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SOUTH-SOUTH AND TRIANGULAR COOPERATION IN LATIN AMERICA AND THE CARIBBEAN: **Much Ado about Nothing?**

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INTRODUCTION

Is aid dead? *Dead Aid* was the provocative title of a book that appeared on the 2009 New York Times bestseller list in which Dambisa Moyo outlined the shortcomings of traditional aid to Africa and proposed some even more contentious solutions for her continent.¹ But has development assistance really run its course? Does all aid follow old colonial patterns and actors, as Moyo maintains?

We argue that aid is alive and kicking with some exciting turns that have been gathering momentum in recent years both among traditional donors and new and still emerging South-South Cooperation (SSC) actors. Developed country aid alone still channeled US\$134 billion in 2011, a 154% increase from a decade earlier; preliminary figures for 2012 show to little surprise a slight decline to US\$126

billion.² Despite its shortcomings, aid provided by Development Assistance Committee (DAC) members is rapidly changing to be more effective, inclusive, and recipient-owned; principles that were reflected in the Paris Declaration of Aid Effectiveness (2005) and that were later reinforced in the Accra Action Plan and the Busan outcome document (2011). Thus current aid provided by traditional donors has improved its quality dramatically and rather than talking about donors and recipients it is now more accurate to refer to current aid as taking place among “partners for development”.

Meanwhile, aid flows among developing countries have grown nearly ten-fold in dollar terms in the last decade, according to DAC data. However, these statistics do not include some of the new modalities or providers of aid. More importantly many developing countries, including some from Latin America and the Caribbean (LAC), have initiated vibrant aid programs to exchange relevant knowledge and development practice with other Southern partners both within and

¹ Moyo (2009). *Dead Aid* is a drill-down of long tradition of arguments skeptical of the positive impact of aid and development cooperation, including seminal work by Bauer (1971), and more recent critiques by Easterly (2006).

² Developed country aid refers to aid provided by the OECD's Development Assistance Committee (DAC) members.

* The views expressed in this article are those of the authors alone and do not necessarily reflect the views of the Inter-American Development Bank (IDB) or any of its member countries. The authors would like to thank Christian Volpe for his comments.

beyond their own region.³ As we will demonstrate here, SSC, rather than being much ado about nothing, is actually tangible and about more than meets the eye, reflecting new avenues of delivery, innovative ways of thinking, and ongoing economic realignment.

This conclusion, however, raises still more questions: What are the forces driving the rise of this increasingly important cooperation modality? What are the characteristics of this emerging cooperation paradigm? How is the international cooperation framework changing from an architecture to an ecosystem as a result? What are the implications of these changes for Latin America and the Caribbean and the IDB? And what are the challenges presented by South-South and Triangular Cooperation going forward?

THE FORCES DRIVING SOUTH-SOUTH AND TRIANGULAR COOPERATION

Developing countries have registered strong growth over the past decade. Emerging market and developing economies grew an annual average of 6.6% between 2001 and 2011, and are projected to grow 5.6% during 2011-2016. At the same time, LAC as a whole grew 3.8% annually, and is expected to continue growing at 3.6% (IMF, 2013). The IMF projects that developing economies will account for 55% of world economic output by 2018 (Giles & Allen, 2013).

International trade has been the biggest driver of deepening South-South linkages. This is seen in the growth of trade between LAC and Asia, especially with China, and in the increasing number of free trade agreements (FTAs) in force between the economies of the two regions, which have grown to 20 since the first one became effective in 2004.⁴ While LAC's exports to the world have tripled since 2000, LAC exports to

China grew by more than a factor of 25 (IMF, Direction of Trade Statistics).

Improving policy conditions and economic prospects have served to attract foreign direct investment (FDI) to the region, much of it coming from other countries of the South. Eight regional countries are presently granted investment-grade debt status by the rating agencies and demand for bond issues from other countries in the region often more than trebled. Worldwide, developing and transition economies have grown from 10% of total outward FDI in 2002 to 27% in 2011 (*UNCTADstat*), and much of this investment is South-South in nature. Once again, China played an important role: China's lending to the region grew to US\$6 billion in 2008, to US\$18 billion in 2009, to US\$37 billion in 2010 (Gallagher *et al.*, 2012).

