this initiative will also leverage and promote our strategic economic interests abroad.” Among other steps, it provided that India’s Export-Import (EXIM) Bank, acting on behalf of the Indian government, would now extend LOCs to other development partners. The Indian government would pay any differential between commercial interest rate and actual interest rate charged by the EXIM Bank. These LOCs have two guarantees, one from the borrowing government with counter-guarantees given by the Indian government. The scheme was renamed Indian Development and Economic Assistance (IDEAS) in 2005. Apart from helping partner countries, it aimed to boost Indian exports, open new markets for Indian goods and services, and increase India’s overall influence.

By March 2015, the EXIM Bank had signed 194 LOCs covering 63

countries in Africa, Asia, the Commonwealth of Independent States (CIS), and Latin America, with credit commitments of around USD 11.7 billion (EXIM, 2015, p. 4). Various analyses have shown that a majority of these LOCs have gone to African countries and concentrate in the infrastructure sector (Saxena, 2016). The LOCs have enabled Indian exporters to penetrate new markets and have promoted Indian technology abroad. LOCs have helped in creating goodwill for India and have also counterbalanced the growing Chinese influence, particularly in Africa (Saxena, 2016).

Capacity-building programmes provide another major aspect of Indian development cooperation throughout the developing world, via the Indian Technical and Economic Cooperation (ITEC) program, the Special Commonwealth Assistance for Africa Program (SCAAP), and the Technical Cooperation Scheme (TCS) of the Colombo Plan. Every year around 10,000 (circa 8,500 civilian and 1,500 defense) personnel from other developing countries come to India for training in 47 designated institutions. They take part in more than 280 short-, medium- and long-term training programs. (MEA, 2014a).

Development projects with grant assistance comprise a third major component of Indian cooperation. Such projects include a series of hydropower projects in Bhutan; road, hydropower, power-transmission line infrastructure and a parliament building in Afghanistan; housing in Sri Lanka; transportation and public transit in Myanmar; and health care and infrastructure in Africa. Recently, the Government of India has given greater emphasis to small development projects in Afghanistan, Nepal, and Africa. These projects have proven popular and effective due to their nearly-total local ownership.

Initially, these projects chiefly concentrated on India's neighbors, but in the last ten years they have grown significantly in Africa as well (Chaturvedi and Mulakala, 2016). All these activities follow the traditional definitions of SSC, but as the next section shows, India's expanded economy has joined them to additional outreach efforts, best described under the evolving heading of the "development compact."

## 5. Moving Towards the Development Compact

The concept of a “development compact” originated in the context of North-South cooperation as a commitment of mutual obligation and reciprocity among partners. Against a backdrop of proposed structural adjustment programmes and radical market reforms under the Washington Consensus, developing countries (or so the argument ran) would require sufficient resource commitments from the North (Kanbur, 2009). This commitment would help build their capacity to implement bold measures and also minimize the social costs of reforms. Some advocates of reform measures argued for country-specific measures rather than a broad policy common to all developing countries (Chakrabarti, 2016). In the context of Indian development activities, policy-makers and stakeholders have discussed a somewhat similar “development compact”. The argument here runs that credits, capacity-building programmes, and grant projects alone are not enough; for a sustainable impact on development, India also needs to help fellow developing countries through trade concessions, mutually beneficial investment, and technology transfer. Indian trade policy initiatives in the last ten years clearly show that this form of “development compact” has also emerged as an important part of overall foreign economic strategy.

In the past, India has adopted a cautious approach to regionalism, and engaged in only a few bilateral/regional initiatives, mainly through Preferential Trade Agreements (PTAs) or through open regionalism. With deadlocks at the WTO negotiations, India has put its proposed regional trade agreements on the fast track since 2005. In recent years, it has signed Comprehensive Economic Cooperation Agreements (CECAs) with many countries. The CECAs cover Free Trade Agreements (FTAs,) covering goods, services, investments, and other identified areas of economic cooperation. Most of these CECAs also include a list of negative goods. These lists exclude certain sensitive items proposed by every country and agreed by other members. New Delhi has already signed major trade agreements within Asia, particularly with South Asia as well as with Southeast Asia. The focus of some agreements has now shifted towards West Asia and Latin America. According to the Asian Development Bank’s (ADB) Asia Regional Integration Centre database

(ADB, 2016), India has twenty-eight free-trade agreements in progress. Of these, 14 have been signed with implementation underway, and another 14 are at different phases of negotiation. Close to twenty of these CEAs are with developing countries. Some important signed agreements include the South Asian Free Trade Area (SAFTA) and pacts with ASEAN, Afghanistan, Bhutan, Chile, Singapore, Sri Lanka, Nepal, Malaysia, MERCOSUR<sup>4</sup>, and others. India has also embarked on serious negotiations with Egypt, Gulf Cooperation Council, Thailand, Indonesia, the Southern African Customs Union, and other entities. After a decade of experience, India has begun evaluating these agreements. Political and economic reasons have bolstered a broad acceptance of trade agreements with developing countries, while trade deals with the developed North have prompted sharp debates (Ghosh, 2010; Pradhan, 2015).

After the Hong Kong Ministerial Declaration of December 2005,<sup>5</sup> India became the first developing country to grant a duty-free tariff preference (DFTP) to all least-developed countries (LDCs). The Ministry of Commerce and Industry (MOCI) scheme was announced at the first India-Africa summit in 2008; implemented in phases, it has become fully operational since 2012. It accords LDCs zero duty along with preferential market access on more than 98 percent of India's tariff lines. The scheme is open to all LDCs (including 34 LDCs in Africa) (ITC, 2015). As of November 2015, 31 countries had benefitted from the scheme and the remaining 19 had yet to provide letters of intent for benefit (MOCI, 2015). In 2014, India further simplified the many procedures the scheme had entailed so that more LDCs could benefit. In September 2015, India also extended preferential treatment to LDCs in trade in services, to cover the succeeding 15 years (MOCI, 2015). These preferences include (a) Article XVI of the General Agreement on Trade

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<sup>4</sup> Southern Common Market consisting of Argentina, Brazil, Paraguay, Uruguay and Venezuela.

<sup>5</sup> The Hong Kong Ministerial Declaration was an interim deal in the Doha Round negotiations; it eliminated agricultural and cotton subsidies and also mandated developed country duty and quota-free access for at least 97 percent of products originating from LDCs be provided by 2008 (WTO, 2005).

in Services (GATS), covering market access; (b) technical assistance and capacity-building; and (c) a waiver of visa fees for LDC applicants applying for Indian business and employment visas. Estimates put the total cost of these concessions at around INR 1.2 billion annually (PIB, 2015).

Overall, trade-related activities – such as trade concessions to other developing countries, infrastructure projects, LOCs, and so forth – fall within the scope of aid for trade, a strategy that India believes will allow developing countries to benefit from the multilateral trading system (OECD, 2014). These initiatives show how India has applied the “development compact” concept and thereby expanded the traditional definition of SSC.

## **6. An Emerging Institutional Mechanism and Possible Triangular Cooperation**

Although India has been active in development cooperation for more than sixty years, it does not have any professional development agency to design, coordinate, and implement its aid projects and activities. Traditionally, development cooperation had fallen under different departments within the Ministry of External Affairs (MEA), Ministry of Finance (MOF), and more recently the Export Import Bank of India (EXIM Bank). Now that the programme has become larger and has entered foreign policy strategy, the issue of its institutional design and coordination has acquired new importance. It will also prove crucial in developing joint projects with other multilateral and bilateral donors.

Several initiatives have, at different times, suggested movement toward such an agency. When India launched the ITEC program, it established a special cell within the MEA to coordinate these activities, which then became a designated division in 1995. When development activities abroad expanded in tandem with economic growth in the nineties, their further institutionalization became part of the national agenda. As noted above, in 2003, the government announced the launch of the India Development Initiative (IDI) and re-launched the LOC scheme in 2005 under the flag of India Development and Economic

Assistance Scheme (IDEAS). In 2007, the Finance Minister P. Chidambaram also mentioned establishing a new India International Development Cooperation Agency (IIDCA) (MOF 2007). Due to many inter-departmental and inter-ministerial rivalries, many of these announcements remained on paper. Finally, the MEA set up a new division called the Development Partnership Administration (DPA) in 2012. Although it remains a division within the Foreign Ministry, it represents a substantial improvement over earlier ad-hoc arrangements. Officially, it exists “to effectively handle India’s aid projects through the stages of concept, launch, execution and completion” (MEA, 2016a).

Other institutional architecture addresses development discussions within and outside India. Varied stakeholders have also established a new platform to promote understanding of India’s development partnerships, the Forum for Indian Development Cooperation (FIDC). This is a network of academics, civil society organizations, and policy-makers, aimed at creating a conceptual framework, awareness, and operations of Indian development activities. It has also produced a directory of Indian NGOs working in various fields, thus allowing the incorporation of their services into future Indian activities abroad. The FIDC framework has also established a network of Southern think tanks (FIDC, 2013).

One might also observe that Indian policy-makers appear keen to collaborate with other bilateral and multilateral agencies in third-party countries. In Afghanistan, India has worked for many years with the UNDP and with the World Food Programme (WFP) to implement aid projects. Extending similar programs to other countries, the UNDP and India signed a partnership agreement in 2012 (UNDP, 2012). A joint International Centre for Human Development (IC4HD) opened in Delhi in 2013. This center for excellence has operated as a knowledge hub for developing countries and has provided technical support to governments and civil society. The UNDP has also facilitated exchanges on election management practices between the Election Commission of India and 12 other Asian and African election management bodies. As of October 2015, representatives from close to 40 countries have participated in IC4HD activities (UNDP, 2015).

India has also taken some steps toward triangular cooperation with a

few Western partners. In 2014, India and the United States signed the *Statement of Guiding Principles on Triangular Cooperation for Global Development*. The document provides a framework for greater cooperation in addressing development challenges in Asia and Africa, in addition to strengthening physical infrastructure connectivity in Asia. Initial efforts would include training in food processing and women's empowerment issues for government officials, private-sector actors, and academic professionals in Africa (MEA, 2014b). In March 2016, the European Union and India agreed for an *Agenda for Action 2020*. In addition to many other foreign policy and economic issues, both partners also agreed to "explore possibilities for development partnership and triangular cooperation" (MEA, 2016b). Although the OECD Council has designated India as one of its key partners, no formal India-DAC study group yet exists.

Apart from some broad statements, relatively little practical collaboration on development cooperation has occurred within the BRICS. At the end of the VII summit, the 2015 Ufa declaration clearly articulated its position, stating that "we are committed to further strengthening and supporting South-South cooperation, while stressing that South-South cooperation is not a substitute for, but rather a complement to North-South cooperation which remains the main channel of international development cooperation" (BRICS, 2015). To share knowledge about their activities, a formal annual dialogue among development partnership administrators of BRICS countries has already begun (MEA, 2016c).

Based on official statements from the foreign affairs minister and other government officials, there seems little chance that India will become a formal part of any Northern structure such as the OECD-DAC. With its own activities, however, New Delhi would like to influence the global narrative on international development, and participate with individual Western partners wherever strategic objectives coincide. Indian policy-makers also remain somewhat skeptical of bringing private-sector participation, private investment flows, SSC, and so on into global development discourse dealing with international aid architecture. Although these activities have fostered growth in developing countries, to bring them into development discourse risks

diverting focus from the historical responsibilities of developed nations. Overall, India along with other BRICS and developing countries believe in ‘Common But Differentiated Responsibilities’ and continue to call upon developed nations to honor their 0.7 percent Gross National Income commitment for ODA to developing countries (MEA, 2016d).

## **7. Dynamics of India-China Development Cooperation Activities**

The foregoing establishes that India is willing to work on triangular projects with traditional donors and multilateral agencies. Despite all the SSC rhetoric, however, it remains unlikely that India will work with China in third countries. In fact, many observers regard Chinese development activities in India’s neighborhood (including projects in Pakistan, Sri Lanka, Nepal, and Bangladesh) and in Africa as a direct challenge to New Delhi (Anderson and Ayres, 2015; Sachdeva, 2011). As with their counterparts in most other Asian countries, the biggest challenges for Indian policy-makers involve managing relations with China. At the moment, there remains a giant asymmetry between the two economies. As a result, as one analyst has put it, “the Chinese are relaxed about the rise of India” but “the Indians are much more nervous about the rise of China” (Grant, 2010). Since both are rising powers in the same part of the world, tensions are bound to arise. Many scholars have posited that India-China relations consist of three Cs: conflict, competition, and cooperation. Currently, China is India’s number one trading partner, with USD 70 billion in annual flows. With a more than USD 50 billion trade deficit, however, the balance tilts disproportionately in China’s favor. China will also probably participate in India’s expanding economy under the *Make in India* initiative, in a range of sectors including infrastructure development and renewable energy (Mathew, 2014).

Expanding economic ties, however, may not necessarily reduce tensions. China’s signature initiative in the region is the “One Belt, One Road (OBOR),” project, which aims to connect more than 60 countries of Asia and Africa with Europe through multiple economic corridors,

with projected outward investments of USD 500 billion (He, 2015). At the moment, Indian policy circles have not reached clarity on how to respond to the OBOR initiative as a whole. As suggested by former Foreign Secretary Shyam Saran (2015), India may support some of the initiatives, as they would help regional integration and infrastructure building. In the medium term, it seems that India will have to propose a similar initiative of its own covering West Asia, the Indian Ocean, and Eurasia. New Delhi is also aware that “no single power – not even the U.S. – can offset China’s power and influence on its own” (Chellaney, 2016). Meanwhile, India will forge close partnerships with countries concerned about China’s assertiveness and ascendancy. And such nations have multiplied in the last few years.

Indirectly referring to the Chinese OBOR project, Indian Foreign Secretary Mr. S. Jaishankar recently argued that New Delhi prefers consultative processes over unilateral decisions, especially in building physical infrastructure connectivity, and has “responded positively” –as in the case of the Asian Infrastructure Investment Bank (AIIB) – when that option has presented itself. (MEA, 2015). However, he further argued that in the absence of an agreed security architecture in Asia, any action that could give rise to unnecessary competition should be discouraged (MEA, 2015). Many analysts in India and abroad view India’s recent commitment to invest in the Iranian port of Chabahar as a countermove to the China-Pakistan Economic Corridor (CPEC) (PTI, 2016). Scholars have argued for some time that Chinese activities have also influenced Indian development projects in Africa (AP, 2015).

The coming years may see the expression of similar sentiments, as both countries continue activity in Asia and Africa. They may work together on some projects that challenge existing global economic governance norms, as in the case of AIIB or the BRICS New Development Bank. Overall, New Delhi and Beijing remain deeply concerned with basic balance-of-power considerations, despite official denials on both sides (Saran, 2006; 2010). In turn, these maneuvers will almost surely influence India’s participation in global aid discourse, along with other considerations.

## 8. Contextualizing Indian Development Cooperation within Global Aid Architecture

In the last few decades, the global aid architecture — defined largely by the OECD-DAC and other multilateral organizations — has dominated discourse on foreign aid/ development cooperation. A large part of the theoretical and empirical literature on aid discourse in the twentieth century established two key factors as determining developmental assistance: the evolution of geopolitics and the evolution of development thinking (Kanbur, 2006). The effectiveness of aid in promoting growth in developing countries, however, is still not fully established. On the basis of a large number of studies and thirty years of its own *World Development Reports*, the World Bank concluded in 2009 that “the findings (of linking aid and growth) are discouraging to say the least” (Yusuf *et al.*, 2009, p. 82). Evaluating the effectiveness of aid projects has become even more complicated when so many are deployed in conflict-affected areas: since 2007, the majority of official development assistance (ODA) (57 percent) from OECD-DAC countries has gone to fragile states and economies (OECD, 2015, p. 59).

Since it lacks clear evidence of its effectiveness, the existing aid architecture has not proven very attractive to Southern providers. As a result, they aim to implement aid projects based on their own successful development experience, focusing on infrastructure projects and capacity-building rather than on governance, political institutions, and policy frameworks. The majority of Southern interventions also occur through government ministries and institutions rather than non-government entities. This shift toward government-led deployment together with the centrality of infrastructure projects (suggested by recipient governments) have to some degree challenged the dominant international discourse on development.

Policy-makers from countries similar to India assert that their aid is “different” — demand-driven and without conditionality. Since Southern providers do not follow DAC definitions of aid, it becomes difficult to quantify and evaluate the impact of their interventions. Most discourse in the field still takes place within the framework and mechanisms originally developed by advanced economies, and may

exclude consideration of Southern providers. Although Indian policy-makers remain reluctant to follow DAC definitions, they have offered no clear alternative for defining their own practices. Indian LOCs could easily qualify as development assistance, since the grant element exceeds 25 percent. However, this concessional finance qualifies as tied aid, since it requires sourcing almost 75 per cent of goods and services from India. It thus becomes tricky to establish whether Indian assistance differs fundamentally from that of Northern donors. A large number of Indian capacity-building activities fall under the heading of SSC, but this does not exclude a strategic role, particularly for some grant-assisted infrastructure projects. For example, the Zaranj–Delaram road in Afghanistan qualifies as a major Indian-delivered development project. But it has also great strategic significance: it bypasses Pakistan in an effort to connect India with Central Asia via Iran. Many LOC infrastructure projects in Africa are designed to counterbalance Chinese influence in the region. Similarly, some capacity-building programs have strategic value, such as those that train defense forces.

One might argue that the impact of many Indian grant-assistance projects may prove greater than their Western counterparts, as they carry a significantly lower cost of implementation (Sachdeva, 2016). Therefore, a new methodology using purchasing power parity figures may prove more appropriate in assessing Indian activities abroad. A regular dialogue between the OECD-DAC and the Indian DPA could promote better understanding of Indian activities abroad. This could also help in identifying areas for coordinating traditional-donor and Indian activities, possibly leading to future joint project implementation in future in specific cases. Although India may be in no hurry to join DAC activities, it may yet develop working ties with OECD institutions in near future.

## **9. Conclusion**

Although India has several decades of experience in development cooperation, its activities have expanded significantly in the last fifteen years, broadening the very definition of SSC. As this overview has

shown, India has both advocated for the distinctiveness of SSC from the beginning and blurred some of the boundaries between traditional SSC objectives and its own strategic and economic aims. Its participation in global discourse and action on development cooperation reflects a strong geopolitical awareness of its potential role, as seen above all in its rivalry and cooperation with China. We will conclude by noting some crucial institutional issues for the near term.

The institutional architecture for implementing Indian development projects continues to evolve. The establishment of the DPA within the MEA represents a serious beginning. Since the Indian government has never presented systematic data of its aid activities to the global audience, its activities have not received proper analysis in scholarly aid literature. Although Indian policy-makers have argued that their aid activities come under SSC, many scholars remain skeptical about these claims. Like many traditional donors, Indian policy-makers also seek to achieve commercial, political, strategic and humanitarian objectives through development outflows. Those in policy circles (both international and Indian) expect to see greater Indian involvement in development cooperation than previously. The majority of concessional finance will continue to go, in increasing flows, to Africa, while grant-assisted projects will focus on both Africa and India's neighbors.

Like China, New Delhi may begin to issue white papers as its activities become more systematic. A white paper on Indian activities by the government has the potential to generate serious discussion on the issue within and outside India. It can also bring more transparency and accountability into Indian aid activities. There is also a growing awareness of these issues in Indian policy circles (Sachdeva, 2015). Professional evaluation of Indian activities remains difficult, since New Delhi has yet to publish its official objectives, strategy, and relevant data. Members of Parliament have already raised many questions in session concerning numbers, priority areas, and status of development projects (MEA, 2016e) — not to mention efficiency, cost overruns, and monitoring procedures (MEA, 2016f; 2014c).

Despite these weaknesses, it seems that development activities have helped India to strengthen its political and economic ties with partner countries. To an extent, the lack of declared objectives and strategy has

made such activities rather more flexible than not. Since they have proven decidedly cost-effective, they offer tremendous scope for joint projects with traditional donors in third-party countries, particularly in the areas of health, education, training, capacity-building, and women's empowerment, as well as democracy and election management. For triangular projects, India seems more willing to work with Western donors rather than with other developing countries like China.

India is not entirely averse to harmonizing elements of traditional North-South cooperation (NSC) with the evolving patterns of South-South developmental partnerships. Still, it strongly believes that historical responsibilities of the North cannot be diluted by co-opting SSC and private sector finance. Both NSC and SSC have distinct histories, contexts, values, and responsibilities. Within SSC, the traditional forms of cooperation appear to have given way to the notion of “development compact” — a notion borrowed from traditional donor discourse but one that India appears poised to give a distinctive stamp. In the long run, New Delhi may prefer to mold global aid architecture in a way that offers it some voice, rather than opposing its traditional forms or creating an entirely new architecture with emerging powers. In this way, New Delhi can maintain its independence while developing a reasonable working relationship with OECD-DAC and other multilateral donors.

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# CHAPTER 3

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## Testing the Waters in Development Cooperation: The China-Australia-Cambodia Trilateral Irrigation Dialogue

*By*  
*Denghua Zhang*

### **Abstract**

In recent years China has initiated an increasing number of trilateral-cooperation pilot projects with traditional donors and developing countries. This chapter provides an overview of this growing SSC modality and a case study of one such project, the China-Australia-Cambodia trilateral irrigation dialogue (CACID). After a discussion of how trilateral projects operate within China's institutional aid architecture, the author details the contributions of each country to the CACID dialogue and participant perceptions about the project outcomes. It also delves into the motivations of Australia and China in particular and discusses how trilateral projects may impact the future of Chinese SSC.

### **1. Introduction**

The international aid landscape has evolved in recent years. Although it remains dominated by traditional donors from the Organisation for Economic Cooperation and Development's Development Assistance Committee (OECD-DAC), emerging economies have steadily made

their mark after decades of rapid economic growth at home. South-South cooperation, the label preferred by emerging donors for their aid programs, has captured increasing global attention, and has become topical at recent high-level fora on aid effectiveness. For instance, the 2008 Accra Agenda for Action stated, “We recognise the importance and particularities<sup>1</sup> of South-South cooperation and acknowledge that we can learn from the experience of developing countries” (OECD, 2008, p. 4).

As the second-largest global economy since 2010 and the largest emerging donor, China has become an active mover of South-South cooperation (SSC). This heavyweight presence in the realm of development assistance has boosted SSC’s influence. The Chinese foreign aid program has proven impressive in terms of aid volumes and growth rate. China’s first and second white papers on foreign aid recorded a total volume of CNY 345.6 billion<sup>2</sup> (USD 53.3 billion) over the period 1950-2012 (State Council, 2011; 2014). Chinese aid overseas grew by nearly 30 percent annually between 2004 and 2009 (State Council, 2011). According to *China Daily*,<sup>3</sup> the country has provided around USD 6.4 billion of aid annually in recent years (Du, 2013).

The dramatic increase in China’s foreign aid has triggered a heated debate about its impact on the traditional aid architecture, including how it may challenge traditional-donor aid practices, promote aid ownership, spur economic growth, support corrupt regimes, and drive up debt risks in recipient countries (Woods, 2008; Kjollesdal and Welle-Strand, 2010; Samy, 2010; Will, 2012; Roussel, 2013; Esteves and Assunção, 2014). The debate largely focuses on the seemingly substantial differences between China and traditional donors in aid policies and practices. For

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1 These particularities of SSC are outlined in Chapter 1 in this volume; cooperation principles include notions such as mutual benefit, horizontal partnerships, and non-conditionality, while modalities include tied-aid, trade, and diplomacy. For further reference, detailed descriptions of Chinese and Indian SSC can be found in Li and Zhou (2016) and Sun and Zhou (2013).

2 CNY is the acronym for yuan, the Chinese currency. In this chapter, 6.478 CNY equals one USD.

3 *China Daily* or *Zhongguo Ribao* is the principal and officially-sanctioned English-language newspaper.

instance, compared with traditional donors, China tends to insist that its aid has no political strings attached and that it focuses on mutual benefit. China shows strong interest in aiding infrastructure construction (“hard” aid) rather than areas such as democracy and governance (“soft” aid).

