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November 2018

**88**

**ASSESSMENT OF SOUTH-SOUTH  
COOPERATION AND THE GLOBAL NARRATIVE  
ON THE EVE OF BAPA+40**

Yuefen LI





## **RESEARCH PAPERS**

**88**

### **ASSESSMENT OF SOUTH-SOUTH COOPERATION AND THE GLOBAL NARRATIVE ON THE EVE OF BAPA+40<sup>1</sup>**

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**SOUTH CENTRE**

**NOVEMBER 2018**

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<sup>1</sup> This paper is based on the author's presentations at two workshops for the Group of 77 and China in August and September 2018. The author wishes to express her deep appreciation of the valuable and detailed comments from Dr. Carlos Correa, Dr. Rashmi Banga and Mr. Daniel Uribe. The views contained in this paper are attributable to the author and do not represent the institutional views of the South Centre or its Member States. Any mistake or omission in this study is the sole responsibility of the author.

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## ABSTRACT

This research paper gives a brief account of the fast expansion of South-South cooperation (SSC) in volume, modalities and participating countries and institutions. Though SSC is a *de facto* development compact, there is a tendency to overstate the total concessional financial element of SSC compared to Official Development Assistance (ODA), as SSC constitutes only a small portion of the total ODA from traditional donors. North-South cooperation (NSC) is still the dominant pillar of development finance; hence SSC needs to be regarded as a complement to and not a substitute for NSC. In view of its relatively short history of economic and financial cooperation as well as technical assistance projects, SSC is facing many challenges including the lack of soft and hard institutional frameworks. With a realistic assessment of SSC and its global narrative, and taking into account the growing diversity among the Southern countries as providers and users of SSC, the paper makes suggestions on important elements that the coming Second High-Level United Nations Conference on South-South Cooperation may consider to consolidate the Southern ownership of SSC and enhance its impact on achieving the Sustainable Development Goals.

*Le présent rapport de recherche décrit brièvement la rapide expansion de la coopération Sud-Sud en termes de volume, de modalités et de pays et d'institutions parties prenantes. Bien que la coopération Sud-Sud soit une forme de pacte de développement de facto, l'élément financier concessionnel total de la coopération Sud-Sud est généralement exagéré par rapport à l'aide publique au développement (APD), car la coopération Sud-Sud ne constitue qu'une petite partie de la totalité de l'APD provenant de donateurs traditionnels. La coopération Nord-Sud demeure encore le pilier dominant du financement pour le développement ; c'est pourquoi, la coopération Sud-Sud doit venir compléter, et non pas remplacer, la coopération Nord-Sud. Vu l'histoire relativement récente de la coopération économique et financière, ainsi que des projets d'assistance technique, la coopération Sud-Sud se heurte à de nombreux obstacles dont le manque de cadres institutionnels contraignants et non contraignants. Dans une évaluation réaliste de la coopération Sud-Sud et de son concept à l'échelle mondiale tenant compte de la diversité grandissante des pays du Sud en tant qu'acteurs et bénéficiaires de la coopération Sud-Sud, le rapport contient des propositions sur des éléments importants que la deuxième Conférence de haut niveau des Nations Unies sur la coopération Sud-Sud pourrait étudier prochainement pour consolider le protagonisme des pays du Sud dans la coopération Sud-Sud et pour améliorer la contribution de cette coopération à la réalisation des objectifs de développement durable (ODD).*

*En este Documento de investigación se describe brevemente la rápida expansión de la cooperación Sur-Sur en términos de volumen, modalidades y de los países e instituciones que participan en ella. Aunque la cooperación Sur-Sur es un pacto de desarrollo de facto, existe una tendencia a magnificar el componente financiero total en condiciones favorables de esta cooperación en comparación con la asistencia oficial para el desarrollo (AOD) ya que la cooperación Sur-Sur constituye solo una pequeña parte del total de la AOD de los donantes tradicionales. La cooperación Norte-Sur sigue siendo el pilar más importante de la financiación para el desarrollo por lo que la cooperación Sur-Sur debe considerarse un complemento y no un sustituto de la cooperación Norte-Sur. En vista de su historia relativamente corta en materia de cooperación económica y financiera, así como de proyectos de asistencia técnica, la cooperación Sur-Sur afronta numerosas dificultades como la falta de marcos institucionales vinculantes y no vinculantes. Mediante un análisis realista de la cooperación Sur-Sur y del concepto de esta cooperación en el ámbito mundial y teniendo en cuenta la creciente diversidad entre los países del Sur como proveedores y usuarios de la cooperación Sur-Sur, en este documento se formulan sugerencias sobre algunos elementos importantes que podrían ser considerados próximamente en la segunda Conferencia de Alto Nivel de las Naciones Unidas sobre la cooperación Sur-Sur para consolidar el protagonismo de los países del Sur en la cooperación Sur-Sur y potenciar la contribución de esta cooperación al logro de los Objetivos de Desarrollo Sostenible (ODS).*





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The Second High-Level United Nations Conference on South-South Cooperation (40<sup>th</sup> anniversary of the Buenos Aires Plan of Action (BAPA+40)) will be held in March 2019 in Buenos Aires, Argentina. The conference has drawn international attention - meetings have been organized and papers have been written in preparation for the conference - showing the increasing importance of South-South cooperation (SSC), the recognition of its potential and the expectations for its contribution to achieving the Sustainable Development Goals (SDGs), as a complementary source of development finance to North-South cooperation (NSC).

For the past decade, official development assistance (ODA) has been gravitating towards promoting development effectiveness. However, the recent emerging anti-globalization and anti-multilateralism trend has also started to target ODA, a traditional and important source of NSC and development financing. In his statement at the opening of the 73<sup>rd</sup> session of the United Nations General Assembly on 25 September 2018, US President Trump announced to heads of states and senior officials from around the world that the US has been examining its foreign assistance policies and practices to make sure that “*we are only going to give foreign aid to those who respect us and, frankly, are our friends*” and that “*we reject the ideology of globalism, and embrace the doctrine of patriotism.*”<sup>3</sup> He rightly said that the US is the largest ODA donor in the world by volume: “*The United States is the world’s largest giver in the world, by far, of foreign aid. But few give anything to us*”. Obviously, his message is not in line with ODA objectives which are for promoting development and are much need-based instead of ideology- or nationalism-based. His message runs counter to the concept of untying aid. Most importantly, the anchor of his proposed policy changes relating to aid is against the SDGs’ objective of leaving no one behind, which the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) is reported to be aligning priorities with and targeting resources on.<sup>4</sup> It is notable that the United States is a major member of the DAC. How much the US policy change would affect the rest of the donor community, how much its impact on SSC would be felt and how much it would influence the outcome of BAPA+40 remain to be seen.

Through past waves of globalization and the recent phase of hyper-globalization, the world has become much more interdependent. SSC and NSC have also contributed to the globalization process. Despite the rising de-globalization and anti-multilateralism sentiment, it is hoped that BAPA+40 would strengthen SSC and enhance cooperation with and among all development partners, building trust and furthering cooperation between all stakeholders, thus contributing to the implementation of the SDGs and promoting global economic growth. Over the years and up to the present, South-South cooperation has demonstrated its resilience, especially during the global financial crisis, and its potential. The BAPA+40 should be another important milestone for its further expansion.

The paper starts by reviewing traditional donors’ desire for SSC to converge with ODA followed by explaining that SSC is not public money transfer like ODA. Part III provides estimates from different sources to demonstrate that the actual public monetary transfer element in SSC is still small. Part IV recalls the South’s repeated emphasis at various international and plurilateral conferences that SSC is a complement to and not a substitute for

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<sup>3</sup> United Nations, “US President Trump rejects globalism in speech to UN General Assembly’s annual debate,” 25 September 2018. Available from <https://news.un.org/en/story/2018/09/1020472>. See also the UN webcast on the same page.

<sup>4</sup> OECD, Development co-operation to leave no one behind: A snapshot of DAC member approaches (2018). Available from <https://www.oecd.org/dac/DCR2018-Leave-No-one-Behind.PDF>.

NSC. The paper goes on to elaborate the reasons for the Southern insistence on the concept of complementarity, which include both structural domestic economic and social problems as well as challenges arising from the global narrative. Section VI describes the differences between SSC and NSC in modalities, history, comparative advantages and principles. This is followed by a section on challenges facing SSC and lessons learned. The paper concludes by making a list of suggestions on elements that deserve consideration in preparing for BAPA+40.