Expanding trade and investment ties are being accompanied by enhanced aid flows and cooperation more broadly.⁵ In terms of development finance, assistance from developing country donors is growing in both absolute and relative terms. Flows of overseas development assistance (ODA) from non-DAC countries grew from US\$995 million in 2001 to US\$9.7 billion in 2011, growing from less than 2% of overall aid flows to more than 5% (*OECD. Query Wizard for International Development Statistics - QWIDS*).

Tracking actual South-South cooperation is much more complicated, however, as the ODA figures follow a strict definition of cooperation that reflects modalities characteristic of North-South flows. Furthermore, many developing countries, including some of the largest providers of cooperation, do not report their aid flows to the DAC because they have different methodologies, their cooperation is not necessarily priced in US dollars, and prices for their goods and services are much lower than those offered by North-South cooperation. Because of this difficulty of measurement, levels of cooperation are not included in the Statistical Section in this issue of *Integration & Trade*, but rather, South-South trade and investment flows are provided to give an indication of the trend towards deepening economic relations among developing countries.

³ Measuring SSC only in dollar terms is bound to create misperceptions. The diversity in SSC delivery models makes it difficult to capture it properly and also the price of goods and services engaged in SSC are much lower than in developed countries.

⁴ The international trade architecture of Latin America and the Caribbean reflects an increasing integration with the world economy more generally. Free trade agreements involving one or more members of the region grew from 12 in force as of 2000 to 60 by the close of 2012.

⁵ There is a strong case that trade linkages promote international cooperation more generally (Devlin & Estevadeordal, 2002; Estevadeordal & Suominen, 2008).

Rapid and sustained economic growth seen in many developing countries in the last decade has been accompanied by their emergence as increasingly prominent players in international cooperation. These countries have assumed a greater role not only in terms of global governance, for example through the G-20, but also in aid flows and through the sharing of successful experiences with other countries facing similar development challenges.

The shift in growth toward the emerging economies, especially Asia, has generated a multipolar international system that manifests itself in a rebalancing of the international cooperation system, of which SSC is a part and parcel. The “new” SSC reflects major changes in the underlying global economic structure, as opposed to movements along the geopolitical “surface”. Although the economic emergence of the South had been taking place for some time, the extent and implications of this did not become fully apparent until the Great Recession. In contrast to the Eurozone and to a lesser extent the United States, the majority of countries in LAC were able to recover quickly from the global financial crisis of 2008 and return to the path of growth in their economies as opposed to the stagnation that accompanied past crises.⁶ This recovery has been made possible in part by prudent macroeconomic management, sizeable international reserves from the commodity boom, stronger financial regulatory institutions, and fiscal space to carry out countercyclical programs in times of crisis, so there are elements of stronger fundamentals, improved policies, as well as economic tail winds.

THE EMERGING COOPERATION PARADIGM

SSC is not presenting itself as an alternative to traditional aid but as a complement, judging by the Busan Declaration. Both traditional and new and emerging Southern donors are partnering in the new avenue of Triangular Cooperation by which successful development experiences are transferred from one country (referred to as a pivotal partner) to another (the beneficiary) with the financial and/or technical support of a third country (the facilitator,

⁶ In fact, China provided a partial counterbalance to global declines in the demand for goods as well as the supply of affordable goods and of foreign direct investment during the crisis period.

usually termed traditional donor) (OECD, 2012), improving the practice and reducing the cost. Triangular Cooperation becomes a clear example of this emerging partnership among all kinds of development actors. Despite this new, more constructive context, much remains to be done by all development partners in areas such as tracking Triangular Cooperation flows, monitoring and evaluation, sharing information on mechanisms for promoting and providing funding to Triangular Cooperation, and analyzing the role of the private sector, among others (OECD, 2013).

However, despite the proclamations at the highest political levels, or perhaps because of them, the question still lingers whether this is merely a well-intended rhetoric, or whether the “new” South-South Cooperation indeed reflects a new development cooperation paradigm.

Cooperation between developing countries is not necessarily new, and there have been a number of high-visibility South-South Cooperation initiatives in the past. However, these initiatives were driven more by post-colonial solidarity and the search for an alternative to Cold War polarization and were regarded as geared more towards political issues rather than development cooperation. What is “new” is the development focus of the current South-South cooperation, given an early official impetus in the 1978 Buenos Aires Plan of Action but more recently accelerating in practice.⁷

The rising economic prospects of developing countries have been accompanied by an increasing prominence of the subject of South-South Cooperation in international fora. The growing profile of the “new” SSC in the narrative of development cooperation is reflected in the inclusion of the topic in the 2008 Accra Agenda for Action endorsed at the Third High Level Forum on Aid Effectiveness.

