

# **The Sustainability of Development Cooperation**

## **An Assessment of North-South and South-South Approaches**

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## **Abstract**

*Contemporary development cooperation is at a crossroad. Global climate change, a legacy of failed aid, and the recent economic crises have made it abundantly clear, that the global North can no longer claim a leading role in international development. Postulating as axiomatic that international cooperation needs to be sustainable in order to produce effective change, this thesis presents a sustainability assessment of development cooperation. The trends outlined above bring South-South cooperation into the spotlight and justify the question: "To what degree can North-South and South-South cooperation be considered sustainable?" Using incentives, ownership and accountability as indicators for sustainability, this study shows that South-South cooperation (SSC) can contribute important knowledge about the architecture of development aid. However, the discourse about SSC is not yet as established as the discussion of North-South aid. Hence, there is room for stronger institutionalization and the potential to rewrite the course of international development cooperation.*

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## List of Acronyms

APRM	African Peer Review Mechanism
DAC	Development Assistance Committee (OECD)
ECOWAS	Economic Community of West African States
FDI	Foreign Direct Investment
GNI	Gross National Income
HLF4	4 <sup>th</sup> High-Level Forum on Aid Effectiveness
IAD	Institutional Analysis and Development (Framework)
IPCC	International Panel on Climate Change
LDC	Least Developed Country
MIC	Middle-income Country
NAM	Non-Aligned Movement
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organization for Economic Cooperation and Development
PBIG	Post-Busan Interim Group
SIDA	Swedish International Development Cooperation Agency
SSC	South-South Cooperation
TCIL	Indian Technical and Economic Cooperation
TT-SSC	Task Team on South-South Cooperation
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNECOSOC	United Nations Economic and Social Council
UNEP	United Nations Environmental Program
UNOCHA	United Nations Office for the Coordination of Humanitarian Affairs
UNODC	United Nations Convention against Corruption
WBGU	German Advisory Council on Global Change <i>(Wissenschaftlicher Beirat der Bundesregierung Globale Umweltveränderung)</i>

## Chapter 1: Introduction

These days we are at a crossroad of global changes and several important determinants of our future begin to converge (Friedman, 2009). First, it becomes increasingly clear that the ecological capacities of our planet are being depleted faster than ever. Rising sea-water levels, receding ice-shelves, the vanishing of millennium-old glaciers and extreme weather conditions in many parts of the world are strong signs that something is wrong with the way we treat our ecological environment (IPCC, 2007; UNEP, 2012; WBGU, 2011). Looking at the limits of the earth's ecological capacities, one cannot help but notice that the less developed countries, the global South, cannot achieve development on the same terms as the North did over the course of the last three centuries. For most of the past decades, it was assumed that all the poor countries had to do in order to achieve the same standard of living as the global North, was to imitate the North and proceed through the “stages” of development (Rostow in Greig, Hulme & Turner, 2007). But seeing that the idea of a *linear* progression of development is no longer viable nor justifiable, then the question arises, whether a different form of development cooperation is not indeed better suited to chart the path to development (Fleckenstein & Le Veness, 2003). With the increasing strains that human activity imposes on the ecosystem, the legitimization of the North's leadership role is more and more undermined. As William Easterly (2007, p. 26) puts it, “[t]he fallacy is to assume that because I have studied and lived in a society that somehow wound up with prosperity and peace, I know enough to plan for

*other societies to have prosperity and peace. [...] this is like thinking the racehorse can be put in charge of building the racetracks.”*

The second element at this crossroad is the fact that six decades of development aid have done little to relieve poverty and improve the standards of living of the bottom billion. The debate between the proponents and the critics of aid is raging. Considering the fact that it is not even certain that aid did not actually cause more harm than good, the critical voices have a strong case to make<sup>1</sup>. Arguably, their criticism, which is explained in more detail in chapter 4, will partly be addressed in the post-Busan re-structuring of international development cooperation<sup>2</sup>, but it is not at all clear yet, how far the Post-Busan Interim Group (PBIG) can amend the current short-comings of aid.

The third factor that converges at this crossroad, is the recent economic crisis which turned the current economic system into a roller-coaster ride with stock markets crashing, economies toppling and governments trying to get a grip on national debt. These worries caused many developed nations to draw back their pledges to give 0.7% of their GDP<sup>3</sup> in official development aid (ODA), which means that *if* aid was effective, much of its momentum will be lost with waning commitments of

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- 1 Many scholars conducted statistical analyses to learn about the correlation and possible causation between ODA and a country's development. A more detailed analysis of the methodological flaws of some of the more prominent aid studies can be found for instance in Bräutigam (2000, ch. 3) (specifically covering the “Aid, Policies & Growth” study by Burnside & Dollar (2000) and the subsequent study by Clemens, Radelet & Bhavnani from the Center of Global Development) or in Easterly (2008).
  - 2 From 29 November to 1 December 2011, the 4<sup>th</sup> High-level Forum on Development Cooperation took place in Busan, South Korea. It provided important input for the re-structuring of development cooperation towards a more inclusive partnership.
  - 3 As pledged at the Monterrey Conference in Mexico in March 2002 (Easterly, 2008).

the North. Simultaneously, the staggering growth of some emerging economies such as China, India or Brazil, has increased the number of non-DAC donors and is significantly changing the dynamics of ODA and development cooperation (Woods, 2008).

During the last decades, a gradual succession that began with the Club of Rome's first report on "The Limits to Growth" in 1972,<sup>1</sup> the concept of *sustainability* has moved to the core of global development. We are holding the Rio+20 Conference on Sustainable Development, but it is not at all clear how far we have advanced since the first Earth Summit in 1992. States, NGOs, even companies cooperate to achieve sustainable development. Yet, they hardly ever question whether this cooperation itself is in any sense sustainable. Which factors can turn ineffective, donor-driven aid into mutually beneficial, durable development cooperation? How can we build sustainability into the very architecture of development interaction and turn the donor-recipient hierarchy into a real partnership? And most importantly, what does sustainability even mean in the organization of bilateral or multilateral relations?

Thus far, research on the sustainability of development cooperation has been limited and the majority of sustainability assessments that have been conducted, focus on the *outcomes* of projects and activities. This can range from narrow approaches of exclusively environmental sustainability to a broader understanding that also includes social and economic dimensions for instance in terms of the triple bottom

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1 On May 7<sup>th</sup> 2012, the Club of Rome launched their second comprehensive report titled "2052: A Global Forecast for the Next Forty Years " by Jorgen Randers.

line or the people-planet-profit matrix. However, research on the *process* of development cooperation is less abundant. One of the few comprehensive reports on this has been compiled specifically for the Swedish aid agency SIDA by Elinor Ostrom and her team (Ostrom, Gibson, Shivakumar, & Andersson, 2002)<sup>1</sup>. Their work yields some important lessons that can also be transferred to other cases. However, their evidence is closely connected to the context of Swedish development assistance and is very much based on the perception and experiences of SIDA-employees. In their report, Ostrom et al. (2002, p. 8) define sustainability as *“the longevity of development cooperation's efforts rather than particular projects or activities”* which is also the definition that will be used in this paper. The goal of this kind of sustainability is a durable and balanced partnership that is mutually beneficial and maintains each partners potential to develop. To a certain degree, these themes also occur in other works, such as Roggero (2006) who evaluates specific initiatives, or Brinkerhoff & Goldsmith (1992) and Stockmann (1997) who look at institutional sustainability.