## **I. TRADITIONAL DONORS' DESIRE FOR SSC TO COME UNDER THE SAME UMBRELLA AS ODA**

With the expansion of SSC, in particular its increase in the immediate wake of the global financial crisis when ODA suffered a decline, the DAC started its efforts to converge SSC with ODA, part of which was driven by the desire of having emerging economies take on a heavier burden of financing for development. In 2008, DAC created a Task Team on South-South cooperation with the aim of reaching out to SSC providers and also tracking their initiatives and collecting data. Through the advocacy of promoting synergies between SSC and NSC,<sup>5</sup> there is also the call for SSC to adapt to the aid effectiveness principles which were spelt out in the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action.<sup>6</sup> The OECD's Fourth High Level Forum on Aid Effectiveness held in Busan, Korea in 2011 was an important attempt by the traditional donors to converge the different norms and models of emerging SSC in line with the norms and standards of the DAC/OECD model, in addition to the desire to update/broaden the aid effectiveness framework.<sup>7</sup> The Global Partnership for Effective Development Cooperation (GPEDC) is a multi-stakeholder platform created by the Busan Partnership Agreement aiming at bringing closer the stakeholders of NSC and SSC with DAC and the United Nations Development Programme (UNDP) providing secretariat backstopping. However, there has been a lack of trust in the initiative from SSC providers and insufficient support from DAC. As a result, GPEDC has not demonstrated meaningful contribution to join the stakeholders under one umbrella.<sup>8</sup>

Subsequent to the Busan conference, proposals have been made about requesting middle-income countries (MICs) to commit to a binding development financing target in the form of a certain percentage of their gross national income (GNI), though lower than that for traditional donors.<sup>9</sup> On the other hand, despite very few donor countries having met the 0.7% target, recommendations were already made on phasing out the ODA target with the graduation of low-income countries.<sup>10</sup> In the preparatory process for the Third International Conference on Financing for Development in 2015, some OECD countries had explored to request the emerging economies (EMEs) to adopt quantitative development finance targets in Addis Ababa.<sup>11</sup> In the discussion on the means of implementation of SDGs, the pressure to ask the "emerging donors" to accept financial commitments in some form surfaced again.

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<sup>5</sup> Bogota Statement towards effective and inclusive development partnerships, 2010. Available from <https://www.oecd.org/dac/45497536.pdf>.

<sup>6</sup> See <https://www.oecd.org/dac/effectiveness/34428351.pdf>.

<sup>7</sup> Catherine Blampied, Where next for development effectiveness? Building a renewed consensus (Overseas Development Institute, Oct. 2016). Available from <https://www.odi.org/sites/odi.org.uk/files/events-documents/10936.pdf>.

<sup>8</sup> Xiaoyun Li, Jing Gu et al., "Perspectives on the Global Partnership for Effective Development Cooperation," *IDS Bulletin*, Vol. 49, No. 3 (July 2018). Available from [https://opendocs.ids.ac.uk/opendocs/bitstream/handle/123456789/13924/IDSB49.3\\_10.190881968-2018.153.pdf?sequence=1&isAllowed=y](https://opendocs.ids.ac.uk/opendocs/bitstream/handle/123456789/13924/IDSB49.3_10.190881968-2018.153.pdf?sequence=1&isAllowed=y).

<sup>9</sup> Gideon Rabinowitz, "Time for the South to step up and help finance development?" Comment (Overseas Development Institute, 2015). Available from <https://www.odi.org/comment/9370-emerging-economies-help-finance-development>.

<sup>10</sup> Jeffrey Sachs and Guido Schmidt-Traub, Financing for development and climate change post-2015 (2013). Available from <http://unsdsn.org/wp-content/uploads/2013/03/130316-Development-and-Climate-Finance-.pdf>.

<sup>11</sup> Paula Lucci, Amina Khan and Elizabeth Stuart, *Means of implementation and the global partnership for sustainable development: What's in it for emerging economies?* (2015). The report is an output of the projects 'Building a post-2015 sustainable development agreement' and 'Effective international development action beyond 2015' of the Overseas Development Institute (ODI).

The envisaged convergence or coherence between SSC and NSC also includes measurement, monitoring and evaluating SSC along similar models as those for ODA. The desire to have SSC providers and users to play under the same rules of the traditional donors seems to be apparent. OECD donors have also urged SSC providers to have a common open standard and hoped they would report to DAC. Nevertheless, as not all SSC providers are members of the OECD, DAC's legitimacy for receiving and processing the data has been challenged, thus the idea was nipped in the bud. Owing to the differences between SSC and NSC as elaborated below, the 2018 IBSA (India, Brazil and South Africa association) Declaration on South-South Cooperation stated clearly that "*ODA templates are not a good basis for SSC.*"<sup>12</sup> The recent Group of 77 (G77) and China statement at the 73rd session of the United Nations General Assembly highlighted that "...we stress that *South-South cooperation and its agenda must be driven by the countries of the South.*"<sup>13</sup>

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<sup>12</sup> IBSA Declaration on South-South Cooperation, Pretoria, 4th June, 2018. Available from <http://www.dirco.gov.za/docs/2018/ibsa0605.htm>.

<sup>13</sup> Statement on behalf of the Group of 77 and China by H.E. Ambassador Mohamed Edrees, Permanent Representative of Egypt to the United Nations at the Third Committee of the seventy-third session of the United Nations General Assembly (New York, 2 October 2018). Available from <http://www.g77.org/statement/getstatement.php?id=181002>.

## **II. SSC IS NOT JUST PUBLIC MONEY TRANSFER LIKE ODA**

ODA refers to transfers of public funds from donor official agencies like central and local governments or by their executive agencies, for development purposes to developing countries on the DAC list of ODA recipient countries and to multilateral organizations. These transfers had to be in the form of grants or concessional loans with a grant element of 25% before 2014. With the modernization of ODA and DAC's intention to direct more ODA to least developed countries (LDCs), the concessionality of loans to be qualified as ODA was revised in 2014 to ensure that loans to LDCs and other low-income countries are provided at highly concessional terms, i.e. only loans with a grant element of at least 45% will be reportable as ODA. For non-LDC countries, the concessionality requirements have been reduced. For loans to lower middle-income and middle-income countries, a grant element of at least 15%; and those to upper middle-income countries of at least 10%, in order to be reportable as ODA.<sup>14</sup>

DAC/OECD has a defined methodology for calculation and recording, as well as evaluation and monitoring systems for ODA including principles and criteria. This is supplemented by a peer review system.<sup>15</sup> It has taken decades of evolution for these systems to be endorsed, implemented and improved.

As for SSC, it has been acknowledged that there is a deficit in theoretical and empirical analysis. SSC programmes and projects provided in scale have only had a short history. Up to now, there is no agreed definition of SSC. SSC generally refers to all kinds of international cooperation between the Southern countries. Some commentators are of the view that SSC has blurred the boundary between trade, investment and aid in the narrow sense, as well as the boundary between public and private sources of financing.<sup>16</sup> Therefore, SSC, unlike ODA, is not just from public agencies, it is not just financial transfers and it is not only concessional financial source transfers. It is broad and all embracing, among which trade and investment [cooperation] account for the dominant part of SSC.<sup>17</sup>

According to the United Nations Office for South-South Cooperation (UNOSSC), South-South cooperation is a *“broad framework for collaboration among countries of the South in the political, economic, social, cultural, environmental and technical domains. Involving two or more developing countries, it can take place on a bilateral, regional, sub regional or interregional basis. Developing countries share knowledge, skills, expertise and resources to meet their development goals through concerted efforts. Recent developments in South-South cooperation have taken the form of increased volume of South-South trade, South-South flows of foreign direct investment, movements towards regional integration, technology transfers, sharing of solutions and experts, and other forms of exchanges.”*<sup>18</sup> According to the United Nations Conference on Trade and Development (UNCTAD), South - South trade increased from \$0.6 trillion in 1995 to \$4 trillion in 2016, almost 29% of the total

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<sup>14</sup> DAC High Level Meeting Final Communiqué, 16 December 2014. Available from <http://www.oecd.org/dac/OECD%20DAC%20HLM%20Communique.PDF>.

<sup>15</sup> See <http://www.oecd.org/dac/evaluation/dacriteriaforevaluatingdevelopmentassistance.htm>.

<sup>16</sup> Myriam Dahman Saidi and Christina Wolf, “Recalibrating Development Co-operation: How can African Countries Benefit from Emerging Partners?” Working Paper No. 302 (OECD Development Centre, July 2011).