The Fourth High Level Forum on Aid Effectiveness (HLF-4) held in Busan, Korea represented a turning point in the concept of international cooperation. Here, an unprecedented diversity of donors, approaches,

⁷ *Buenos Aires Plan of Action (BAPA)*. In the outcome document of the Nairobi conference, held to mark the 30th anniversary of the Buenos Aires conference, the following principles of SSC are set forth: “respect for national sovereignty, national ownership and independence, equality, non-conditionality, non-interference in domestic affairs and mutual benefit.” (UN General Assembly, 2010).

and actors in international cooperation met to discuss and address the challenges of advancing development and reducing global poverty and inequality. The commitment of the development community to SSC was further reinforced at this meeting, and the central role of SSC in the increasingly complex development cooperation architecture is reflected throughout the *Busan Declaration*.

The emergence of South-South cooperation in the development lexicon reflects a growing mindfulness of the rising economic clout of developing countries including poverty reduction in many cases, coupled with institutional development and advances in information technology that not only facilitates the exchange of information, but also makes such exchanges more apparent to observers. As such, political statements do not merely reflect a determination to change economic conditions, but rather a recognition of the changes in economic realities already taking place.

Additionally, the “new” South-South cooperation can be seen as the culmination of a half-century of accumulated knowledge as to what works and what does not. A pertinent example in Latin America and the Caribbean is that of targeted social programs that both aim to reduce present levels of extreme poverty and at the same time try to prevent its intergenerational transmission, such as by means of conditional cash transfers (CCTs) to families to ensure that their children receive vaccinations, are adequately nourished, or attend school. Some programs include the pioneering *Oportunidades* (Mexico), *Solidario* (Chile), and *Bolsa Família* (Brazil), and the subsequent *Programa Jefas y Jefes de Hogar* (Argentina), *Familias en Acción* (Colombia), PRAF (Honduras), PATH (Jamaica), *Red de Protección Social* (Nicaragua), and *Juntos* (Peru), among others.⁸

The successful development experiences of some countries has not only encouraged them to supply cooperation to other countries, but has also set them forth as examples that others wish to emulate in many respects. In the course of generating development outcomes, there have been activities and initiatives with both successful and unsuccessful results. While

some of these experiences have been incorporated into academic literature and informed the policies of traditional donors, these would undergo the filters and distortions to which observers are naturally subject, and the broader context and more complete picture of these experiences would settle with the developing country institutions and practitioners who actually *experienced* them. Rapid improvements in communication technology and the rise of the information society have enabled the tapping of these knowledge resources and the sharing of good practices.

However if SSC is to be fully successful, there will need to be a recognition that the transfer of good practices from the South may be subject to similar pitfalls incurred by traditional North-South aid relations. The use of local knowledge and finding local solutions to local problems has no substitute in bringing about development success. Rather, SSC good practices can serve as an inspiration for locally-owned development solutions.⁹

Greater horizontality is being seen not only in cooperation between developing countries, but also in the more traditional North-South cooperation relations, given the new economic realities. The result of this economic reordering is a tendency towards a shared “global agenda” with a greater symmetry between actors motivated by self-interest (Birdsall, 2012).

THE CHANGING INSTITUTIONAL ECOSYSTEM OF COOPERATION

The emergence of new actors and new ways of interaction is changing the nature of the international cooperation framework itself. This framework in which cooperation is conducted is becoming less of an architecture, which implies a fixed physical construct usually designed to serve a specific function, and increasingly more of an ecosystem, marked by a dynamic interaction among myriad organisms and relationships of different kinds, many

⁸ A recent study analyzes six of these CCT programs to determine lessons for countries introducing or considering the implementation of such programs (Paes-Sousa *et al.*, 2013).

⁹ For further elaboration of the role of local knowledge consult *Robert Chambers'* body of work on participatory development, *Harvard University's Kennedy School of Government PDIA concept*, or Rodrik (2008).

of which are not readily apparent, but nonetheless contribute to defining the whole.

Organisms must continually adapt in such an environment of ongoing change. One such adaptation is reflected in a de-emphasis of the policy conditionality that was associated with the period of the Washington Consensus. Another innovation is the emergence of Triangular Cooperation, where the comparative advantages of traditional partners can be utilized to leverage the effectiveness of South-South cooperation.