However, relying on very specific cases, Roggero's study is too narrow to offer implications for the wider concept of SSC. The work of Brinkerhoff & Goldsmith, as well as Stockmann take more abstract approaches, but despite their theoretical validity, they no longer seem adequate for the current global situation. Too much has changed in the last two decades. Development aid in the early 1990s was still very much influenced by a Cold War mentality and only slowly adapted to the new

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1 Hereafter referred to as Ostrom et al. (2002).



international landscape. Moreover, economic changes such as the Asian financial crises or Argentina's default on its national debt, led to significant paradigm shifts concerning the Washington Consensus and the merits of Structural Adjustment Programs (SAP). Lastly, the current approach to development cooperation centers around the ideas of aid effectiveness, *mutual* accountability and donor alignment. These concepts are relatively new to the discourse of development and obviously had not been considered in earlier studies. Furthermore, it needs to be noted that none of these works specifically discuss the sustainability of South-South cooperation (SSC) and how its dynamics contrast with those of traditional North-South cooperation (NSC). Considering the pressing factors of exhausted natural capacities, decades of failed aid and the influence of the economic crisis on ODA, it is high time to pay more attention to SSC and discover its potential for sustainable cooperation.

Luckily, a crossroad always implies the possibility to change directions and chart a new course. Yet, the first rule of navigation is, to learn one's current position. Only then will it be possible to make meaningful decisions about the way forward. Hence, this study is more concerned with the present of development cooperation, rather than its future. Taking into consideration the global trends outlined above, as well as the shortcomings of existing literature, an assessment of the sustainability of development cooperation is warranted. Hence, this study will address the question: "To what degree can North-South and South-South cooperation be considered sustainable?" To this end, the next chapter presents a conceptualization of sustainability that can serve as a

framework for assessing the two forms of cooperation. Subsequently, chapter 3 looks at the implications of this framework for North-South Cooperation and chapter 4 focuses on the South-South approach. Throughout the paper, special attention will be paid to the interplay of the different indicators and what their confluence implies for the architecture of international development cooperation.

**Limitations** It has to be acknowledged; however, that international development cooperation as well as sustainability are two remarkably broad and complex concepts. To capture all the different factors that influence the outcomes of development efforts is nearly impossible, because each situation has its own particularities and results will strongly depend on the context. Hence, there are a few limitations that this study has to accept. First of all, it is important to keep in mind, that while North-South cooperation is extensively researched and evaluated, research on SSC is not as systematic and often consists of circumstantial evidence, case-studies and illustrative examples. Moreover, emerging actors on the stage of development cooperation are too divers to be sufficiently represented within this investigation of SSC. Non-DAC donors in general, and China in particular play an increasing role in financing development. So far, China has cancelled over \$10 billion in debt to African states (Globalenvision, 2006) and its insatiable hunger for resources leads to close ties with the resource-rich countries in Africa (Ssenyange, 2010). But it is exactly for this special role that China deserves separate analysis that

is beyond the scope of this paper and is hence not covered in full detail here<sup>1</sup>.

For this assessment, the three indicators of incentives, ownership and accountability have been selected. They are by no means exhaustive, but are to be seen as spotlight, highlighting some of the most important dynamics that impact the sustainability of development cooperation. Of course, readers need to be aware that there are many more dimensions in which sustainability can be mapped. Possible examples that are not included in this study are the flow of resources between the partners, or the degree of correlation between *outcome* and *process* sustainability. As will be described in more detail below, one type of sustainability does not inevitably entail the other. This is an important field for further research, since for effective development, both types ideally would have to be combined in a mutually re-enforcing circle.

Nevertheless, even looking only at the broader features of *process* sustainability and examining selected criteria already yields valuable insights into the potential of SSC for sustainability. Thus, it is a necessary stepping-stone for further research.

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1 One of the main criticisms on non-DAC donors is, that they only pursue economic interests and ignore issues such as human rights and democracy. Studies about China's increasing presence on the African continent include Alden (2007) and Brautigam (2009).

## Chapter 2: Conceptualization & Framework

### Terminology

The discourse on global development is afloat with different terms and expressions. Given its long political history, some terms carry distinctive connotations, invoking memories of a colonial past, Cold War mentality or ideas of Christian benevolence. Especially the notion of “aid” is burdened with these or similar prejudices (Nuscheler, 2006). It conjures the image of a benevolent provider who graciously extends his help to the less-fortunate. This creates a power-relation where the recipient does not have any agency or rights to claim as to what kind of help he would want, but is expected to gratefully accept whatever the provider deems appropriate. From this perspective, aid can never become sustainable, because it is entirely determined by the donors' will and caprices (Chisholm & Steiner-Khamsi, 2009). Therefore, this paper distinguishes between *aid* and *development cooperation* to describe the kind of partnership in which sustainability is at all possible. I will generally use the term *development cooperation* or a variation thereof, in reference to the partnership between two or more actors with the goal of promoting development in either one, or both of the countries involved. The advantage of such wording is, that it implies equality and a balanced power-relation, which are important elements in building a sustainable cooperation. Those parts that do talk about *aid*, mostly refer to financial aid in the form of grants or loans, often in the context of the OECD-DAC and ODA.

Two other important concepts about which there ought to be no confusion, are the terms *global South* and *global North*. They are frequently used throughout the literature of international relations, political science and

development studies<sup>1</sup>, but refer by no means to a country's geographic location. Instead, they rather constitute a statement about its development status. Haiti for instance is obviously located in the Northern hemisphere, but from a development perspective, belongs to the countries of the global South. Vice versa, albeit located in the Southern hemisphere, Australia is part of the global North. Throughout this paper, *North* and *South* are used as umbrella terms, roughly dividing the world into two kinds of countries that are distinguished by their development status relative to each other. It is not meant to suggest homogeneity of either developed or developing countries but rather to facilitate easier communication about a topic that is so complex, it often stifles discussion instead of encouraging them.

Lastly, a word of caution about the term *best practices*: It has become increasingly fashionable in policy-making to identify and share such “best practices” in the hope to improve the overall development process. This is a laudable goal, and this paper too, will use this expression to distinguish successful initiatives. However, policies are highly context-dependent and cannot be easily transferred (Jules, 2008). Therefore, the use of the superlative should not indicate that these practices are indeed perfect or that there would be no reason for further improvements.