<sup>17</sup> Shikha Jha and Peter McCawley, “South-South Economic Linkages: An Overview,” ADB Economics Working Paper Series No. 270 (Asian Development Bank, August 2011).

<sup>18</sup> See <https://www.unsouthsouth.org/about/about-sstc/>.

world trade.<sup>19</sup> Foreign Direct Investment (FDI) flows among developing economies account for about half of world total.<sup>20</sup>

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<sup>19</sup> UNCTAD, Forging a Path Beyond Borders: The Global South (November 2018). Available from [https://unctad.org/en/PublicationsLibrary/osg2018d1\\_en.pdf](https://unctad.org/en/PublicationsLibrary/osg2018d1_en.pdf).

<sup>20</sup> Xiaojun Grace Wang, "South- South Cooperation Brings Strong Partnerships to the New Development Agenda. Global Thinkers," 23 January 2017. Available from <https://www.ssc-globalthinkers.org/news/blog/South-South-Cooperation-brings-strong-partnerships-to-the-new-development-agenda>.



### **III. THE ELEMENT OF SSC COMPARABLE TO NORTHERN ODA IS STILL SMALL**

The impressive estimated amounts of SSC floating around have given an exaggerated impression of the monetary transfer of SSC as many commentators are not fully aware of the differences between ODA and SSC. As a result, these numbers have led to the assumption that the Southern countries are already in a position to make money transfers regularly as the members of the DAC. It is important to bear in mind that all kinds of estimates of SSC are at best indicative for the SSC trend and the data is definitely not comparable with ODA data.

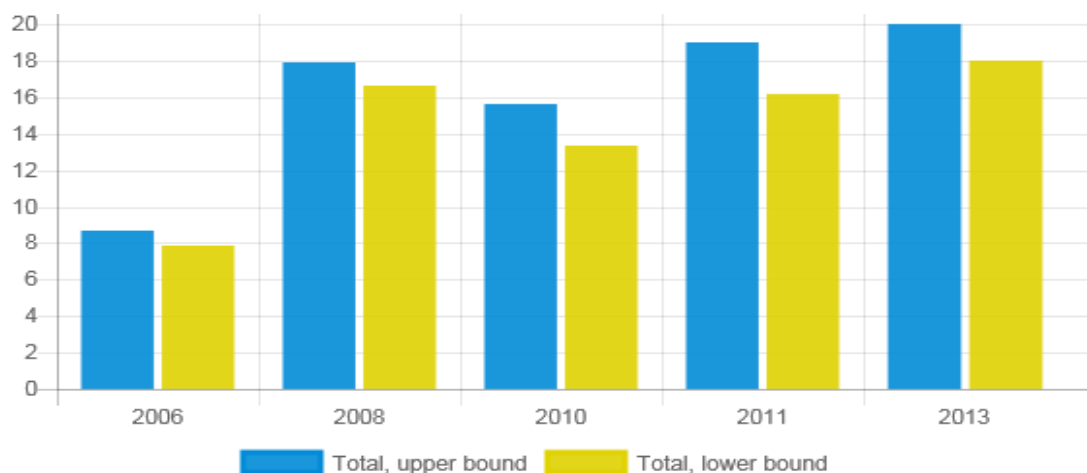
In view of the lack of development agencies and other necessary institutional arrangements on the part of some SSC providers, there has been a lack of data on grant and other concessional financing on SSC.

Institutions trying to track such data have observed an increasing trend in such financing, especially since the 2007 global financial crisis. The Department of Economic and Social Affairs of the United Nations (UN DESA) has been collecting such data relating to Southern concessional loans, grants, debt relief and technical cooperation from national sources.

**Chart 1:**

#### **South-South cooperation, selected years, 2006–2013**

*(Billions of US dollars)*



Source: UN DESA data, <https://developmentfinance.un.org/south-south-and-triangular-cooperation>

Though the data is not comprehensive, the trend of increase is clear. According to the UN DESA estimates, the volume of official concessional financing from the South for development purposes went through a big increase from \$7.9 billion in 2006 to \$18 billion if

concessional export credit is excluded in 2013, but would be \$20 billion if included.<sup>21</sup> Estimates of UN DESA for 2015 indicate that the financial component of such South-South development cooperation may have grown to reach \$26 billion in that year<sup>22</sup>. Comparing with the DAC's reported ODA of the same year, which was \$130.1 billion, the SSC monetary transfer was only 20% of the ODA. If we use OECD estimates of the monetary transfer of SSC comparable to ODA in line with DAC standards, the amount is much lower—only reaching USD 7.91 billion in 2015, though some countries did not report.<sup>23</sup> In line with this estimate, SSC monetary transfer was only 6% of the 2015 ODA. Even so, this reflected a bit of increase comparing with the previous year. Devex's 'Emerging Donors 2.0' report tracks the “new breed of development funders” (BRICS (Brazil, Russia, India, China, South Africa association)+United Arab Emirates+South Korea+ Turkey). According to its data, emerging donors increased monetary transfer by 47% between 2010 and 2015, but its total annual monetary transfer represents only 6% of ODA by DAC. The OECD and Devex have matching estimates of the ODA-like monetary flow from the SSC providers, which has been much lower than that from UN DESA owing to their different methodologies.

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<sup>21</sup> United Nations, Trends and progress in international development cooperation, Report of the Secretary-General (E/2016/65, 10 May 2016). Available from [http://www.un.org/ga/search/view\\_doc.asp?symbol=E/2016/65](http://www.un.org/ga/search/view_doc.asp?symbol=E/2016/65).

<sup>22</sup> See <https://developmentfinance.un.org/south-south-and-triangular-cooperation>.

<sup>23</sup> See <http://www.oecd.org/dac/dac-global-relations/non-dac-reporting.htm>, which reports estimates of ODA like flows from Azerbaijan, Brazil, Chile, China, Colombia, Costa Rica, India, Indonesia, Kazakhstan, Mexico, Qatar, Russia, and South Africa.

#### **IV. SSC IS A COMPLEMENT TO NSC**

Outcomes of many international conferences and United Nations General Assembly resolutions, which were negotiated with the participation of and endorsed by the traditional donor countries, have repeatedly stressed that SSC is not another ODA modality and therefore should not be treated as a substitute for ODA.

The Third International Conference on Financing for Development of 2015 stated clearly that “*South-South cooperation is an important element of international cooperation for development as a complement, not a substitute, to North-South cooperation...South-South cooperation should be seen as an expression of solidarity among peoples and countries of the South.*”<sup>24</sup>

SDG 17 on strengthening the means of implementation and revitalizing the global partnership for sustainable development specifically urged the developed countries to implement fully their official development assistance commitments. There was the mention of strengthening domestic resource mobilization, which is meant to underline the responsibilities of national governments in the implementation process.<sup>25</sup>

The Nairobi Outcome of the High-level United Nations Conference on South-South Cooperation in 2009 stated clearly this concept in paragraph 14.

Important plurilateral platforms of major South-South cooperation providers have also further driven home the view of complementarity. The 7<sup>th</sup> BRICS summit declaration stated “*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.*”<sup>26</sup>

India, Brazil and South Africa at its recently concluded IBSA Dialogue in June 2018 specifically stressed that “*IBSA is convinced that SSC is completely different from the North-South/donor-donee cooperation.*”<sup>27</sup> They firmly believe that South-South Cooperation does not imply reducing the responsibilities of developed countries with respect to their ODA commitments, new and additional financing, provision of means of implementation to achieve the goals of the Paris Agreement on Climate Change as well as implementation of the SDGs.<sup>28</sup>

OECD donor countries have also recognized the principle of complementarity. The Bogota Statement “Towards Effective and Inclusive Development Partnerships” of 25 March 2010 at the OECD High-Level Event on South-South Co-operation and Capacity

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<sup>24</sup> Addis Ababa Action Agenda of the Third International Conference on Financing for Development (2015), para. 56. Available from [http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA\\_Outcome.pdf](http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf).

<sup>25</sup> United Nations, Transforming our world: the 2030 Agenda for Sustainable Development (A/RES/70/1, 21 October 2015).

<sup>26</sup> VII BRICS Summit Ufa Declaration, 2015. Available from [https://www.brics2017.org/English/Documents/Summit/201701/t20170125\\_1409.html](https://www.brics2017.org/English/Documents/Summit/201701/t20170125_1409.html).

<sup>27</sup> IBSA Declaration on South-South Cooperation, Pretoria, 4th June, 2018. Available from <http://www.dirco.gov.za/docs/2018/ibsa0605.htm>.