Despite these apparent differences, in recent years China has begun an increasing number of pilot trilateral-cooperation projects with traditional donors. This new phenomenon immediately raises several questions: what motivates donors to join trilateral partnerships? Does the rise of trilateral aid cooperation suggest a convergence or paradigm shift among actors in the development cooperation landscape? Does it signal a change in China’s approach to aid delivery? What is the impact of trilateral aid cooperation on the evolution of South-South cooperation? All these questions deserve further investigation.

After an overview of this new modality and a précis of the research rationale, this chapter will present a case study based on the new trilateral modality: the China-Australia-Cambodia trilateral irrigation dialogue project (CACID). The chapter will analyze in depth the initiation and implementation of this project, focusing on the motivations of China and Australia in particular. It will then address the future of China’s trilateral aid cooperation and its impact on SSC. It will conclude with policy implications for future cooperation between China and traditional donors.

## **2. China’s Growing Trilateral Aid Cooperation**

In comparison to bilateral aid, trilateral cooperation<sup>4</sup> is a relatively new modality. Although no agreed definition yet exists (Fordelone, 2013, p. 31), all discussions of the concept reference aid projects involving a traditional donor, an emerging donor, and a recipient country. For example, the United States (US) and Brazil currently engage in trilateral cooperation to promote food security in Mozambique (USAID, 2015).

In recent years, China has agreed to several trilateral pilot projects

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<sup>4</sup> Some donors use the term “triangular cooperation” while China uses “trilateral cooperation”.

with traditional donors. It conducted an agricultural aid project with the US in Timor Leste from 2013-2014 (Zhang, 2015a). Since 2013, the two donors have also collaborated on a joint training program for Afghan diplomats. Meanwhile, China and the United Kingdom have conducted an experimental trilateral project since 2014, focused on agriculture in Malawi and Uganda (Landell Mills, 2015). In the South Pacific region, China has cooperated with Australia on malaria control in Papua New Guinea (PNG) and with New Zealand on a water-supply upgrade project in the Cook Islands (Zhang, 2015b; 2015c). Likewise, China has experimental partnerships with the United Nations Development Programme (UNDP) on cassava cultivation and export in Cambodia, renewable energy in Ghana and Zambia, and urban disaster management in Bangladesh, Nepal, and Malawi (UNDP China, 2015, pp. 8-10).

Despite these varied efforts, the Chinese government's policy on trilateral aid cooperation remains ambiguous. To date, the Ministry of Commerce (China's main aid agency) has issued no guiding policy paper or regulations. However, the Chinese government has sent a clear message that trilateral efforts must proceed with caution and with the support of recipient nations. As China's Assistant Foreign Minister Liu Haixing stressed at the Symposium on China-France-Africa Trilateral Cooperation in April 2016, "Trilateral cooperation needs to follow the principle of 'initiated by Africa, agreed by Africa and led by Africa'...It needs to be promoted on a gradual basis and go through thorough negotiation" (MFA, 2016).

Although it raises intriguing issues, China's trilateral aid cooperation is still new and therefore under-researched in the existing literature. The motivations of China and traditional donors in conducting trilateral cooperation remain unknown. Three reasons justify the selection of the CACID project as a contribution to this literature. First, it falls under the category of policy dialogue, one of several different types of trilateral aid cooperation that China has recently tested, along with capacity-building, technical transfer, and infrastructure improvement. Second, Australia was the first traditional donor state to provide bilateral aid to China (in October 1981) and remains one of China's few traditional-donor trilateral partners. Third, the CACID dialogue represents their second collaboration (after the PNG malaria project, noted above). It

may therefore shed light on how China works with traditional donors in an established partnership.

This paper builds upon my original research on China’s trilateral aid cooperation since 2013. The qualitative data chiefly comes from more than 60 interviews with aid officials, scholars, and diplomatic corps members, especially the main participants in the CACID project during my 2015 fieldwork in China, Australia, and Cambodia. Through these interviews<sup>5</sup> and supporting archival research, I have tried to create a full picture of this CACID project, including its initiation, implementation, and assessment — all of which may facilitate understanding of the donors’ motivations.

### 3. China-Australia-Cambodia Irrigation Dialogue

Table 3-1 | Summary of the CACID Project

Title	China-Australia-Cambodia Irrigation Dialogue Project (CACID)
Dates	November 2013-June 2014
Value	Nearly USD 300,000
Partners	Australia: AusAID China: Ministry of Commerce, Ministry of Water Resources Cambodia: Ministry of Water Resources and Meteorology and another five agencies
Objectives	To promote the exchange of ideas and expertise on agricultural irrigation among the three countries and improve agricultural irrigation in Cambodia.
Components	Three visits to each of the partner country to promote mutual learning, and policy dialogues on water and irrigation.

<sup>5</sup> Based on informant preferences and subsequent agreements on confidentiality, some interviewees are identified by name and some are not in the discussion that follows.

Table 3-1 (Continue)

Contributions by each partner	All three partners shared their agricultural irrigation knowledge and practices. In addition, Australia was the main financial contributor; China and Cambodia provided logistical support for the visits to their countries.
Ideas discussed	Development philosophy and practice underpinning irrigation investment in each country; issues and impacts of current irrigation investment practice in Cambodia.
Recommendations retained	The three countries explored the feasibility of further collaboration to assist Cambodia's irrigation sector, including a plan to conduct a trilateral irrigation project in Cambodia.
Outcome	The visits enriched the understanding of each country's ideas and expertise in agricultural irrigation, and laid a foundation for the improvement of irrigation in Cambodia. It has also created increased mutual understanding of Australia and Chinese development cooperation systems.

### ***Aid to Cambodia: the Political Economy Context***

Cambodia is one of the most aid-dependent countries in Asia. Foreign assistance from traditional and emerging donors accounts for nearly 90 percent of Cambodian governmental expenditure since 2005 (CDC, 2008, p. 1). The total amount of foreign aid to Cambodia reached USD 5.5 billion between 1998 and 2007 (Sato *et al.*, 2011, p. 2093).

The past two decades have also seen a prominent rise in Chinese influence in Cambodia. Following the coup to oust the co-premier Prince Norodom Ranariddh in 1997, the Cambodian government, led by Prime Minister Hun Sen, faced considerable pressure from Western donors, and turned to Beijing for diplomatic and financial support. The bilateral relations between Cambodia and China have become even closer in the context of the South China Sea disputes between China and certain member-countries of the Association of Southeast Asian Nations (ASEAN), especially the Philippines and Vietnam. Notably, China-

Philippines relations have warmed up since President Duterte assumed office in June 2016. Cambodia has supported China's position despite mounting pressures from other ASEAN members. For instance, in July 2012, the ASEAN Foreign Ministers' meeting in Phnom Penh failed to issue a joint communiqué for the first time in its 45-year history. As the rotating chair at the time, Cambodia took the blame for siding with China on the South China Sea disputes (BBC, 2012).

In return, among other rewards, China has increased its aid to Cambodia substantially. According to official figures from the Cambodia government, the disbursement for Chinese aid projects in Cambodia reached USD 263.2 million in 2015, accounting for nearly one-quarter of total external aid in Cambodia (USD 1.11 billion) (CDC, 2016a). At the Asia-Europe summit in July 2016, Chinese Premier Li Keqiang and Cambodia Prime Minister Hun Sen held a side meeting that finalized a grant aid of USD 600 million (Associated Press, 2016a). During his recent visit to Cambodia in October 2016, Chinese President Xi Jinping pledged to forgive USD 92.6 million (CNY 600 million) of debt owed by Cambodia, and to provide USD 15.4 million (CNY 100 million) to Cambodia's Ministry of Defense (Associated Press, 2016b).

These booming political and aid relations have facilitated economic cooperation between the two countries. China has become Cambodia's largest trading partner and source of investment. In 2015, the countries recorded bilateral trade of USD 4.43 billion, a growth of 18 percent, and Chinese cumulative investment in Cambodia reached USD 12 billion (CAEXPO, 2016). China has also shown growing interest in reaping business opportunities from Cambodia's economic and social transformation, through the implementation of China-sponsored initiatives such as the One Belt One Road initiative (OBOR) and the Asian Infrastructure Investment Bank (AIIB) (Lim, 2016; China Daily, 2016). The expected near-term growth in Chinese aid flow to Cambodia should therefore come as no surprise.

## 4. Project Initiation

Given this broad context, one might expect China to deliver aid to Cambodia bilaterally to safeguard its strategic and economic interests, rather than conducting trilateral aid cooperation with western donors. This makes the CACID project all the more intriguing as an exception to apparent norms and a case study in trilateral motivations.

AusAID officials first proposed the project in November 2012, with support from their counterparts in Cambodia.<sup>6</sup> The proposal then passed to China's Ministry of Commerce (MOFCOM) and Ministry of Water Resources (MWR) and received their agreement. Though Australia and China claimed that the project objective was to support management of the irrigation sector in Cambodia, deeper-level motivations also existed, as we shall see later. As a traditional agrarian economy, Cambodia relies upon agriculture (especially rice farming) for food security and economic development. Despite heavy sectoral investment from the Cambodian government, irrigation remains a primary obstacle to sustainable agricultural development and food security. As stressed in Cambodia's Rectangular Strategy Phase III, a strategic guideline for national development, irrigation system development has failed to meet demand, "especially for crop intensification, which requires additional investments" (Cambodian Government, 2013), while maintenance and operation of existing systems also face challenges. This limited institutional capacity extends to personnel as well as infrastructure: for example, the Department of Water Resources of Battambang, the second largest rice production province in Cambodia, has only two irrigation engineers, one of whom has grown very old and may soon become inactive.<sup>7</sup>

China and Australia have acted as primary donors in Cambodia's irrigation section, although they focus on large infrastructure projects and small-scale, community-based projects respectively — a model in

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<sup>6</sup> Author's interview with H.E. Veng Sakhon, Secretary of State for Cambodian Ministry of Water Resources and Meteorology and Dr. Sokhem Pech, Phnom Penh, July 2015; interview with Australian aid official, Beijing, July 2015.

<sup>7</sup> Author's interview with Dr. Sokhem Pech, Phnom Penh, July 2015.

miniature of how China and traditional donors divide labor in many other recipient countries. Since the Cambodian government now faces an increasingly daunting task in coordinating aid, trilateral cooperation may become a new integrative option for them. Heng Chou, Director-General of Cambodia's chief aid agency, the Council for the Development of Cambodia (CDC), has said, "We welcome trilateral aid cooperation because of the advantages each partner brings to us".<sup>8</sup>

In an interview, Dr. Sokhem Pech, President of Pech Climate System Consultancy and Research (and the Cambodian facilitator for the project), shared his perception of the impact of this labor division on Cambodia and the aims that animated it. His remarks shed light on the thinking behind the Cambodian government's endorsement of this trilateral project. He notes that MOFCOM works in a demand-driven way conditioned by bilateral experience, looking to Cambodia for infrastructure priorities that may not always be clear in advance, while Cambodia often needs technology transfer just as much as infrastructure; trilateral cooperation seems to offer both, even where the lessons have appeared mixed.<sup>9</sup>

The CACID project consisted of three joint visits to each of the participating countries (Cambodia, Australia and China). The visits allowed the delegations — consisting of aid officials and irrigation experts from each participant — to witness and learn different practices

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**8** Author's interview, Phnom Penh, July 2015.

**9** "The CACID project was initiated to learn the irrigation experience in China and Australia to improve the practice in Cambodia. China MOFCOM is more leaning towards bilateral cooperation, working with Cambodian Ministry of Economy and Finance through annual meeting, deciding the area of cooperation...You go through this MOFCOM, it means they mainly base on the Cambodian government for so called priorities. But sometimes we don't actually know what our priorities are, always looking at roads and other things, infrastructures as top priorities. And for us here, we need to explore another pathway. It's good to invest in infrastructure as the hardware. But we also need to look at technology transfer...You need to have maintenance to look after it [infrastructure] to make sure it is in good conditions, can last longer. That's why we look at this new pathway [trilateral cooperation]...We have learned a lot from Australia. We have learned a lot from China. Good lesson, bad lesson. We don't want to repeat them."

in agricultural irrigation in three countries, each at different stages of development. The trips exposed each delegation to the knowledge and experience of water management in the local context, and promoted discussion on how to apply Australian and Chinese experience to Cambodia, although learning those lessons and adapting experiences to local conditions would take time.

The first trip in November 2013 involved a tour of the Cambodian irrigation system, including a large-scale run-of-river diversion scheme at Stung Sreng Siem Reap, under construction by a Chinese company. The second visit took place in Australia in February 2014. The delegations focused on the irrigation in the Murray Darling Basin, and visited different states including Victoria, New South Wales and ACT. During the third visit to China in June 2014, the delegations observed the surface irrigation systems in Hubei and Hunan provinces, and visited the Three Gorges Dam and the irrigation system of Dongting Lake, the second-largest freshwater lake in China. They also visited the research and extension station of the China Irrigation and Drainage Development Center in the Shunyi District of Beijing, and met with China MOFCOM officials and MWR Vice Minister Jiao Yong.<sup>10</sup> As we shall see, the different responses from these officials reflected the different expectations of MOFCOM and line aid ministries about the modality of trilateral cooperation.

## 5. Roles of the Three Parties

Australia, China and Cambodia played different roles in this project, similar to the arrangements in China's other trilateral projects. Australia was the major financial contributor to CACID, with AusAID<sup>11</sup> paying for most of the expenses incurred during the three visits (amounting to nearly USD 300,000).<sup>12</sup> China and Cambodia contributed to the project

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10 Author's interview with Aid officials, Phnom Penh and Beijing, July-September 2015.

11 AusAID was incorporated into Australian Department of Foreign Affairs and Trade in November 2013.

12 Author's interview with AusAID official, Beijing, July 2015; with Dr. Sokhem

by providing their expertise and making logistical arrangement for tours in their countries.

In Cambodia, CACID included three ministries: Water Resources and Meteorology, Agriculture, Forestry and Fisheries, and Economy and Finance, all of which gave technical support. The Climate System Consultancy and Research Company (a private consultancy), along with the Cambodian Irrigation Services Center and the Cambodian Centre for Study and Development in Agriculture (two non-governmental organizations) also played a crucial role, thanks to their professional knowledge of irrigation and close connections with local communities.

In addition to AusAID, several other Australian stakeholders participated in CACID, including the Cambodia Agricultural Value Chain Program, an aid program under the Australian Department of Foreign Affairs and Trade that promotes agricultural development in Cambodia; RM Consulting Group, a company focusing on the management of water and other natural resources; and Hugh Turrall, an independent consultant on water management from RPF Pty Ltd.<sup>13</sup> This arrangement included both aid policymakers and technical professionals in water and irrigation.

The involvement of Chinese officials and experts had similar features. MOFCOM and MWR participated in the CACID project on behalf of the Chinese government, but they held different portfolios. Based on China's domestic arrangements for aid management, MOFCOM first approved this trilateral aid project from an aid policy perspective, and then passed the project to MWR. Likewise, MWR assessed the project from the perspective of irrigation cooperation. It then directed its affiliation agency, the China Irrigation and Drainage Development Centre (CIDDC), to do the technical work, including recruiting Chinese irrigation experts to participate in CACID. Later on, CIDDC, with the assistance of China's MWR, added two experts from Wuhan University and Northwest Agriculture and Forestry University, selected for their professional credentials in irrigation.

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Pech Phnom Penh, July 2015.

**13** Author's interview with aid officials, Phnom Penh and Beijing, July-September 2015.

## 6. Motivations

### (1) China

China has placed increasing emphasis on image-building in its diplomacy. In the last decade, it has begun new initiatives under the rubric of “promoting peaceful development”, “building a harmonious world” and “establishing a community of common destiny”, aiming to project an image of China as a responsible global power as well as a growing economic powerhouse. Where China sees its ‘core interests’<sup>14</sup> threatened (Dai, 2010) — as in the South and East China Seas disputes with certain ASEAN nations and Japan — it may act assertively and, if need be, unilaterally. By contrast, China has shown more willingness to conduct cooperation with western counterparts in non-core-interest spheres. Foreign aid represents one such relatively less-sensitive area, and trilateral aid cooperation may potentially contribute to China’s image-building as a cooperative partner.

Improving its image in Cambodia is an important task for the Chinese government. As the largest source of external aid, especially in the critical infrastructure sector, Chinese development assistance has received much appreciation from the Cambodia government. For instance, a high-level official from the Cambodian Ministry of Economy and Finance applauded the quick delivery of Chinese aid and the managerial freedom and flexibility it afforded the recipients.<sup>15</sup> A senior Cambodian diplomat noted that China-built infrastructure projects have assisted in generating economic growth in Cambodia.<sup>16</sup> He described Chinese aid to Cambodia as “a two-way, win-win cooperation,” since China also benefits from the economic and investment opportunities in Cambodia.<sup>17</sup> However, in other Cambodian circles, perceptions of Chinese aid are less rosy; some scholars and civil society organizations

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**14** Dai Bingguo, then China’s State Councilor, explained that China’s core interests refer to issues such as the socialist political system, sovereignty, territorial integrity and national reunification (Dai, 2010).

**15** Author’s interview, Phnom Penh, July 2015.

**16** Author’s interview, Beijing, August 2015.

**17** Author’s interview, Beijing, August 2015.

have complained about its lack of transparency, its insufficient creation of local job opportunities, and the poor quality of some completed projects.<sup>18</sup>

Given this need to improve its image, China conducts its trilateral cooperation to convey its openness to working with traditional donors, an approach that can also combine strengths and improve aid effectiveness. A Chinese expert familiar with CACID confirmed that the project aimed in part to improve China's reputation in the face of these criticisms; he argued that with its growing capacity, China hopes to utilize the new platform of trilateral cooperation in order to shoulder more international responsibility.<sup>19</sup> Dr. Sokhem Pech from Cambodia, one of the main project initiators, confirms this, noting that "It's about reputation [for China, participating in CACID]... It's about the reputation of China as a main investor in [the] Cambodian irrigation sector".<sup>20</sup> One may therefore conclude that global image-building has served as an important driving force behind China's participation in CACID.

In addition, China's foreign aid practices are in a state of flux. As the scale of Chinese aid overseas has increased rapidly, problems have emerged more frequently in areas such as feasibility studies, supervision, and quality control. As a result, China has a growing desire to reform its aid policies to address these issues. Just as China has drawn upon the experience of developed countries since its reform and "opening up" in the 1970s, Chinese officials have now shown interest in learning from traditional donors, at least in areas that China regards as appropriate. Chen Deming, then minister of MOFCOM, noted in 2010 that China required greater coordination between "hard" and "soft" projects, and should "cautiously" seek international exchanges to aid innovation in this respect (Chen, 2010).<sup>21</sup>

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**18** Author's interview with an independent researcher, Phnom Penh, July 2015.

**19** Author's interview, Beijing, August 2015.

**20** Author's interview, Phnom Penh, July 2015.

**21** "China needs to actively innovate its foreign aid modality and promote a coordinated development of between 'hard' aid such as complete projects and 'soft' aid such as human capacity development...China needs to actively and cautiously promote international exchanges on development

This “learning” approach concurs with the views expressed by the main participants in the CACID project. One Chinese aid official has argued that China has sought lessons from traditional donors to improve its own aid practices: “Though [fundamental] Chinese aid policies are hard to change because we position our aid as South-South cooperation, we are learning from traditional donors [about] many aid practices [where] we believe they are doing a better job”.<sup>22</sup> Based on his observations, Heng Chou from CDC posits that the diversity of aid practices among China and traditional donors makes trilateral cooperation a better path, a new emerging modality of cooperation for China.<sup>23</sup> As Australia is an established traditional donor and was also the first to provide bilateral aid to China (beginning in October 1981), China has stepped up efforts to cooperate with Australia on aid issues and learn from Australian aid practices. A senior Chinese expert who participated in CACID singled out Australia’s “advanced practices in water-related legislation, rights division, trading and monitoring”; he also stressed mutual learning, despite the demographic differences between China and Australia, and saw China as a “bridge” between Australia and Cambodia.<sup>24</sup> At the fourth China-Australia High-level Water Consultation held in Beijing in 2015, Vice Minister of China’s MRW Liu Ning suggested that the two countries continue to promote their cooperation on water management, and strengthen exchanges between governmental water departments and research branches (Wu and Yang, 2015).

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cooperation, and borrow those effective experience and practices from other countries.”

**22** Author’s interview, Beijing, August 2015.

**23** Author’s interview, Phnom Penh, July 2015.

**24** “Australia has very advanced practices in water-related legislation, rights division, trading and monitoring. In terms of theories and practices, all these can be learned by China. China and Australia are different in their national circumstances. Australia has a small population while China has a huge population. Many of China’s practices (in irrigation) can also be learned by Australia. This trilateral project is a good combination. China stands between Australia and Cambodia. It can play a good bridging role. China’s practices and experience (in irrigation) can easily be learned by Cambodia.” (Author’s interview, Beijing, August 2015).

CACID afforded China an opportunity to learn from Australian “soft” aid in the Cambodian irrigation sector. China has mainly invested in Cambodian irrigation infrastructure projects, and eventually saw the problem of neglecting relevant “soft” aid. By 2015, China had undertaken eight large irrigation infrastructure projects, all financed by China’s concessional loans, with a total budget of USD 416.4 million (accounting for 15.9 percent of the total volume for China’s 44 infrastructure projects in Cambodia (CDC, 2016b). Sophak Seng noted that Chinese officials had come to realize that investing in irrigation infrastructure alone would not create sustainable outcomes.<sup>25</sup> Chinese stakeholders have expressed their support for learning from traditional donors such as Australia. A senior representative of a Chinese state-owned enterprise operating in the Cambodian irrigation sector expressed his support for trilateral cooperation, noting that “each country has different experience[s,] and mutual learning can help us avoid repeat[ing] mistakes in irrigation development”.<sup>26</sup>

However, China’s desire to learn from traditional donors — Australia, in the case of CACID— in order to improve its “soft” aid is only one part of the story. It also aims to export some of its own “soft” practices to Cambodia — an important strategy for increasing its impact and seeking commercial opportunities. Li Guoying, Deputy Minister of the MWR, noted that China’s water cooperation abroad serves in part to promote its own water standards (MWR, 2012). A senior Chinese irrigation expert echoed this point, arguing that since 2001, China has pursued a “going out” strategy that supports foreign infrastructure while promoting Chinese businesses and their array of skills.<sup>27</sup> The CACID

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**25** “When we started to underline the situations in Cambodia, they [Chinese officials and aid experts involved in CACID] started to feel the projects China invested with the Cambodian government (in irrigation) could not sustain. They understand just investing in infrastructure in Cambodia [irrigation] is not a sustainable approach” (Author’s interview, Phnom Penh, July 2015).

**26** Author’s interview, Phnom Penh, July 2015.

**27** “...by ‘going out’, a strategy adopted by the Chinese government since 2001 to support its companies to explore overseas markets, China not only provides infrastructures, but also aims to promote China’s technologies, design standards and management skills”. Author’s interview, Beijing,

project seems to have achieved these objectives to some extent, as China now expects to play a greater role in the Cambodian irrigation sector. H.E. Veng Sakhon, Secretary of State from Cambodian Ministry of Water Resources and Meteorology, said that Cambodia has two cooperation plans with China in water resources. One would seek assistance from MOFCOM to establish the Cambodian Institute of Water Resources, and the other would approach the MWR to help draft a master plan to export Chinese water management practices to Cambodia.<sup>28</sup>

### *Bedfellows with Different Dreams*

Though China's MOFCOM and MWR both participated in the CACID project, they have different motivations for partnering with Australia. Compared to MOFCOM, MWR has shown more support for this trilateral project because of the opportunities it affords for technical exchanges — in this case, with their counterparts in Australian water management. MWR has shown itself eager to join in CACID and quite open to sharing its professional experience in irrigation development.<sup>29</sup> As Dr. Sokhem Pech said, “MRW Vice Minister Jiao Yong is very keen and even instructed his ministry to cooperate with us, but the problem is that MRW does not have [as] big a budget [as] other [Chinese] Ministries such as MOFCOM.”<sup>30</sup>

As the main custodian of the Chinese foreign aid program, MOFCOM has approached trilateral cooperation cautiously, as CACID and other Chinese trilateral aid projects all demonstrate. While showing interest in improving Chinese aid delivery, MOFCOM strictly follows the principle of “doing by learning”; it currently focuses on a small number of selected pilot projects to see whether trilateral actions really work. The co-finance issue illustrates MOFCOM's cautious and conservative approach. At present, MOFCOM employs different

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August 2015.