As has been mentioned in the introduction, there are two types of sustainability that should not be confused: *Outcome* sustainability focuses on the project level and examines whether the attempted activities satisfy

### **Outcome vs. Process Sustainability**

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1 Scientific works also using the North-South dichotomy as terminology include Chisholm & Steiner-Khamsi, 2009; Easterly, 2008; Johnson & Wilson, 2006. In addition, the terminology has been taken up by policy-makers and practitioners, as the host of policy briefs, resolutions, and evaluation-reports show. (Easterly, 2008) UN ECOSOC, 2008; UNESCO World Conference on Education for Sustainable Development, 2009)

the triple bottom-line of social ecological and economic sustainability and do not exploit natural, financial or human resources. *Process* sustainability on the other hand, refers to the architecture of development cooperation and aims at assessing its potential to create a stable and balanced form of collaboration that is characterized by mutual interdependence instead of one-directional dependencies. In contrast to *outcome* sustainability, structural sustainability is not concerned with the activities and results that evolve from a particular development cooperation, but looks at the relationship between the actors involved and the long-term viability of their engagement. It is important to understand, that the two forms are independent from each other, and satisfying one, does not automatically imply satisfying the other. For example, a project could be very successful in terms of outcome sustainability, for instance, by combining reforestation with income-generating activities and education for the targeted community. However, if the same project is very donor-driven and not 'owned' by the people involved, it fares poorly in terms of *process* sustainability. Vice versa, a cooperation can be based on a very sustainable structure with strong mutual accountability and interdependence, but when it evolves around a wasteful irrigation system or the exploitation of natural resources, its *outcome* is everything but sustainable. For the ideal development outcome, it is of course necessary to satisfy both criteria.

For this reason *outcome* sustainability is included in this framework, even though including it in this analysis of NSC and SSC unfortunately is beyond the scope of this study. According to Rogers, Jalal,

& Boyd (2008), the five key factors that govern sustainable development are:

1. poverty
2. population
3. pollution
4. participation
5. policy-and market failures.

Hence, development projects that aim at advancing sustainability need to address these factors with a triple-bottom line approach. For example, a project designed to alleviate poverty clearly addresses a policy failure, but it also needs to take into account the demographics and expected growth of the population it is operating in and has to be based on active participation of the target-group. At the same time, project activities should achieve an outcome that is economically viable and ecologically responsible, i.e. one that does not increase the burden on the environment by adding more pollution or emissions. As ambitious as this might be, it is a necessary precondition for sustainable development. As the Brundtland Commission pointed out: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (Brundtland, 1987). Ultimately, there is no 'one size fits all' approach to assess the sustainability of development projects. Depending on the aims of the project, its specific activities and the capacities of the people involved, indicators for its social, environmental and economic sustainability need to be adjusted.

Initial research on the sustainability of development cooperation has been done by Roggero (2006 p. 14), who identified key factors and considerations that influence the nature of a cooperation. He argues, that sustainable cooperation is “economically viable and financially self-sustaining (eventually through income generating activities)” and should take into consideration the power- and decision-making structures between the actors. Moreover, a truly sustainable cooperation also tries to counteract the pitfalls of collective-action problems through structures that generate the appropriate incentives, so that “time, skill, knowledge and genuine effort [...] are channeled in ways that produce jointly valued outcomes” (Ostrom et al. 2002, p. xii). The following indicators provide guidance in the sustainability assessment of development cooperation. Incentives, ownership and accountability have moved to the core of foreign aid and highlight some of its most challenging issues. Identifying the importance of these three concepts was already a major step for the international development community towards a better understanding of aid. Now, the challenge lies in the question, how they relate to sustainability. This chapter provides a brief introduction to each of the indicators before they will be applied to the analysis of NSC and SSC.

### **Incentives, Ownership and Accountability: Indicators for Sustainable Development Cooperation**

#### **Incentives**

Analyzing the performance of the Swedish International Development Cooperation Agency (SIDA), Ostrom et al. developed the Institutional Analysis and Development (IAD) Framework which addresses the



problems of pervert incentives and unsustainable structures in current aid cooperation. Drawing on their identification of dilemmas in dysfunctional situations, such as principal-agent problems, moral hazard, or the Samaritan's Dilemma, it is possible to develop a deeper understanding of what makes cooperation sustainable. All these concepts refer to certain cost-benefit settings and the incentives individual actors have for their actions. Principal-agent problems for instance are often found in the hierarchical structures of government administration. The principal is the actor that is going to enjoy the benefits he obtains through the services or other actions of the agent, who in turn is in some way or another compensated for his efforts. However, such relations are inherently difficult, because they often entail an asymmetry of information and skewed incentives which leave plenty of room for moral hazard.

Moral hazard occurs, when one party of the cooperation could enjoy the benefits, whether or not they make any contribution to achieve the desired outcome. Similarly, it also occurs, when the beneficiary does not have to share at least some proportion of the costs of their action (ibid). Such a situation often involves a Samaritan's Dilemma which describes a situation where for one actor, who is strongly determined to help the other, it is always the best strategy to provide help to the recipient, while reciprocating this help with high effort is not the latter's best strategy. Ideally, the Samaritan would extend his help and the recipient exerts the highest effort on his own behalf. But since the Samaritan also provides the help with no effort on the part of the recipient, the former's incentive to

contribute are considerably lower<sup>1</sup>. Such obstacles significantly undermine the sustainability of development cooperation (Ostrom, et al. 2002). The distribution of incentives in a cooperation also has important repercussions for country ownership and accountability. If there is little ownership from the side of the Southern partner, there are also few incentives for that government to make high contributions to the development effort. Similarly, as will be described in more detail below, depending on the incentives, patterns of accountability will change.

## Ownership

Similar to Roggero, Ostrom's report also recognizes the power-asymmetries that are often present in development cooperation, and emphasizes the importance of "ownership." Unless projects and initiatives are "owned" by those for whose benefits they are set up, the cooperation will remain unsustainable. Deborah Bräutigam (2000) defines "ownership" as the "ability of governments to implement their own development visions, whether or not these coincide with those currently popular in the development industry" (p.32) and further argues that where the balance of control and ownership is clearly tilted towards the donor agency, the sustainability of the partnership is compromised. The IAD Framework outlines four processes with which the degree of ownership can be mapped (Ostrom et al. 2002, p.15):

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1 Explanations for collective-action problems are mostly derived from Ostrom et al. (2002), but are re-occurring elements in the literature of economics and political economy.

1. Participation in *provision* by articulating what asset, project, or program is needed and deciding how resources should be mobilized to provide for this need.
2. Participation in *production* by making tangible contributions: Time, effort, and other resources invested in the production, are a costly signal that beneficiaries expect to derive benefits from a project.
3. Participation in *consumption* of the benefits if the project is successful and in a share of responsibilities if the project fails.
4. Participation in decisions related to the *alienation* of the rights to a project (the decision to continue or not to continue a project once it has been initiated).

In general, it needs to be noted that ownership is a political, not an analytical concept. Statements about ownership are of a normative nature and refer to certain characteristics of the relation between two organizations (Jerve, 2002). Most of the time, the term “ownership” can be used interchangeably with “recipient responsibility”. It is closely linked to the process of decision-making and describes who identifies the needs and priorities of an aid initiative, who implements it and who supervises the implementation (ibid.). As Collier (2007) explains, country ownership can also impede those projects that address regional and cross-border issues but at the same time do not give all involved countries the same incentives. For instance, Uganda's economic development depends on access to the coast, which in turn is determined by the infra-structure conditions in Kenya. The Kenyan government however, did not care about Uganda and because of the principle of “country ownership,” neither did

Kenya's international donors. Such examples certainly highlight weaknesses in the structure of international cooperation, but do not make a convincing case against the idea of ownership. There are other options than abandoning national ownership to solve the Uganda-Kenya question and ultimately, it is necessary for durable cooperation to put aid-receiving countries “in the driver's seat” of their own development (Woods, 2008).