<sup>28</sup> IBSA Declaration on South-South Cooperation, Pretoria, 4th June, 2018. Available from <http://www.dirco.gov.za/docs/2018/ibsa0605.htm>.

Development stated “SSC is not a substitute for, but a complement to, North-South development cooperation, with triangular cooperation acting as a bridge between South-South and North-South cooperation.”<sup>29</sup> This outcome document was endorsed fully by the donors’ community with the active participation of the OECD/DAC Task Team on South-South Cooperation.<sup>30</sup>

The statement of G77 and China at the Third Committee of the 73<sup>rd</sup> session of the United Nations General Assembly reaffirmed their “*position that South-South cooperation is a complement to, rather than a substitute for, North-South cooperation*” and “*that South-South cooperation is a collective endeavour of developing countries*” and emphasized “*that South-South cooperation deserves its own separate and independent promotion, as reaffirmed in the Nairobi outcome document.*”<sup>31</sup>

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<sup>29</sup> Bogota Statement Towards Effective and Inclusive Development Partnerships, 2010. Available from <https://www.oecd.org/dac/45497536.pdf>.

<sup>30</sup> “The Task Team on South-South Cooperation at a Glance.” Available from <https://www.oecd.org/development/effectiveness/45539861.pdf>.

<sup>31</sup> Statement on behalf of the Group of 77 and China by H.E. Ambassador Mohamed Edrees, Permanent Representative of Egypt to the United Nations at the Third Committee of the seventy-third session of the United Nations General Assembly (New York, 2 October 2018). Available from <http://www.g77.org/statement/getstatement.php?id=181002>.

## **V. REASONS FOR COMPLEMENTARITY AND THE GLOBAL NARRATIVE**

The reasons for the emphasis of SSC as a complement to ODA are many folds including domestic financing gaps as well the vulnerability and susceptibility of the developing countries to external shocks.

### **A. Domestic financing needs of the South are massive**

As the grants and concessional financing part of SSC is only about less than 20% of Northern ODA according to DESA estimates and 6 to 7% according to OECD and Devex data, it is evident that development finance is still dominated by the traditional donors and ODA will continue to be the most important pillar of development finance.

Though the development stages of the developing countries are different, generally speaking the South is still in the process of industrialization, or catching up with the traditional donors. Some of them are lagging far behind the developed countries. Naturally, these countries have various economic challenges which require large financial resources to cover. One most important challenge is that an estimated 1.2 billion people still in extreme poverty are living in developing countries.<sup>32</sup> Eradicating poverty is becoming even more difficult as the low hanging fruits have already been harvested during the period for achieving the millennium development goals (MDGs). Those who are left behind are in hard core poverty in most cases, thus requiring more human and financial resources. Eradicating poverty still remains as a central goal of the SDGs in order to make sure that no one will be left behind.

Recent years have seen an increase in the impact of armed conflicts. Approximately 180,000 people died in 42 conflicts in 2015, more than triple the 56,000 fatalities recorded in 2008,<sup>33</sup> reflecting a growing intensification of violence. More than 1.5 billion people now live in countries affected by fragility and violent conflict. More violent conflicts lead to increasing refugee flows – as of June 2018 there were 68.5 million forcibly displaced persons worldwide, 85 per cent of whom are being hosted in developing countries<sup>34</sup>. To provide basic needs to these people requires large amount of financial resources.

After years of efforts to reduce ODA dependency, ODA continues to play a distinct and vital role for some LDCs to provide services to their population. This is especially so in the most vulnerable countries.<sup>35</sup> The scarcity of domestic financial resources and the

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<sup>32</sup> Food and Agriculture Organization (FAO), "Sustainable Development Goals: Poverty Eradication." Available from: <http://www.fao.org/sustainable-development-goals/overview/fao-and-the-post-2015-development-agenda/poverty-eradication/en/> (accessed 26 September 2018).

<sup>33</sup> International Institute for Strategic Studies (IISS), *Armed Conflict Survey 2016*. Available from <https://www.iiss.org/publications/armed-conflict-survey/2016/armed-conflict-survey-2016> (accessed 24 July 2017).

<sup>34</sup> United Nations High Commissioner for Refugees (UNHCR), "Figures at a glance: Statistical Yearbooks." Available from <http://www.unhcr.org/figures-at-a-glance.html> (accessed 30 July 2018). Also see UNOSCC concept note on the SSC Expo.

<sup>35</sup> See José Antonio Alonso, "Development cooperation to ensure that none be left behind", in Committee for Development Policy, "Summaries and key messages of papers produced by the CDP sub-group on 'leaving no one behind'", CDP2018/PLEN/10, March 2018. Available from [www.un.org/development/desa/dpad/wp-content/uploads/sites/45/CDP-2018-Summary-LNOB.pdf](http://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/CDP-2018-Summary-LNOB.pdf).

lack of access to the international capital market are the major reasons for their reliance on ODA. For the year 2016, data from different agencies<sup>36</sup> revealed that one fifth of the total domestic revenue of 16 LDCs came from ODA, while for four countries out of these 16 LDCs more than 50% of their domestic revenue relied on ODA. For 22 small island developing States (SIDS), ODA accounted for 40% of the external financing in 2016.<sup>37</sup> These numbers show that ODA dependency cannot be said as a phenomenon of the past.

The Southern countries would like to contribute more money to development financing, however their domestic needs of financial resources are very heavy and their capacity is limited.

## **B. Vulnerabilities and fragility of the South**

A realistic assessment of the current global economic narrative could help us to understand that currently SSC can play an import role but it does not yet have the capability to perform as the mainstay of the global development finance. We have heard a lot about the changing paradigm and landscape of the world economy. Indeed, the South has become more important in the global economy. It is now estimated that developing countries will account for 55% of global gross domestic product (GDP) by 2025.

However, recently two developments have attracted the attention of development economists. One is that the head of the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) has been pleading and urging economists and multilateral institutions not to use per capita GDP as a measurement of economic strength of a country.<sup>38</sup> This is because a middle-income Caribbean country could be reduced to an LDC over one natural disaster. Therefore, access to multilateral financing and other entitlements to developing countries should not be restricted. They may have a higher income level, but their economic vulnerabilities have not yet disappeared.

Another recent phenomenon we have witnessed is the collapse of currencies from emerging economies which suffered a classical “sudden stop”.<sup>39</sup> For the past decade, a heavy dose of expansionary monetary policy including quantitative easing (QE) has been the strategy to contain and manage the global financial crisis. These policies have led to a massive increase of international liquidity; much of it has gone to the emerging markets for yield seeking and speculation. Paradoxically, the source countries of the financial crisis are doing quite well now, especially the United States which triggered the crisis is enjoying

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<sup>36</sup> United Nations Department of Economic and Social Affairs (UN DESA) staff calculations, based on OECD/Development Assistance Committee (DAC) and International Monetary Fund (IMF) data. Refer to the report of the Inter-agency Task Force on Financing for Development: FINANCING FOR DEVELOPMENT: PROGRESS AND PROSPECTS 2018.

<sup>37</sup> Organization for Economic Cooperation and Development, *Making Development Co-operation Work for Small Island Developing States* (Paris, OECD Publishing, 2018).

<sup>38</sup> Alicia Bárcena Ibarra, Stefano Manservigi and Mario Pezzini, “Upgrading International Development Cooperation,” Project Syndicate, Aug 14, 2018. Available from <https://www.project-syndicate.org/commentary/new-approaches-to-international-development-cooperation-by-alicia-barcena-ibarra-et-al-2018-08>.

<sup>39</sup> Yuefen LI, “The Causes of Currency Turmoil in the Emerging Economies,” Policy Brief 52, South Centre, September 2018. Available from [https://www.southcentre.int/wp-content/uploads/2018/09/PB52\\_The-Causes-of-Currency-Turmoil-in-the-Emerging-Economies\\_EN-1.pdf](https://www.southcentre.int/wp-content/uploads/2018/09/PB52_The-Causes-of-Currency-Turmoil-in-the-Emerging-Economies_EN-1.pdf).

almost full employment and faster economic growth. Emerging and developing countries as a whole, with fiscal and monetary stimulus fading in developed countries, and the dollar cycle coming to the tightening stage, are facing many challenges and their economic and financial vulnerabilities and fragilities have been exposed clearly once again. Some currencies have already come under. An increasing number of developing countries have gone to the International Monetary Fund (IMF) to ask for support. Recent crises in Turkey, Argentina and financial stresses in many other emerging economies have shown again that the post-world war dollar dominance is still with us. Past dollar cycles have seen financial and debt crises in developing countries when the dollar got stronger and rates became higher. This time around the tightening of the Fed interest rates has again triggered massive outflow of capital from developing countries. In aggregate, emerging and developing countries in 2016 and 2017 suffered from massive capital outflows for a record amount of about 700 billion dollars. The main reasons for this are the phasing out of fiscal and monetary stimulus in developed countries, and the dollar cycle. Bad things never come alone. There are other external shocks which also have triggered outflow of capital including the rising fuel prices. 2017 alone saw an almost 70% increase in global oil prices. Trade tension is driving the multilateral trading system to the edge of the cliff. We all know trade is an engine of growth and it is more important for developing than developed countries. Major SSC assistance providers, in particular China, have been negatively affected. India is also in the list.