**28** Author's interview, Phnom Penh, July 2015.

**29** Author's interview with aid officials from Australia and Cambodia, Phnom Penh, July 2015.

**30** Author's interview, Phnom Penh, July 2015.

practices in its trilateral cooperation with UNDP and traditional donor states. China will contribute financial support to trilateral projects with UNDP, of which it is an important and influential member; however, it insists that traditional donor states provide funding when it joins them in trilateral work, on the grounds that China still has developing-country status.<sup>31</sup> This also proved the case with CACID: in June 2014, MOFCOM officials reiterated this position during their discussion on future cooperation with the visiting project delegation in Beijing.<sup>32</sup>

## (2) Australia

Australia has used trilateral cooperation as a new type of partnership to boost its engagement with and influence on China's aid policies. It also appears as a good means of maintaining working relations with the Chinese government in development assistance. As one Australian aid official explained, as traditional donors including Australia phased out their bilateral aid to China (due to their own economic challenges and public pressures at home), they sought to promote trilateral cooperation in its stead — acting as equal development partners with China, rather than as donor and recipient.<sup>33</sup> In light of this policy change, Australia has adjusted its foreign aid policy to forge closer relations with emerging donors through trilateral cooperation, encouraging them to play a greater role in development assistance. In June 2014, Australia released a new policy paper on foreign aid that outlined this rationale in more detail, stressing the importance of emerging economy experience, the opportunities it affords for expanding Australian regional influence, and the broader goal of global poverty reduction. This passage is worth citing in full:

Emerging economies can bring a unique and valuable perspective to development cooperation by drawing on their own success in achieving significant levels of economic growth and poverty reduction. By working internationally with other countries and partners to build shared

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**31** Author's interview with Chinese aid official, Beijing, August 2015.

**32** Author's interview with Australian aid official, Phnom Penh, July 2015.

**33** Author's interview with Australian aid official, Beijing, July 2015.

objectives and shape the new global development paradigm, Australia will have a much greater impact on development outcomes. This will extend Australia's reach and influence and will deliver greater sustained growth and poverty reduction for the Indo-Pacific region (DFAT, 2014, p. 32).

Australia has played a substantial role in Cambodia: in 2015, it provided USD 45 million in aid, making it the eighth-largest donor in the country (CDC, 2016a). It has worked on Cambodian irrigation as part of its broader support for the Mekong Water Resources Program. As a report from the Australian DFAT noted, this program aims *inter alia* to promote "engagement with emerging donors, for greater impact on development cooperation"; the report highlighted the trilateral CACID effort as an example (DFAT, 2015, p. 10). According to an Australian aid official, Australia also aims to provide a platform for the three countries to learn from one another and, in particular, from Australian aid practices and irrigation experience.<sup>34</sup> Obviously, this offers one important avenue for Australia to have an impact on China's aid reform.

As the Australian aid official explained, Australia is more likely to undertake trilateral cooperation if the project satisfies three criteria: (1) if the recipient country already has priority in the Australian aid program; (2) if Australia has advantages in the selected project area; and (3) if the strategies of the three partner countries show potential for convergence.<sup>35</sup> The CACID project matches these criteria: Cambodia is a main focus of Australian aid in Asia, and Australia has rich experiences to share in irrigation; all three countries have an interest in promoting the combined strength of irrigation knowledge from Australia and China.

In addition to testing trilateral cooperation as a new type of partnership with China, Australia has shown great interest in improving its aid performance in Cambodia — especially in agriculture and rural development, which it has identified as the first priority of its Cambodian aid program (AusAID 2012, p. 11). Improving irrigation infrastructure has thus become part of its proposed aid resolutions

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<sup>34</sup> Author's interview with same Australian aid official, Beijing, July 2015.

<sup>35</sup> Author's interview with same Australian aid official, Beijing, July 2015.

(AusAID, 2012). As an AusAID official acknowledged, “All recognize that Cambodia is not getting the best result from substantial ‘hard’ and ‘soft’ investments in irrigation (through bilateral aid)”.<sup>36</sup> A trilateral partnership bears the potential to bridge gaps left by bilateral aid and thus makes the two modalities complementary.

## 7. Project Results

In the interviews, aid officials and experts from China, Australia, and Cambodia all expressed satisfaction with the CACID project. For instance, Sophak Seng from the Cambodian Irrigation Service Centre noted that the project’s value rested on direct discussion of actual experience.<sup>37</sup> At the same time, it is noteworthy that this pilot project did not attempt to come up with actual sectoral plans. More substantive recommendations for Cambodia will thus require further dialogue. Challenges remain for a potential second phase, especially in terms of funding. Dr. Sokhem Pech spoke favorably about the innovative aid modality, but also voiced concern about continuing trilateral funding for a follow-up dialogue.<sup>38</sup>

As of October 2016, the three countries were still discussing a follow-up plan, including finding an appropriate site for cooperation. The Cambodian government plans to propose a second phase to China, but wants to start with a medium-scale demonstration project on the ground to show viability.<sup>39</sup> H.E. Veng Sakhon, Secretary of Cambodian Ministry of Water Resources and Meteorology, has agreed in principle to support the second phase.<sup>40</sup> However, as mentioned earlier, the

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**36** Author’s interview, Phnom Penh, July 2015.

**37** “This trilateral project is very useful because it is not just theories, not just talking with imagination, but talking based on experiences each country has already got for several decades.” Author’s interview, Phnom Penh, July 2015.

**38** “Here is now some reluctance for a basket funding to do a follow-up project. We started the trilateral. I don’t want to see we move back to bilateral.” Author’s interview with Dr. Sokhem Pech, Phnom Penh, July 2015.

**39** Author’s interview with Dr. Sokhem Pech, Phnom Penh, July 2015.

**40** Author’s interview with Dr. Sokhem Pech, Phnom Penh, July 2015.

materialization of a second-phase project depends upon approval from China's MOFCOM and the Australian Department of Foreign Affairs and Trade, and their willingness to make funding available.

Furthermore, the future of China's trilateral aid cooperation also depends on the result of these pilot projects. Given the novelty of trilateral cooperation in China, most pilot projects have either recently come to completion or remain ongoing; therefore, their assessment has only just started and will take time. To take CACID as an example, despite positive responses from officials and experts from the three participating countries, the question of whether and how Cambodia can benefit from Chinese and Australian practices remains open. Exchanging views through study tours provides only the first step in the long learning journey, if all three parties are committed to the improvement of Cambodian irrigation. Similarly, China's other trilateral aid projects are still undergoing outcome assessment. One hopes that in the next few years, China and its trilateral partners will publish more data on whether this modality can combine the comparative advantages of traditional and emerging donors, and thus deliver a better result for recipient countries.

## **8. Policy Implications**

Encouragingly, China's increasing participation in trilateral aid cooperation signals its willingness to cooperate with traditional donors in "suitable" projects. Where China expects such participation to contribute to its global image-building and help it learn advanced aid practices from traditional donors, it will promote engagement and mutual understanding with them. By facilitating exchanges of aid policies, practices, and even motivations to some extent, traditional and emerging donors expect trilateral aid cooperation to build a consensus for them to deepen cooperation in the future. Apparently, the increased aid coordination and cooperation among donors will strengthen the capacity of the international aid system to improve aid delivery. In this sense, trilateral aid cooperation has a potential role to play as a bridge between official development assistance (ODA) and South-South

cooperation.

However, China's trilateral aid cooperation cannot be taken for granted. As demonstrated in the CACID project, the Chinese government, especially MOFCOM, has taken a cautious approach towards trilateral partnership. It has concentrated on experimentation, including selecting "suitable" traditional donors as partners, along with "suitable" projects and recipient countries. China has also begun assessment of its pilot trilateral projects. Building on CACID and my research on other China's trilateral projects, I would signal four policy recommendations that may help guide future cooperation between China and traditional donors.

### (1) Go Through the Correct Channels

A key to CACID's success, and to China's ability to endorse it, was that while the project originated with AusAID, the Cambodian Ministry of Economy and Finance (MEF) made the actual proposal to MOFCOM. Dr. Sokhem Pech confirms this, stressing MOFCOM's caution and unwillingness to depart from its agreement with MEF.<sup>41</sup> This conforms to China's tradition of demand-driven projects that favor official government-to-government channels.

### (2) Good Communication is Crucial

Communication through both formal and informal channels is a vital means of building trust in the first place. Dr. Sokhem Pech explained that the project almost aborted at the start: an official in the Cambodian Minister of Water Resources and Meteorology had misunderstood the intent of CACID, thinking it another large-investment bilateral project in irrigation. This occasioned a delay and the cancellation of the planned first Chinese visit of the CACID delegation. Dr. Pech went to the minister and explained that CACID represented a new modality rather

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**41** "MOFCOM is cautious and feels like they do not want to do something new or different from what they have agreed with Cambodian MEF. MOFCOM made it clear, it [the CACID proposal] has to come through Cambodia."

than a conventional investment project. He assured the minister that the trilateral cooperation would not compromise existing bilateral efforts but would focus on both investment sustainability and incorporating Chinese and Australian experience.<sup>42</sup> The timely communication paid off, and the project proceeded well thereafter.

### (3) Keep the Core Team Small

As trilateral cooperation normally demands greater communication efforts than a bilateral project, having a small but smart core group ensures efficient communication and quick implementation of the trilateral project. This proved the exact case for CACID, which had three dedicated coordinators, one from each country. They enjoyed ready communication that moved the project forward, as mutual respect and trust quickly developed.<sup>43</sup>

### (4) A “Not to Do” List Will Prove Crucial for Future Cooperation

First, do not set overly-ambitious goals. Trilateral aid cooperation between China and traditional donors is still at the early stage. Promoting mutual understanding is a more feasible goal. Second, do not push the project too hard. Participating nations should display more patience for their trilateral projects, and allow their staff to familiarize themselves with this new type of modality during both project preparation and implementation. Moreover, do not rush to big projects. Small pilot projects avoid big risks, and have proven more acceptable to traditional donors and China. Clearly, CACID participants from the three countries have avoided these obstacles: they set an achievable goal of boosting knowledge-sharing in agricultural irrigation; they provided ample time for participants to prepare and implement the project; and the project remained small in terms of aid volume and components. As a

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<sup>42</sup> “[CACID] is not going to compromise the ongoing (bilateral) efforts, but is coming to help to make the investment more sustainable and how we can bring experiences from China and Australia” (Author’s interview with Dr. Sokhem Pech, Phnom Penh, July 2015).

<sup>43</sup> Author’s interview, Phnom Penh, July 2015.

result, CACID became a reality and the pilot trilateral-cooperation modality proved its worth.

## **9. Conclusion**

Led by emerging donors such as China, South-South cooperation has become an increasingly important component of international development cooperation. Its impact on the traditional aid architecture and its future prospects deserve more analysis. As part of these efforts, this chapter has analyzed CACID as an example of trilateral cooperation between China and traditional donors, a new phenomenon in China's aid delivery. Situating this dialogue in the broad political economy context in Cambodia, the chapter has analyzed the motivations of China and Australia for undertaking a trilateral pilot program. It argues that while both China and Australia use this project to promote effectiveness in their aid programs, China also aims to promote its global image as a responsible stakeholder; Australia, meanwhile, has a stake in promoting a new type of development partnership with China.

China's involvement in trilateral aid partnership will likely grow, if gradually, in the near future. This will increase the impact of South-South cooperation in trilateral aid cooperation, a platform for equal partnerships – at least literally – between emerging and traditional donors. Trilateral cooperation also presents new opportunities for China and traditional donors to work towards better results for recipient countries.

However, one should not overstate the significance of trilateral aid cooperation, given that China's participation remains limited and selective in terms of both donor partners and sectors. Though Beijing has shown growing interest in testing trilateral modalities, it remains cautious in this process. Bilateral aid has dominated and will continue to dominate Chinese aid delivery for the foreseeable future. Therefore, it is too early to predict that trilateral aid cooperation represents a paradigm shift in China's aid delivery. Similarly, given the small number of trilateral aid projects, their impact remains slight; China and its traditional-donor partners have just started to evaluate their completed

projects. The effectiveness of trilateral aid cooperation as compared to bilateral aid delivery will call for our attention in the near future.

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# CHAPTER 4

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## Evaluating South-South Development Cooperation: China's Approach and Trends

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### **Abstract**

While the literature on China's South-South cooperation has expanded significantly, little work has addressed its internal processes of SSC evaluation. The present chapter provides an overview of current Chinese evaluation practices and compares them to the mechanisms in use by traditional OECD-DAC donors. Specifically, it discusses the development project cycles of the two major forms of Chinese SSC: concessional-loan projects through China's EXIM Bank and grant projects implemented by the Ministry of Commerce. It also provides a case study on how China evaluates its Agricultural Technology Demonstration Center (ATDC) projects. It then analyzes the recently-published Administration Methods of Foreign Aid in comparison to OECD-DAC practices, noting both distinctions and areas of convergence between the two approaches.

### **1. Introduction**

China has dramatically expanded its foreign aid spending in both scale and scope over the last decade, becoming a major South-South

development cooperation (SSDC)<sup>1</sup> provider in Asia, Latin America, and Africa. As China emerges as an important player in development assistance, various stakeholders have taken greater interest in its foreign aid policy and practices, as well as their effectiveness. However, despite some recent moves toward greater transparency by the Chinese government (and significant efforts toward unpacking Chinese aid policy and effectiveness among Western research institutions and development agencies), discussion of foreign aid evaluation — its approaches, practices, and benchmarks — remains limited, whether at the country, sector, or project level.

This chapter discusses this relatively less-analyzed question in the context of the rapid growth of Chinese SSDC and the increasing demands — both international (traditional donors and Southern partners) and domestic — for accountability and transparency in Chinese aid programmes. It focuses on two major questions: first, what current SSDC evaluation approaches does the Chinese government employ, in comparison with the modalities of Development Assistance Committee (DAC) donors? and second, what future directions can we expect in Chinese aid evaluation?

We should note at the outset that this chapter does not aim to respond to the many existing debates about the impact of China's foreign aid, for example on debt sustainability, good governance, or environmental standards. Nor can this chapter give any specific examples of project evaluation: the Chinese government has not published any. Instead, it aims for a more nuanced and technical description of China's existing approaches through a comparison with DAC donors, the better to increase outsider understanding of this less-analyzed aspect of China's aid process.

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1 The term of “South-South development cooperation (SSDC)” is used to define the specific development cooperation coming from Southern partners as a subset of South-South Cooperation (SSC). The author does not use SSC in this paper because he finds the concept multifaceted and too broad, covering not only economic relations such as trade, investment, aid, lending and debt relief, capacity building, technology and knowledge transfer, but also political and cultural exchanges as well as cooperation among civil society, academia and businesses.

The structure of the chapter proceeds as follow. The following section provides a brief context of Chinese SSDC, including its historical trajectory, institutional architecture, and modalities, as these influence China's current and future evaluation policy and structure. To facilitate understanding of China's aid delivery approach in general, and its evaluation policy in particular, the third section turns to the development project cycles of the two major forms of China's SSDC: concessional-loan projects implemented by the China's Import-Export Bank (EXIM Bank) and grant projects implemented by the Ministry of Commerce (MOFCOM). This section also provides a case study on how China evaluates its Agricultural Technology Demonstration Center (ATDC) projects. The fourth section then discusses the features of China's SSDC evaluation through comparison with DAC policies, and examines how China might improve its SSDC evaluation in the future, especially following the promulgation of the *Administration Methods of Foreign Aid* in December 2014. The chapter concludes with a review of major findings and a discussion of future directions.

## **2. China's SSDC Context: Historical Trajectory, Institutional Architecture, and Overall Approach**

Adhesion to principles of equality and mutual benefit, an emphasis on substantial results, and up-to-date forms of assistance with no political conditions for recipient countries: China's foreign aid has emerged as a model with its own characteristics (SCIO, 2011, p.1).

China began to offer foreign aid in the 1950s. Though often described as an "emerging donor," China is in fact one of the oldest aid providers, with an even earlier engagement than some DAC members. Based on changes in China's aid modalities as well as in its domestic and international development agenda, scholars often divide Chinese SSDC into three stages (Li and Wu, 2013; Zhang, 2007; Sun and Zhou, 2014). The initial stage runs from 1950 to the end of 1970s, when aid largely served as a gift to expand socialist ideology and political reciprocity. From 1978 to the late 1990s, China adjusted the scale, arrangement, structure, and sectors of its foreign aid, and shifted the goals of aid

policy towards serving its domestic economic development and promoting economic reciprocity. The turn of the new century witnessed the onset of the third stage: China's aid budget has increased rapidly and its development goals have become diversified. From 2004 to 2009, China's financial resource for foreign aid increased by 29.4 percent (SCIO, 2011). Between 2010 and 2012, the annual aid budget reached about USD 5 billion, making China the world's 10th largest donor (SCIO, 2011; SCIO, 2014; Zhou, 2014).

China's institutional architecture for SSDC has also gone through numerous changes over the years (Li and Wu, 2013). Currently, MOFCOM has the State Council's authorization to oversee foreign assistance; it also has responsibility for formulation of foreign aid, policy regulations and long-term and annual plans, review and approval of aid projects, and management of project execution (SCIO, 2011). The Department of Foreign Assistance (DFA) at MOFCOM manages over 90 percent of bilateral development funds, largely grants and interest-free loans, while the EXIM Bank administers the concessional loans. More than 20 other ministries — including Foreign Affairs (MOFA), Finance (MOF), Agriculture (MOA) and Health (MOH) — are involved in foreign assistance administration.

China offers foreign aid in eight forms, including complete projects,<sup>2</sup> goods and materials, technical cooperation, human resource development, medical teams, emergency humanitarian aid, volunteer programmes, and debt relief. Major sectors of Chinese aid include agriculture and rural development, industry, economic infrastructure, public facilities, education, medical and health care, and clean energy. This aid goes mainly to Africa (51.8 percent between 2010-2012) and

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2 “Complete projects” is a common shorthand in Chinese aid circles; it refers to productive or civil projects constructed in recipient countries with the help of China-supplied financial resources, such as grants or interest-free loans. The Chinese side is responsible for the whole or any part of the process, from feasibility study and surveys to design and construction, including provision of all or part of the equipment and building materials. China also sends engineers and technical personnel to organize and guide the construction, installation, and trial production of these projects. After a project is completed, China hands it over to the recipient country (SCIO, 2011).

Asia (30.5 percent between 2010-2012), but also covers countries in Latin America and the Caribbean, Oceania, and Europe (SCIO, 2014; Zhou, 2014). While China provides the majority of its SSDC on a bilateral basis, it has also piloted triangular cooperation with third parties such as the United Kingdom, Australia, and Switzerland, and has increased its contributions to multilateral agencies (SCIO, 2014).

The basic guiding principles of China's aid policy, formulated about half a century ago, remain largely unchanged. Currently, the four main ones, drawn from an original set of "Eight Principles"<sup>3</sup> that date back to the early 1960s, include (1) equality and mutual benefit, (2) respecting the sovereignty of recipient countries and imposing no political conditions, (3) self-reliance, and (4) substantial results. "Equality and mutual benefit" has signaled that since its earliest days, Chinese aid has never been a unilateral gift, but rather one intended to benefit both the recipient country and China. This remains the primary guiding principle of Chinese foreign aid policy to the present day, reflected in China's view of itself as a SSDC partner rather than a donor, and moreover one that emphasizes shared development over "donor-recipient" relationships.

China's own development experience reflects the supreme importance of local experimentation in economic policy. For this reason, Chinese officials and experts do not believe that "outsiders" ever know more about effective development in a given country than its own citizens will, due to historical, cultural, and political differences. Only the government of the recipient country may judge what reforms are necessary for its own development, and it should therefore take the driver's seat in identifying project needs and formulating requests. This also explains the demand-driven, request-based character of Chinese aid. China also attaches great importance to "self-reliance" and "substantial

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**3** The original Eight Principles included: (1) equality and mutual benefit, (2) respecting the sovereignty of recipient countries and imposing no political conditions, (3) providing aid in the form of interest-free or low-interest loans (no longer fully accurate); (4) self-reliance; (5) substantial results; (6) provision of best-quality equipment and materials; (7) technical assistance; (8) restrictions to ensure the integrity of experts dispatched by China (not allowed to make any special demands or enjoy any special amenities).

results,” holding that aid should primarily promote the recipient’s economic growth: once a country has achieved sufficient development, it can afford to address issues such as reducing poverty, improving education and health care, and building a clean government. Such key principles have impacts on the ground and help shape the ways that China delivers and evaluates its aid (Sun and Zhou, 2014).

### **3. China’s SSDC Evaluation in Practice**

This section aims for a more nuanced understanding of China’s SSDC delivery and evaluation in practice, via an examination of the two major forms taken by Chinese development projects —concessional loans implemented by the EXIM Bank and grants implemented by MOFCOM. In addition, we provide a case study on Chinese policy and practice in evaluating Agricultural Technology Demonstration Center (ATDC) programmes. The data collection methods include both primary and secondary research. The secondary data collection consists of a review of government documents, literature and online resources. The primary data collection comprises a series of key informant interviews conducted from early 2015 to early 2016; informants included about 20 knowledgeable aid practitioners from government departments, implementing agencies, and consulting firms. Due to the sensitive nature of the issues involved, all informants remain anonymous.

Two considerations motivate the choice of the ATDC as a case study. First, the Chinese government has developed an evaluation framework for it; it therefore supplies a solid basis for comparison with DAC practices. Second, ATDC exemplifies the “typical” profile of Chinese aid programmes, involving infrastructure building, provision of commodity aid, technology transfer, and capacity-building; its evaluation process might supply a model for other programmes as well.

#### ***Concessional Loan Projects Implemented by the Export and Import Bank***

Concessional loan projects constitute the largest component of

China's SSDC. They mainly serve to assist partner countries in undertaking productive projects that can generate both economic and social benefits, often in the form of providing complete plant, mechanical and electrical products, technical services, and other materials (SCIO, 2011). The Export and Import (EXIM) Bank is responsible for administering concessional loan projects under MOFCOM's guidance. Such loans are raised on the market, and since their interest is lower than the benchmark rate for the People's Bank of China, the State makes up the difference as financial subsidies. At present, the annual interest rate of China's concessional loans runs between 2 percent and 3 percent, with a period of repayment from 15 to 20 years (including five to seven years of grace). Concessional loan projects must satisfy certain basic requirements or conditions: (1) the borrowing country should have a good diplomatic relationship with China, a relatively stable political and economic situation, and sufficient debt-serving capacity (with exceptions); (2) projects should align with the economic and sectoral planning of the borrowing country, facilitating its economic and social development while promoting economic and trade cooperation with China; and (3) projects should show economic and technical feasibility, without risk of severe damage to the local physical and cultural environment (EXIM, 2003).

A concessional loan project has five principal phases: (1) a loan application from the borrowing country; (2) a feasibility assessment and appraisal by the EXIM Bank; (3) signing of the inter-governmental framework and loan agreements; (4) project monitoring and disbursement of funds based on project progress; (5) project completion, ongoing operation, and repayment (EXIM, 2003).

The evaluation process, on the other hand, typically has three stages: identification, implementation, and completion. During the initial identification stage, the borrowing country must present documents including, among others requirements (1) a position statement issued by the Economic and Commercial Section of their Chinese Embassy, and (2) a project proposal or feasibility study report. The latter will outline the need for the project (identification of problems, objective[s], and targets), along with its features and scope, investment estimates, its technical and economic feasibility, and its social effects (EXIM, 2003).

