DEFINITION AND MEASUREMENT OF INTERNATIONAL DEVELOPMENT COOPERATION

Sachin Chatuvedi
Technical Session 3 – Brics International Development Cooperation

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Abstract

The questions related to the monitoring and accountability in the realm of development cooperation has assumed key significance at various global deliberations.

We are in a phase of development when several Southern providers have established or are planning to establish their own development cooperation agencies. With the scope and scale of South-South flows increasing, recipient countries also see the need to set-up dedicated units to manage SSC. In this context, evidence-based analysis offers a powerful tool for policy and strategy development and should be exploited with greater attention as it also helps to dispel the misconceptions about SSC. Authoritative evidence-based analysis of SSC is limited, which partially hinders the translation of good practices into international standards. Currently, good data systems are available in some areas like SSC on Trade and FDI, but are poor in areas such as services or in countries with weak economic institutions.

There is a need for a structured data collection and information analysis system in order to support the growth and impact of SSC, with a focus on developing corresponding support institutions. This challenge of data gathering and analysis limits the scope for evidence-based analysis.
In addition the South also needs to work out assessment methodologies that reflect their own ethos, practices and beliefs rather than borrowed Northern methodologies.
Development Cooperation: Definition, Data Collection and Emerging Issues

Sachin Chaturvedi
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Contemporary Developments

- Busan High-Level Forum on Aid Effectiveness aimed to forge a “new partnership” that is broader and more inclusive than before, founded on shared principles, common goals and differential commitments.

- Post-Busan Interim Group decided to establish the Global Partnership for Effective Development Cooperation (GPEDC).

- A selective and relevant set of indicators and targets will be used for monitoring progress on a rolling basis, based on information primarily collected at the recipients’ end.
Contemporary Developments

- Concerns among Southern providers that the indicators and targets of the GPEDC may gradually become global norms.

- Applicable for all development cooperation stakeholders including the issuance of scorecards.

- Discussing openly the implications of the GPEDC among Southern providers and formulating coordinated positions will be more beneficial than simply neglecting the GPEDC.

- Southern providers/partners need to have their own indicators.
<table>
<thead>
<tr>
<th>Indicators</th>
<th>Aid Programme (North-South)</th>
<th>Development partnership (South-South)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nature and purpose of support</td>
<td>ODA. Stated to be altruistic in nature.</td>
<td>Mutual benefit and growth.</td>
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<tr>
<td>Philosophical perspective</td>
<td>Framework approach</td>
<td>Ingredients approach</td>
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<tr>
<td>Participants</td>
<td>At least one participant has very high per capita income.</td>
<td>Both partners may have very low per capita income.</td>
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<tr>
<td>Level of development</td>
<td>Large difference in stages of economic development between donor and recipient.</td>
<td>Both partners almost at same stage of economic development.</td>
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<td>Conditionality</td>
<td>‘Top-down’ with policy conditionality and no predictability.</td>
<td>Request-driven and generally free from conditionality of any kind, so largely within time lines.</td>
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<td>Flexibility</td>
<td>Multi-layered time-consuming bureaucratic structures, hence added transaction cost.</td>
<td>Highly decentralised and relatively fast with few implications for transaction costs.</td>
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<td>Priority sectors</td>
<td>Grant assistance and budget support for social sectors.</td>
<td>Economic and technical cooperation largely confined to projects in infrastructure and productive sector investment.</td>
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<tr>
<td>Data, monitoring and evaluation</td>
<td>Peer reviewed by DAC-OECD. Data compiled and periodically released by the national governments and DAC-OECD.</td>
<td>No monitoring mechanisms beyond occasional reports of data and anecdotal detail.</td>
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</table>
Data Collection:
Differences between NSC and SSC

- Long history of data classification
- Robust Peer review in place
- Accountability criteria well defined.