Modalities of dialogue are also changing to become broader and more inclusive. Whereas the G-7, through the DAC, was the driving force behind the 2005 Paris Declaration on Aid Effectiveness, as a result of more inclusive aid approaches, today's multipolar world had already been reflected in the 2011 Busan outcome document. The role of developing countries, including those of LAC, is apparent not only in the future architecture of cooperation set forth in the HLF-4 outcome document, but indeed in the process leading up to the preparation and active participation of the Forum and the drafting of the document.

The official development financing system has also become more decentralized with regard to the number of players, the variety of instruments and the diversity of approaches. While this reflects the recent rise of a more multipolar world, it is also part of a longer-term trend starting with the Bretton Woods system, through the creation of the multilateral regional banks, followed by the rise of subregional development banks, and more national sources of development finance both from North (subnational aid programs) and from the South, including the most recent Brazil, Russia, India, China and South Africa (BRICS) project of creating their own development bank.

The appearance of new actors also implies a wider assortment of instruments and approaches, which in turn creates limitations on the comparability among various sources of funding (Severino & Ray, 2009). For example, the World Bank and regional development banks can offer attractive concessional financing terms given their AAA bond ratings, and accompany their lending with technical assistance and knowledge products, albeit often with longer preparation times than with other sources as a result, while other sources of financing may require higher rates with fewer or even perhaps no complementary products, and may have

less exacting technical standards and environmental and social safeguards.¹⁰ This variety nonetheless offers a wider menu of sources of financing to developing countries than before, expanding countries' feasible set of tools for complementing their national sources for financing development, which represent the main source of public investment through national budgets and annual investment plans.

IMPLICATIONS FOR LATIN AMERICA AND THE CARIBBEAN AND THE IDB

LAC is a shrinking recipient of global aid flows, and this trend is expected to continue due to progress in economic growth and poverty reduction in LAC and economic misfortunes in most traditional donor countries which are now prioritizing their aid focus in other regions. The share of ODA destined to the region has fallen from 10% of total flows in 2000-2001 to 8% in 2010-2011 (*OECD. Query Wizard for International Development Statistics - QWIDS*). Graduation from aid provided by traditional donors also looms as a challenge for some LAC countries. Growth and the concomitant reduction of poverty in many middle-income countries (MICs) is resulting, an increased concentration of poverty in, and thus development focus towards, the immediate needs of least developed countries (LDCs) consisting primarily of fragile states, especially in sub-Saharan Africa, as noted by Kharas & Rogerson (2012). Their study posits that not only is the geographic focus of cooperation changing, but development providers will have to reassess their business models as well, broadening the scope of cooperation beyond poverty by putting forth three major axes of cooperation: (i) social welfare; (ii) mutually beneficial growth and trade, and (iii) the provision of global public goods. These three cooperation challenges are in turn respectively driven by: (i) high impact philanthropy and civil society; (ii) SSC and the blending of private and public finance, and (iii) climate finance (Kharas & Rogerson, 2012).

¹⁰ Humphrey & Michaelowa (2013) report loan approval times of 12-16 months for the World Bank, 7-10 months for the IDB, and 3-6 months (1.5 if urgent) for the Andean Development Corporation (CAF), whereas the "All-in Cost" of interest rates of labor-based loans are less than 2% for the World Bank and IDB, and upwards of 4% for the CAF. The reader is cautioned that comparability between loans is not exact.

Innovation is necessary to counteract a declining sense of urgency on the part of some traditional donors. LAC has been a source of development solutions that can be tapped through Triangular Cooperation and offset the declining interest in the region by traditional donors. Also, if there is a tendency to focus less on Latin America and the Caribbean due to greater need elsewhere, perhaps this can be offset by increasing the ability to make a difference in the region. Ensuring that development impacts can be evaluated and demonstrated will help reduce the exodus of traditional donors in a region dominated by middle income countries (MICs), and also helps attract emerging donors who would tend to have a strategic interest in seeing development impacts in their own region.

The IDB has also responded to these changes taking place at the global and regional levels. The progress seen in LAC economies has given them greater options in their sources of financing. The IDB is recalibrating its offer to its borrowing members, by maintaining proximity with the development priorities of clients as well as a stronger presence in the countries of the region, reducing preparation times for operations, differentiating its loan products by adding value through complementary knowledge products and by introducing greater development effectiveness in interventions. The IDB effected an increase in its capital in 2012 to lend US\$12 billion annually on a sustainable basis in the next decade, given that the economies of the region had doubled in size since the last capital increase in 1994. The IDB has also increased its support for development through private sector lending to around US\$1.5 billion annually.