It is worth noting here that DAC donors usually produce this information themselves. In evaluating the feasibility of a concessional loan project, the China EXIM Bank uses such criteria as technical feasibility, economic returns for both the borrowing country and China, social benefits for the borrowing country, project management and financial capacity of the implementing entity, and qualifications and performance of the relevant Chinese enterprises. Or as one manager of the China EXIM Bank put it, “[a] good borrowing country, [a] good project and good implementing enterprises are the foundations for concessional loan projects”.<sup>4</sup>

In the process of project implementation, the China EXIM Bank should monitor the project and give advice if necessary, although management lies within the implementing agency of the borrowing country. Prior approval by the China EXIM Bank is required for any project changes. The EXIM Bank monitors projects via biannual progress reports (for construction projects), quarterly progress reports (production projects), as well as biannual and annual financial reports before it will issue loan tranches, which strictly depend on evidence of progress. The EXIM Bank may also require the Chinese Embassy Economic and Commercial Sections to conduct inspections on the ground, the better to understand how projects progress, what challenges they face, and how they utilize loans. During the repayment and completion stage, the EXIM Bank usually requires the borrowing country to submit a completed-project report, in which the borrowing country formally assumes the obligation to pay interest and fees along with the principal, according to the provisions of the loan agreement.

### ***Grant Projects Implemented by MOFCOM***

China mainly uses grants to help partner countries build hospitals, schools, and low-cost housing, to support well-digging or water-supply projects, and to fund other social-welfare projects at medium and small

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4 Speech by Mr. Zhijie Wang, Director at the Department of Concessional Loans of China's EXIM Bank, at a seminar with Chinese bankers and enterprises.

scales. In addition, Chinese grants go to projects in the fields of human resources development, technical cooperation, assistance in kind, and emergency humanitarian aid (SCIO, 2011). In contrast to the concessional loan project process, where partner countries handle the preliminaries, MOFCOM itself screens the grant project requests and organizes the technical teams; its responsibilities include assessing a project's technical feasibility and developing an initial budget with the involvement of the relevant agencies in the partnering country. MOFCOM will then decide whether to fund the project, in consultation with MOFA, the Chinese Embassy in the recipient country, and other relevant line ministries. If the budget exceeds a fixed ceiling of RMB 100 million (about USD 14 million), the State Council will make the decision. The International Bureau for Economic Cooperation (IBEC) then becomes responsible for managing the project implementation. The project's implementing stakeholders include feasibility study institutions, survey and design enterprises, and construction and supervision firms. All these entities should meet the qualifications set by MOFCOM; an open or partially-open bidding process determines their participation in an entire project. Dedicated staff responsible for overseeing grant projects will come from the IBEC and also the Economic and Commercial Section of the relevant Chinese Embassy.

In addition to the above *ex-ante* evaluation stage (i.e. before the start of project formulation and implementation), MOFCOM has also recently issued a regulatory guide entitled *Temporal [sic] Methods for Administering Foreign Aid Complete Projects* (MOFCOM, 2015), which spells out the requirements for different stages of project implementation. This guide has a specific chapter on how to organize examination and acceptance of complete projects. The regulations require that the executing institution organize midterm and final evaluations, to be conducted by a group of technical experts selected from qualified consulting firms. The regulations set out general qualifications for technical experts, items to be evaluated in mid- and end-term respectively, and rankings for the evaluation results. The regulations also specify procedures and methodologies, including project document review, formulation and discussion of evaluation plans with project implementation teams and Economic and Commercial

Section officials, and compilation of evaluation reports. Before their transfer to partner countries, projects must undergo a joint quality review process by China and the partner(s). Excepting the foregoing, no systematic evaluation system exists for complete projects, although the *Management Methods of Foreign Assistance Complete Projects* issued in 2009 (MOFCOM, 2009) clearly requires the establishment of such a system.

#### **4. Case Study—Policies and Practice for Evaluating ATDC Projects**

In November 2006, Chinese President Hu Jintao announced eight important initiatives to strengthen China-Africa cooperation, including the establishment of ten special ATDCs. In November 2009, Premier Wen Jiabao declared that China would increase the number of China's Development Goals in 2010, China promised to establish 30 ATDCs for developing countries in the following five years. So far, China has set up 26 demonstration centers. Covering 23 African countries, including Tanzania, Ethiopia, Zimbabwe, and Mozambique, China's ATDC programme has become an agricultural aid modality integrating grain and cash crop cultivation, livestock breeding, aquaculture, agricultural machinery, and agricultural product processing — a key means, in other words, for promoting China's agricultural technology aid in other developing countries. ATDCs usually begin with infrastructure construction for one or two years, followed by a three-year technical cooperation phase. These first steps should place each Center on a sustainable financial footing, able to cover its costs from business operations. The Chinese government provides financial support for the infrastructure construction and the technical cooperation element, with a total investment of USD 5-6 million for each Center. Although details vary in different countries, the most central feature of each ATDC combines a business operation with the aid-funded project to ensure financial sustainability after the three-year technical cooperation period (Xiuli *et al.*, 2016).

As an aid programme, the ATDCs come under MOFCOM

management, but MOA oversees their implementation. Following the principles of “government guidance, enterprise-oriented, market operation and sustainable development,” MOFCOM and MOA seek to make the ATDCs profitable and sustainable. In 2011, MOFCOM and MOA introduced the “Guidelines on Promoting the Sustainable Development of ATDCs in Africa” and proposed to conduct programme monitoring and evaluation to follow progress, supervise and guide the project implementation, and assess the outcomes and sustainability. In 2012, MOFCOM and MOA jointly issued a document on the *Methods of Monitoring and Evaluating Agricultural Technology Demonstration Centers in Africa*. As far as the author is aware, this is the first document that has made Chinese aid evaluation rules accessible to the public.

The document consists of nine chapters that outline general principles, responsible parties, targets and content, criteria, indicators, and methods, working procedures, project progress reports, monitoring and evaluations reports, as well as applications for these results. The regulations require scientific and standardized evaluation of ATDCs (for example, following fixed procedures and using mixed qualitative and quantitative methods), and call for an objective, fair, and — more importantly — result-oriented focus on effects and impacts. The document also sets out the major categories for evaluation, including progress of construction, expenditures, project activities (experiment, training, pilot programs, advocacy, and so on), effects on industrial operations, effects on exporting “Chinese agricultural technologies, talents, equipment” and importing of agricultural resources, possibility of sustaining the project, as well as comments and perceptions of recipient countries, embassies, relevant international organizations, and the media. MOFCOM and MOA have claimed that the document aims to strengthen project management, improve accountability of implementing agencies, and achieve sustainable development of the projects.

In accordance with its provisions, the MOA-affiliated Foreign Economic Cooperation Center (FECC) received official responsibility for evaluating the ATDCs. FECC designed a logical framework covering political, social, and economic dimensions and proposing four goals for program evaluation. The first one concerns “help[ing to] achieve

diplomatic and strategic objectives,” weighted at 15 percent, with such evaluation criteria as positive response from recipient governments, evidence of welcome from recipient populations, strengthened agriculture cooperation and exchanges with China, and positive comments by the public, media, and international agencies in the recipient country. The second goal (weighted at 25 percent) seeks enhanced recipient capacity for agricultural development and an improved level of food security. Under this heading, the evaluation criteria include construction progress and quality standards, implementation of enterprise and recipient-country commitments, successful research and development of applicable agricultural stocks and technologies, improved trainee capacity, promotion of agricultural technology in adjacent regions, and general promotion of agriculture and rural economic development. The third objective, weighted at 15 percent, focuses on bilateral agricultural cooperation, with evaluation criteria related to investment, trade, and technology. The fourth objective, weighted at 45 percent, concerns the sustainability of projects, covering both economic sustainability (self-reliance) and functional sustainability (including experimental and pilot programs and training).<sup>5</sup> The framework also includes 15 evaluation criteria for assessing the *degree* to which the project meets its objectives, and more than 20 specific and quantified monitoring indicators (See Table 4-1).<sup>6</sup>

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5 Notice of General Offices of Ministry of Commerce and Ministry of Agriculture on Issuing Temporal Methods of Monitoring and Evaluating Agricultural Technology Demonstration Centres in Africa, December 12, 2012.

6 Meeting materials from China-DAC Study Group Roundtable on “Evaluating Development Cooperation: Providing Evidence for Learning and Decision-making”, organized by the Chinese Academy of International Trade and Economic Cooperation, International Poverty Reduction Centre in China and Development Assistance Committee, OECD, June 12, 2014, Beijing, China.

Table 4-1 | The Logical Framework of Monitoring and Evaluating ATDCs

Evaluation Objectives	Evaluation Criteria	Indicators
1. Social Effects (15 percent)	1.1 Positive comments from recipient governments	1.1.1 Visit frequency and post-visit comments
	1.2 Welcomed by the people of recipient countries	1.2.1 Observation frequency and post-observation or visit comments
	1.3 Strengthens cooperation and exchange with China in agriculture	1.3.1 Increase number of agricultural exchanges with China
	1.4 Positive comments by media and international agencies	1.4.1 Number of times the media and agencies refer to the programmes and their opinion of the programmes
2. Promoting agricultural development in recipient countries (25 percent)	2.1 Construction progress and quality standards	2.1.1 Facility construction rate and quality compliance rate
		2.1.2 Distribution of allocated aid budget
	2.2 Implementation of enterprise and recipient-country commitments	2.2.1 Allocation of matching funds
	2.3 Successful R&D of applicable agricultural stocks and technologies	2.3.1 Success rate of new varieties of agricultural stocks
		2.3.2 Yield and processing capacity growth rates
	2.4 Enhancement of trainee skill levels	2.4.1 Degree of relevance and effectiveness of training content
2.5 Promotion of agricultural technology in adjacent regions	2.5.1 Scale and degree of technology application for agricultural stocks of ATDC	

| Table 4-1 | (Continue)

Evaluation Objectives	Evaluation Criteria	Indicators
	2.6 Promoting overall rural economic development of recipient countries	2.6.1 Growth rate of total production and yield, diffusion rate for improved varieties
		2.6.2 Number of workers employed due to industrialization operation
		2.6.3 Enhancement of agricultural industrialization index
3. Promoting bilateral cooperation (15 percent)	3.1 Promoting investment cooperation in China and recipient countries	3.1.1 The number and scale of investment cooperation projects
	3.2 Promoting trade cooperation	3.2.1 Trade volume between both countries in terms of agricultural resources and technology
	3.3 Promoting technical cooperation	3.3.1 Number of technical cooperation projects
4. Sustainability (45 percent)	4.1 Functional sustainability	4.1.1 The number and success rate of trainings in experimental fields
	4.2 Economic sustainability	4.2.1 Revenue and other operating income of the centers
		4.2.2 Operating costs of the demonstration centers

## 5. China's SSDC Evaluation in Comparison with DAC Donors

DAC donors and their development practitioners consider evaluation an essential ingredient of good programme management practices. The DAC defines evaluation of development assistance in these terms:

the systematic and objective assessment of an ongoing or completed project, programme or policy, its design, implementation and results. The purpose of conducting evaluation is to determine the relevance and fulfilment of objectives, efficiency, effectiveness, impact and sustainability. An evaluation provides information that is credible and useful, enabling the incorporation of lessons learned into the decision-making process of both recipients and donors (OECD, 2010).

In short, the evaluation process is vital because it provides opportunities for learning, reshaping programming, providing credibility to stakeholders on what works and why, and improving accountability. In addition, DAC donors also attach great importance to impact assessment as part of the evaluation of projects and programs, the better to understand the “lasting or significant changes—positive or negative, intended or not—brought by a given action or series of actions” (Gosling and Edwards, 2003). This entails a focus on implications in the medium and long term, rather than the immediate, anticipated outputs of an intervention.

For DAC donors, evaluation is required, formalized, and mandated. Many DAC donors have designated a clear role and place for evaluation in the institutional structure to strengthen evidence-based decision-making and increase the effectiveness of development cooperation. The DAC has designed and maintained five evaluation criteria to serve as a general guide: (1) *relevance*: the appropriateness of project objectives to the real problems, needs, and priorities of the target groups and beneficiaries, and to the project's physical and policy environment; (2) *effectiveness*: the extent to which a project or program attains its objectives or achieves its planned results, such as achievement of

outputs and outcomes, as well as the potential contribution to higher-level outcomes; (3) *efficiency*: whether the project obtains results at a reasonable cost, how well its means and activities convert into results, and the quality of the results thus achieved; (4) *sustainability*: the likelihood of continuing benefits or results of the program or investment after funding withdrawal; and (5) *impact*: the positive and negative changes at the societal or organizational level produced by a policy, program, or intervention; these include direct/indirect and intended/unintended effects, those reflecting the high-level goals of a given program, and the outcomes for intended project/program beneficiaries (OECD, 2010).

By comparison, China obviously does not have a systematic SSDC evaluation process or clear definitions and procedures for evaluation. It also lacks institutional arrangements for such a process. However, if we refer back to the DAC's five evaluation criteria, we can see that China focuses most on relevance, efficiency, and sustainability. For example, China gives explicit priority to the relevance parameter: projects must be consistent with identified national priorities. For both concessional loan and grant projects, China does require that the proposed project align with the economic and sector-planning development of the partner country. In fact, case studies of Chinese aid in countries such as Cambodia demonstrate the centrality of the partner-country agenda (Greenhill *et al.*, 2013; Sun and Zhou, 2014). Chinese SSDC also pays special attention to efficiency principles such as speed and substantial results for the lowest investment, recalling two of the original Eight Principles from the very beginning of Chinese aid (see footnote 3). The ATDC case study also shows that China pays greater attention to the sustainability dimension, weighting it at 45 percent and emphasizing a project's capacity to maintain itself after the end of government funding.

Certainly, there are many differences between Chinese and DAC evaluation. For example, China's evaluation largely focuses on the *ex-ante* and the middle-term stages of project development and implementation. It tends towards the ad hoc, measuring inputs and activities, examining performance at the output level, and focusing on timely completion of planned activities; it particularly stresses quality

assurance. This not only recalls one of the Eight Principles,<sup>7</sup> but also features a strict entry certification system for implementing entities—a kind of administrative licensing inside the Chinese system. Companies must fulfill specific requirements in order to implement or evaluate projects: for example, they must be large- or medium-sized enterprises with independent corporation status, and must possess good standing in business management, financial conditions, equity capital, and creditworthiness. Only certified companies may qualify to participate in the open bidding process for project implementers and evaluators. Meanwhile, no *ex-post* evaluation or impact evaluation is required, although MOFCOM and the China EXIM Bank occasionally conduct one for a given project.<sup>8</sup> Evaluation consultants usually visit the local Chinese embassy, the project sites, the implementing company, and the relevant government agencies of partner countries, but no other stakeholders. Evaluation reports tend towards the broadly descriptive — explaining the amounts invested, the activities that took place, and the actors involved, as well as program challenges and recommendations.<sup>9</sup>

One major insight from the ATDC case study is that China has integrated the Southern concept of mutual benefit — whether diplomatic or economic — into its evaluation approaches. This moves away from the conventional North-South aid paradigm, in which the North “offers” and the South “receives.” Since SSC emphasizes the benefits of both partners, the results of cooperation should be evident on both sides. This calls for a transparent and open recognition of the interests, benefits, and objectives of all parties. It follows that China will evaluate aid actions in terms of their effects on all partners — an eminently reasonable approach that seems free of hypocrisy.

One should note, however, that some DAC donors have also

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7 “The Chinese Government provides the best quality equipment and material of its own manufacture at international market prices. If the equipment and material provided by the Chinese Government are not up to the agreed specifications and quality, the Chinese Government undertakes to replace them.” (SCIO, 2011, p. 32).

8 Interviews with staff from EXIM Bank in March 2016.

9 Interviews with IECB officials and consulting firm representatives in March 2016.

employed such designs and practices. For example, Japan has introduced an evaluation criterion termed “diplomatic viewpoints” as of 2011, which assesses the extent to which development assistance has demonstrated positive returns for Japan as a donor country (MOF Japan, 2013). While other evaluation criteria (such as policy relevance and effective outcomes) focus on the results achieved in recipient countries, this new criterion attempts to assess the extent to which Japan’s assistance abroad advances its own national interests. Meanwhile, the abolition of stand-alone aid agencies in Canada, New Zealand, and most recently in Australia, and their integration into foreign and/or trade ministries, indicate that these DAC members may also deploy aid policies likely to serve their political and economic commercial interests. This may lead to greater convergence between China and the DAC in development cooperation approaches. One way or another, “mutual benefit” seems poised for a larger role in the DAC’s evaluation processes (Zhou, 2015).

## **6. China’s SSDC Evaluation: Future Directions**

As the scale and scope of China’s SSDC expands, demands for accountability and more effective development programming have increased, from citizens, the civil society of both SSDC partners, and traditional donors. Meanwhile, a large number of discussions have taken place among international and Chinese academics and development cooperation agencies, focusing on China’s aid effectiveness at the regional, country, and even project levels (Brautigam, 2009; SISS *et al.*, 2014). As a result, China now pays increasing attention to the results and impact of its SSDC activities. MOFCOM admits that its SSDC monitoring and evaluation have weaknesses, and has begun developing an evaluation system.<sup>10</sup> The particular principles and approaches of Chinese aid signify a need for a distinct path to SSDC evaluation. Many evaluation criteria — such as sustainability, relevance, effectiveness,

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**10** Press conference on the Measures held by MOFCOM on December 8, 2014, available in Chinese.

and efficiency — will remain appropriate, but it is unlikely that China will adopt a full set of pre-existing evaluation standards comparable to those of the DAC.

Some key challenges definitely remain. First, evaluation means data collection and analysis and accompanying institutional capacity — prerequisites for developing a comprehensive system. The DFA and the Chinese embassies currently have limited staff capacities. Though the DFA in MOFCOM holds the mandate for evaluating SSDC, in practice this means shared responsibility among the DFA, other ministry agencies, and embassies. Successfully involving and coordinating all essential parties (and their collection of relevant information) can prove very challenging. The embassies, charged with monitoring the implementation of development projects on the ground, depend upon officials who frequently rotate postings; they also lack sufficient technical staff with the necessary time and/or skills. Second, as noted above, in comparison with DAC donors, China's SSDC programmes feature horizontal principles, such as non-interference and mutual benefit between China and its partner countries. These principles imply that China may not unilaterally set evaluation criteria and standards for assessing its SSDC performance; instead, they mandate a joint design and implementation of evaluation policy between equal partners, rather than a “top-down” vertical evaluation like that of DAC donors. Defining measurable outcomes for each side may also prove daunting. In addition, China's SSDC responds to specific requests on a project-by-project basis, encompassing a much broader set of activities and smaller projects than those supported by DAC member aid; this makes it harder to introduce systematic approaches with broad applicability.

China has shown great interest in learning about evaluation strategies from DAC donors. The Chinese government has engaged with UNDP to conduct evidence-based research on this subject, including the approaches of some non-DAC SSC providers as well as DAC members (UNDP, 2014). The China-DAC study group also carried out similar studies in 2014 and convened an international experience-sharing conference in Beijing. The ATDC case study in the previous section also tells us that China has adopted many of the same terms as the DAC, such as “logical framework.” In fact, according to one IEBC staffer,

MOFCOM has set out clear evaluation procedures and requirements internally, many of them highly consistent with DAC principles, even adopting the same terminology.<sup>11</sup> This kind of convergence in approach seems understandable, given that China, other SSDC partners, and DAC countries have all increased efforts to learn from one another, reflected by such initiatives as China-DAC Study Group (OECD, 2014) and Network of Southern Think Tanks (NeST, 2015). While the extent of China's focus on impact evaluation remains unknown, both DAC and other SSDC providers have heightened their attention in this area, and this — in conjunction with strong domestic demands for accountability — makes it more likely that Chinese evaluation policy may converge with global trends over time.

The development of an evaluation system constitutes an important part of China's foreign aid reform. The regulations outlined in *Management Methods of Foreign Aid*,<sup>12</sup> issued in December 2014, officially mandated MOFCOM's leading role as coordinator of China's foreign aid projects and its responsibility for developing an evaluation system. These regulations also stipulate that China uphold the principle of country ownership and increase partner country engagement in SSDC implementation; this may imply that partner countries will share the evaluation responsibilities as well. Given the complexity of China's SSDC, it seems very likely that MOFCOM will develop different rules for different kinds of projects — complete projects, commodity aid, capacity-building, and technology transfer. As the Chinese central government has attached great importance to “third-party evaluation” since 2015, it seems highly likely that MOFCOM will introduce such a policy into major SSDC programmes. However, China remains quite opaque in terms of aid transparency and openness, despite great efforts over the years. No aid budget yet exists at the country or project level, and we may see a long wait for the publication of evaluation reports.<sup>13</sup>

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**11** Interviews with IECB official in February 2016.

**12** The full text of the Measures for the Administration of Foreign Aid is available in Chinese.

**13** Discussion with a director of Overseas Economic Cooperation Department, China International Engineering Consulting Corporation.

## 7. Conclusion

Evaluation practices in China remain works in progress, tending towards the ad hoc and focusing on inputs, activities, outputs, and efficiency. Despite strong demand and interest in evaluating SSDC, no systematic approaches have yet emerged. Differences in perspectives and practices separate the DAC and China, though this does not mean that DAC countries have a univocal approach to evaluation. China has incorporated some DAC standards into the design of SSDC evaluation systems, as shown in the ATDC case – an instance of increasing convergence between China and DAC countries. In developing the evaluation system, China's main challenges include lack of staff capacity, decentralized and diverse institutional structures, and the difficulty of measuring outcomes given the diverse range of its SSDC activities. China will also need to strike a balance between providing accountability to domestic audiences and embodying partnering principles such as non-interference, high responsiveness, and minimal bureaucratic burden.

Nevertheless, China has indicated its intent to build its current institutional capacity for evaluation, and has shown great interest in developing standards and a framework. We might expect that within a few years' time, China's SSDC evaluation practices and principles will have evolved significantly and may become easier to understand. In the meantime, international development cooperation approaches have undergone great changes in recent years. On the one hand, the DAC has increased its focus on fostering technical assistance, trade, and other types of inclusive development partnerships — activities that look more like SSDC and that generally represent a move away from the traditional discourse of aid and donor-recipient relations. On the other hand, as China grows richer and its role in international development expands, it will require greater attention to global public goods and somewhat less to its own economic interests. At that juncture, it may become increasingly hard to draw the line between DAC and Chinese approaches to evaluation.

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# CHAPTER 5

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## Charting the Path to Development Effectiveness: Indonesia's SSC Challenges

*By*  
*Shafiah Muhibat*

### **Abstract**

This chapter analyzes Indonesia as an emerging provider of South-South and triangular cooperation (SSTC), in light of its emergence as a middle-income country and the pressures attending its G-20 membership. The author signals a number of significant SSC programmes – especially in knowledge-sharing and technology transfer – integrated into Indonesia's medium-term strategic planning, but also sees various challenges to their implementation: the lack of internal coordination among ministries; lack of synergy between projects, national priorities, and public awareness; the absence of coherent reporting and evaluation. The author also highlights the difficult process of creating a unified agency for SSTC, an essential step for addressing its institutional needs.

### **1. Introduction**

Although Indonesia has received external support and development cooperation virtually since its inception as a post-colonial, sovereign state in 1949, it has also maintained a long-running national policy of extending cooperation other developing countries. Indonesia's

involvement dates back to the Asia-Africa Conference in 1955, to the establishment of the Non-Aligned Movement in 1961, and to the subsequent foundation of South-South cooperation (SSC). Its engagement strengthened with the establishment of the Group of 77 (G-77)<sup>1</sup> and the Caracas Program of Action in 1981, and with the Buenos Aires Plan of Action in 1978, both milestones of technical cooperation among developing countries. All these actions took “solidarity” among Southern countries as their common theme.