Especially in countries with high aid dependency<sup>1</sup>, ownership tends to be low. This means that the external agents (donors) can impose their own preferences and ideas of aid on the recipient (Bräutigam, 2000). Recognizing that ownership is a necessary but by no means sufficient condition, in order to be really effective and sustainable, the donor-recipient relationship needs to be set up in a way that solves the underlying collective-action problems (Ostrom et. al. 2002)

## Accountability

*“We say that an actor (whether an individual or an organization) is “accountable” when the actor recognizes that it has made a promise to do something, and has accepted a moral and legal responsibility to do its best to fulfill that promise” (Cronin & O’Regan, 2002).*

There are two distinctive dilemmas with accountability in international development cooperation. First, there is a lack of accountability between donor and recipient: As Easterly (2007) points out, for too long, aid has been about good intentions and great plans. 'Making Poverty History' is a beautiful goal, but carries little practical consequences for which its proponents could be held accountable. Nor does it imply specific actions

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1 Defined as “a situation in which a country cannot perform many of the core functions of government, such as operations and maintenance, or the delivery of basic public services, without foreign aid funding and expertise” (Bräutigam, 2000, p. 2)

that the intended beneficiaries could then demand from those advocating such an approach. Thus far, development cooperation has been characterized by calls for recipient-accountability where donors demand full disclosure from the recipients about how their money had been spent. On the one hand, it is understandable that donors want to know what is happening with their money and are inclined to attach certain conditionalities to their funding. On the other hand however, many African countries agree that foreign aid notoriously lacks fulfillment of commitments, which makes it difficult for recipient governments to plan and implement policies (UNCTAD, 2010). Hence, the “upward” accountability from the recipients to the donors has to be matched by a “downward” accountability from the donors towards the recipients (Cronin & O’Regan, 2002).

The second dilemma concerns the influence of foreign aid on a government's accountability to its citizens. Moyo (2010, p. 52) explains that aid money is “easily stolen, redirected or extracted” and quickly begins to act as a substitute for tax revenue. This is a dangerous development, because one important function of taxes is, to ensure a government's accountability to its population. Citizens who pay taxes have the right that their government is providing them with public goods and services. And ideally, the government legitimizes its rule through thoughtful use of tax money for the greater good of the population. Tax money is more difficult to divert, because the citizens have a stake in seeing their tax payments being converted into public services and in that

way create a control mechanism.<sup>1</sup> Financial aid from outside donors undermines this mechanism and creates a breeding ground for corruption (ibid.).

The question of accountability is closely related to the earlier discussion of incentives. Accountability is not something that comes automatically, only because it is the right thing to do. A government *should* feel accountable to its people, but unless it has incentives to really do so, assertions of accountability will be mere lip services. Tax revenues can create such incentives, but a high influx of aid money disturbs this balance and creates incentives for political patronage of resources or projects (Bräutigam, 2000). Suddenly, the government is no longer reliant on tax revenues for its income, but with that, its answerability to its own people also disappears. Instead of being accountable to the citizens, the government begins to regard the international donors as their primary stakeholders and has more incentives to fulfill their demands than those of its population. In other words, the “normal performance feedback loop in service delivery” is interrupted (Reinikka, 2008).

These two dilemmas are crucial factors in assessing the sustainability of a cooperation. However, this analysis is primarily concerned with cooperations between actors *from different states* and less with the internal dynamics between a government and its citizens. This is by no means to say that the latter does not deserve the most critical scrutiny. On the contrary, the disruptive effect of aid on

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1 Obviously, this suggested dynamic refers to *democratic* systems, not to authoritarian regimes and autocracies, where rulers can largely ignore the will of the people.

government accountability is a pivotal element in the failures of development and needs to be tackled rather sooner than later. It should also always be kept in mind, when discussing the first dimension of accountability, but nonetheless, a full considerations of the second dimension falls outside the scope of this paper.

### **Chapter 3: The Sustainability of North-South Cooperation**

The previous chapter introduced the framework that is used to assess the sustainability of development cooperation i.e. its *process* sustainability. In the following analysis, the three indicators of incentives, ownership and accountability will be applied to the current structure of North-South cooperation in order to map NSC's potential for durable partnership.

Ever since the end of the Second World War, the international community seems obsessed with the “Development Project”. Going through phases of strong political motivation, for instance during the Cold War, to more humanitarian concerns in the 1990 and early 2000, the latest surge seems to be the paradigm of sustainable development as a necessity to ensure a secure future on a livable planet.<sup>1</sup> Judging the success or failure of this 'development project' is extremely difficult, because the process is incredibly ambiguous. According to the German Advisory Council on Global Change (WBGU), one quarter of the

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1 Detailed accounts of the history of foreign aid can be found e.g. in chapter 2 of (Moyo, 2010), chapter 2 of (Riddell, 2007) and (Greig, Hulme, & Turner, 2007)

developing world only improved rather modestly over the past 40 years, while another quarter managed to make great strides. At the same time, socio-economic disparities within and between states have often decreased and in nine of the Sub-Saharan countries, especially the health situation has deteriorated in recent years (WBGU, 2011). Even though the overall number of countries classified as “poor” by the OECD has fallen from 55 to 25 between 1990 and 2000, for the absolute poor “no wealth progress at all is in sight” (ibid. p.49). Real per capita income in Africa today is lower than in the 1970s, and between 1981 and 2002, the number of people living in poverty nearly doubled (Moyo, 2010). According to the latest Worldbank report on development indicators, 69.2% of the people in Sub-Saharan Africa live on less than \$ 2.00 a day<sup>1</sup>.

Yet, not everything became worse in the global South. Opponents of international aid often use a sweeping declaration of failure to argue for an abandonment of the development project but such an approach neglects the progress that has been made on individual indicators, such as life expectancy for example (Nuscheler, 2006). In Sub-Saharan Africa life expectancy rose from 44.1 years in 1970 to 48.7 years in 2000. Admittedly, 48.7 years is still shockingly low compared to the 77.1 years OECD-average of the same year, (OECD, 2005a) and of course the sorrow state of countries e.g. in Sub-Saharan Africa mocks all those insisting that it had been a success. However, there is no way of knowing how the world would look like if none of the aid interventions and development efforts

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1 All data on the Worldbank Development Indicators for Sub-Saharan Africa can be found here <http://data.worldbank.org/region/SSA>



had been made and neither the claim to success nor the claim to failure can be convincingly supported.

Hence, it is not the purpose of this paper to fall in line with the vocal chorus of aid critics such as Bill Easterly, Dambisa Moyo or James Shikwati. Maintaining a healthy skepticism towards the idea of development aid, this chapter focuses on an assessment of the sustainability of such cooperation according to criteria outlined in the previous chapter.