Realities demonstrate that economically the North is still at the centre, and the developing countries are still at the periphery. The dollar cycle can still create boom and bust cycles. The US can still push the multilateral trade institution they set up to the brink of collapse. The spillover effect of policies and economic performance of the developed countries continue to affect significantly the economic situation of the developing countries including major SSC assistance providers. Therefore, expectations of SSC to play more than a complementary role to the Northern ODA at this stage are not realistic.

## VI. DIFFERENCE BETWEEN SSC AND NSC

There are important differences between ODA and SSC including in their coverage, historical background, modalities, principles and objectives.

### A. Modalities of SSC are different from NSC

Modalities of SSC cover a broad range of economic, social, political and other engagements. The BRICS countries break down SSC into three categories, i.e. economic cooperation, people-to-people exchange and political and security cooperation. At national level, India has identified five action pillars for SSC: capacity-building and skills transfer, concessional finance (further divided into grants and lines of credit), preferential trade, investment, and technical cooperation. Therefore, SSC, as noted by India, has been implemented mainly in the form like a “development compact”.<sup>40</sup>

Priorities of SSC vary among the Southern countries. For instance, China focuses on filling hard infrastructure gap, trade and investment; while India has been more concentrated on capacity building, people-to-people exchange and climate change. Some other countries have more cultural exchanges.

With SSC lumping together all kinds of cooperation, including some activities difficult to be calculated in money terms, it is difficult to estimate its actual volume. However, one thing we know is that trade and investment have constituted the dominant share of SSC. Trade among the Southern countries has been rapidly increasing owing to globalization, the extension of the global value chain and the good policies adopted by the South in their industrialization process (see Chart 2). Even for agricultural products, there has been a tremendous increase (see Chart 3). According to the *Trade and Development Report 2018*, between the mid-1980s and 2016, more than 50 per cent of the increase of the share of world exports to developing and transition economies were between Southern countries.<sup>41</sup> Flows of foreign direct investment (FDI) between developing countries in the global South have also expanded. FDI remains the largest external source of finance for developing economies. It makes up 39 per cent of total incoming finance in developing economies as a group.<sup>42</sup> Between 2007 and 2017 80% of the value of the announced greenfield projects by developing countries were with the Southern countries.<sup>43</sup>

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<sup>40</sup> Sachin Chaturvedi, “The Development Compact: The Theoretical Construct for South-South Cooperation,” RIS Discussion Paper 203 (June 2016).

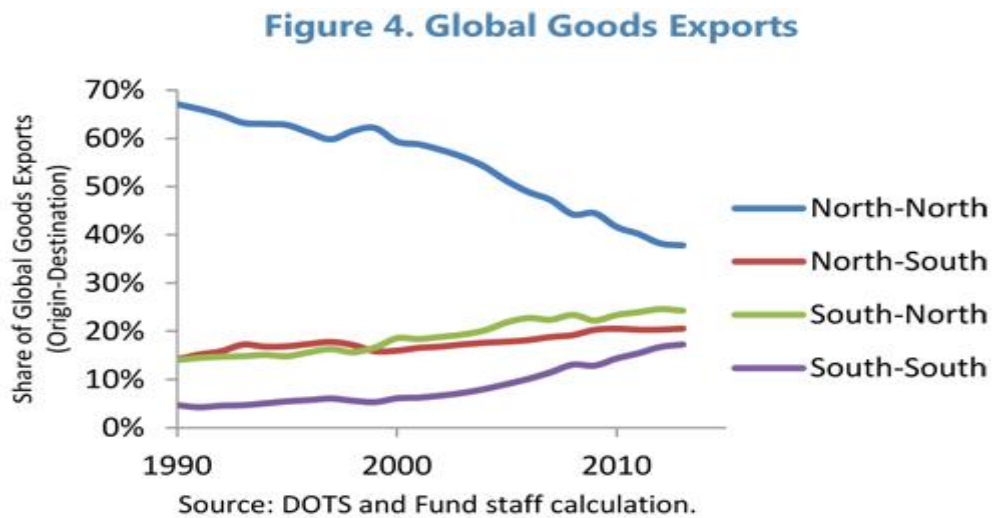
<sup>41</sup> United Nations Conference on Trade and Development, *Trade and Development Report 2018*.

<sup>42</sup> United Nations, Role of South-South cooperation and the implementation of the 2030 Agenda for Sustainable Development: Challenges and opportunities, Report of the Secretary-General (A/73/383, 17 September 2018).

<sup>43</sup> UNCTAD, Forging a Path Beyond Borders: The Global South (November 2018). Available from [https://unctad.org/en/PublicationsLibrary/osg2018d1\\_en.pdf](https://unctad.org/en/PublicationsLibrary/osg2018d1_en.pdf).

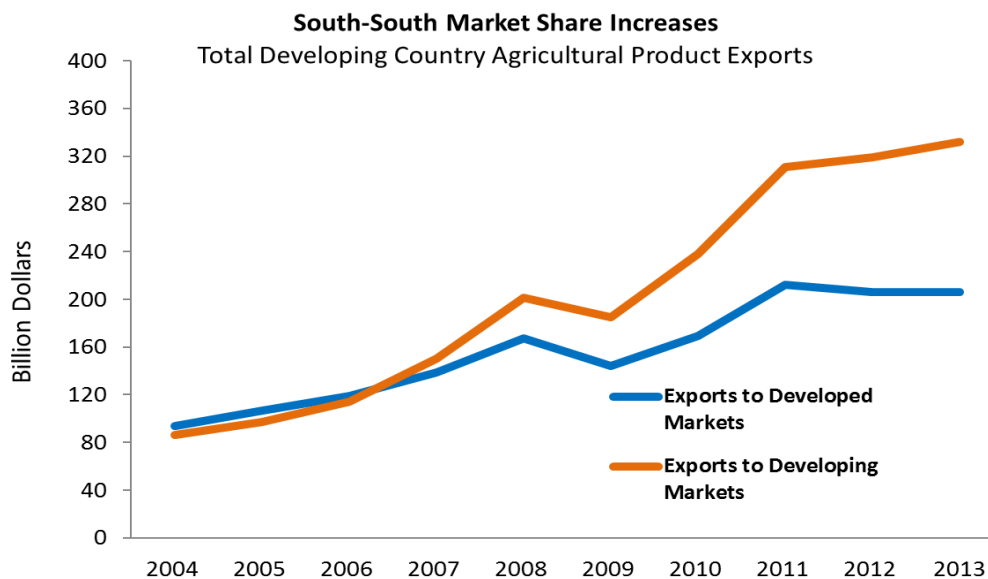


Chart 2:



Attributable to IMF.

Chart 3:



Source: The United States Department of Agriculture,  
<https://www.fas.usda.gov/data/south-south-agricultural-trade-rise>

Non-financial modalities like culture exchange, etc have also been increasing and constitute an important element for SSC.

Economic cooperation of SSC has expanded in its modalities well beyond economic cooperation in investment, trade, infrastructure building and technology transfer. Policy coordination, cooperation in the financial area like plurilateral and bilateral currency swap

arrangements, debt cancellation, bond market development and so on are important elements of SSC. There are also grants and concessional loans, though as mentioned before it is difficult to get exact data and the magnitude.