As we will discuss throughout this paper, recent developments have highlighted the positioning of international development cooperation, in the form of South-South Cooperation (SSC), as part of national development. The current administration under President Joko Widodo (Jokowi) has identified South-South Cooperation as part of its programmes, including an emphasis on the role of Indonesia as a provider of SSC. In his Nine Development Priorities Agenda, or Nawacita, President Jokowi has signalled the importance of scaling up South-South cooperation under the Security, Protection of Citizens and Foreign Affairs Program (Widodo, 2014). One landmark in this process occurred during the current administration when Indonesia hosted the 60th anniversary celebration of the Asian-African Conference (19–24 April 2015 in Jakarta and Bandung). Thirty-four heads of state and 77 representatives from international organisations attended this conference. It highlighted the importance of the new economic international order that has opened for emerging powers, one that challenges the old modes of cooperation. In his speech, President Jokowi reiterated the importance of South-South cooperation and the “Bandung Spirit” first proclaimed by then-President Sukarno in 1955.

This paper seeks to analyse Indonesia’s SSC programmes as a provider country, particularly the challenges it faces within an institutional framework that has not caught up with its intentions. Given its own development successes and its position as a large middle-income

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1 Seventy-seven developing countries established the Group of 77 at the United Nations (G-77) on 15 June 1964 at the first session of the United Nations Conference on Trade and Development (UNCTAD) in Geneva. There are now 134 G77 members (G77, n.d.).

country, in addition to the international demand (if not pressure) driven by its membership in the Group of 20 (G-20),<sup>2</sup> Indonesia could make a strong contribution to SSC and thus improve international aid architecture. However, this paper argues that Indonesia has faced a number of fundamental constraints that have fragmented its implementation of SSC. Such experiences can give us a notable lesson on the pitfalls of becoming a provider of aid and South-South cooperation.

## **2. An Aid Recipient and – Increasingly – a Provider**

Indonesia has a long-running national policy of SSC, although it has a much longer history as a recipient of external support and development cooperation. From 1967 to 1991, most of its aid coordination came through the Inter-Governmental Group on Indonesia (IGGI), founded and chaired by the Netherlands.<sup>3</sup> By 1971, Indonesia was the second-highest recipient of foreign aid distribution after India (Vickers, 2013, p. 169). Although Indonesia terminated its International Monetary Fund (IMF) aid program in December 2003, the country still receives bilateral aid through the Consultative Group on Indonesia (CGI), which pledged USD 2.8 billion in grants and loans for 2004. Japan and the Asian Development Bank have also been key donors.

Quite interestingly, Indonesia retains to this day the historical romanticism of Asian-African solidarity espoused at the Bandung Conference. As recently as 2015, official documents still emphasize “solidarity” as a key driver of Indonesian SSC (NCT-SSTC, n.d; State Secretariat, n.d; Ministry of Finance, 2011; NCT-SSTC, 2014; Widodo, 2015). Such documents highlight cooperation and partnership with developing countries as the main force for improving Indonesia’s international trade, with development cooperation an “important

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2 The Group of Twenty (G20 or G-20) was founded in 1999 as an international forum for the governments and central bank governors from 20 major economies.

3 Since 1992, with the exit of the Netherlands, the organization has been known as the Consultative Group on Indonesia (CGI).

instrument in building up relationships” (NCT-SSTC, n.d).

The government admits that at present Indonesia still has a “dual” position as recipient and provider of foreign assistance, and “implements its development effectiveness concept in receiving foreign assistance at the same time it provides assistance to others” (NCT-SSTC, 2015, pp. 2~3). This continued dual status plays a significant role in how Indonesia faces its particular challenges, as we will detail below.

The common rationale of North-South development cooperation relies on the premise that all countries seek development and that eventually Southern recipients will graduate and become donors, until all countries reach a developed stage (Bracho, 2015, p. 1). After five decades of massive aid inflows, some countries have succeeded while a large number remain stuck in the aid dependency trap. At one extreme, some countries such as South Korea have successfully shifted from a “heavy” aid-recipient status to become donor partners. After the Korean War ended in 1953, South Korea was known as one of the poorest countries in the world, with a per capita GDP USD 67. South Korea received up to USD 12.8 billion of aid and loans from the international community. Instead of falling into chronic dependence on foreign aid, South Korea has used incoming funds as a catalyst for economic and social development, as much of the aid went into building key infrastructure; other supporting policies have concentrated on land distribution and investment in human capital, which laid the foundations for structural change and economic growth in Korea (OECD, 2012). At the other extreme are the Sub-Saharan African countries that — despite increasing and substantial flows of official development assistance (ODA) since the mid-1970s — remain in deep poverty, with 70 percent classified as Least Developed Countries (Ramiarison, 2010, pp. 1~5).

Indonesia lies between these two extremes, with the following characteristics: it has “graduated” from low-income to middle-income country status; it has reduced its dependency on ODA; and it has taken on the role of providing development cooperation to other countries. China and India, among other countries, share similar characteristics.

As a vital part of its SSC activities, Indonesia also implements so-called “triangular” cooperation between three parties (a donor state or institution, the intermediary country – in this case Indonesia – and a

third, recipient state). Indonesia continues to receive funding from development partners and uses those funds for development cooperation projects with other countries. The term “South-South and Triangular Cooperation” (SSTC), as commonly used in Indonesia, covers all development cooperation, whether bilateral (South-South) or involving a development partner (triangular).

Without abandoning the goal of solidarity, recent developments have shown more alignment of Indonesia’s SSTC with its national interests, with development cooperation more strongly perceived as part of national development. More recent documents demonstrate this, with wordings such as “strengthening the economic and technical cooperation” (NCT-SSTC, n.d). The establishment of the Directorate of Technical Cooperation in the Ministry of Foreign Affairs in 2006, a section specifically assigned to deal with development cooperation matters, gives clear evidence of this shift: the Directorate aligns all of Indonesia’s development cooperation activities with its foreign policy and thus its national interests. The build-up of development assistance programs thus also aims to expand foreign policy objectives.

For Indonesia, the latest momentum for SSTC has come about through the country’s emergence as a global economic and political player. In 2000, as per capita GDP rose to USD 2299, Indonesia crossed the threshold into lower middle-income status. Other countries have since expressed their intention in engaging with Indonesia on development projects. It was at this juncture (early 2000s) that the Indonesian government recognised the need for additional SSTC coordination.

In 2010, SSTC became part of foreign policy under Indonesia’s Medium-Term Development Plan 2010-2014, which mandates a comprehensive policy and the strengthening of related institutions for Indonesia’s development cooperation. In the same year, a decree by the Ministry of National Development Planning (or Bappenas)<sup>4</sup> established

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**4** The Ministry of National Development Planning (Kementerian Perencanaan Pembangunan Nasional or Bappenas) is a central government institution responsible for the formulation of national development planning and budgeting. It also coordinates international development cooperation.

the National Coordination Team on South-South and Triangular Cooperation (or NCT-SSTC), referred hereafter as the Coordination Team. This move intended to resolve the problem of multiple stakeholders and the resulting complex institutional structure of SSTC in Indonesia. The four key ministries form the backbone of the Coordination Team with their established role and functions: Bappenas holds responsible for development cooperation and budgeting; the Ministry of Foreign Affairs for foreign policy and diplomacy; the Ministry of Finance for fiscal policy and state budget; and the State Secretariat for support and facilitation. Other line ministries, local governments, and private-sector and non-governmental organizations officially serve as the implementing agencies.

It is rather difficult to measure the exact scale of Indonesia's SSTC programme, due to scattered data and the lack of reporting mechanisms, particularly for the period prior to the establishment of the Coordination Team. The 2015 Team report claims that between 2006 and 2014, Indonesia engaged in SSTC programming worth an estimated USD 49.8 million (NCT-SSTC, 2015, p. 9). The same number appears in other documents, but it is impossible to trace the exact budget data or how these funds were spent. The Coordination Team claims that the portfolio of Indonesia SSTC consisted of more than 700 individual programmes, affecting close to 4000 training participants from Asia and the Middle East (75 percent), Africa (17 percent), Pacific (5 percent), and South America (3 percent) (NCT-SSTC, 2015, p. 9).

The year 2016 had promised to be a breakthrough year for Indonesia's SSTC. By mid-2016, the process towards to the establishment of a single agency had picked up speed. However, towards the end of the year, the process started to slow down, as we will discuss further below.

### **3. Notable Achievements and Current Issues**

As noted above, 2010 marked a significant take-off point for SSTC: it became an official part of foreign policy under Indonesia's Medium-Term Development Plan (or RPJMN) 2010-2014 (RPJMN, 2010). The

second significant achievement came with the establishment of the National Coordination Team (NCT) in the same year. Next, under the framework of RPJMN, the Coordination Team drafted its SSTC “Grand Design” and “Blueprint I” as the foundation, direction, and action plan of SSTC policy implementation. These are two separate but very much related policy documents: (1) the Grand Design outlines a long-term policy direction targeted for 2011 through 2025; and (2) the Blueprint supplies a detailed implementation plan for the medium-term period, synchronizing with the National Medium-Term Development Plan. These documents are noteworthy as the first to describe the overall SSTC policy direction and implementation plan within the target timeframe — information not publicly available before 2010. Although both documents continue to await presidential ratification, relevant ministries and the Coordination Team have referred to both as the governance guidelines of Indonesian SSTC.

Flagship programmes constitute another significant achievement, defined according to the needs they address, their global challenges, and their ability to contribute to national development targets (NCT-SSTC, 2014, pp 5~26). General criteria for flagship programs and activities include: (i) those in line with the country’s potential and initiative, with a history of successful implementation<sup>5</sup> in beneficiary countries (best practice modeled on aid recipient experience); (ii) those successfully conducted with other Southern countries, whose approach makes wide adoption possible; (iii) those with replication schemes and knowledge- and technology-sharing mechanisms (or those with technological content); and (iv) those with wide impact and potential contributions to the future of SSTC (NCT-SSTC, 2014, p. 5). NCT has assembled these criteria from their own assessment of past programmes conducted by Indonesia in beneficiary countries, both in bilateral and triangular frameworks.<sup>6</sup>

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**5** One should note that due to lack of reports of assessment or evaluation of past projects, there is no clear measure of “successful implementation;” assessments are done informally by NCT and/or the line ministries in charge of the programme.

**6** Official documents from NCT and key ministries seem to make loose assessments of past projects, and the method through which they arrive at

As of 2014, NCT has published a list of seven flagship programs: (i) Agriculture, Food Security, and Social Protection; (ii) Disaster Risk Management; (iii) Democratisation and Good Governance; (iv) Trade and Industry; (v) Infrastructure; (vi) Human Development (Health, Education, Population, and Gender); and (vii) Indonesia's Commitment to Palestinian Development (NCT-SSTC, 2014).

Agriculture is a sector where Indonesia has strong expertise, particularly compared to other Southern provider countries (Sofjan *et al.*, 2014; NCT-SSTC, 2014; NCT-SSTC, 2015). The Ministry of Agriculture has carried out SSTC programmes since the 1980s, and thus has relatively more experience compared to other implementing ministries. It has taken part in technical development cooperation with at least 38 countries, with 755 participants from Africa, Asia, Pacific Islands, Latin America, and the Middle East. It has also conducted training and internship programmes with at least 10 countries, serving 270 participants. The training materials include, among other topics, livestock management, rural agriculture, artificial insemination, pre-harvest and post-harvest management, water management, women's participation, production innovation, farming internship, and training of quarantine workers. Training venues were centralised in Java (Central, East, and West Java). Based on the current list of flagship programs, NCT seems poised to continue the practice. Within the Agriculture, Food Security, and Social Protection program, the Ministry of Agriculture currently carries out one capacity-building program on community empowerment and another on artificial insemination for cattle.

Despite many significant achievements, we find that Indonesia's SSTC implementation appears fragmented overall, falling short of achieving maximum benefit and tending to favour one-off projects. Several other studies share this observation, for example one produced by Bappenas and UNDP (Sofjan *et al.*, 2014, p. 22~24) and JICA (2013, p. 12). The fragmentation seems to occur because ministries and agencies carry out programs separately, without recognizing SSTC policy at the national level (JICA, 2013, p. 12).

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the criteria listed here remains unclear.

One-off projects ensue due to the focus on demand-driven programs. Despite the list of flagship programs and priority countries, the majority of implementing ministries remain unaware of the mechanism or whether a holistic approach has determined the selection and planning of their programs. For example, the Ministry of Agriculture, despite its long involvement in SSTC, still does not have rigid mechanism for program planning. Their activities depend on the demands from the beneficiary country as well as funding-support agreements from development partners (CSIS, 2014). This is the common practice in Indonesia, where we find overall initiatives for past and existing projects have so far depended on requests from beneficiary and/or partner countries. Some of these requests have arisen from official visits, either by Indonesian heads of state to partner/beneficiary countries or vice versa. This means that very little strategic planning occurs to design which programmes to carry out for a given period and for which objectives.

One comprehensive study, conducted by the Centre for Strategic and International Studies (CSIS),<sup>7</sup> found a continuing lack of synergy between the new initiatives of development cooperation and the country's national interests and foreign policy (CSIS, 2014). The repetition of the word "solidarity" in various documents shows that Indonesia still looks back at historical objectives, without carefully reflecting upon its current national interests or the modern mechanisms of development cooperation. The same study conducted interviews with relevant stakeholders; when asked, "what is the motivation for Indonesia to carry out South-South Cooperation?" key respondents gave answers along two lines. On the one hand, some hold the strong traditional opinion that Indonesia's core values require maintaining solidarity with

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<sup>7</sup> This comprehensive study, for which the author was a member of the research team, was based on anonymous, qualitative, in-depth individual interviews with 26 key actors from Indonesia's line ministries and Coordination Team as well as external experts, development cooperation agencies, and beneficiary-country representatives. The individual interviews were followed by three focus group discussions that took place in November and December 2013 with anonymous actors from the line ministries, agencies, and other stakeholders (CSIS, 2014).

other developing countries; “generosity” towards such countries thus remains natural, and in fact an obligation. Keeping up good relations with these countries, particularly as a “friendly” member of the global community, remains an urgent priority. The other view reflects the “important instrument” attitude signalled above: it holds that cooperation and partnership with developing countries serve as the main force for improving Indonesia’s international trade. In other words, other dimensions require inclusion in South-South cooperation, especially those related to economic (and to a large extent also political) benefits.

According to the CSIS study, current SSTC activities revolve around “knowledge-sharing,” limited to experiences and best practices from Indonesia (CSIS, 2014, pp. 78~80). The main activities focus on training programmes, purportedly “easier” to conduct and also considered much more effective than other forms of SSTC. This study found that no plan currently existed to expand such activities into more ambitious projects. Such a point of view appears unfortunate; it seems that Indonesia sets very low targets for what it can actually achieve through development cooperation programmes.

#### **4. The Indonesian Experience: What Went Wrong?**

While acknowledging the achievements and good practices of Indonesia’s experience as a provider of SSC, this chapter also seeks to highlight what went wrong in that experience. If Indonesia could serve as a model for other countries moving from aid recipient to provider, what lessons has it learned that should not be repeated?

Many of Indonesia’s continuing stumbling blocks arise from the lack of firm legal basis for regulating two issues, namely SSTC implementation and its institutionalisation. The draft of the Grand Design (NCT-SSTC, 2011a, Introduction, section B) and Blueprint (NCT-SSTC, 2011b, Chapter II, section A) list the legal premises for SSTC activities. However, these have not, in practice, resolved the main issues of SSTC, such as the institutional structure and coordination among the key ministries. The premises listed in the two documents

have in fact not proven useful points of reference, because they do not clearly set out requirements for SSTC implementation, management, and funding. Each ministry seems to have its own Standard Operating Procedures for planning and carrying out SSTC projects and activities. Ministries that implement SSTC activities, including those within the four legs of NCT, come up with their own modules and terms of reference for various issues related to SSTC and may or may not align these with those of the Coordination Team. For example, the Ministry of Public Works has their own standard module that they use for all SSTC (usually training) activities, both domestic and abroad. In the cases of triangular projects, the ministry would create specific terms of reference for the partner country/institution to provide them with the necessary information about the project. The existing module is flexible, the better to suit the kind of assistance required by the beneficiary countries. The initiative for these projects can come from outside the ministry, for example the State Secretariat, the Ministry of Foreign Affairs, or the beneficiary countries.

Moreover, no firm regulation governs the reporting of these activities. This fragmentation results in an absence of centralized information, and indeed an absence of regular reporting to the relevant ministries or the Coordination Team. Ministries typically share information on certain programmes only with the other ministries directly involved and, in the case of triangular actions, with the donor agency. Unclear regulations have created confusion for all other stakeholders as well — international partners and beneficiary countries.

Indonesia's institutional and coordination problems show other countries what to avoid. An example of the coordination problem arises with the triangular mechanism, in the ways that the ministries work with partner countries and/or institutions. According to interviews with international partner institutions conducted by CSIS in 2013-2014, the majority complained that it was impossible to determine whom to contact when they wanted to start a project. They expressed confusion as to who held responsibility for what aspect of SSTC (CSIS, 2014).

In its current state, the Coordination Team remains very limited in carrying out its assigned functions. As Indonesia does not yet have a special agency with an institutional structure clearly mandated to

oversee the implementation of SSC, obvious problems have arisen concerning the capacity of the people responsible for those tasks. As of mid-2016, progress towards the establishment of a single agency had finally accelerated, a matter to which we return in the next section.

Another bad practice arises from how little effort Indonesia makes to justify SSTC to its domestic constituents; this brings great confusion and, consequently, a lack of public acceptance. Important segments of domestic constituencies — especially parliament, political parties, the private sector, civil society, and the community at large — do not demonstrate support for SSTC. CSIS-conducted interviews in 2013-2014 with staff experts working for parliament members showed that few were aware of SSTC activities (CSIS, 2014). Constituents tend to object when their country spends its dime on another country's needs. Particularly in a country like Indonesia, where a high percentage of the population still lives in poverty, the rationale for solidarity programs will certainly inspire cynical points of view.

Furthermore, no consensus exists within parliament regarding Indonesia's assumption of provider status, or the reasons and objectives driving it. This means that SSTC has not yet become a national commitment, although parliamentary rhetoric sometimes advocates for it. Lack of support from the parliament means that funding issues for SSTC, in particular related to the state budget, will persist, and that earmarking for SSTC activities remains difficult: the ministries would want to avoid unnecessary questions from the parliament about SSTC-related items in the state budget proposal.

Similarly, as noted above, the government has failed to clarify how SSTC serves Indonesia's national interest. The question of "What's in it for Indonesia or the Indonesian people?" calls for very careful handling, not only because the policy will need broad-based domestic support (including that of parliament) in order to expand its scope; Indonesia's many domestic development challenges make the question genuine and pertinent, one that deserves attention in SSTC policy and strategy.

## 5. The Establishment of a Single Agency

The establishment of the Coordination Team in 2010 seemed, at the time, a more plausible solution (as opposed to a single agency) to coordination issues and the growing need for clearer mechanism for SSTC. There were at least two possible reasons for this. First, disagreements still arise among the line ministries in terms of responsibilities and functions, which continue to pose challenges for the coordination mechanism. While Indonesia remained entirely a beneficiary country, Bappenas had the authority to plan the distribution of incoming aid. Now, within the framework of SSTC, incoming funds require management and disbursement to other beneficiary countries. The selection of such countries and programs takes place — as it should — in accordance with foreign policy directives. This then places SSTC under the authority of the Foreign Ministry — a role strongly emphasized by the establishment of the Directorate of Technical Cooperation in 2006, whose operations serve to define and carry out outgoing development cooperation. The Foreign Ministry tends to view itself as having more responsibility and authority over development cooperation, especially with the apparent shift towards a triangular framework. However, other ministries also believe that they should retain their traditional responsibilities as the focal point for these issues.

Second, concerns have arisen that the establishment of a dedicated agency will lead to more rigid rules for implementing SSTC, and that for a number of responsible ministries and institutions, this will create more complex bureaucratic procedures. Several of these implementing bodies carried out various types of development cooperation with other Southern countries long before SSTC became aligned with Indonesia's national development, or before the establishment of the Coordination Team. Many programs still operate without going through the Coordination Team. Therefore, some implementers fear new obstacles to their work with the creation of a central agency, along with new regulations and standard operating procedures.

As briefly explained above, by mid-2016, the tone had dramatically changed. The Ministry of Foreign Affairs included the establishment of a single agency for SSTC in its formal proposal of new laws for the

annual national legislation programme (*Program Legislasi Nasional / Prolegnas*). By the beginning of the second quarter of 2016, the proposal had received a green light and became an official part of the Prolegnas process. This meant that for it to go through, the Ministry of Foreign Affairs would have to come up with a more detailed proposal within months.

On 4 May 2016, a meeting took place between the Steering Committee of the Coordination Team, led by the Director-General of Information and Public Diplomacy of the Ministry of Foreign Affairs, and the senior officials (first echelons) of the other three key ministries. At the meeting, the four ministries reached agreement about establishing a single agency for SSTC by the end of 2016. On 1 June 2016, a workshop with a much wider audience sought ideas regarding several vital details of the single agency; four main areas have continued to spur discussion. First, the function of the single agency remains under debate. There are a few alternatives, but the most prevalent ones on the table have either an authoritative function or an implementing function. “Authoritative” means that the agency has the authority to plan and agree on projects/activities, but does not have the capacity to implement the projects on its own. In this connection, other line ministries will continue to carry out implementation. “Implementation” means that the agency will include a vast array of experts with the capacities to bring programs into effect, in addition to holding the authority for planning. As of the workshop in June 2016, no choice among these alternatives had been reached.

Second, the issue of funding remains unsettled. In particular, it is not clear whether or not the agency will govern a central fund channelled to its budget from the government. Another alternative would allow budget allocation to relevant line ministries that carry out the implementation. This is a sensitive issue that might take time to resolve, because it relates to the allocation of the national budget and the work performance rate (rate of programmes completed) of the implementing ministries.

Third, the structure of the agency also remains to be determined, although the Ministry of Foreign Affairs has come up with a proposal that has received general approval from the workshop participants. Fourth, the relationship between the single agency and the line

ministries and agencies that have historically implemented SSTC programmes has also proven a sensitive issue. Concerns have arisen that the establishment of the single agency will take away “ownership” of SSTC programmes from implementing agencies.

Despite the many unresolved details after the workshop in June 2016, overall the relevant ministries, agencies, and stakeholders seemed to share an excitement about the forthcoming agency. Several meetings followed the workshop in June, some open to the public and some confidential. Towards the end of the year, the process appeared to stall. The disagreements listed above remain unsettled, as the key ministries retain different ideas about the establishment of the agency. As of the writing of this paper, no significant further progress has been made.

The CSIS study (2014) propelled this urgency to pass a law (or at least a presidential decree) on managing foreign assistance — one that reflects Indonesia’s status as both recipient and provider country, that stipulates functions, roles, and institutional relationships among agencies engaged in SSTC, and that regulates the mechanism and operational frameworks for receiving and providing foreign assistance, including within SSTC frameworks. Had the Prolegnas process proven successful, leading to a new law establishing the single agency, we would have had an answer to at least some of the most pressing challenges. Unfortunately that has not been the case so far.

In the future, should we have this legal and institutional basis in place, the next steps should ensure that Indonesians receive proper justification and “socialisation” for SSTC actions. SSTC cannot succeed, and will not prove sustainable, without strong acceptance and support from domestic constituencies. Such efforts should take place through public outreach programmes, wider dissemination of SSTC information, and public awareness/education programmes targeting members of Parliament, political parties, media, the private sector, civil society, and the general public. These activities should clearly demonstrate the benefits of Indonesia’s SSTC both for the country and the wider international community.

## 6. Indonesia's Contribution to South-South Cooperation

Indonesia's current direction, and its opportunities to strengthen its position in the global development architecture, should take into account its role in the changing world economy (Sofjan *et al.*, 2014). Indonesia's economy has expanded strongly over recent decades, notwithstanding the sharp economic contraction that occurred during the 1997–1998 Asian financial crisis. This strong pace of growth has seen Indonesia become an increasingly important global economic actor. It is now the fourth largest economy in East Asia – after China, Japan and South Korea – and the 15th largest economy in the world in purchasing power parity (PPP) (Elias and Noone, 2011).