Due to its inherently unequal relationship, North-South cooperation is prone to the collective-action problems discussed in the previous chapter. They arise from a misalignment or contradiction of incentives which is almost always present in North-South cooperation, simply because the two sides operate in very different contexts and thus often pursue different goals. “One insight of principal- agent theory is that incentives are weakened if the bureaucracy answers to too many different principals, or faces too many different objectives” write Easterly and Pfütze, (2008). So far, almost all of the generally practiced approaches to development assistance, including grants, credits, tied aid and conditional aid, involve pervert incentives and principal-agent problems. The first one, - grants, are usually provided on a bilateral basis and refer to transfers made in cash, goods or services for which no repayment is required<sup>1</sup>. Generally, such transfers seem attractive, because they reimburse the recipient for a

### **Incentives**

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1 Definitions are based on those of the OECD. [www.oecd.org/dac/glossary](http://www.oecd.org/dac/glossary)

certain effort he is making. Ostrom et al. (2002) however, explain that this motivation is largely lost in the development context. If a donor country provides grants to a Southern partner to help funding a certain project, it is often the case that the recipient government swaps all or part of their own contribution for the funding that comes from the donor. Consequently, the donor's grant no longer adds to the motivation of the respective project's owner to maintain the effort. It could be argued of course, that the receiving government has the incentive not to divert the funding in order to maintain a good relationship with the Northern partner. However, such feeling of accountability usually does not trickle down to the level of local governance where the *de facto* project owners are.

This obviously is also a problem with credits or loans. Recipient countries are enticed to make a project work, because they need to repay the loan. But since the loan agreement is between the two governments, departments or individuals at the lower end of the bureaucracy who are the ones involved in project implementation, do not feel obliged to make the effort that the debt can actually be repaid. Moreover, Moyo (2010) points out, that in practice, many recipient governments no longer perceive loans as different from grants, since they are usually concessional and often forgiven, for instance because of such celebrity-led campaigns as "LifeAid".

Grants and loans are frequently tied to certain conditions. These can for instance refer to procurement, but also to *ex ante* (and today increasingly

*ex post*) policy conditions<sup>1</sup>. For instance, for about three quarters of its aid, the US requires recipients to spend the money on products from American companies (Easterly, 2007). The idea behind this is, to ensure the domestic support for aid in the donor countries and to show that foreign aid also yields benefits for the donor, not only for the recipient. From the perspective of sustainability, this is an important consideration, because the more a relationship is characterized by a mutual give-and-take, the more balanced is its dependency-structure and, thus, its potential for long-term durability and stability. However, tying aid in such a way, runs the risk of it being driven by the beneficiaries in the donor country and not by the beneficiaries in recipient states (*ibid.*). In that way, it is critically undermining the recipient country's ownership of its development process and also tilts the power relations towards the Northern partner.

“Africa is addicted to aid” says Dambisa Moyo (2010, p. 75). Comparing data from the period of 2007-2011 shows, how much some developing countries still rely on foreign aid. In Benin for instance, official development assistance makes up 69.7% of central government expenses, in Cambodia it is 58.1% and Afghanistan even 80.2%<sup>2</sup>. In Sub-Saharan

### Ownership

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- 1 “With *ex ante* conditions the donor declares that aid will not be given until certain conditions are met in the recipient country, while *ex post* means that certain conditions should be met during the time a programme is carried out” (Jerve, 2002, p. 392)
  - 2 Worldbank Development Indicators: Net official development assistance (ODA) consists of disbursements of loans made on concessional terms (net of repayments of principal) and grants by official agencies of the members of the Development Assistance Committee (DAC), by multilateral institutions, and by non-DAC countries. <http://data.worldbank.org/indicator/DT.ODA.ODAT.XP.ZS/countries/1W?display=default>

Africa, aid constituted 5.5% of the GNI in 2005, with country data ranging from 0.7% in Botswana to 28.4% in Malawi<sup>1</sup>. With such immense “buy-ins” it is clear that the decision-making power shifts to the donors, and the recipient governments no longer feel accountable to their population but to the international donor-community (Moyo, 2010). Zimbabwe for instance, has remained a low-income country since the 1980, despite huge flows of aid money into the country<sup>2</sup>. Godfrey Chikowore from the University of Zimbabwe highlights that this is mainly due to “neocolonial manipulation of development aid, political intolerance by the government of Zimbabwe and ineffective global, continental and regional institutions” Moreover, the situation had been worsened by measures of economic liberalization and privatization that had been imposed by the international donor-community (Chikowore, 2010). In 2001, Zimbabwe's external debt was 5.7 times higher than its 1980 level, which Chikowore sees as a consequence of the fact that aid had been largely used as a neocolonial tool instead of allowing Zimbabwe's government to take ownership of its development process and build capacities for future growth (ibid.).

With its strong focus on financial aid, North-South development cooperation has driven countries of the global South into a situation where they no longer take responsibility for their own development. As Jerve (2002) wisely observes, aid is a contributor to development, not its driving force. Recipient governments need to develop a long-term vision, strategy and policies for their country's development. This however

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1 [http://siteresources.worldbank.org/DATASTATISTICS/Resources/table6\\_11.pdf](http://siteresources.worldbank.org/DATASTATISTICS/Resources/table6_11.pdf)

2 Net ODA to Zimbabwe amounted to \$ 176 mio. in 2000 and rose to \$ 368 mio. in 2005 [http://siteresources.worldbank.org/DATASTATISTICS/Resources/table6\\_11.pdf](http://siteresources.worldbank.org/DATASTATISTICS/Resources/table6_11.pdf)

requires good governance, something that developing countries often lack. The crux with the current format of development cooperation is, that it is the very structure of the system that tends to re-enforce the lack of ownership, and as we have seen in chapter 2, also fosters corruption (Bräutigam, 2000; Moyo, 2010). This clearly is counterproductive, not only to the effectiveness of development cooperation, but also to its sustainability.

Revisiting the four processes of ownership that have been outlined by Ostrom et al. (2002), it becomes clear that participation in provision, production, consumption and alienation of projects have only entered the global political development discourse rather recently. The last High-Level Forum in Busan eventually acknowledged some of the shortcomings related to the lack of ownership. The outcome document declares a new “Partnership for Effective Development Cooperation” and states that “[p]artnerships for development can only succeed if they are led by developing countries” (HLF4, 2011). Signatories pledge to “deepen, extend and operationalize the democratic ownership of development policies and processes” (ibid.). This agreement, together with the Paris Declaration on Aid Effectiveness, constitutes important steps towards a more sustainable architecture of international development cooperation. But as will be shown below, even seven years after the implementation of the Paris Declaration, little has improved and considering that only a few months passed since the High-Level Forum in Busan, the realization of this “new partnership” is still in its infancy and has yet to prove its potential to make development cooperation more sustainable.

## Accountability

The first comprehensive attempt to address the problem of accountability was the Paris Declaration on Aid Effectiveness of 2005. To a limited extent, it even addresses the problem of undermined government accountability, but as was described in chapter 2, this is a discussion beyond the scope of this paper. Moving away from the one-sided demands of accountability of recipient governments, the document acknowledges that “donors *and* partners are responsible for development results” [emphasis mine] and donors committed to “provide timely, transparent and comprehensive information on aid flows so as to enable partner authorities to present comprehensive budget reports to their legislatures and citizens” (OECD, 2005b, p. 8). Moreover, the signatories commit to addressing the “failure to provide more predictable and multi-year commitments on aid flows” (p. 1) which enables recipient countries to plan for long-term development, including capacity building through which they could eventually become “IDA graduates” that do no longer rely on aid (Moyo, 2010, p. 37). Ideally, a full implementation of the Paris Declaration would contribute substantively to more sustainability in North-South development cooperation. The reality however, looks less promising.