The IDB facilitates South-South cooperation within LAC through various instruments. Net income from loans to its borrowing member countries as well as their contributions to the Fund for Special Operations (FSO) make possible concessional financing to Bolivia, Guyana, Honduras and Nicaragua,¹¹ and grants to Haiti, the latter of which presently total US\$200 million annually.

The IDB's Regional Public Goods (RPG) Initiative is based on the rationale that LAC countries share both challenges and opportunities for development that can be addressed more effectively and efficiently at a

¹¹ "Under current eligibility criteria, Guatemala and Paraguay also receive a smaller share of FSO financing, in addition to regular access to the Ordinary Capital" (IDB).

regional level through horizontal South-South collective action among the IDB's borrowing member countries. At the heart of the IDB's definition of regional public goods is collective action among a group of countries, where the institutions in the region engaged in the promotion of the RPGs decide collectively how to achieve a goal, including the agenda, governance, and partners of their regional cooperation, as well as the regional commitments that they are willing to undertake. The Bank assumes the role of an honest broker and facilitator of consensus and as a provider of Triangular Cooperation, providing financing to overcome the typical obstacles to realizing initial stage cooperation; cooperation that can ultimately result in the generation of benefits that can be consumed by more than one country.¹²

The IDB has embarked on a joint South-South cooperation and research program with the Asian Development Bank (ADB), exchanging development experiences and knowledge on issues of mutual interest such as customs, broadband, sustainable integration corridors, inclusive business, sustainable cities, conditional cash transfer programs, and managing for development results. The Bank is also supporting the strengthening of Latin American and Caribbean cooperation agencies, the strategic positioning of the region in South-South cooperation more globally, and participation in professional and academic exchanges with China and Korea, and also with Japan. These activities are made possible by funding provided by these donors intended to increase the development impact of the deepening Asia-LAC economic relationship.

IDB borrowing members are not only emerging as providers of knowledge and development solutions, but have become aid partners and are contributing to grant resources as well to promote the regional and global integration of LAC countries. Chile, Colombia, and Mexico are all contributors to integration funds administered by the Bank, for example.

¹² As of April 2013, 92 RPG technical cooperation projects had been approved for a total of US\$73 million. More detail on the IDB RPG program can be found in IDB (2011). Another IDB program is CT/INTRA, established in 1976 that finances advisory services to contribute to the transfer of knowledge and technology that would support borrowing member countries' economic and social development efforts and promote cooperation among them.

CHALLENGES PRESENTED BY SSC

Measuring SSC in money terms is very difficult due to the increasing heterogeneity of cooperation. While traditional aid is measured in financial flows, which are by their nature quantifiable, it is much more challenging to assign a number value to the provision of shared knowledge or development solutions.¹³

Cooperation among developing countries is often delivered in new forms that fall outside the strict definition of ODA, even when assistance does take the form of financial support. Lending by developing countries may be through export/import banks, which can have less stringent lending conditions, but are often linked to the procurement of goods and services of the lending country, with varying degrees of concessionality. Indeed, even classifying countries within the new diverse development ecosystem becomes difficult, as countries undertake more nuanced roles than the recipient versus donor dichotomy, or countries classified as “developing” achieve higher GDP *per capita* levels than “developed” countries and some traditional donors.

Measuring impacts and results, and evaluating SSC interventions is also necessary in light of a more inclusive definition of aid. Evaluation is still an emerging discipline where there is much room for improvement, not just with regard to SSC. Traditional aid gradually included an emphasis on evaluation and some donors included participatory methodologies to include project beneficiaries but struggled with the “attribution factor”, i.e., how much of the improvement could be attributed to the aid intervention and isolating other factors. Determining cause and effect is even more problematic in light of the variety of cooperation among developing countries. While SSC is not necessarily new, its prominence in the development mainstream is part of a new paradigm with considerably less literature with regard to monitoring and evaluation, and calls for its evaluability will certainly increase and new research on SSC and Triangular Cooperation will need to be carried out to offer new light on their impact.

¹³ In fact, the Nairobi outcome document states that “South-South cooperation should not be seen as official development assistance. It is a partnership among equals based on solidarity.” (UN General Assembly, 2010).