Indonesia has introduced the Master Plan for the Acceleration and Expansion of Indonesian Economic Development (MP3EI), an ambitious plan that would ensure that the population will share equally in the fruits of prosperity. Through the MP3EI, Indonesia aims to earn its place as one of the world's developed countries by 2025 (Indonesia Investments, n.d), setting targets of a USD 4.3 trillion Gross Domestic Product (GDP) with a per capita income (PCI) of USD 14,900.90. With this increasing wealth and larger national budgets and expenditure, foreign development cooperation in the form of incoming grants and loans has significantly diminished. Indonesia's role in the global arena has put the country into the ranks of the world's biggest economies in nominal GDP.

Indonesia is now one of the twenty nations that account for 85 percent of the world's GDP; as a member of the G20, it plays a central role in determining global economic policies. Indonesia takes its responsibility seriously to contribute to these discussions as a representative of the Global South; it has assumed an active role as Co-Chair of the G20 Pillar 9 on Knowledge-Sharing. The G20 has created decisive motivation within Indonesia to support international development, particularly in this area. Most documents published by the government — whether through relevant ministries, the National Coordination Team, or the President's speeches — have cited Indonesia's membership at the G20 as a significant factor in the plan to increase its SSC involvement.

According to Hatch (2012), as Indonesia increases its assistance to

other countries, development partners providing aid to Indonesia will need to change the way they operate. Realistically, Indonesia will probably receive less publicly-funded foreign assistance (ODA) from traditional donors. Yet the targeted provision of small amounts of resources for focused interventions — for example staff exchanges, triangular cooperation, and so forth — can have an enormous impact.

Indonesia's SSTC policy could become a pragmatic way for Jakarta to realise some of its broader foreign policy goals: promoting democracy and Indonesia's democratic image (including to the Muslim world), bolstering community-driven disaster mitigation, and supporting regional integration, peace, and stability (Hatch, 2012). In the G20 context, Indonesia could seek leverage for developing countries and SSC, so that the efforts carried out by global SSC actors gain proper recognition in the international development cooperation architecture, and can play a greater role in shaping that architecture to increase the involvement of developing countries.

## **7. Concluding Notes**

As strongly emphasised by Indonesian Vice-President Jusuf Kalla at a 2015 high-level discussion at the United Nations, South-South Cooperation must remain relevant (Witular, 2015). At this moment, SSC cannot realise its full potential due to a number of continuing challenges at the domestic level, as well as a lack of cohesion among the Southern providers. Indonesia, along with other SSC actors, needs a fresh approach to balancing national interests with the historical sentiments of solidarity.

Indonesia has come a long way since the Asian-African Conference in 1955, and has the potential to achieve more. The country's experiences have demonstrated both good and bad practices; recently, as detailed above, it has struggled to achieve adequate institutional mechanisms to deliver on its SSTC intentions. Considering the size of Indonesia's economy, its potential, and its status as a G-20 member, its experiences can provide useful lessons for other countries. For SSTC to achieve positive outcomes and impacts, it requires a strategic approach to assess

needs and shape programmes. Indonesia should plan and review its initiatives, not just at the tactical level of projects and programmes but in a broader, strategic context. This implies that it should develop a comprehensive national policy, along with institutional frameworks, adequate budget resources, and annual reviews for its SSTC. Moreover, Indonesia needs to enhance its engagement in the international agenda of SSC, and to adapt more to aid effectiveness principles — which, in turn, can provide a useful additional guideline to follow in overcoming current challenges. Adherence to these principles, along with monitoring and evaluation, hold the key to successful SSTC planning and implementation, leading to improved project-management capacity and impact assessment.

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# CHAPTER 6

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## Knowledge Sharing in Democratization: Mongolia's International Cooperation

*By*

*Ambassador Jambaldorj Tserendorj and Meloney C. Lindberg*

### **Abstract**

This chapter explores Mongolia's creation of an International Cooperation Fund (ICF) as a means for sharing its successful experience with democratization. It outlines the main phases of Mongolia's own post-Soviet-era path to democracy in a period of significant economic growth. The ICF has enabled Mongolia to advise the Kyrgyz Republic and Myanmar on free and fair elections, and has a strategic plan to expand its SSC offerings to other partners, economic circumstances permitting; currently, the fund confronts the effects of the economic downturn in Mongolia, despite having attracted noteworthy international support. Nonetheless, the ICF offers an important instance of how SSC can have substantial impact with modest means.

### **1. Mongolia Is a New Democracy Willing to Share Its Experience**

Since Mongolia's democratic revolution in 1990, the country has experienced a successful series of seven elections and has transitioned to an upper-middle-income country. Mongolia is a young democracy with a small population and tremendous mineral wealth. Its foreign policy

focuses on ensuring constructive and good neighborly relations with both China and Russia, promoting effective cooperation with former socialist countries, and engaging with developing countries within the Asia-Pacific region (Diplomat, 2016; MOFA Mongolia, 2017).

This chapter will explore Mongolia's nascent experience of knowledge-sharing through its International Cooperation Fund (ICF), a mechanism created in 2013 by the government to advance South-South cooperation (SSC) and promote several of Mongolia's foreign policy objectives. Despite the ICF's very narrow resources, Mongolia has managed to make small but important contributions to the SSC agenda, engaging with nations starting on or returning to a democratic path. The ICF mechanism has enabled state and non-state actors from the Kyrgyz Republic and Myanmar to learn from Mongolia's recent election experience. By sharing best practices and the challenges it has faced in conducting open, largely peaceful and fair elections, Mongolia has made positive connections with both nations, thus advancing their respective 2015 national elections. In 2015, the ICF finalized a new strategy to expand the Fund's scope, adding six additional Asian nations as partners for the succeeding five years<sup>1</sup> (MOFA Mongolia, 2016a; Jambaldorj, 2015).

## **2. Mongolia's Democratic Transition and Introduction to South-South Cooperation**

Mongolia is a landlocked sovereign state in East Asia, bordered by China to the south and Russia to the north, with a population of nearly

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1 The International Cooperation Fund initially focused on Afghanistan, Democratic People's Republic of Korea, the Kyrgyz Republic, and Myanmar. Following two years of implementation, the Ministry of Foreign Affairs sought better ways of communicating the fund's purpose to international partners and donors. Based on a needs assessment conducted among government officials, policymakers, academic and civil society partners, the Ministry decided to expand the scope of the fund and added six countries: Bhutan, Cambodia, East Timor, Laos, Nepal, and Sri Lanka.

three million people (Rossabi, 2005; National Statistics Office, 2014). In March 1990, amid the collapse of the Soviet Union, the Mongolian people chose to pursue a peaceful and democratic path. This new choice — to develop Mongolia into a country with respect for human rights, democratic values, a market economy, and the rule of law — ended 70 years of one-party rule. Political pluralism gained legal recognition and the shift toward a multi-party political system began. A young group of artists and cultural activists,<sup>2</sup> invited by the ruling party to a meeting in November 1989, helped to galvanize the Mongolian public. In the days following Soviet *perestroika* and *glasnost*, and with changes sweeping across Eastern Europe, these young people openly voiced their criticism of the one-party system. Demanding a new, more representative governing structure, and aiming to gain public support, they created four associations<sup>3</sup> that would eventually become the first organized political opposition parties. Their efforts bore fruit, as they were able to persuade more than 100,000 people to join them in a meeting on Sukhbaatar Square on March 4, 1990 to press for a new democratic system.<sup>4</sup> In May 1990, the ruling party, responding to these new democratic organizations, agreed to amend the 1960 Constitution of Mongolia (Butler, 1982), thus starting the peaceful transition of power. This amendment allowed for the first-ever democratic elections of the State Great Hural (Parliament), which took place in July 1990 and created the first elected-representative permanent unicameral parliamentary structure<sup>5</sup> (Ginsburg, 1995). Before the adoption of a new constitution

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2 The Mongolian Peoples' Revolutionary Party hosted The Second Meeting of Young Artists on November 26, 1989. They continued meeting separately for several days and formed an association called the Mongolian Democratic Union (Baabar, 2016a).

3 The associations were the Democratic Union of Mongolia, Democratic Socialist Movement, New Progressive Alliance and Students' Association of Mongolia. "Among these, the Students' Association of Mongolia was an official entity created by the Communist system." (Baabar, 2016a: 338)

4 More than 100,000 people gathered in Sukhbaatar Square on March 4, 1990 demanding the resignation of the Politburo (Baabar, 2016a).

5 Prior to 1990, Mongolia was governed by a "Great People's Hural" comprised of party-nominated and appointed representatives. "In 1990, a new bicameral legislature was elected comprising of a Great Hural and a

on January 13, 1992, a power-sharing arrangement went into place to implement constitutional and economic reforms. A “State Small Hural” acted as a placeholder for two years, from July 1990 until the June 1992 elections that followed ratification of the new constitution. (Baabar, 2016b). Mr. P. Ochirbat, the first President of democratic Mongolia, observed that Mongolia was the first Asian country to simultaneously transform itself into a democracy and a market-oriented economy (Ochirbat, 1996).

Since these reforms coincided with the dissolution of the Soviet Union — until 1990, a provider of significant economic aid to Mongolia’s state budget — the country experienced harsh economic problems. Enterprises closed down; inflation rose, and basic food supplies required rationing. Foreign trade and economic technical aid stopped, and the domestic economy struggled with newly-introduced privatization (Ochirbat, 1996; Sabloff, 2001). Mongolia’s senior statesmen at the time were acutely aware that the country had to adjust its foreign policy to address this crisis.<sup>6</sup> Mongolia’s first step was to re-engage and repair relations with its “two neighbors” — both China and Russia — and its second step was to request direct foreign aid from “third neighbors,” including Europe, Japan, and the United States. Mr. Ts. Gombosuren, (Foreign Minister of Mongolia 1988-1996) described

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Small Hural. The Small Hural was a standing parliament elected by proportional representation and responsible for passing ordinary legislation. The Great Hural was responsible for deciding major affairs of state, appointing the prime minister and the cabinet and amending the constitution” (Ginsburg, 1995). This new “State Great Hural” included 430 members until ratification of a new constitution in 1992, when a multi-party election replaced these members with 76 elected representatives to the new State Great Hural.

- 6** A key principle in Mongolia’s foreign policy concept, within the political field, is its definition of relations with its two neighbors: “Maintaining friendly relations with the Russian Federation and the People’s Republic of China shall be a priority of Mongolia’s foreign policy activity. It shall not adopt the line of either country but shall maintain in principle a balanced relationship with both of them and shall promote all-round good neighborly cooperation. In doing so, the traditional relations as well as the specific nature of our economic cooperation will these two countries will be taken into account” (MOFA Mongolia, 2017).

this adjustment as Mongolia's need to "shake hands" and make friends with "ideological" enemies from influential countries, ones with greater financial wealth and technological expertise (Gombosuren, 2016).

As Mongolia forged its own independent foreign policy, it formally joined the Non-Aligned Movement (NAM) and the United Nations Group of 77 in 1993, where it first encountered the principles of South-South Cooperation (United Nations, 2016). Mongolia was eager to step onto the world stage; its NAM membership provided a safeguard to its newly-independent foreign policy and the confidence to engage internationally (PMOMUN, 2016).

Despite its sovereign-nation status, Mongolia's foreign policy stance prior to 1990 had operated under significant Soviet oversight, including Soviet engagement in managing the economy, developing and maintaining infrastructure, and subsidizing the agriculture, health, and education sectors. At the same time, this oversight limited Mongolia's foreign engagement to countries with a similar socialist political system — for example, Democratic People's Republic of Korea (North Korea), communist states in the former Eastern Europe, as well as other Asian countries such as the Socialist Republic of Vietnam and the Lao People's Democratic Republic (Laos). This restricted contact with other democracies makes Mongolia's peaceful transition an even more impressive achievement, and a model for the region to emulate.

In its early years of transition, Mongolia had to overcome governance challenges confronting its new democratic government. These included the adjustment of authority across branches of government, the principle of checks and balances, the role of an open and free media, and the emergence of civil society. Now after a quarter of a century, with some experience and its own resources, Mongolia has shown itself willing to share the lessons gleaned from its democratic transition with other countries, in the region and beyond. Coupled with democratic reforms, Mongolia also changed from a centrally-planned economy to a market-based over this same period. Its strikingly positive relations throughout Asia (with both democracies and authoritarian states) position Mongolia as a neutral, independent interlocutor and a role model for successful democratic elections. It also offers a case study in addressing governance challenges that arise during democratic transition (MOFA

Mongolia, 2016a).

### **3. Advancing SSC Through the New International Cooperation Fund**

Two main factors catalyzed Mongolia's creation of a formal mechanism for SSC. First, Mongolia served as president of the Community of Democracies (CD), an intergovernmental organization first proposed by US Secretary of State Madeline Albright and set up to support democratic transition and consolidation worldwide <sup>7</sup> (Addelton, 2013). Shortly after its creation in 2000, the CD organized working groups to advance key areas of democratic development. During Mongolia's presidency from 2011-2013, it led important efforts within the working group on Education for Democracy, and introduced a resolution unanimously adopted by the United Nations General Assembly on November 26, 2013 <sup>8</sup> (Leissner, 2013). Mongolia's leadership on this initiative enabled it to secure the current position of co-chair (with Poland) of the Education for Democracy Working Group. Second, the momentum of this successful leadership dovetailed with double-digit economic growth during the same period, thus increasing state revenues; this prompted the Parliament of Mongolia, at the suggestion of President Elbegdorj, to amend the special government fund mechanism to include a new effort dedicated to advancing South-

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**7** The CD was formed in June, 2000 with an initial membership of ten countries (Chile, Czech Republic, India, Mali, Mexico, Poland, Portugal, South Africa, South Korea and the United States) that assembled for the CD's first ministerial meeting, held in Warsaw. Six years later in 2006, Mongolia joined the CD. The CD's main purpose is to bridge the gap between principles of democracy and universal human rights (Leissner, 2013).

**8** The resolution titled "Education for Democracy" (document A/69/L.54), introduced by the representative of Mongolia and adopted without a vote, also strongly encouraged member states to integrate education for democracy, civics, and human rights into education standards and to develop and strengthen programmes and activities aimed at promoting democratic values and governance (United Nations, 2015).

South cooperation, especially by sharing Mongolia's democratic story with other nations. As expressed by the President's then Chief of Staff, Mr. P. Tsagaan, "For the last 25 years, Mongolia has received assistance and now we are ready to share our learning and experience with those who are interested" (Tsagaan, 2015).

As Mongolia quickly gained recognition and attracted interest from outside, establishing a mechanism to promote SSC also gained political traction. The Ministry of Foreign Affairs received the mandate to create and manage the International Cooperation Fund (ICF) in support of objectives within the political arena. These foreign policy principles included strengthening Mongolia's position in Asia, developing countries of the former socialist community, and fostering friendly relations and cooperation with developing countries<sup>9</sup> (MOFA Mongolia, 2017). The ICF served as a vehicle to promote peaceful engagement in the region, support a strengthened security framework, and promote democratic governance (Batbayar, 2016).

Compared to traditional Development Assistance Committee (DAC) donors of official development assistance (ODA), who base their programs on detailed planning and the availability of significant financial resources, Mongolia adopted a distinctive approach to SSC and its development of the ICF. It sought to work in the regions and places where Mongolia already had political, cultural, historical or religious ties, beginning with modest financial means and testing the waters to learn and adjust as it moved forward. However, these efforts should not foster the perception that Mongolia sought to dictate to these neighbors, as then-Foreign Minister Bold has noted (Bold, 2015).<sup>10</sup>

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**9** Mongolia's foreign policy officially centers around four main elements related to political, economic, scientific and technological, and cultural and humanitarian areas. ICF follows three of the six objectives within the political area. (MOFA Mongolia, 2017).

**10** "We are setting up this fund to support democracies in the region and it should not be limiting nor should it be perceived as Mongolians trying to teach others" (Bold, 2015).

## 4. What is the ICF and How Did Mongolia Create It?

The ICF aims to strengthen Mongolia's international role and contributions, as a species of diplomatic soft power reflecting its key political foreign policy directions within Asia (MOFA Mongolia, 2017). An amendment to the Special Government Funds Law on February 8, 2013 (CRCM, 1996) provided the legal framework for the ICF; its annual budget requires the approval of Parliament. The funding allocation for 2014 came to Mongolian Tugrik (MNT) 1.8 billion (USD 1,285,000); in 2015 it remained at the same level, and in 2016 it decreased to MNT 1 billion (USD 526,300).<sup>11</sup>

The ICF has a seven-member governing board, chaired by the Minister for Foreign Affairs, with a secretariat initially housed within the Multilateral Cooperation Department of the Ministry of Foreign Affairs from 2013-2014. On September 1, 2014, the Minister of Foreign Affairs re-assigned the secretariat to an Ambassador-at-Large for International Cooperation. The Ministry saw further restructuring after the change of government at the end of 2014; after January 1, 2015, the ICF became a division with a chair within the Ministry of Foreign Affairs.<sup>12</sup> As early SSC programming through the ICF began, then-Department head Gonchig Ganbold emphasized its objectives of solidarity; in addition to the above-noted concerns for peace, security and democratic governance, he stressed potential contributions to human rights, gender equality, and environment and climate<sup>13</sup> (Ganbold, 2016).

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**11** This was the amount approved by Parliament. However, following the Ministry of Finance allocation to the MFA only 50 percent was disbursed.

**12** In early 2017, further adjustments within the Ministry of Foreign Affairs and Trade resulted in the ICF's reorganization within the portfolio Department of International Cooperation; the secretariat is currently led by the deputy head of the department.

**13** Ambassador Ganbold served as director of the Multilateral Cooperation Department at the creation of the ICF, and is Ambassador to India at the time of this writing.

## **5. Where Does Mongolia’s SSC Focus its Efforts, and How Does it Use the ICF?**

After its creation, the ICF initially focused on Afghanistan, the Democratic People’s Republic of Korea, the Kyrgyz Republic, and Myanmar. The selection of these countries followed adherence to foreign policy priorities in the political field (MOFA Mongolia, 2017), and arose from several Mongolian foreign policy initiatives from 2011-2015: active participation in sending peacekeepers to Afghanistan, concerns over security on the Korean Peninsula, and high-level meetings between Mongolia’s President Elbegdorj and the former Interim President of the Kyrgyz Republic, Roza Otunbayeva, and also with the Nobel Laureate, State Councilor and Minister of Foreign Affairs of Myanmar, Aung San Suu Kyi. Based on a strategic review conducted in 2015 and under the guidance of Mongolian foreign policy — particularly with regard to working in developing countries in Asia — the MFA added six new countries in the Asia-Pacific region to the ICF’s geographic scope. These included Bhutan, Cambodia, East Timor, Laos, Nepal, and Sri Lanka. All these countries could do more than serve as potential strategic partners; several had also undergone recent democratic transitions that might benefit from the Mongolian dialogue and thus fell within the scope of Mongolia’s broad foreign policy aims.

## **6. What Are the ICF’s Plans and Strategy?**

Mongolia did not have a strategy in place to advance SSC until the formal plan adopted for the ICF at the end of 2015 (MOFA Mongolia, 2016a). Instead, from 2014 on, the MFA developed a broad scope of work approved by the Foreign Minister, aiming to deploy ICF funds in directions reflecting SSC aims. This scope of work outlined themes, proposed countries for engagement, and estimated the budget needed to carry out planned activities. Initial areas of interest included administering multi-party elections, developing an open and accountable media, and advancing responsible mining. These themes supplied the basis for organizing several substantive conferences and seminars in

Ulaanbaatar. Some of these conferences and seminars were co-organized by the ICF Secretariat and international development partners. The events aimed to gather an international audience; government and non-government actors were invited to participate. Initially, funds from the ICF provided the main source of support; over time, international donors increased their share of support.

At the end of 2015, the ICF successfully formulated and adopted its first-ever Strategic Plan of Activities, projecting actions for the succeeding five years. It developed this plan with multilateral professional advice and expertise support from the Mongolia country offices of International Republican Institute (IRI), the United Nations Development Fund (UNDP) and The Asia Foundation (TAF). The Strategic Plan of Activities is a framework to support focused cooperation in eight areas, including mining and mineral resources, democratic paths of development (inclusive of market economy principles), good governance, human rights, citizen participation, democracy education (civics and citizens participation), freedom of press and media, and environment and nature. The placement of the ICF within the Ministry of Foreign Affairs fosters its credibility as a viable and trusted convening mechanism, one that allows for shared lessons on democracy with state and non-state actors.

The creation of a formal strategy supported three objectives. First, the funding mechanism became more open and transparent to the public. Second, it served to clarify the direction of Mongolia's SSC and garner additional support from international partners and donors. Third, it provided a basis for ICF sustainability through the next election cycle, at a time when an economic downturn had placed increasing strains on the state budget.

The formal strategy also put into place co-implementation principles to be determined through dialogue and joint agreements with specific countries. The ICF reports publicly on its activities and budgets each year. Finally, the ICF Governing Board carries out an evaluation of the Fund's activities every two years and makes recommended adjustments.

In 2013, the ICF initiated three key SSC activities: training in international relations and foreign policy for young diplomats from Afghanistan; a people-to-people exchange on youth issues with the

Democratic People's Republic of Korea; and a regional security dialogue on northeast Asia under the Ulaanbaatar (UB) Dialogue, an initiative of President Elbegdorj (MOFA Mongolia, n.d.). In July 2014, in concert with The Asia Foundation (TAF), the Mongolian Ministry of Foreign Affairs organized an internal workshop on other Asian approaches to development cooperation; this aimed to inform future directions for SSC and planning for the ICF's 2014 activities. Also in 2014, the ICF supported small levels of humanitarian assistance to the Democratic People's Republic of Korea (North Korea), and intensified its engagement with Myanmar and the Kyrgyz Republic on good governance-related exchanges. In 2015, ICF-supported actions focused primarily on the administration of elections. All these SSC activities represented a systematic movement toward focusing on strategic themes on an annual basis.

One important aspect of the ICF mechanism, as a special government fund, is that it permits contributions from other funding sources, such as foreign governments and international organizations. This has allowed a 50 percent leveraging of ICF-financed SSC over the past three years. In 2015, for example, with a budget of MNT 1 billion (USD500,000), the ICF augmented its own funds with an additional USD250,000 from other international sources — a valuable aid in carrying out its planned activities. The cost-sharing has crucial benefits: in accordance with the ICF strategic plan, no less than 80 per cent of the fund expenditures will finance activities organized in Mongolia. Thus the cost-sharing has enabled larger delegations and more countries to benefit from early SSC programming through the ICF; it has also permitted the Fund's Secretariat to participate in international conferences where it can more broadly explain its new SSC efforts.

## **7. Sharing Successful Elections Practices**

Mongolia's experience with largely successful democratic elections has enabled the country to develop and advance as a democracy, despite its geographic location and the differing political systems of its neighbors. Given Mongolia's relatively small population, its electoral

system has kept pace with its ability to combine transparency with efficiency — for example, in using technology such as voting machines for greater accountability and faster tabulation; in vetting candidates adequately for conflicts of interest; and in shortening overall campaign periods. These have all contributed to reducing costs to the state for elections administration and promoting wide acceptance of election results. Thus, 2015 proved an appropriate time to begin sharing Mongolia's election experiences with interested nations in the region.

### ***Engagement with the Kyrgyz Republic***

One of the target countries of cooperation is the Kyrgyz Republic in Central Asia. This arises primarily from the countries' shared experience in the Soviet ambit and their almost simultaneous trajectory away from it. Mongolia has maintained friendly bilateral relations with the Kyrgyz Republic since the latter's independence from the Soviet Union in 1991 (one year after Mongolia's own independence). During Mongolia's Presidency of the Community of Democracies, it intensified its collaboration with the Kyrgyz Republic, sharing lessons about the conduct of elections, parliamentary democracy, and legal reform.