An evaluation of the Paris Declaration conducted in 2008 finds, that little progress on mutual accountability was registered and that reporting is still rather thin (Wood, Kabell, Sagasti, & Muwanga, 2008). Moreover, there continue to be “serious difficulties involved in securing and providing timely, transparent and comprehensive

information on aid flows” and basic contributions to mutual accountability by donors is either missing or inadequate. A Ugandan Evaluation also covered in the report comes to similar conclusions, arguing that “recording and reporting among development partners need to be strengthened to achieve quality and timeliness” (ibid. p. 25). An ODI case-study of country-level accountability of Mozambique reveals several mechanisms through which the Government of Mozambique and the OECD Program Aid Partners try to improve their mutual accountability. Interestingly, more progress has been made on the sector-level, than on government-wide performance. On education for instance, there is a clear alignment of donors with the national plan and accountability is measured through a common set of performance targets (Handley, n.d.). Overall however, background research for the Development Cooperation Forum High-Level Symposium found, that between 2005 and 2008 only one to two countries had established “mutual assessment reviews.” It further reports that only eight countries (15% of the sample) had up-to-date mechanisms on mutual accountability (Development Cooperation Forum, 2010).

Acknowledging the crucial role of accountability in making North-South cooperation more sustainable, the Paris Declaration can be seen as a first step in the right direction. It clearly highlights the fact that not only need recipient governments report to donors, but that donors must also be held accountable toward the recipient countries. This would ensure that the latter can use the aid money for long-term development strategies.

## Chapter 4: The Sustainability of South-South Cooperation

Considering that the discourse on SSC is not as established and institutionalized as its counterpart in NSC, it is appropriate to give a short introduction to the concept, its historical background and the political context. The OECD Task Team on South-South Cooperation (2011) defines SSC as “the sharing of knowledge and resources between - typically- middle-income countries with the aim of identifying effective practices.” Other definitions also emphasize the elements of knowledge exchange, but include low-income countries as well. Other goals promoted through SSC are “self-sufficiency among southern nations” and to strengthen “economic ties among states whose market power is more equally matched” (Globalenvision, 2006). In recent years, SSC has become increasingly prominent in international relations. South-South FDI flows peaked at 187 billion in 2008, representing 14% of the global total, up from 12 billion in 1990 (4% of the total global flow) (UN LDC IV, 2011) and the Task Team identified SSC as “a major dynamic behind this changing development co-operation architecture” (2011). It is important to note that South-South cooperation is a continuum of activities that goes beyond single trainings or workshops to an ongoing relationship that includes mentoring and sharing of knowledge over time (EnCompass, 2010).

There is no clear distinction between South-South initiative that span different continents and those that focus on regional cooperation of countries that happen to belong to the global South. Ortiz (2007) notes



that “regional integration is a major form of South-South cooperation” and offers a constructive alternative to current structures of inequitable globalization. A big part of bilateral South-South cooperation is confined to geographically close partners. This is an important factor with regard to efficiency, because directing flows to the neighboring region or sub-region instead of conducting projects halfway around the globe, reduces the program costs and is also likely to involve partners with a similar development context (UN ECOSOC, 2008). However, early research on South-South relationships already indicated that “development in the long term will not be sustainable unless the process is clearly seen to go well beyond conventional projects and programmes to address critical issues like the environment, science and technology, population dynamics and so on “ (Rwegashira, n.d.). On some of these issues, regional cooperation might be more suitable, for instance when it comes to water rights of cross-country rivers, or questions of regional migration. For other topics, global cooperation are a more effective approach, e.g. when the political or economic context is very similar, and countries face the same type of challenges. Hence, this analysis did not exclude either form of SSC when there was a specific reason why regional or global approaches were taken. The cooperation between Haiti and Lesotho for instance is firmly grounded in the shared challenges of high poverty and rural exclusion. The Ibero-American Partnership on the other hand focuses more in regional cooperation because their activities and projects relate strongly to the South American context.

## **Regional vs. global SSC**

Looking at South-South cooperation from the perspectives of 1) incentives, 2) ownership and 3) accountability shows that often the setting is very different from the North-South relationship discussed in the previous chapter. The particular characteristics of the global South create a distinctive dynamic of development cooperation that opens new possibilities of learning, not only from middle-income countries, but also from the experiences of low-income states (Andrade, 2009). As has been mentioned before, South-South cooperation does not center around financial aid as much as North-South assistance. The examples used here illustrate the focus on knowledge-exchange and the sharing of best practices. Initiatives in the South still have to develop their own body of knowledge about good practices in implementation, design and evaluation. This is particularly important in order to avoid the pitfalls of North-South cooperation and become more sustainable.

## **Incentives**

In South-South cooperation, incentives tend to be less conflicting, as relationships are more horizontal and development partners work towards mutual benefits. However, the type of motivation that underlies development cooperation and the distribution of incentives, give a clearer understanding of a partnership's durability and resilience. With its strong focus on knowledge exchange and mutual learning, South-South cooperation clearly offers benefits to both partners and thus creates incentives for them to make valuable contributions to the partnership, for instance when collaborating on medical research or public health issues. Through their similar setting, including similar geographic, demographic,

economic and climate conditions, Southern states often face the same kind of challenges. A good example for this is shared research on Malaria-prevention or exchange of best-practices in tackling rapid urbanization. These are problems that are characteristic for the global South, but very far away from the problems that the developed countries in the global North are facing. Hence, Southern states are not only much more suited to help each other, the awareness that sincere efforts on their side and significant contribution to the common goal are their best strategy. It is not only in their own best interest, it also reduces collective-action problems and circumvents the Samaritan's Dilemma.

For example, the shared efforts by Haiti and Lesotho to tackle HIV/AIDS in their countries illustrates the points outlined above. Globally, it is estimated that an additional four million health workers are necessary to take control of the health epidemic. Haiti as the poorest nation in the Western hemisphere faces human resource challenges that are similar to those of countries in sub-Saharan Africa (Ivers et al., 2010). The Ministry of Health in Haiti successfully developed the HIV Equity Initiative, which Haitian health providers now replicate in Lesotho. Both countries struggle with poverty and have difficulties providing adequate healthcare to patients in remote, rural areas. In addition to mutual learning with regard to these challenges, both partners have distinctive stakes in the program that give them the incentive to make genuine contributions. In Lesotho, as much as 54% of the nursing posts are vacant because there are no teaching facilities for health care professions. Hence, they are in dire need of providers from the outside to take care of public health services and

simultaneously train local staff members. As Ivers et al. (2010) rightly point out, foreign professionals from rich, high-education countries can be helpful in these scenarios, but often lack the necessary background to provide efficient assistance. They have been trained in high-technology settings and often are unable to manage the problems of a resource-limited context. The Haitian staff however, does not have the same difficulties and is already knowledgeable about health service operation in poor, rural environments.