New actors with fresh perspectives will give rise to creative and innovative solutions. But there needs to be coordination so that the broader goals of structural transformation are kept in sight given the plethora of individual interventions (Fengler & Kharas, 2010). There will be a need to ensure convergence and synergy among the Post-2015 Development Agenda (successor the Millennium Development Goals), the Sustainable Development Goals, and the Global Partnership for Effective Development Co-operation (Sinclair, 2012).¹⁴ A related task will be to effectively operationalize cooperation efforts among LAC countries in order to make a decisive contribution to these initiatives.

In concluding, it is clear that aid is alive and kicking with some recent exciting turns that are opening new avenues with more actors and modalities. SSC has emerged with strength and gained prominence in aid fora to complement North-South cooperation due to sustained economic growth in developing countries, especially the BRICS and MICs, and increased political clout that confirms the ongoing economic realignment and a new more complex multipolar world. The new context can no longer be characterized as the evolution of the postwar North-South aid architecture; but rather a more complex cooperation ecosystem that includes SSC, Triangular Cooperation and an increasingly decentralized cooperation landscape.

This new cooperation ecosystem has profound implications for LAC countries. As a result of strong economic performance, several have become active aid donors in and outside their obvious areas of influence, while smaller and vulnerable countries risk being graduated from traditional donors whose absence may not be offset by SSC in the short-term. The IDB increased its capital to become bigger and step up its role as donor as demonstrated by the US\$200 million annual grant transfer for the 2010-2020 period and other SSC programs on RPGs and with Asia in partnership with the Asian Development Bank.

¹⁴ Emerging from the Busan HLF, the *Global Partnership for Effective Development Co-operation* is working to strengthen development cooperation, deepen SSC, and monitor and operationalize the commitments made in Busan. A recent *Report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda* provides recommendations on the post-2015 development agenda, in which sustainability is a clear priority (United Nations, 2013; Haddad, 2013).

Despite the excitement generated by the emergence of SSC and Triangular Cooperation, important challenges have emerged related to an appropriate definition of what can be defined as cooperation that has implications for measuring ODA flows and determining what counts and what does not. However, the greatest challenge of all will be ensuring that SSC has a real impact in economic, social and institutional development to make extreme poverty history by 2030 and contributing to improved well-being.

FEATURED CONTRIBUTIONS

In the first work of the present issue of *Integration & Trade*, *Todd Sandler* of the University of Texas at Dallas analyses regional public goods and their implications for sustainable development in the region. "Public Goods and Regional Cooperation for Development: a New Look" reviews the properties of public goods, distinguishes among their classes according to level, analyzes the role of institutions in the provision of public goods, and draws policy recommendations ten years after he made a contribution to the *Regional Public Goods from Theory to Practice* that led to the establishment of the IDB's Regional Public Goods Program overviewed in this introduction.

In "The New Boom in South-South Cooperation: The Experience of Ibero-America", *Cristina Xalma* of the Iberoamerican General Secretariat (SEGIB) examines the evolution and distinguishing features of SSC, and the how this increasingly important cooperation is contributing to international dialogue. The paper provides statistics and indicators on cooperation in Latin America.

Jae Sung Kwak of Kyung Hee University explores deepening Trans-Pacific trade, investment, and cooperation in "The Rising Importance of South-South Cooperation in Asia-LAC Economic Relations". This contribution explores the rising profile and implications of South-South and Triangular Cooperation between LAC and China, Japan, and Korea, and suggests that a multilateral framework would be a way to engage smaller economies, and that SSC more broadly presents an opportunity for more horizontal relations between Asia and LAC.

Jorge Balbis addresses a topic that has heretofore received only scant attention in the literature: the

role of civil society organizations (CSOs) in defining, implementing, and evaluating SSC interventions in the region. "Civil Society Organizations and Inclusive Partnerships for South-South Cooperation in Latin America" examines how, through what means, under what conditions, and with which results CSOs are participating in public SSC initiatives through a logic of public-private action.

Shannon Kindornay, *Pablo Heidrich*, and *Matthew Blundell* of the North-South Institute explore how providers of SSC in the region engage the private sector in "South-South Development Cooperation in Latin America: What Role for the Private Sector?" The authors provide key comparisons between SSC providers and traditional donors in both motivations and approaches, including a greater focus on the private sector by SSC providers *versus* traditional donors who emphasize more market-based solutions.

Susana Carrillo and *Napoleão Dequech Neto* of the World Bank analyze a Triangular Cooperation case study in "Boosting Vocational Training and Skills Development: A Case of Triangular Cooperation among Brazil, Germany, and Peru". The authors use this example to suggest that Triangular Cooperation can be successful when the participating institutions share mutual interests, ownership, and benefits.