More than five delegations from the Central Election Body<sup>14</sup> of the Kyrgyz Republic visited Mongolia (with three Mongolian delegations of officials and experts returning the visits) before the former's 2015 elections. The ICF worked in collaboration with the Konrad Adenauer Foundation (KAF) as well as the Open Society Forum (OSF) for many of its elections-related exchange programs. Through these exchanges, Kyrgyz delegates learned how Mongolia administered its elections openly and transparently, promoted an open and independent media, consulted with civil society, and quite recently adapted technological advances to collect and use citizen biometric data (fingerprints), including their use in electronic voting machines. ICF organized a study visit for Kyrgyz delegates in April 2015 to share experiences on election preparations, with support from the Organization of Security and Cooperation of Europe (OSCE) Centre in Bishkek, Kyrgyzstan.

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**14** Central Commission for Elections and Referendum of the Kyrgyz Republic.

Mongolia successfully introduced the use of electronic voting machines for its 2012 Parliamentary election and subsequent 2013 Presidential election. When the Kyrgyz Republic held its Parliamentary election in October 2015, it employed biometric voter data and electronic voting machines for the first time, a decision based partially on Mongolia's specific experience of free and fair elections (MOFA Mongolia, 2016b).

The ICF also supported the visit of two Mongolian election observers<sup>15</sup> as part of the OSCE mandate<sup>16</sup> for the Kyrgyz Parliamentary election. The observers witnessed the outcome of the election and declared it to be free and fair.<sup>17</sup> These high-level Kyrgyz delegation visits produced other important outcomes in the form of bilateral cooperation agreements. Ms. Shaimkulova Ainura, Deputy Chair of the Kyrgyz Central Commission for Elections and Referendum, forged a partnership between her election body and Mongolia's General Election Committee.<sup>18</sup>

### *Engagement with Myanmar*

Mongolia and Myanmar have had longstanding diplomatic relations, and following the democratic reforms of the 1990s, Mongolia sought to restore normal bilateral relations between the two countries. Mongolian President Tsakhia Elbegdorj took the initiative of collaborating with the National League for Democracy of Myanmar and its leader Aung San Suu Kyi, sending his Foreign Policy Adviser Lundig Purevsuren<sup>19</sup> to

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**15** Observers to Kyrgyz Republic, Mr. Dugardorj Bayanduren and Mr. Jamba Erdenebat

**16** Copy of OSCE Mandate (OSCE-ODIHR, 2016).

**17** As reported by the Centre for Baltic and East European Studies, international and domestic observers declared the election to be free and fair (CBEES, 2015).

**18** "Mongolia has become the leading democracy in [the] Asia region after only 25 years of democratic changes and has had many achievements, accumulated great experience on democratic development to share other new democracies such as my country the Kyrgyz Republic" (Ainura, 2015).

**19** Lundig Purevsuren served as the President's Foreign Policy Advisor from 2009–2014, was Minister of Foreign Affairs from 2014–2016 and currently serves as the President's Foreign Policy Advisor.

Myanmar several times for talks with NLD officials. In particular, Mr. Purevsuren invited Aung San Suu Kyi to Mongolia to participate in the Ministerial Conference for the Community of Democracy, held in Ulaanbaatar in 2013. Her acceptance initiated positive cooperation between the Mongolian Government and the leadership of Myanmar's opposition. Meanwhile, these contacts have actively strengthened the political relations between the two countries.

Since the establishment of the ICF, Mongolia has shared its experience of democratic development with Myanmar through seminars, workshops, and study visits with government officials and media. In 2014, Mongolia organized a one-week special training for 20 journalists from Myanmar in Ulaanbaatar (Office of the President, 2014). In March 2015, the ICF supported a study visit and exchange on democratic transition. Participants included nine presidential advisors from Myanmar along with senior policy makers and former Mongolian leaders, including Mongolia's first President Mr. P. Ochirbat. In May 2015, in cooperation with The Asia Foundation and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Mongolia hosted ten senior Myanmar ministerial and local government representatives for a training seminar on good governance approaches and democratic election processes. All these events played an important role in deepening political relations. After each of these delegation visits, Mongolia welcomed an official, state-level visit from Myanmar, by Foreign Minister Wunna Maung Lwin in April and Myanmar's President U. Thein Sein in June, respectively (Office of the President, 2015; News MN, 2015).

Following its landslide victory in the November 2015 Parliamentary elections, Myanmar's National League for Democracy has actively expanded its political relations with Mongolia, and has taken it as a model of good governance and democratic development and transition. The NLD has expressed interest in inviting Mongolian politicians to Myanmar after electing its new President, for an exchange of experiences on building a democratic political system.

Both cases demonstrate the value of the SSC facilitated through the ICF. Following its knowledge-sharing exchanges with Mongolia, the Kyrgyz Republic's own election body has made key investments in election administration through the use of electronic voting machines. In

the case of Myanmar, early visits from high-level delegations have helped to build trust for future engagement with Mongolia. The experience with both countries has highlighted that emerging and re-emerging democracies seek detailed information on certain aspects of elections, including financing, political party development, and increasing voter participation, especially among youth. This insight charts a path for the ICF to further develop relevant materials on these topics, in collaboration with civil society partners.

## **8. Lessons, Successes and Challenges**

A relative newcomer in the region as a provider of SSC, Mongolia has approached this new arena nimbly and responsively. Drawing on the lessons from the startup of the ICF, Mongolia could transition from an ad-hoc to a strategy-based approach for its SSC. These changes in approach could lead to key improvements in the implementation of the ICF program.

### ***Building on Partnerships That Work***

A new strategy for the ICF may allow Mongolia to better plan and target its opportunities and attract co-funding from other donors. Particularly when state budget resources are likely to become scarce (due to an anticipated economic downturn over the next few years), the ICF could capitalize on external funding sources to carry out a reduced and leaner set of programs. The recent substantive engagement with countries such as Myanmar and the Kyrgyz Republic has bolstered the ICF rationale and shows how cooperation may continue even with competing demand for limited resources.

The ICF's strength lies in its demand-driven character and its responsiveness to the needs of the partner country. For example, the ICF secretariat tailored all the visits, exchanges, and knowledge-sharing events with the Kyrgyz Republic and Myanmar to each delegation's areas of substantive interest. Another strength is that ICF programs invite leading Mongolian figures and policy-makers, including women

MPs, ministers, leaders of civil society, and academics, to serve as resources during these events. This high-level leadership engagement adds to the value of these exchanges. In addition, nearly all ICF delegation visits to Mongolia have included a courtesy call with the President of Mongolia, which enhances their success. In the case of the Kyrgyz Republic, MPs often led the delegations and acted as catalysts to promote rapid policy-level reforms on their return home.

The ICF's opportunities to gain broad international exposure and participate in regional South-South fora also signal a key success of the program. This exposure has led to greater internal support within the MFA for the ICF and has helped the secretariat to clearly articulate and share Mongolia's SSC efforts with international audiences. This dialogue has led to further refinement of the ICF's focus.

Under the previous administration, (July 2012–July 2016) discussion of the ICF also figured routinely in the Mongolian Foreign Minister's meetings with new Ambassadors and visiting foreign ministers, as well as on trips abroad. The current Minister of Foreign Affairs and Trade, Mr. Munkh-Orgil, has begun to prioritize ministerial areas of focus, with an expanded portfolio that also includes trade issues; it remains to be seen how he might deploy the ICF.

In what has proved an essential response to Mongolia's severe economic downturn, ICF's important co-financing measures have also gained momentum. After its early and significant success in attracting co-financing from partners from Europe and North America, the ICF could also identify appropriate ways to engage with regional actors, such as Japan and Korea. The ICF started with a focus on Asia; the first co-financing support came from The Asia Foundation in the formative stages of the ICF's development. This introduced the ICF secretariat to issues receiving support from emerging Asian donors and showed how this support contributed to South-South cooperation. (TAF 2014). The next critical point occurred during Mongolia's celebration of 25 years of democracy in July 2015; at this time the International Republican Institute (IRI) and the Soros Foundation, through the Open Society Forum (OSF), began co-financing support for democracy and elections-related efforts in Mongolia. In January, 2016, the Mongolian office of the Open Society Forum, working with the Office of the President,

pledged co-financing for the ICF for 18 months.

### ***Recognizing Challenges***

The startup phase of the ICF has also revealed challenges and areas for improvement. These particularly arose in identifying potential areas for engagement with partner countries, and in obtaining pledges from international supporters that would continue beyond the current year of programming. In the first year of the ICF, when plans remained relatively fluid, a Mongolian senior state official (such as the Foreign Minister or the President) served as the catalyst to introduce the ICF to a potential partner country. While this approach certainly helped launch the ICF, any new strategic action plan would do well to support a more robust mutual planning process with partner countries at the diplomatic and government levels.

Based on Foreign Minister Munkh-Orgil's longer-term priorities for the Ministry, the ICF would also benefit from support to strengthen its own capacity, learning from other countries and accumulating experience on how such an institution might work regionally. The main challenge the ICF faces is a stable budget allocation from the Ministry of Finance, coupled with financial support from external sources to implement planned activities within the strategic plan. It could also develop its advocacy with new Members of Parliament and leaders in government, informing them of the benefits of the ICF to ensure their continued support when the country's budget situation improves.

In late 2016, in the wake of the budget crisis, the Ministry began restructuring the ICF, taking it from a stand-alone division directly under the Minister to a program within the multilateral cooperation department. The leaner program planned for 2017 could still have strong impact within its smaller scope, while allowing those running it to consolidate its gains and develop materials and case studies from its initial three years of implementation.

### ***Looking Ahead and Recommendations***

A new strategic plan for the ICF could develop a series of robust

informational materials and case studies around the eight areas of cooperation identified in the Strategic Plan of Activities (as outlined above). With these materials readied and minimum funding sources identified, the MFA could reach out through its diplomatic channels to set up a mutually agreeable country-level plan in each country it would like to partner. For example, if the MFA decides that it would like to engage with Laos, it could follow these steps: the ICF Secretariat could propose a visit to Laos, convene a workshop with key stakeholders, and develop a four- or five-year cooperation plan, focused on topics and themes that Laotian stakeholders identify as areas where they could learn from Mongolia. Furthermore, having documented successful case studies of knowledge-sharing and exchange (such as those with Myanmar and Kyrgyz Republic), Mongolia could make these available as a learning resource for Laos and other countries. This approach could, in turn, help Mongolia to increase its own domestic resources for the ICF, and secure advance commitments from international and other sources for future cost-sharing.

## 9. Conclusion

In less than two decades, Mongolia has successfully shifted from being one of the largest aid recipient countries in the world in terms of gross domestic product (GDP) to becoming a new SSC provider country, willing to share its knowledge and experience of its own democratic development (Luvsandorj *et al.*, 2014).

The International Cooperation Fund has enabled Mongolia to leverage humble resources and make a significant impact with its partners. As the ICF had no commitment to a stringent strategy in its initial two years, it could be responsive, nimble, and quick to engage. This learning by doing, the trial and error approach, could enable future decision-makers to make and act on a clear set of new strategic priorities.<sup>20</sup>

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**20** In early 2017, the Ministry of Foreign Affairs once again re-organized the International Cooperation Fund, as noted above; it now sits within the

In the specific cases of the Kyrgyz Republic and Myanmar, both countries faced significant, first-time multi-party elections. Like both these countries, Mongolia had roots in a socialist past, and it had undertaken a democratic reform process that included seven successful multi-party elections. In sharing that experience, Mongolia renewed long-term and trusted relationships with these two countries, starting discussions at the top and bringing relevant government bodies together to learn from each other. In 2015, when the ICF added several more Asian countries as participants, discussions on election organization broadened to include relevant international examples for countries such as Sri Lanka, Bhutan, and Nepal.

Mongolia did not approach the development of its ICF with the intention of gaining recognition as an SSC provider; rather, it quickly emerged that Mongolia could use the fund to promote improved regional relations, strengthen its use of soft power, and share its democratic lessons with other interested nations in Asia. Mongolia also recognized, in all due humility, that if it could do nothing else, it could at least use its small resources to convene people, particularly within governments, to share experiences.

And so Mongolia emerged as a contributor to South-South cooperation in a small but meaningful way. Following 25 years of democracy, Mongolia was proud to share its experiences with emerging democracies and developing countries. With continued support from the MFA and international partners, the ICF could become a flagship initiative of Mongolia's foreign policy and a contributor to a novel model of SSC in Asia.

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department of multilateral cooperation without management by a senior diplomat. Under the arrangement in place from 2014–2016, the secretariat reported directly to the State Secretary.

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# CHAPTER 7

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## China and India in Post-Disaster Nepal: An Evolving Narrative on South-South Cooperation\*

*By*  
*Swarnim Waglé*

### **Abstract**

This chapter describes recent Chinese and Indian engagements in Nepal, with an eye to the latter's unique strategic location between the two larger countries. The author delves into how (or whether) South-South cooperation differs from traditional aid in its approach to general development assistance, response to humanitarian crises, and overall foreign policy interests; the Great Nepal Earthquake of April 2015 serves as an exemplary case study. The chapter concludes with policy guidance on enriching the model of South-South cooperation — one adapted to substantive but asymmetric interdependence among twenty-first century nations, but moving away from the symbolic, reciprocal solidarity that marked the Cold War era.

### **1. Introduction**

Nepal is not the only country that shares a border with both China and

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\* This chapter largely draws on the personal and professional reflections of the author in his capacity as a Member of the National Planning Commission in the Government of Nepal between May 2014 and November 2015, and from September 2016 to the time of this writing.

India, Bhutan, Pakistan, and Myanmar also share this distinction. What is unique about Nepal, however, is that its sovereign status in the modern era predates that of all its neighbors.<sup>1</sup> Pakistan and Myanmar were part of British India, and Bhutan does not yet have a diplomatic relationship with China. Nepal offers, therefore, a unique perch for a simultaneous study of China *and* India. It is both a neighboring country affected by their rise and a representative low-income country, one that both India and China have courted in their respective spheres of political influence since the 1950s. Their overture proceeded along symmetrical lines for the first three decades, organized under the largely symbolic rubric of ‘South-South solidarity;’ in the twenty-first century, however, it has taken on a geopolitical and commercial fervor that matches the two giants’ robust rise.

Between 2010-2011 and 2014-2015, according to the formal records of actual aid disbursements (not announcements) kept by the Government of Nepal,<sup>2</sup> China and India ranked among the top eight bilateral development partners, and among the top 12 overall (see Table 7-1).<sup>3</sup> While China’s aid has doubled in nominal terms over the past five years (from about USD 19 million in 2010-11 to USD 38 million in 2014-15), India’s has stayed in the range of USD 50-60 million, notwithstanding an abrupt drop in disbursement to USD 22 million in the most recent year of record.<sup>4</sup> Both China and India maintain, however,

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1 While both China and India became sovereign in their existing shape in the 1940s, Nepal has been unified and independent since 1769.

2 Aid Management Platform and Development Cooperation Report (Government of Nepal, 2016a; 2016b).

3 The major bilateral and multilateral donors in Nepal rank as follows, based on average aid disbursements over the past 5 years (2011-2015): World Bank (USD 244 million), Asian Development Bank (USD 156 million), UK (USD 117 million), United Nations (USD 72 million), United States (USD 63 million), Japan (USD 50 million), India (USD 47 million), European Union (USD 39 million), Switzerland (USD 34 million), Norway (USD 33 million), China (USD 32 million) and Australia (USD 24 million) .(Author’s calculations based on MOF [2016]).

4 Citing Nepal’s inability to spend aid resources, India reduced its allocation by about 40 percent for the year 2016-17, to about USD 45 million (Kathmandu Post, 2016). However, in the 2017-18 budget, it increased its grant allocation for Nepal to about USD 55 million (Bhattarai, 2017).

Table 7-1 | Disbursed grants and loans in Nepal (USD million)

		2010-11	2011-12	2012-13	2013-14	2014-15
1	World Bank	256	270	231	277	188
2	Asian Development Bank	184	193	101	156	148
3	United Kingdom	93	84	90	151	168
4	United Nations	113	108	69	27	44
5	United States	48	22	67	45	132
6	Japan	59	44	66	41	40
7	India	51	50	64	48	22
8	European Union	42	44	28	52	31
9	Switzerland	28	33	42	34	32
10	Norway	33	42	33	24	31
11	China	19	28	34	41	38
12	Australia	22	23	16	30	28

Source: MOF (2016).

that these figures underestimate their cooperation, whose current range far outweighs what is officially recorded. A statement from the Indian Embassy in Nepal noted that in 2014-2015, it had transferred aid worth about USD 50 million (some directly to beneficiaries and some indirectly through the Government of Nepal), in physical infrastructure, transport vehicles, training and scholarships, among other forms. Chinese aid has also tended to focus on infrastructure and scholarships, as well as preferential tariff rates applied on imports from Nepal.

China and India hesitate to be identified as “donors” or even “development partners” in the sense associated with the Organisation for Economic Cooperation and Development’s Development Assistance Committee (OECD-DAC) — long the single most significant source of official development assistance, and a leader in defining and benchmarking the principles of global aid effectiveness. In Nepal, neither country participates formally in the International Development Partners’ Group, or actively in Local Donors’ Meetings, fora where the traditional aid providers interact with the Government. Even when their

aid values have begun to match or surpass amounts granted by OECD countries (such as the United Kingdom, Japan and the United States), China and India still prefer to use phrases referencing “South-South solidarity” and neighborly “cooperation” as guiding precepts of their development assistance. They prefer to exercise their leverage discreetly and through trusted channels, and not through mass media.

Indeed, both China and India seem aware that not so long ago, they had per capita income close to that of other Southern countries; they maintain, perhaps somewhat coyly, that symmetry and reciprocity remain the rule for their mutual relationships with those allies. The latter no longer holds true, whatever the two countries might pretend — somewhat belying their vast material gestures of goodwill towards smaller nations.

As summarized by Park (2011), for each of the Paris principles of aid effectiveness, Chinese and Indian forms of aid do differ in emphasis and approach from those of traditional donors. In Nepal, as in other countries, aid from China and India often responds to the preferences and requests of national leaders and ruling parties, rather than following a rigid plan or strategy document. In general and particularly when concessional aid is channeled through the Chinese or Indian Export and Import (EXIM) banks, preference is given to their own companies and institutions to complete projects on the ground rather than involving a national partner agency. While traditional aid, for declared accountability reasons, may become bogged down in quantifiable targets and verifiable results, Chinese and Indian forms of aid tend to avoid burdening recipient bureaucracies with execution responsibilities as well as policy conditionality.

Table 7-2 distills Park’s framework, augmented and reaffirmed by what this author witnessed of Chinese and Indian responses during the early earthquake rescue and recovery efforts of April 2015. Even though this was not a normal development aid intervention, the humanitarian response notably conforms to the pattern described by Park (2011). One should note, however, that this benign side of South-South aid and cooperation has increasingly given way to commercial considerations. For example, even as China is helping build major international airports

Table 7-2 | Evolving Modes of Development and Humanitarian Cooperation

Paris Principles	Traditional donors	New development partners	Application during Nepal Earthquake 2015 (new development partners)
Ownership	National development strategies outline priorities for donors	National leadership articulates need for specific projects	Direct response to Government of Nepal requests
Harmonization	Shared arrangements to minimize burden on recipients	Fewer bureaucratic procedures to minimize burden on recipients	Self-organized outreach and assistance, under the broad command of the Government of Nepal, including military operations
Managing for results	Recipient-led performance assessment practices	Focus on delivering aid quickly and at low cost	Little reliance or burden on Nepali state bureaucracy or funds
Mutual accountability	Greater accountability through targets and indicators	Mutual respect of sovereignty; policy conditionality eschewed	Spontaneous and unconditional

Source: Park (2011) with addition of fourth column by the author.

in Nepal, it has pushed for the purchase of a small fleet of Chinese aircraft; these initially imposed operating losses on the state-owned Nepal Airlines (Pokharel, 2015a).

Similarly, while India has made vast amounts of concessional credit available, to the tune of USD 1.7 billion, it subtly prefers its own companies to make use of such resources. Terrified of courting controversy in a country where politicians align into “pro-India” or

“pro-China” camps, risk-averse civil servants and politicians have brought decision-making processes to a halt. Consequently, Nepal has made use of only 9 percent of the almost USD 1.7 billion of Indian lines of credit to date. We will return to the political implications of this situation below.

## **2. Response to the Great Nepal Earthquake**

The Great Nepal Earthquake of April 25, 2015 was the biggest calamity faced by the country in over 80 years. In its aftermath, Nepal benefitted from an exceptionally generous international response, led by India and China. Unlike his predecessor, who failed to visit Nepal even once during his ten-year tenure, Indian Prime Minister Narendra Modi came to Nepal twice in his first year in office. He invited all heads of government from South Asian countries for his inauguration, and sought to renew and revitalize ties with them via his “Neighborhood First” policy. Addressing the Nepali parliament in August 2014, he emphasized what he considered Nepal’s strengths – highways, information technology and tourism (HIT) (Parashar, 2014). A focus on stronger connectivity has become a recurring theme in Indian assistance under Mr. Modi.

Within 24 hours of the earthquake, the Indian government dispatched ten teams from the National Disaster Response Force (NDRF), along with one Army Engineering Task Force and 18 Army medical units. The Power Grid Corporation of India helped restore about 85 percent of power supply in the Kathmandu valley within the first three days. Eight Mi-17 and five Advanced Light Helicopters from the Indian Army helped cover almost half the search and evacuation sorties, airlifting injured people from remote villages to the nearest hospitals (Waglé, 2016).

It was not only the central government of India that sprang into action; an immense outpouring of support also came from Indian state governments as well as nongovernmental organizations (NGOs). Community kitchens from Punjab and Haryana served about 20,000 persons per day for several weeks. Hundreds of buses sent by state

governments adjoining the Nepali border helped evacuate people seeking to flee the frequent aftershocks.

China proved equally generous in providing emergency assistance. It opted for a rare foreign deployment of the People's Liberation Army (PLA) to help with clearing debris and rescuing trapped victims. It immediately provided about USD 10 million worth of tents, medicines, dry food, and other supplies. Within two days, 120 members of the China International Search and Rescue (CISAR) Team, along with numerous government medical officials, landed in Kathmandu and began treating hundreds of wounded people. Grassroots collections of small donations, via payment systems such as Tencent and Alipay, amounted to sizeable funds. Businesses such as Alibaba donated substantial sums for reconstruction. And in Nepal — a country with more than 250 international NGOs and nearly 40,000 national NGOs — the China Foundation for Poverty Alleviation registered as the first in-country Chinese NGO, a milestone in cooperation between the two countries.

The extraordinary generosity of the two immediate neighbors reached its peak on June 25, 2015 when, exactly two months after the earthquake, the International Conference on Nepal's Reconstruction convened. This was effectively a “pledging conference” for donors and partners to help rebuild quake-ravaged Nepal. Of the USD 4 billion pledged, India and China alone accounted for over 40 percent, followed by the multilateral banks, the United Kingdom, the European Union, Japan, and the United States (Shrestha, 2015). The Foreign Ministers of both India and China made it a point to attend the conference in person, pledging USD 1 billion and USD 0.7 billion respectively, combining grants and concessional loans staggered over a number of years. This joint display of empathy and solidarity at a time of national crisis in a neighboring country had no precedent in either China or India.

In its practicality, the generosity of Chinese and Indian assistance during search and rescue, early recovery, and reconstruction stood out from traditional approaches to delivering humanitarian aid. This was indeed a study in sharp contrast. South-South efforts, particularly on the part of India and China, proved agile and spontaneous, and worked through government systems. While the traditional Northern donors and

international institutions also gave generous assistance, the process and modality differed.

The traditional aid was often monetized and deducted from general allocations made to Nepal prior to the earthquake — not additional sums pledged in response to the disaster, but for the most part reshuffled resources. Such donors tended to distrust state institutions and preferred aid delivery via non-state actors, often originating in their own countries. Initial evidence confirmed the high transactional costs associated with aid delivery through an alliance of international and national NGOs. A rough estimate put the actual aid received by beneficiaries at only 30 percent, with about 45 percent spent on administration, and 15 percent each on taxation and international coordination (Kumar, 2016). In contrast, state-driven help from China and India – and the emergency assistance funded through Nepal’s own Prime Minister’s Disaster Relief Fund — proved notable in ensuring that a large a share of the stated pledges reached beneficiaries, with administrative costs externalized.