Yet, Haiti also has incentives to remain useful to Lesotho. Hence their relationship is not one of one-sided dependence, but a mutual give-and-take. The prospect of participating in transnational activities has become an attractive element of the career path within the HIV Equity Initiative in Haiti. In fact, the employees of this scheme have said that the opportunity to collaborate with their peers working under similar conditions, has been one of the most enriching experiences of their professional development (Ivers et al., 2010). That way, the provision of health services in Lesotho does not only provide Haiti with new knowledge about how to tackle HIV/AIDS in a context of poverty and rural isolation. It has also become an innovative and novel way of retaining human capacity and skills in a resource-poor world (ibid.). Such mutual benefits are an important constituent of horizontal collaboration, but regrettably are often absent in North-South approaches. The fact that both partners not only benefit from the cooperation, but really have an incentive for good performances and high efforts, is one of the key

strengths of South-South cooperation and ensures the sustainability of their partnership.

As mentioned before, South-South cooperating countries are believed to develop more horizontal relationships which tend to be free from imperialistic motives<sup>1</sup> (Chisholm & Steiner-Khamsi, 2009; UN ECOSOC, 2008). Admittedly, the motivation for governments to engage in South-South cooperation is not that different from motives of North-South partnerships: promoting national interests, boosting exports and trade, entering geopolitical alliances and stabilizing the region are common factors that lead countries to pursue greater collaboration with other states (Reality of Aid, 2010). However, SSC is also motivated by principles of solidarity, equality and mutual benefit and Southern donor countries do not want to be seen as reproducing traditional donor-recipient hierarchies (UNCTAD, 2010; UNODC, 2011). They acknowledge a country's ownership of the development process and do not employ the same mechanisms of “tied aid” that the North often uses. Studies have shown that tying aid does not only undermine operating systems in program countries, but also inflates the costs of development projects by 15-20% (Reality of Aid, 2010). This places an additional burden on countries that are already struggling (Woods, 2008). Such ties leave little room for program country leadership, which is an important element in South-South agreements (UNODC, 2011). The importance of national ownership is also reflected in most of the case-studies conducted by the UN's Task Team on SSC.

## Ownership

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1 It can be argued however, that China and other emerging economies engage in a form of trade-motivated imperialism in the fierce race for African resources.

National policies are supported through knowledge-exchange and usually respond to a specific demand from the recipient country which is a real asset of South-South learning and knowledge-transfer (Task Team on South-South Cooperation, 2010). Moreover, the aspect of solidarity is a frequently recurring theme in South-South cooperation. It is equally present in large-scale initiatives such as the G77 and in smaller bilateral or triangular agreements such as the Cuban public health assistance or the Ibero-American Programm for the Strengthening of South-South Cooperation, which is discussed in more detail below.

As the IAD Framework, presented in Chapter 2, shows, ownership strongly depends on the participation in the *provision* of assistance, including decision-making power over the type of assistance as well as the use of resources. Receiving countries are asked to set their own priorities and needs, a practice that is for instance well developed in the Cuban Health Cooperation with Timor-Leste and other island states in the Southwest Pacific. This program is designed to systematically build public health systems in these countries, using Cuba's experience with rural, primary and preventive elements of public health care (Anderson, 2010). As Anderson emphasizes, the program is strongly oriented to the specific needs of Timor Leste and apart from medical training according to high international standards, the cooperation also aims at instilling an ethos of public service in the students in order to prevent the brain drain that often results from educational cooperation between Northern and Southern actors (ibid.). According to the UN Office for the Coordination of Humanitarian Affairs (2010), the Timorese Ministry of Finance identified

that “up to 75 percent of all health problems in the country - contagious diseases and illnesses related to hygiene, nutrition, access to clean water, vaccinations - could be prevented.” Hence the specific demand for expertise on preventive health and population health care.

Other examples of country ownership achieved through participation in provision, production and consumption, include the projects under the umbrella of the “Ibero-American Program for the Strengthening of South-South Cooperation”. This program currently includes 18 countries and aims at a more “dynamic Ibero-American horizontal South-South cooperation, contributing to the soundness and impact of its actions taken, and promoting experiences exchange which can be adapted to contexts and priorities of each countries' public policies” (Task Team on South-South Cooperation, 2011b, p. 11) The decision-making body of this program is an intergovernmental committee consisting of National Cooperation Officers of member-states. All state members have a say in the committee and decisions are taken by consensus.

Repeatedly, the program stresses the horizontal nature of their relationship and that “everyone's voice would be valued as equal” (p. 21). They further acknowledge the high level of participation which reflects countries' commitment to the mechanisms of knowledge-sharing and capacity building. The Ibero-American Program is also typical for South-South cooperation in the sense that it focuses on mutual learning. With a reciprocal relationship that demands benefits for both parties, it overcomes the traditional donor-recipient dichotomy. As already mentioned before, South-South cooperation on development generally is

based on the principle of non-interference in internal affairs, equality among the developing partners and respect for their independence, national sovereignty, cultural diversity and identity and local content (Reality of Aid, 2010; UNCTAD, 2010). The Ibero-American initiative is an example that clearly incorporates these values and built the architecture for sustainable, long-term cooperation: participation is voluntary, project assistance is demand-driven and the equality of the different countries is reflected in the structural set-up of the agreement.

## **Accountability**

In the context of South-South cooperation, accountability often comes in the form of peer pressure. The African Union for instance, uses the APRM (African Peer Review Mechanism) to put pressure on member-states that perform low on standards of accountability and government efficiency (Task Team on South-South Cooperation, 2010). According to the AU, the main purpose of the APRM is “to foster the adoption of policies, standards and practices that lead to political stability, high economic growth, sustainable development and accelerated sub-regional and continental economic integration through sharing of experiences and reinforcement of successful and best practice, including identifying deficiencies and assessing the needs of capacity building.” Peer pressure also has the “great merit to keep reform-minded governments on track” (Sachs, 2005, p. 279).

Moreover, peer review as a mechanism to ensure accountability, harmonizes very well with the idea of 'learning from each other' that is so dominant in South-South cooperation. This so-called “mirroring” of each



others' performance arguably is less objective than e.g. independent assessments and might produce less hard evidence. Yet at the same time, it has a higher ownership of the different participants of the mechanism (UN ECOSOC, 2009). Such review processes are widely used, not only within the African Union, but also e.g. in the context of ECOWAS or the South East Asia Joint Initiative on Mutual Accountability, where peer reviewing takes place in a neutral space “beyond country-level constraints” (ibid.). This scheme is widely considered as successful and is now being replicated in East Africa where Rwanda, Tanzania and Mozambique began the exchange of information on the progress of their respective accountability mechanisms.

The concept of “downward accountability” that has been mentioned in chapter 2, resonates strongly among South-South partners. In their work on accountability in development aid, Cronin and O'Regan (2002) point out, that although downward accountability is a prerequisite for true participation and thus for ownership. It needs the “organizational structure that enables people to access, handle and assess information and relate it to priority settings and other decisions to be made” (p.7). Considering that South-South cooperation mostly takes place in a resource-scarce environment, it becomes clear that such partnerships often lack the institutional capacity and the necessary resources to really meet the standards of mutual accountability (Task Team on South-South Cooperation, 2010). For instance, an initiative between the African Union and the Indian Technical and Economic Cooperation (TCIL) to develop a Pan-African satellite-run e-network is currently stalled. The reason for this

is that on the one hand, contributions from African partners are overdue and, on the other hand, there is no mechanism that holds TCIL accountable for the delivery of good quality (ibid, UNCTAD, 2010). Here, the factors such as “clarity on the role and responsibilities,” “clarity on available resources” and “clear agreements on expected results,” (Cronin & O’Regan, 2002) were neglected; a likely result from insufficient capacities for South-South cooperation on the African, as well as the Indian side.