In the field of financial cooperation against balance of payments problems and shocks, the Chiang Mai Initiative (CMI) which was triggered by the 1997 Asian financial crisis is one arrangement with a relatively long history. It is a multilateral currency swap arrangement among the ten members of the Association of Southeast Asian Nations (ASEAN), with the participation of the People's Republic of China (including Hong Kong), Japan, and South Korea. It draws from a foreign exchange reserves pool worth US\$120 billion and was launched in March 2010. That pool has been expanded to \$240 billion in 2012. There are also many bilateral swap arrangements among the developing countries. At the 7<sup>th</sup> BRICS summit in 2015, the BRICS announced that the BRICS Contingent Reserve Arrangement totalling US\$ 85 billion, after endorsement by their respective governments, started to operate. The objective of this arrangement, like CMI, is to support each other in times of balance of payments problems and maintain national and regional financial stability.<sup>44</sup>

National development banks, such as the China Development Bank and the Export and Import Bank of China, have also taken SSC as a major area of their mandates. Much of China's concessional loans have been provided by China Exim Bank not only for trade credit but also infrastructure building. The concessional interest rates have varied with a large part averaging 3.6 per cent with a grace period of 4 years and a maturity of 12 years. This would represent a grant element of around 36 per cent, but there are variations over the years and among countries which means their loan concessionality has a large range of difference.<sup>45</sup>

The Brazilian National Development Bank has played an important role in financing regional and sub regional infrastructure.<sup>46</sup>

The most eye catching phenomenon of SSC in recent years has been the emergence of a wave of South-led new funds/banks and other financial arrangements for the purpose of responding to the international initiatives like the 2030 agenda, the Paris Agreement as well as to try to address the pressing and enormous challenges in developing countries for financing infrastructure, capacity building and economic development in general. In 2015, two new multilateral financial institutions were established in the South — the BRICS countries' New Development Bank (NDB) and the Asian Infrastructure Investment Bank (AIIB). Both are significant in size. AIIB is projected to provide loans of \$10 billion to \$15 billion annually over the next 15 years and the NDB is estimated to have the ability to lend an average of \$3.4 billion by 2020.<sup>47</sup> Both banks have put their priority on infrastructure building which has a huge financing gap in developing countries owing to its requirements for long-term financing and also its complex nature involving environmental, social and legal related issues in the process. There are also India and China's climate change funds. However, most of the funding will come in the form of loans, not grants. They will certainly

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<sup>44</sup> See <http://brics.itamaraty.gov.br/media2/press-releases/220-treaty-for-the-establishment-of-a-brics-contingent-reserve-arrangement-fortaleza-july-15>.

<sup>45</sup> Pratyush Sharma, "Evolving Nature of China's South-South Cooperation," Inter Press Service, 19 February 2016.

<sup>46</sup> See <http://brics.itamaraty.gov.br/media2/press-releases/220-treaty-for-the-establishment-of-a-brics-contingent-reserve-arrangement-fortaleza-july-15>.

<sup>47</sup> United Nations Development Programme, *Scaling-up South-South cooperation for sustainable development*, December 2016.

contribute to the attainment of SDGs in infrastructure, clean water etc. Some traditional funds have also been active. The IBSA Fund for the Alleviation of Poverty and Hunger was set up 15 years ago by India, Brazil and South Africa. The fund has implemented projects in 19 partner countries across Africa, Asia, Latin America, and the Arab States.<sup>48</sup> All these funds have been further advancing SSC and also contributing to the implementation of the SDGs.

There is also the emphasis on providing SSC assistance to LDCs and poorer countries. Both China and India have increased their economic and financial support to the African continent. India has launched some new initiatives including Made in India and Digital India and smart cities which have provided more areas and opportunities for economic cooperation. In addition, out of its nearly \$28 billion in concessional credit, India has earmarked a \$10 billion concessional line of credit to some 40 African partners over the next five years starting from 2017. In addition to concessional financing, a grant assistance fund of \$600 million was established including \$100 million for the India-Africa Development Fund, \$10 million for the India-Africa Health Fund, and financial arrangements for 50,000 scholarships for training African students.<sup>49</sup> China's Belt and Road initiative has already started some infrastructure projects in African countries. At the 2018 Forum on China-Africa Cooperation, China has pledged \$60bn for African development over the next three years<sup>50</sup> including \$20 billion of credit lines; \$15 billion of grants, interest-free loans and concessional loans; \$10 billion for a special fund; and \$5 billion to support imports from Africa.<sup>51</sup>

For the purpose of supporting the implementation of the 2030 Agenda, the Addis Ababa Action Agenda and the Paris Agreement, India and China have made new pledges which earmarked SSC in different areas. China has launched a \$2 billion South-South Cooperation Fund to assist developing countries towards the implementation of the 2030 Agenda. The new India-United Nations (UN) Development Partnership Fund supports Southern-led sustainable development projects across the developing world, with a focus on least- developed countries and Small Island Developing States.

In addition, many developing countries in crisis situations have received South-South humanitarian assistance from partner countries in the developing world.<sup>52</sup> China created the United Nations Peace and Development Trust Fund which supports not only peace keeping activities but also the implementation of the SDGs. Southern support to operational activities of the United Nations development system and other multilateral institutions has increased by nearly 10 per cent between 2015 and 2016 to \$3.062 billion.<sup>53</sup>

South Africa's SSC puts more emphasis on supporting the countries in the African continent in different kinds of people-to-people activities, promoting trade and security

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<sup>48</sup> See <https://www.unsouthsouth.org/2018/09/12/ibsa-a-year-in-review/>.

<sup>49</sup> United Nations, State of South-South cooperation, Report of the Secretary General (A/72/297, 7 August 2017).

<sup>49</sup> See [http://www.xinhuanet.com/english/2018-09/03/c\\_129946189.htm](http://www.xinhuanet.com/english/2018-09/03/c_129946189.htm).

<sup>51</sup> Bloomberg, "China Promises Africa Debt Relief as Xi Counters Aid Criticism," 3 Sept. 2018. Available from <https://www.bloomberg.com/news/articles/2018-09-03/china-promises-africa-debt-relief-as-xi-counters-aid-criticism>.

<sup>52</sup> Draft strategic framework of the United Nations Office for South-South Cooperation, 2018-2021 (DP/CF/SSC/6, 19 April 2018), paras. 31, 32.

<sup>53</sup> Funding data from the Report of the Secretary-General on implementation of General Assembly resolution 71/243 on the quadrennial comprehensive policy review of operational activities for development of the United Nations system, 2018 (A/73/63-E/2018/8); Southern partners refer in this example to the G77 + China.

initiatives. In addition to cooperating with emerging economies like China and India, it has also been leveraging triangular cooperation. Since 2000, it has undertaken a wide range of cooperation with 15 DAC Member Countries to implement development projects in African countries.<sup>54</sup>

Debt cancellation has become a part of SSC, in particular for China. At the Beijing Summit of the Forum on China-Africa Cooperation (FOCAC) in 2006, China announced that it would cancel debt in the form of all the interest-free government loans that matured at the end of 2005 owed by 33 heavily indebted poor countries and the least developed countries in Africa that have diplomatic relations with China.<sup>55</sup> By 2009, China had cancelled 150 mature debts of 32 African countries. At the 2018 FOCAC, China once again agreed to cancel the debt of Africa's least developed and heavily indebted poor countries that have interest-free loans due to mature by the end of 2018.

Sharing development experiences is considered an important part of SSC. As developing countries, especially emerging economies, have been going through an important economic catch up process in a globalized world, sharing experiences and lessons in their own development processes in the form of technical assistance can promote good practices and experiences on development.

## **B. Different history**

SSC has a long history which could be traced back to the anti-colonial solidarity movement of the twentieth century. What many of developing countries had in common was the struggle for independence from the former imperial powers. The Bandung Conference of 1955 has been considered as an important milestone marking the start of SSC as a force in the global stage. It gained momentum in the 1960s and 1970s with more countries becoming independent States.

Though the newly decolonised and pre-industrialised developing countries were not satisfied with the Northern dominated global order especially the divisive Cold War, individually they were too weak to have a voice on the world stage. This led to their strong determination to claim their existence and to promote economic development through solidarity in the South. As economically they had very little to offer, they started with cooperation in all the possible fields including cultural cooperation, peace, human rights and so on. This was followed with the formulation of some institutions for the South including the establishment of the Group of 77, UNCTAD, the South Commission and the Unit of Economic Cooperation and Integration among Developing Countries within UNCTAD, etc. Based on the economic analysis of Raúl Prebisch and Hans Singer, the famous Prebisch Singer Hypothesis, the Global South demanded the establishment of a New International Economic Order. The 1980s and 1990s witnessed ups and downs in the South, debt crises in Latin America and ODA dependency of some poor countries weakened the South on different fronts and also gave opportunities to the further advancement of neoliberalism. The Asian financial crisis was a wakeup call for the developing countries to question and challenge the mainstream neoliberalism ideology and to rediscover SSC. Together with the further industrialization of some Southern countries, the scale of SSC has been increasing in

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<sup>54</sup> Global Times, "South Africa ideal partner for trilateral development," July 5, 2017. Available from <http://www.globaltimes.cn/content/1055095.shtml>.