- Data compilation, however, is a major challenge for developing countries. As the TT-SSC recently pointed out, SSC ‘as a historic modality … suffers from a persistent lack of systematisation’
Modernised ODA Concept

* ODA is supplemented by Country Programmable Aid (CPA) and with what is counted as ‘Other Official Flows’ (OOF).

* Number of recipients has declined by 55.

* ODA $130 billion; Remittances $345 billion; FDI $414 billion

* ODA
  - Dated terminology
  - Does not cover market based instruments
  - Generated by failed loans and invoked guarantees
  - At time also covers loans with no subsidy at all
Key Issues: Modernised ODA Concept

• Issue is how much of this is net transfer and how much of this is gross transfer

• Essential element we should look for is the point that comes from Public Finance viz. distinguishing the expenses incurred in/for the donor country and the ones actually transferring for the recipient country.

• Remittances: Service delivered; FDI: Performance Clause

• Are these measures really helping in capturing ‘pure solidarity’ and ‘market–oriented’ efforts clearly and precisely? Novel financial instruments

• ODA/OOF/CPA vs. ODA/New ODA/Updated ODA
<table>
<thead>
<tr>
<th>ODA</th>
<th>Other Official Flows</th>
<th>Country Programmable Aid (CPA)</th>
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</thead>
<tbody>
<tr>
<td><strong>Grants:</strong></td>
<td>Transactions by the official sector with countries on the DAC list of ODA Recipients which do not meet the conditions for eligibility for ODA, either because they are not primarily aimed at development, or because they have a grant element of less than 25 per cent.</td>
<td>Gross bilateral ODA (Grants and loans;) minus: * Debt Relief * Humanitarian aid * Food aid * Administrative costs * Imputed student costs * Promotion of dev. awareness * Refugees in donor country * Core support to national and international NGOs * Aid from local governments * Equity investments Aid not from main agency</td>
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<td>Transfers made in</td>
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<td>cash,</td>
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<td>goods or</td>
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<td>services</td>
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<td>for which no</td>
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<td>repayment is</td>
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<td>required</td>
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<tr>
<td>ODA</td>
<td>Other Official Flows</td>
<td>Country Programmable Aid (CPA)</td>
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<tr>
<td><strong>Loans</strong>: Transfers for which repayment is required. Only loans with maturities of over one year are included</td>
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<td><strong>Technical co-operation</strong></td>
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<td>(a) Grants to nationals of aid recipient countries receiving education or training at home or abroad, and (b) Payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries (including the cost of associated equipment).</td>
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<td>Grants, loans and credits for military purposes are excluded. Transfer payments to private individuals (e.g. pensions, reparations or insurance payouts) are in general not counted.</td>
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Modernised ODA Concept

- Budget Expenditure for projects/programmes/public policies (Donor’s effort towards financing of Development)
- Besides Fiscal effort, measurement may also include capital of loans, market mechanisms such as guarantees, private equity from development banks; debt cancellation; expenditure on refugees; student costs; tax concessions for private charitable donations (Public Effort).
- Flows from NGOs and Private Foundations (National Effort for Development).
Modernised ODA Concept

• Private Foreign Investment (better investment climate better enabling environment for economic growth; idea is not to contribute to international solidarity effort but to increase revenue or improve profitability of the private firm); migrant remittances.

• Germany has also suggested to account for market value of ‘grant’, given the specific risks involved in particular recipient economies.
What BRICS may do?

- Analysis & information exchange could be improved: Authoritative evidence-based analysis of SSC

- Strengthening of national development cooperation agencies: Institution-building for SSC also deserves greater attention

- Greater support from regional and multilateral institutions needed: Multilaterals are sometimes seen as tailored towards the modalities of North-South cooperation
What BRICS may do?

• Institutional set up and global linkages.

• Contribution towards strengthening of multilateral agencies and related systems.

• SSC Consultation Process (2013)
  - Evidence Collection; Impact assessment.
  - OECD DAC Agenda
  - Approach towards DCF and TDC

• BRICS Development Cooperation Volume giving details on approaches/ data and impact assessment methodologies