Rita Giacalone analyzes the interplay between private economic interest and public policy objectives in "South-South Cooperation and Companies in Brazil and Chile". In addition to addressing the private sector's important role in achieving foreign policy objectives, this article also examines the role of the comparative economic systems of Brazil and Chile in facilitating private sector activity.

In "South-South Cooperation in Suriname: New Prospects for Infrastructure Integration?" *Adriana Erthal Abdenur* addresses the new opportunities and challenges presented by SSC, and its implications for transportation infrastructure and integration. She focuses on three South-South partnerships pertinent to Suriname and the role of the national government as a coordinating mechanism.

Thauan Santos, *Luan Santos*, and *Cassia Oliveira* discuss the rationale for energy integration, and analyze the incentives and prospects for cross-border hydroelectric cooperation using a game theory approach, finding that cooperation is in the interests

of both countries in “Energy Security and Bi-National Cooperation: a Case Study of Itaipu Dam”.

The articles are complemented with interviews of practitioners in the field of development cooperation. One set of interviews provides insights on SSC from some heads of regional cooperation agencies, including *Sandra Bessudo Lion*, Director-General of the Colombian Presidential Agency of International Cooperation (APC-Colombia); *Jorge Daccarett*, Executive Director of the Chilean International Cooperation Agency (AGCI); *Martín Rivero Illa*, Executive Director of the Uruguayan International Cooperation Agency (AUCI), and *Juan Manuel Valle Pereña*, Executive Director of the Mexican Agency for International Development Cooperation (AMEXCID).

The second set of interviews complements this with perspectives from international organizations and developed country cooperation agencies engaged in Triangular Cooperation. These include contributions from *Rebeca Grynspan*, Associate Administrator and Under-Secretary-General of UNDP, *Brenda Killen*, Head of the Global Partnership and Policies Division, Development Co-operation Directorate, OECD, *Rafael Garranzo*, Director of Cooperation with Latin America and the Caribbean, Spanish Agency for International Development Cooperation (AECID), and *Masato Watanabe*, Vice-President, Japan International Cooperation Agency (JICA). ♦

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Articles

PUBLIC GOODS AND REGIONAL COOPERATION FOR DEVELOPMENT: A NEW LOOK

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This article takes a fresh look at regional public goods and their role in promoting sustainable development and cooperation in Latin America. At the outset, the article reviews the essential properties of public goods -nonexcludability of benefits, nonrivalry of benefits, and the aggregation technology of public supply- and their influence on the prognosis of supply of regional public goods. From a collective action prospective, the article draws important distinctions among four classes of public goods: national public goods, regional public goods, transregional public goods, and global public goods. The role of IDB, donor nations, customs unions, and others in facilitating the provision of these goods is investigated. Given the article's regional focus, much of the analysis is with respect to regional and transregional public goods. Myriad examples of Latin American regional public goods are given. The article also presents the pros and cons of regional subsidiarity. Finally, the article lists numerous policy recommendations.

INTRODUCTION

There is an increasing awareness that sustainable development is dependent on Global Public Goods (GPGs) and Regional Public Goods (RPGs) that serve as the social overhead capital necessary for market integration (Kaul *et al.*, 1999; Sandler, 1997). These GPGs and RPGs promote social welfare through various sectors -health, environment, security, governance, and knowledge (Estevadeoral *et al.*, 2004)- that are essential for development and progress. Globalization is, in large part, the driving force behind the increased interest in GPGs, while the

new regionalism is the impetus behind the interest in RPGs. Globalization arises from enhanced cross-border flows, which include goods, services, financial capital, labor, raw materials, and intermediate goods. Sometimes overlooked, other important globalization-related transnational flows include externalities (uncompensated interdependencies) that result in market failures as resources fail to reach their most-valued use owing to costs or benefits that are not reflected in prices -e.g., the cost of acid rain produced as a by-product of electric generation in Latin America is not part of the price of electricity. Other modern-day externalities involve computer viruses or the spread

of terrorist networks to other states. Cross-border externalities may be positive or negative and affect the five sectors enumerated earlier -e.g., for the health sector, the Internet can be used to disseminate best practices in new operative procedures in medicine.