<sup>55</sup> "China has cancelled 150 mature debts of 32 African countries," 2009-10-21. Available from [http://www.focac.org/eng/ljhy\\_1/dscbjhy/FA32009/t623384.htm](http://www.focac.org/eng/ljhy_1/dscbjhy/FA32009/t623384.htm).

line with the economic growth in the South. This has been particularly so since the global financial crisis. However, right now the South is no longer monolithic as in the 1960s and 1970s when they were collectively poor and underdeveloped. With the different pace of economic development over the past two decades and rising geo-political concerns around the world in recent years, diversity among the South has been more apparent than before. Yet unity on some issues of common concerns still remains. The desire to strengthen Southern solidarity has not diminished.

For NSC, it is very much a product of Cold War competition which was first initiated by the United States. ODA has been used as an important and effective part of its foreign policy with political, security and ideological conditionalities for recipient countries.<sup>56</sup> This was articulated clearly by the so called “Truman Doctrine”. Military and economic assistance provided to developing countries as well as the Marshall Plan for the Northern countries all had its purpose of containing communism. European countries such as Britain and France followed the example of the US, yet much of their aid went to their former colonies. Up to the mid-1980s, Commonwealth countries accounted for 70% of British aid<sup>57</sup>; while for France, its former colonies received almost 90% of its aid<sup>58</sup>. Undeniably, the ODA provided by donor countries, though not its entirety, has served humanitarian purposes and promoted economic development to various degrees. However, the ideological baggage, its paternalistic donor-recipient relationship and its initial intentions were dramatically different from SSC. It is worth noting that in the past decade or so, NSC has undergone modernization and reorientation. Aid effectiveness has been evolved to development effectiveness. The coordination and transparency have also been improved.

### **C. Comparative advantages**

Owing to their comparable level of development levels and their specific country situations, SSC has a comparative advantage over North-South Cooperation. Experience sharing among Southern countries is practical and their outcomes very often are more easily applicable than that from advanced countries. As such kind of exchanges involves less financial cost and cover areas which could not be found in the North, like aquaculture, agroforestry, livestock, etc, these activities have been popular in SSC and their benefits are visible.

Developing countries have a wealth of experience with a range of effective policies to address poverty and sustainable development issues that could be extremely valuable to LDCs. The sharing of experiences, best practices and success stories could contribute to alleviate economic constraints in LDCs and capacity building.

### **D. Principles of SSC**

SSC is a manifestation of solidarity among peoples and countries of the South that contributes to their national well-being. As spelt out in the outcome document of the Third International Conference on Financing for Development in 2015, the Addis Ababa Action Agenda (AAAA), SSC is “*based on their shared experiences and objectives. It should continue to be guided by the principles of respect for national sovereignty, national*

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<sup>56</sup> C. Layne, *The Peace of Illusions: American Grand Strategy from 1940 to the present* (Ithaca, Cornell University Press, 2018).

<sup>57</sup> Peter Williams, *Aid in the Commonwealth* (Overseas Development Institute, 1965).

<sup>58</sup> François Pacquement, *How Development Assistance from France and the United Kingdom Has Evolved: Fifty Years on from Decolonisation* (Graduate Institute of Geneva, 2010).

*ownership and independence, equality, non-conditionality, non-interference in domestic affairs and mutual benefit*"<sup>59</sup>. These principles in AAAA have been repeatedly highlighted in many historical and political SSC-related conference documents including the declaration of the Bandung Conference of 1955, the BAPA in 1978 (GA res. 33/144), the Yamoussoukro Consensus 2008 and the Nairobi Outcome Document of the High-level UN Conference on South-South Cooperation in 2009, many UN General Assembly resolutions on SSC and High-Level Committee on South-South Cooperation (HLC-SSC) decisions and many ministerial declarations of the G77 and China.

### ***Equality and mutual benefits***

The traditional North-South relationship was an unequal vertical donor-recipient approach. This has been improving in recent years with greater emphasis of ownership by users as well as development-oriented ODA. For SSC, as indicated in the 2018 IBSA communiqué<sup>60</sup>, solidarity and the spirit of sharing are the primary motivations for SSC. Nevertheless it is not altruistic. Mutual benefit means both SSC providers and users should gain from the cooperation. For instance, India sees a main purpose in development aid as a strategic measure to establish economic relations and to allow its small and medium-sized enterprises (SMEs) to enter and penetrate foreign markets. China uses SSC to get its badly needed natural resources including minerals as well as market access. Another intention of SSC providers in some cases has been to raise their profile in the international arena. In addition, geopolitical considerations do exist for some projects and programs. It is important for SSC to emphasize ownership by users and maximize their development benefits.

### ***Non-conditionality and non-interference in domestic affairs***

The principle of non-interference in the domestic affairs is enshrined in the United Nations Charter and lies in the heart of SSC, which is characterized by a horizontal and equal instead of a donor and donee relationship. The first BAPA conference also highlighted this principle in its outcome document (Article 13). It shows the respect for sovereignty of the recipient countries of SSC. Unlike traditional donors which often used ODA to impose policies of good governance, liberalization of markets and individual rights, SSC providers do not request for intrusive economic and political conditionalities. The SSC projects would not affect the policy autonomy of the recipient country's right to rule the country at all. These principles have been well received over the years. However, in countries with internal conflicts and with human rights problems, the reluctance to assist in managing and resolving such issues have in some cases become problematic to operationalize SSC.

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<sup>59</sup> Addis Ababa Action Agenda of the Third International Conference on Financing for Development (2015) para. 56. Available from [http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA\\_Outcome.pdf](http://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf).

<sup>60</sup> IBSA Declaration on South-South Cooperation, Pretoria, 4th June, 2018. Available from <http://www.dirco.gov.za/docs/2018/ibsa0605.htm>.

## **VII. CHALLENGES FACING SSC AND LESSONS LEARNED**

It is important to note that both the providers and users of SSC assistance have been facing multiple challenges.

### **A. Weak institutional setup and framework**

Institutional framework is a big weak link in SSC. Many countries do not have a formal institutional set up for SSC and suffer from huge coordination and harmonization problems. Some developing countries often have a top down system for SSC for which the heads of State may decide on SSC projects. Generally speaking, the institutional mechanisms for South-South cooperation vary from country to country. To strengthen institutional building for providers and users takes time as it is not just a simple matter of establishing an institution, as capacity building, the supporting normative framework and enforcement and implementation are part of institutional building.

Even for major SSC players, institutional building at national level is still at a nascent stage; while at regional and international level the issue is still at the stage of deliberation. Take China for an example. Even though it is one of the largest SSC providers, the responsibilities for SSC used to be scattered in different ministries and coordination was difficult and *ad hoc*. Only in March 2018 did China establish a new agency to make activities relating to development assistance come under one umbrella, the International Development Cooperation Agency. It was given the responsibilities for strategic guidelines and policies on foreign aid; coordinating and making suggestions on major related issues; reforming the foreign aid system; and making plans and overseeing their implementation.

The users of SSC face the same challenges. Many countries do not have clear assignments of responsibilities of SSC. They also lack capacity to assert and develop ownership in the projects and programmes. The capability to coordinate and prioritize different projects to benefit and align them with their own national development strategies and priorities still needs to be enhanced and put into use. Without these capacities, they would not be able to adapt the proposed projects/programmes to meet local conditions and needs.

For NSC, the developed countries have used more than 50 years to improve their NSC system. Probably through South-South and Triangular Cooperation (SSTC), traditional donor countries could share some of their relevant experiences and lessons with the Southern countries and make their learning curve steeper.

### **B. Lack of or insufficient capacity in project management**

For the purpose of achieving the expected development impact, institutional setup and framework would include many other aspects in addition to physical institutions. There is a lack of experience and expertise relating to a whole package of issues including legal framework, risk management, review, follow-up, standards for social, environmental and political aspects. These elements are particularly relevant for large SSC projects. There are good reasons for the regional and multilateral development banks to retreat or withdraw from infrastructure building which calls for experience and framework for all these elements. China is probably the only country doing large scale infrastructure projects and has run into

many problems. It is important to point out that the Southern partners have not yet gained sufficient experiences as they are relatively new for implementing SSC projects especially large ones, and many have not yet developed proper guidelines to engage in SSC projects. One size fits all is not the correct approach and specific national conditions have to be taken into consideration. Human resources, expertise, technical skills and experiences are essential in developing the capacities for running SSC projects and programs.