### **3. The South-South Imperative to Build Resilience and Mitigate Crises**

We now turn to international aid mechanisms aimed at post-disaster recovery and reconstruction, and how these have proven deficient over the past decade (World Bank, 2014; IFRC, 2016). In July 2015, at the Third UN Conference for Financing for Development in Addis Ababa, several least-developed countries (LDCs) voiced their support for a special fund dedicated to the weakest and most vulnerable countries. As the leader of Nepal’s ministerial delegation at the conference, this author called for the international community “to commit to creating a global fund aimed at mitigating crisis and building resilience.” The United Nations has since convened a special meeting of the economic and financial committee of the General Assembly (“Second Committee”) in October 2015.

On the first anniversary of the Nepal Earthquake in April 2016, less than half of the pledges had actually been converted into signed agreements, and only a fraction of those funds actually spent. This

resulted in part from the Government's eroding interest, but external partners, too, faced constraints on their fiscal capacity. Additional hurdles have arisen as well, particularly among traditional donors: first, large project design and approval require a long gestation period; second, it takes considerable work to synchronize immediate post-disaster needs with rigid budget cycles and calendars in individual countries; and third, fungibility implies a re-routing of funds from pre-committed projects, with no additional dollars allocated to fresh needs from a disaster.

Where existing practices prove deficient, we need to introduce reforms and search for new models that, first and foremost, restore the balance between post-disaster reconstruction and pre-disaster investment. As articulated in the World Development Report (2014), the world has grossly underinvested in ex-ante risk management (preparation) compared with ex-post risk management (coping). Our priorities are lopsided. Between 1980 and 2010, less than 4 percent of official development assistance went to prevention and preparedness (World Bank, 2014, p. 267). This arises from a perverse incentive: crises resolved look better than crises avoided. Preparation also requires deeper knowledge — of where the risks lie, how to lower their probabilities, and how to insure against them.

Nothing can substitute for nationally-driven physical and human investments in both preventing disasters and coping mechanisms. Aided by Southern peers, LDCs need a clear understanding of the business case for building resilience. In Nepal, the earthquake probably pushed a million people below the poverty line (Sharma, 2015). LDCs also need to make a case for international public-private partnerships at the national, regional, and global levels. Although the role of the state remains critical, the private sector can also bring its market-based solutions, while international agencies are best positioned to coordinate and facilitate the flow of funds and know-how. For example, the Southeast Europe and the Caucasus Catastrophe Risk Insurance Facility provides country-specific risk models, web-based catastrophe insurance products; the Caribbean Catastrophe Risk Insurance Facility pools risks faced by 16 countries to combat illiquidity in the face of natural disasters.

In Nepal, despite material poverty, a few basic investments in

preparedness made the post-quake response less chaotic than it would have been otherwise; for example, the state had already set up the National Emergency Operations Center and a Natural Disaster Response Framework (NDRF). Funds from regional inter-governmental bodies, such as the South Asian Association for Regional Cooperation (SAARC), are best utilized in transferring best practices and building capacities among member states. And globally, a strong need exists for a LDC Catastrophe Preparation and Mitigation Fund: this should emphasize both ex-ante preparations and ex-post coping, offer international insurance mechanisms, and re-orient humanitarian aid away from the orthodox development apparatus, making it more effective and agile. From Indonesia to Pakistan and Haiti to Nepal, Sichuan (China) to Gujarat (India), countries of the South now have vast resources and pertinent experiences help carve a new global architecture of ex-ante and ex-post disaster responses.

#### **4. Beyond Benignity: Strategic Goals of South-South Cooperation**

Much has been written about the motives of countries providing aid; the literature has contrasted overtly political and tied North-South aid with its apparently benign South-South counterpart, guided by amorphous goals of solidarity and non-interference. This dichotomy no longer holds. After the Nepal earthquake 2015, for example, the foreign policy interests of India, China, Japan, and the West intersected and collided in several ways. Japan was apparently the first country to offer to host an international donors' conference in Tokyo; India suggested that New Delhi would be an appropriate venue given that the persistence of aftershocks in Nepal would scare away high-level foreign dignitaries.<sup>5</sup> Nepal struggled to manage a conciliatory response to the wishes and interests of the larger powers; however, it finally decided that Kathmandu had to be the venue for such a conference, not least to

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**5** Based on the author's conversations with the then Minister of Finance of Nepal.

actually show the scale of the damage to potential donors.

One revealing glimpse of the great political stakes in play emerged during the first month, when helicopters and military personnel from China, India, and the United States were stationed at Nepal's Tribhuvan International Airport, ostensibly coordinated by Nepal's modest air force (No. 11 brigade) to undertake rescue and relief sorties. Indian and Nepali Mi-17 helicopters, best suited to the rugged Himalayan terrain, played an extensive role in these efforts. Meanwhile, the Chinese air assistance was hamstrung by language difficulties: their helicopters usually had around eight crew members, but only one translator. By the time they arrived, the airport had become crowded, forcing their reassignment to another open space elsewhere in the Kathmandu Valley. However, when the Chinese found it inconvenient to stay overnight, they opted to station themselves near the Nepal-Tibet border in Kerung and fly inwards into Nepal from their own territory.

Playing on Nepal's insecurities, newspapers began to speculate on how the "helicopter diplomacy" was being managed (Wilkinson, 2015) and indeed, how long the large-scale foreign presence would last in the heart of the capital city. Although the Chinese air support remained limited and relatively ineffectual, Nepali authorities wanted them nearby simply to counterbalance India's influence.<sup>6</sup> The United States also flew in sophisticated Osprey helicopters, advertised as having multi-mission tiltrotors for lift and propulsion, capable of vertical take-off and landing (VTOL). However, they could land in few high mountain areas, and often blew off the roofs of locally constructed huts and makeshift buildings (Dutta, 2015). One observer cynically pointed out that perhaps the Americans merely intended to "test their toys" in a sensitive topography near Chinese territory.<sup>7</sup> In addition, an unpleasant diplomatic spat occurred when the British offered to send their Chinook helicopters to help with rescue and relief: the Government of Nepal refused permission for them to enter Nepal. While the official

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**6** Based on overheard conversation between volunteer weather forecasters and senior army personnel stationed at the airport navigating helicopter traffic. For a related angle, also see Sengupta (2015).

**7** Based on a conversation with a scientist stationed at the airport during the rescue phase.

explanation centered on the unsuitability of the Chinooks — with their dual rotors and huge interiors, ill-adapted for landing in narrow strips of mountainous land — rumor had it that the Nepal Army was upset that the UK had arrested one of its former colonels in Britain, on charges of torture committed during Nepal’s Maoist insurgency (1996-2006) (Freeman, 2015). Could one generalize from Chinese and Indian actions and performance in the aftermath of Nepal’s earthquake, to argue that they now offer a new model of South-South cooperation, sharply distinct from a North-South one?

In 1759, Adam Smith speculated about the nature of sympathy in *The Theory of Moral Sentiments* by imagining an earthquake in the “great empire of China,” and how a European “man of humanity,” while expressing appropriate sorrow, might still be more concerned about a minor personal incident than a mass tragedy afar. Smith was hinting at the importance of physical proximity in establishing empathy. Nepal’s status as an immediate neighbor of both China and India may have promoted an extraordinarily swift humanitarian response. This kind of support might not have been possible, logistically, had a tragedy struck a poor country in another continent.

Was Nepal simply an outlier, or is the narrative of benign “brothers” misplaced? China and India have a long track record of helping neighbors in distress, but might the force of goodwill have been less pronounced if they were not also pursuing ambitions to be recognized as global twenty-first-century powers? India, in particular, has been vying for a permanent seat on the UN Security Council, and it needs allies to vote for its ascent. China has aggressively sought to enlarge the number of allies that recognize Taiwan as a province of China, thus thwarting the island’s pro-independence positions. Never in the modern era had the two countries sought to pursue political, economic, and security interests in so inseparable a package as they did in this case.

India’s development cooperation has now become a central feature of its foreign policy. Between 2000 and 2015, its foreign aid budget rose seven-fold in nominal terms, to about USD 1.2 billion (Boghal, 2015). In fact, much of the assistance takes form of high-quality training that India administers at relatively low cost, thereby augmenting aid value to over USD 5 billion when measured in terms of purchasing power parity

(Sood, 2016). Direct security threats also shape Indian foreign policy, along with indirect concerns that spill over via porous borders with South Asian neighbors, including Nepal. One such concern arose in the immediate aftermath of the Nepal earthquake.

The foreign policy imperative of South-South assistance reared its ugly head in Nepal only three months after India pledged the largest amount for Nepal's post-quake reconstruction. Alleging that Nepal's newly-promulgated republican constitution of September 2015 had shortchanged Nepalis living in the southern plains (many of whom share an ethno-cultural identity with people across the border), India abetted a trade blockade along the Indo-Nepal border for nearly five months by responding slowly to Nepali requests to re-route cargo to less troublesome border points or refusing to clear protesters who had camped in "no man's land." The disruption of essential supplies such as food, medicines, fuel, and industrial raw materials ground the economy to a halt, with the economic growth rate projected to plummet to 0.8 percent in 2015-16. The blockade dealt a more severe blow to the economy than the earthquake. While India took the official stance that Nepal's own regional political parties had enforced the blockade, its attitude also seemed colored by a sense of unmet expectations surrounding the new Nepali constitution (Pokharel, 2015b).

This leads us to note that the dynamic between China and India may have had as much impact as the asymmetric power relations each possesses with Nepal. Certainly, each set of dealings has presented multiple points of complexity. While the blockade was in effect, Nepal's overtures towards China — an effort to compensate for the hardships imposed and to fill the void of India's non-cooperation — received a lukewarm response (Economist, 2015). The rugged Himalayan topography and lack of decent roads or railway made transportation logistics difficult. Furthermore, China and India coordinated their responses, unlike during the Cold War, when they competed for influence while smaller countries played one camp against the other. It seems apparent that Nepal had proved too small a mutual interest to risk or jeopardize a vital, multi-faceted relationship between China and India.

China's President Xi Jinping and India's Prime Minister Narendra Modi have sought to strengthen their personal rapport, and to move

beyond the traditional problems that have defined their bilateral relationship<sup>8</sup> in search of new avenues of cooperation. In more recent months following the blockade, however, China has appeared to embrace a more open relationship with Nepal: it has signed a transit treaty and pledged to build rail-links and related infrastructure, partly in support of its flagship One Belt One Road (OBOR) initiative to connect mainland Asia with Europe (Sharma, 2016).

## **5. From Soft Solidarity to Hard Infrastructure**

The gradual enlargement of China and India's ambit of cooperation with Nepal can perhaps be generalized to other countries in the region as well. Prior to its focus on hard infrastructure, China's South-South cooperation actually emerged through the softer art of trade negotiations. China began its formal outreach to the world by joining the World Trade Organization (WTO) in 2001, and then concluded a series of bilateral and regional free trade agreements (FTAs). Its first FTAs were with its own special administrative regions of Hong Kong and Macao in 2003, followed by a framework agreement with the Association of Southeast Asian Nations (ASEAN). China has also signed FTAs with Thailand, Niger, Chile, Pakistan, New Zealand, Peru, Singapore, and Costa Rica, and has negotiations underway with at least 10 more countries or regional blocs. Importantly, China has also made overtures to Japan and the Republic of Korea as well as India; this may signal its desire to become the hub of one of the largest-ever FTAs.

A central element in China's earlier FTAs was that its partners agreed not to apply provisions contained in China's terms of accession to the WTO that would permit members to impose restrictions against China – restrictions otherwise prohibited by WTO rules. Such restrictions applied to textiles and clothing, “selective” emergency safeguard actions, and “non-market economy” criteria for anti-dumping actions.<sup>9</sup> But with

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<sup>8</sup> These conflicts include border disputes, Indian asylum granted to the Dalai Lama and other Tibetans, and India's hostile relationship with Pakistan.

<sup>9</sup> These discussions on trade negotiations draw on Gibbs and Waglé (2006).

its growing clout, China has made the leap from defensive to offensive commercial interests. It now seeks to secure access to raw materials and to expand markets for its manufactured goods. Its FTAs deviated from the standard templates of the United States and European Union – they became more concise, devoid of dispute-resolution language, and open to subsequent elaboration. Within China, the view has taken hold that the United States wishes to contain its rise — particularly once the Obama Administration “pivoted” to Asia and began to negotiate the Trans-Pacific Partnership, a mega-regional trade bloc that excludes China.

India, too, has accelerated the sub-regional integration process by negotiating FTAs with four of its five immediate neighbors as well as with ASEAN. India’s attempts at economic cooperation highlight a broader scope and emphasis than China’s, ranging from trade to investment cooperation and services. Work also continues on concerns such as rules of origin, Mutual Recognition Agreements, anti-dumping provisions, revenue compensation mechanisms, safeguards, dispute settlement modalities, and other issues. India has placed considerable emphasis on making Agreements as comprehensive as possible. It has preferred to enter into “framework” agreements with developing country sub-regional groupings within and outside Asia, including ASEAN, MERCOSUR<sup>10</sup> and the Southern African Customs Union (SACU), rather than with their individual members (Gibbs and Waglé, 2006).

## **6. In Lieu of a Conclusion: Searching for an Enriched South-South Model**

Least developed countries (LDCs), according to the United Nations definition, are income-poor, weak in human assets, and vulnerable to exogenous shocks. Over the past year, Nepal became a perfect exhibit of

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**10** A trading block composed of Argentina, Brazil, Paraguay, Uruguay, and Venezuela, with associate members Bolivia, Chile, Colombia, Ecuador, and Peru; superseded in 2008 by the Union of South American Nations (Unasur or Unasul), created by uniting with the Andean Community.

what such shocks look like, grinding the country's annual economic growth to almost zero percent. The April 2015 earthquake claimed about 9,000 lives and imposed an economic cost worth one-third of the national output. In September 2015, Nepal suffered a crippling trade blockade. While the international community remained largely silent over the humanitarian consequences of the trade blockade, their response to the Nepal earthquake was unprecedented and most generous. Therein lies the message: emerging countries will in all likelihood act for the greater good, but on their own terms.

With the rise of China and India, the aid community has sought to characterize their behavior towards less-developed countries as an evolving mode of South-South cooperation. In this regard, it is instructive not only to highlight their distinctive characteristics but also nudge them towards an enhanced role in areas of comparative strength. Their recent engagements in countries such as Nepal offer some important generalizations.

*First, global aid mechanisms focus more on idiosyncratic risks; South-South cooperation must augment capacities to reduce systemic risks.* This requires the erasure of a somewhat contrived distinction between developmental and humanitarian aid. Risk management is not just about natural disasters; it is also central to development, since risk aversion brings literal and figurative costs in delayed innovation and progress. The world spends disproportionately more on ex-post disaster management (coping) than on ex-ante preventions. Through low-cost provisioning of large scale training and comparability of recent development experiences, South-South cooperation is well-placed to address capacity bottlenecks in least developed countries. The Armed Police Force of Nepal, in setting up a dedicated Disasters Management Training Center in 2012, sought help from India and the Philippines. This approach can even attract Northern aid in the form of grants or state-of-the art technologies. The adoption of a *pooled* and *integrated* approach to humanitarian and development assistance holds the possibility of blurring the existing distinctions between North-South and South-South aid modalities (as outlined earlier in Park [2011]) and overcoming “nationalistic” tagging of aid to individual countries, which itself can stymie rapid response.

*Second, weak state capacity costs lives; South-South cooperation should have the ductility required to adjust to neglected national needs.* The responses of India and China in Nepal were pragmatic, rapid, unconditional, and state-led. This contrasted with the approach of traditional donors, who preferred contracts-driven, NGO-led operations that proved fragmented and imposed high transaction costs. Rigid budget practices and national fiscal calendars also hamstrung traditional aid responses, as noted above.

South-South assistance must increasingly focus on state-to-state capacity-building. Southern providers can supply high-quality institutions and training at lower cost. One area largely ignored in development cooperation over the past thirty years has been the building of effective bureaucracies. In the 1960s and 1970s, building meritocratic bureaucracies became a common way to support post-independence countries — a strategy that largely underwrote growth success in East Asia.

The state-to-state role in development cooperation seems to have swung more in the direction of “soft” norm-setting and awareness-raising rather than investment in hard infrastructure; yet the latter continues to underpin economic growth, particularly with broader multilateral sources of financing. Capital investment accounts for over three-quarters of growth at low levels of development (Nallari *et al.*, 2011). The recent successes of China and Vietnam in becoming export powerhouses, for example, rested in each case on an infrastructural push. Over the past decade, nearly half of financing for infrastructure in sub-Saharan Africa came from governments and regional funds from elsewhere in the South; the creation of South-led institutions like the Asian Infrastructure Investment Bank or the New Development (BRICS) Bank have now opened wider options for concessional financing.

*Third, with new technologies on offer, South-South cooperation needs to inhabit a new landscape of unfettered collaboration across borders and agents.* In the twenty-first century, private philanthropists are as influential as large multi-lateral development organizations; new technologies in social media and mapping make real-time collaboration possible, negating the physical hurdles posed by national borders. And new alliances and networks across national boundaries involve not just

non-state actors, but also growing diasporas that wish to contribute to their lagging countries of origin. South-South economic ties have the potential to transfer low-cost, adaptable technologies and business models. Much more than aid handouts, new development cooperation must focus increasingly on building skills and entrepreneurship by leveraging trade and investment. From micro-economic regulatory reforms at home to finding markets abroad, best practices from Southern countries at comparable levels of development are more helpful than transplanting examples from advanced countries.<sup>11</sup>

Furthermore, North-South Bilateral Investment Treaties (BITs) have a tendency to restrict policy space, whereas South-South foreign direct investment (FDI) has proven less deterred by differences in institutional quality between host and receiving countries. Employment of local personnel and lower overhead costs tend to make South-South FDI more resilient to local crises. Because the motives for investing and selecting sectors often differ, South-South FDI does not necessarily displace North-South FDI. Similarly, South-South trade agreements may better support creation of regional investment platforms, with supportive provisions on the rules of origin, intellectual property, and trade facilitation.

Finally, South-South cooperation must embrace freer academic exchange. Even during the economic stagnation of the South, prior to the 1980s, education remained a vibrant arena for South-South cooperation: Southern schools and universities new-minted generations of trained personnel for developing countries. Thousands of Nepalis across the decades received schooling in India, China, and the Soviet Union. While education has become more expensive in the West, quality education at lower cost remains an option in the South. In one ranking of the world's top 1000 universities, 83 are from China, 18 from Brazil, 16 from India and five from South Africa. New technologies have also enabled MOOCs (Massive Open Online Courses). With forays into new fields and methods, and a conscious effort not to become an unimaginative appendage of traditional aid practices, South-South

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11 See examples in the Human Development Report: The Rise of the South (UNDP, 2013).

cooperation in the twenty-first century has the potential to transform the globe.

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# Conclusion

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The expansion of South-South cooperation (SSC) and the declining importance of Western aid present new partnership opportunities to solve global challenges, such as those embodied in the SDGs. SSC has re-emerged from its modest historical roots in the mid-twentieth century to become a dominant feature in the contemporary development cooperation landscape. With this dominance comes expectations and challenges that SSC providers struggle to address. This volume has described how the rise of the South and the expansion of Asian SSC have transformed the discourse of aid and development cooperation with the introduction of new actors, modalities, and philosophies. While some contested points have emerged, the evolution in both traditional aid and SSC has led to increasing convergence in practice, despite their distinct philosophies and origins.

In an era of increasing nationalism in traditional donor countries, the space and tolerance for philanthropic and charitable aid has become increasingly compromised; donors expect their trade and other global partners to play a greater part. Australian Foreign Minister Julie Bishop (2017) recently articulated this view, stating that “like other strands of globalization, our international aid sector must step up and explain—and re-explain, in clear and effective terms, why it is in our national interest to support the development of developing countries.” She described the Australian aid program as having too often been seen through “the outdated lens of some sort of benevolent charity.” This apparent staleness in traditional aid models has focused attention on contemporary examples of Asian-led SSC, modalities that use trade, aid,

and investment for mutually beneficial gain with partner countries. The historical solidarity amongst southern nations, launched in the days of the first Asia-Africa summit (MOF Indonesia, 1955), may now draw upon growing resources, influence, and asymmetrical power relationships. Contributions by Mulakala and Waglé, Sachdeva, and Waglé in this volume articulate how Indian and Chinese programs have leveraged public-private partnerships to address development priorities across Africa and Asia — financing the infrastructure gap in Asia with the establishment of new multilateral mechanisms, and acting effectively with state-led responses to humanitarian disasters. Waglé’s poignant examination of Indian and Chinese SSC in the wake of the 2015 Nepal earthquake reminds us of the strategic as well pragmatic aims of SSC. Indian and Chinese humanitarian assistance to Nepal goes hand-in-hand with their geostrategic aims of exerting influence in the region. This visibility of SSC has prompted traditional donors to expand their own notions and practices of aid to include elements of trade, investment, public-private partnerships, security and national interest.

While welcome, this expanding space for SSC has challenged Asian providers’ capacity to deliver effectively, a pressure that escalates in the face of their commitment to the SDG agenda. Several authors express both enthusiasm about their country’s SSC efforts and caution about their upward trajectory. Sachdeva acknowledges the establishment of India’s Development Partnership Administration as a “serious beginning,” which should progress with the addition of data, a development cooperation strategy, and evaluation plans. Similarly, Zhou describes China’s promising start towards developing an evaluation system for its vast portfolio of SSC activities but notes that weak institutional capacity and the paucity of data have hindered progress. The chapters on emerging SSC providers, Indonesia and Mongolia, emphasize that bureaucratic and institutional structures can make or break these countries’ SSC aspirations. Muhibat concludes that although Indonesia, given its size, development experience, and G20 status, could make an important contribution to south-south and triangular cooperation, the lack of a comprehensive national strategy and an accompanying institutional framework for SSC have diminished its impact. While the government has made a commitment to a single

agency for SSTC management, the path remains fraught with political hurdles. Similarly, Tserendorj and Lindberg observe that while Mongolia has successfully shared its democratization lessons with partner countries, thanks to a modest, responsive International Cooperation Fund, this funding has proved vulnerable to shifts in political power and resources.

In the face of these challenges, however, possibilities have arisen for greater convergence between traditional aid and SSC as both evolve. While leading SSC thinkers and purists (see for example, Chaturvedi, 2016) insist that its history, responsibilities, and core values (e.g. non-conditionality, mutual benefit, and non-interference) distinguish SSC from traditional aid, authors in this volume acknowledge opportunities for mutual growth and learning between the two approaches. Both Sachdeva and Zhang see potential for joint projects with traditional donors in triangular or trilateral cooperation. Indonesia and Mongolia, as concurrent aid recipients and SSC providers, rely on traditional donors to make their lessons accessible to partner countries. Zhou sees increasing convergence as DAC donors embark on development partnerships featuring more trade and technical assistance, and as China pays more attention to global public goods and less to its own economic interests. Mulakala and Waglé point to converging space between northern and southern NGOs.

SSC and traditional-donor efforts, in tandem or parallel, will prove necessary to tackle the shared agenda around the SDGs. As the perspectives shared in this volume demonstrate, the boundaries between traditional aid and SSC have eroded, giving way to more inclusive discourse, new modalities of cooperation, and expanded opportunities and choice for developing countries. In this world beyond aid, where global responsibility and mutual benefit fuel collaboration, cooperation, and innovation, SSC has transformative potential. Waglé advocates for an enriched model of SSC — one that augments capacities to reduce systemic risks globally, focuses on state-to-state capacity-building, accelerates cross-border collaboration (particularly in technology), and embraces freer academic exchange. SSC's leading thinkers, architects, and champions will need to channel its immense resources into these areas, and towards advancing global progress on issues such as

persistent poverty, climate change, and humanitarian crisis. This poses two challenges for Asia's leadership: first, to establish the systems to support these efforts, and second, to prioritize global goodwill over geostrategic interests.

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