Concerning the two dilemmas that had been outlined before, SSC often scores better in terms of accountability, despite existing flaws in peer review mechanisms. With its focus on mutual learning rather than on large-scale financial transactions, it has a less destructive impact on the recipient government's accountability towards its citizens and does not undermine the social mandate that citizens give to their government with their taxes.

## **Chapter 5: Conclusion**

Having examined North-South and South-South cooperation through the prisms of incentives, ownership and accountability yielded valuable insights into the sustainability of the two approaches. Separating the discussions into these three fields revealed their complicated relationship. As requirements for sustainability, they challenge the current architecture of development partnerships. In many cases, fulfilling one indicator, inevitably means to forego the other. For instance, accountability to

donors conflicts with the idea of national ownership where each country can autonomously decide on how to use resources and where to place priorities. This is an inherent weakness of financial aid and is not limited to North-South assistance. Similarly, the dangerous dynamic through which financial aid undermines a government's accountability to its citizens, can also be seen in both types of cooperation. However, the fact that South-South cooperation has a stronger focus on non-financial support, such as knowledge-sharing and mutual learning, reduces the prominence of this dilemma. Hence, it can be said that South-South projects generally fare better in terms of ownership, which in this respect gives SSC an advantage over NSC.

Through their horizontal relationship and strong participation, incentives are more evenly distributed in SSC than in NSC. The parties both have a stake in the success of the project, hence the Samaritan's Dilemma, is avoided. This is an important feature of SSC, because to a certain degree it has to compensate for rather weak accountability mechanisms. Due to its respect for national sovereignty, accountability is usually not enforced through binding principles, but through peer review processes and voluntary reporting. As the example of the APRM, discussed in chapter 4, highlighted, peer pressure can motivate countries to adopt best practices. However, its influence is limited by the commitment to non-interference with internal affairs of partner countries. The principle of non-interference simultaneously reflects and re-enforces the idea of cooperating as equals whose cooperation is rooted in a shared feeling of solidarity.

The idea of South-South solidarity is indeed very present in policy documents and official cooperation agreements. Yet the reality of decision-making and power-politics often defies this noble goal. Even though South-South trade and investments have increased, Nuscheler (2006) argues, that for instance the rich OPEC countries show little sign of solidarity when trading with their poorer Southern partners. They do not offer special treatment for poor oil-importing countries, nor do they substantively support for instance small island-states in their negotiations with Northern powers with regard to climate change. In these cases, national interests clearly prevail over South-South solidarity. Nevertheless, the recent surge in SSC initiatives shows substantive political will and commitment to the idea that countries of the global South can help each other on the path of development.

Ideally, process sustainability would be ensured through all three factors, combining the right incentives with a high degree of ownership and mutual accountability. Yet, seeing that it is sometimes simply impossible to build cooperative structures without creating conflicting incentives or other collective-action problems, the idea of the perfect development partnership is never going to leave the realm of theory and imagination. The important lesson that can be learned from this investigation, is that development cannot only focus on project outcomes, but also needs reflection on the process. The dynamics between the different indicators have to become the guiding principles for the set up of development cooperations. Ideally, their interplay can be turned into positive feedback loops that advance each other. However, recalling the

fact, that the two types of sustainability are independent from each other, one cannot expect to achieve both through concentrating on one.

The Paris Declaration is an important step in the right direction. Especially with regard to financial aid, the focus on donor-alignment and mutual accountability can help to overcome collective-action problems. Overall however, the process of redesigning the architecture of international development cooperation is still in the early stage. In order to create sustainable partnerships, the international community needs more knowledge about the mechanisms and structures that ensure the right incentives and foster country ownership and accountability. The fact that aid often creates the breeding ground for corruption because it undermines the government's accountability to the citizens, is one of the major obstacles towards sustainability. More research is needed to learn how to avoid this dilemma and design aid in a way that it contributes to good governance instead of encouraging corruption.

Particularly with regard to SSC, there is a loud call for more “analytical and interdisciplinary work [...] - both at the national and intra-South levels – before meaningful practical policies and measures can be put in place” (Rwegashira, n.d.). However, already with the existing research and experiences, some preliminary policy recommendations can be made. Rwegashira (n.d.) for instance also calls for more dynamic roles of local and regional cooperatives and local governments. Moreover, the South should put more emphasis on harmonizing and streamlining policies, similar to the attempts that have been made in the context of OECD DAC

## **Policy Recommendations**

donors. As has been argued before, this is particularly important for Southern countries. With their limited resources, they can afford it even less than the North to waste money and human capital on contradicting or redundant policies.

It is important that all actors in international development acknowledge the inequalities in the aid relationship, particularly in the context of North-South cooperation. This will help to better determine their roles and their “shared but differentiated” responsibilities (HLF4, 2011) and create the basis for mutual respect. “The word 'partnership' has today become devalued through uncritical over-use, often to mask paternalistic practices” (Eade & Ligteringen, 2001, p.15). The recent call for 'partnership,' echoing through the aid world since the High-Level Forum in Busan can lead both ways. The future will show, whether the PBIG can design a new architecture for development cooperation, that reflects the idea of 'partnership' and minimizes collective-action problems, or whether the summit produced yet another meaningless document. The experiences from SSC can help with this challenge and policy-makers should regard these insights as a valuable contribution to the existing mindset of North-South aid.

It needs to be kept in mind that the discourse on SSC is still very fluid and fragmented. On the one hand, SSC-practices have not yet institutionalized to the same degree North-South practices have. On the other hand, that also means that it is still relatively easy to influence the future course of SSC, because new ideas are not stonewalled by decades-old structures and habits. Similarly to construction work on a house,

changing the architecture is often easier done by building a new house from scratch, than try to convert the existing construct. This is not to say, that SSC can or should replace NSC as the only form of international development cooperation. For this, it lacks the substantive resources and capacities that NSC can offer. Still, South-South cooperation yields valuable insights for some of the dilemmas NSC is facing in terms of process sustainability. It can offer alternative perspectives on issues such as incentives and ownership that have afflicted North-South cooperation for so long. Acknowledging that with the current challenges of global climate change, economic crisis and persisting poverty, the North has little reason to believe it knows the answer to all of these questions. The Southern experiences do not only add valuable knowledge, they also consolidate the agency of the global South, which is still overshadowed by colonial history and the image of being incapable to lead its own development.

Promoting South-South cooperation and strengthening this form of international development cooperation can change this image. In a world where the North can no longer claim to know what is right and what works best for development, the global South needs to bring its experiences to the forefront of the development debate. Their lessons and insights can be guideposts at the crossroad of global change and help to decide on a new course of action.

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