With the lack of such kind of institutional framework, implementation of SSC projects, especially projects in large scale, could be risky and costly. For instance, stable electricity supply would be required for the smooth operation of a speed train. There have been cases when a speedy train has been turned into a very slow train because of unstable supply of electricity. To build a highway would involve purchasing farm land for which strict legal provisions have already been promulgated in many countries. Some projects have been stalled because the land on the envisaged route could not be purchased. For ambitious large technical assistance projects, they should go through very cautious and vigorous feasibility studies to fully take into consideration economic, social, environmental, human rights, traditional culture/life style and other factors related to the projects. Risk analysis of various factors needs to be carried out and solutions for addressing these concerns needs to be designed. This is extremely important for the success of the projects because, unlike cultural exchange activities, gestation and construction periods for large projects are long during which governments, policies and even regulations may change. In cases when a large amount of financial resources are required for the projects, abilities of the relevant government in creating revenue and servicing debt borrowed for such kind of projects need to be taken into consideration.

### **C. Short history and lack of maturity**

Comparing with NSC, SSC is still far from mature. The OECD DAC committee was established in 1961. Many DAC members started to offer aid immediately after World War II. Therefore, these countries have accumulated experience for more than 70 years. For SSC, it has a long history of political cooperation and people-to-people exchange. Yet, economic cooperation and technical assistance project and programme implementation with scale only have a short history, mostly since the global financial crisis of 2007. It is not surprising that institutional building is still a weak link though improving fast and both providers and users suffer from huge coordination and coherence problems. There is a lack of research and analysis of SSC. An important part of the research undertaken on SSC has been through Western lenses. SSC deserves to be examined further and also systematization of knowledge. Both SSC providers and users need to improve coordination and enhance coherence at national, regional and international levels. The deficit in theory, empirical study and coherence in policies relating to SSC is a huge problem requiring to be addressed.

Triangular cooperation can be leveraged to allow SSC to benefit from technical expertise of the North to improve delivery of SSC. This would include not only development partners from donor countries but also multilateral organizations.



## **VIII. ELEMENTS THAT DESERVE CONSIDERATION IN PREPARING FOR BAPA+40**

Undeniably, SSC has great potential for further expansion. Countries of the South have increased their weight in the world economy significantly over the years. The developing countries now account for 59.18% of global GDP (in purchasing power parity (PPP) terms) according to the IMF.<sup>61</sup> South-South trade as a share of world merchandise rose from 8.1 percent to 26.7 percent between 1980 and 2014.<sup>62</sup> There has been a steady expansion of SSC not only in its volume, but also an increase of country participation, and diversification in SSC modalities. According to a survey conducted by UN DESA, developing countries providing SSC has increased from 63 to 74 per cent from 2015 to 2017.<sup>63</sup>

Building on this momentum, the BAPA+40 could be a boost to SSC and further strengthen its role in the implementation of the 2030 agenda for sustainable development. To achieve this objective, the following elements may be considered in the preparatory process of the international conference:

A. Despite different kinds of pressure, it is essential to emphasize that SSC is a complement to and cannot be a substitute for NSC. Not only is there still hard core poverty in these countries, but most importantly, there are structural economic and financial vulnerabilities and fragilities in the South which could lead to huge economic imbalances that require financial resources from the central governments and corporations to overcome the economic headwinds and economic reversals. It is still necessary to emphasize the need for the traditional donors to meet their ODA commitments, as currently the monetary transfer part of SSC is only a small portion of ODA which is still a dominant pillar of development finance.

B. It is important to promote southern solidarity. Owing to diverging development stages and different concerns, the South is no longer monolithic and has nuanced views even diversity over some issues. Some members of the South have joined or are on the way to join OECD. But the South on the whole is still marginalized in the global economic system. They have strong reasons to have common ground on many issues to promote their common interest. The BAPA+40 should be an occasion to strengthen the solidarity of the South. The recent IBSA declaration in 2018 recalled Southern efforts over the past decades to bring about greater solidarity among South countries.<sup>64</sup>

C. SSC principles should be upheld: Mutual benefit, respect for national sovereignty, national ownership and independence, equality, non-conditionality, and non-interference in domestic affairs. These principles are the cornerstones for SSC.

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<sup>61</sup> See <https://www.imf.org/external/datamapper/PPPSH@WEO/OEMDC/ADVEC/WEOWORLD>.

<sup>62</sup> Concept Note of the GLOBAL SOUTH-SOUTH DEVELOPMENT EXPO 2018, United Nations Office on South-South Cooperation, 31 July 2018. Available from <http://www.expo.unsouthsouth.org/wp-content/uploads/2018/08/Draft-Concept-Note-v2.0-31-July-2018.pdf>.

<sup>63</sup> United Nations, Trends and progress in international development cooperation, Report of the Secretary-General (E/2018/55, 10 April 2018).

<sup>64</sup> IBSA Declaration on South-South Cooperation, Pretoria, 4th June, 2018. Available from <http://www.dirco.gov.za/docs/2018/ibsa0605.htm>.

D. Policy space and time should be given to the Southern countries to formulate and upgrade their SSC institutional building; and voluntarily develop their methodology, standards and mechanism for monitoring, quantifying, evaluating and reporting of SSC. Such methodologies could be built at the national, bilateral, regional or multilateral levels, considering the different types and mechanisms of SSC, and the needs and priorities of each SSC partnership. As highlighted by G77+China, the SSC and its agenda must be driven by the countries of the South. As a matter of fact, work has been undergoing in some countries already. To transplant or impose some existing frameworks on the Southern countries has so far run into heavy resistance.<sup>65</sup> Developing countries prefer to define their own parameters for measuring their South-South cooperation<sup>66</sup>. A number of governments of the South are designing their own systems to assess their development cooperation, following different paths.<sup>67</sup> Efforts have been made to increase transparency and accountability. The UN Secretary-General in his report on the *Role of South-South cooperation and the implementation of the 2030 Agenda for Sustainable Development: Challenges and Opportunities* (A/73/383), “encourage(s) Member States to explore the possibility of engaging in consultations towards the adoption of common conceptual frameworks and common methodologies for voluntary reporting while respecting the diversity of national approaches to South-South cooperation.” His emphasis on the voluntary reporting is meant to allow the countries to accumulate more experience and be given flexibility at this stage.

E. The support of the role of the United Nations is essential as indicated in the recent BRICS declaration<sup>68</sup> and articulated in BAPA 1978 and various General Assembly Resolutions. The UN is more representative and democratic, thus having greater legitimacy to support SSC.

F. It is important to uphold multilateralism. Unilateralism could benefit a few powerful countries and would not be in the interest of the South which needs to work together for a just, equitable, fair, democratic and representative international political and economic order.

G. Triangular cooperation should be enhanced to support mutual learning between traditional and new actors in the field of development assistance. In doing so, it could strengthen cooperation with development partners. However, agenda-setting in SSC should primarily remain in the hands of the South.

H. Institutional building is still a weak link in SSC. Many SSC providers and users do not have specific agencies to address SSC. Neither has SSC been fully integrated in development strategies and policies. Therefore, to strengthen institutional framework and capacity is still a major challenge.

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<sup>65</sup> J.B. Atwood, *Creating a Global Partnership for Effective Development Co-operation* (Washington DC, Center for Global Development, October 3, 2012).

<sup>66</sup> United Nations, *Trends and progress in international development cooperation*, Report of the Secretary-General (E/2018/55, 10 April 2018).

<sup>67</sup> Paulo Esteves, “How governments of the South assess the results of South-South cooperation: case studies of South-led approaches”, DCF Policy Brief, No. 20 (New York, Department of Economic and Social Affairs, 2018). See also Arab scorecard for financing for development (E/ESCWA/EDID/2017/IG.2/5(Part I)).

<sup>68</sup> JOHANNESBURG DECLARATION, 10TH BRICS SUMMIT (2018), para. 6.

A realistic assessment of the current SSC and a realistic assessment of the current global economic narrative can contribute to a good outcome for the coming BAPA+40, which should reflect the Southern perspectives of SSC and its linkage with the 2030 agenda. The conference is expected to strengthen the solidarity of the South and enhance partnership with other stakeholders.

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**ISSN 1819-6926**