In addition to GPGs, globalization has increased the concern for transnational public goods (bads) that affect two or more nations through their range of benefit (cost) spillovers. The increased presence and awareness of these transnational public goods stem from numerous causes (Sandler, 1997, 2004). *First*, augmented trade and financial flows, associated with globalization, mean that social overhead capital in one country facilitates trade and financial flows in other countries. Thus, this capital provides benefits not only at home, but also abroad, thereby furthering sustainable development at the regional level. *Second*, the increased pace of technological advancement creates more transnational public goods as ideas and innovations spread beyond national borders. *Third*, a growing interest in market integration enhances the need for transnational public goods, especially in terms of infrastructure that supports private enterprises and the operation of markets. *Fourth*, the fragmentation of nations, especially in Europe, Africa, and Asia, changes some National Public Goods (NPGs) into transnational ones. *Fifth*, the world's enhanced ability to monitor the planet, either from satellites or from terrestrial vantage points, allows new transnational public goods to be spotted -e.g., the spread of deserts or the buildup of greenhouse gases. Such gases are monitored by satellite or by an observatory on Mauna Loa on the island of Hawaii. *Sixth*, the anticipated initiative on Sustainable Development Goals will place increased emphasis on GPGs and RPGs in the environmental, health, and security sectors as a pathway to development (United Nations, 2012; UNCSD, 2012).

Globalization concerns have given rise to a new regionalism and the recognition that there are also more cross-border flows that require attention at the regional level (Arce & Sandler, 2002; Stålgren, 2000). RPGs provide some of the necessary regional social overhead capital. In Latin America, RPGs include the Central American Electricity Interconnection System (SIEPAC) linking Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama; the Regional Fund for Agricultural Technology (FONTAGRO) providing common-pool financing for agricultural innovation; and the Regional Biodiversity Strategy for the Andean Tropics coordinating biodiversity strategies to promote

conservation (Arce, 2004). The same factors indicated above for the growing importance of transnational public goods also apply to RPGs, which, as a subclass of the latter, generate benefit spillovers that influence fewer or more countries.

RPGs serve a crucial function in South South Cooperation (SSC), because their provision can link or integrate Latin American infrastructure, thereby facilitating trade and development in the region. Sometimes, SSC is characterized as a RPG. While this characterization is fine, I prefer to view SSC as a means of facilitating the provision of a host of RPGs and GPGs. SSC is pivotal in the development of Latin America.

The purpose of the current article is to take a fresh look at RPGs from a development and integration viewpoint. In so doing, the article draws important distinctions from a collective action viewpoint among four classes of public goods: NPGs, RPGs, Transregional Public Goods (TRPGs), and GPGs. TRPGs are transnational public goods that benefit countries in two distinct regions -e.g., finding a cure for malaria. The article identifies factors that either inhibit or promote the provision of these various public goods. In practice, the article indicates what policies the Inter-American Development Bank (IDB) and other stakeholders can adopt to promote these four types of public goods. Along the way, the article lists some important RPGs in Latin America. To set the stage, the article begins with a brief review of the properties and types of public goods, because they come in myriad forms with different implications for policies. The article also investigates the main stakeholders and participants, and how they play a role in the provision of RPGs. In recent times, the diversity of these stakeholders has grown and includes multilateral institutions, public-private partnerships, donor countries, Non-governmental Organizations (NGOs), development banks, charitable foundations, and others. Finally, the article reexamines the rationale for subsidiarity with respect to RPGs and the growing importance of RPGs.

ON PUBLIC GOODS

The classic pure public good is characterized by two properties: nonrivalry of benefits and nonexcludability. Nonrivalry of benefits indicates that a unit of the good can be consumed by one agent without detracting, in the slightest, from the

consumption opportunities still available to others from the same unit of the good. Nonrivalry of benefits means that there is no marginal cost from extending consumption of the public good to another user; hence, there is no rationale to limit the size of the group sharing the public good. If new users receive a positive marginal benefit from the public good, then consumption should be afforded to these users. Examples include a tsunami-early warning system, the tracking of hurricanes, remote-sensing monitoring of hurricane intensity, and the sharing of agricultural best practices, all of which apply to Latin America. Nonexcludable benefits arise when the public good's provision is available to payers and nonpayers alike. Curbing global warming or limiting ozone shield depletion are nonexcludable public goods at the global level, while protecting a watershed or eradicating a region-specific pest or disease are nonexcludable public goods at the regional level. Annihilating a region-based terrorist organization offers nonexcludable benefits to targeted countries. Nonexcludable benefits imply free riding in which those who benefit from the good reveal no preference in terms of a payment, since they will get the benefits regardless. This then means that governments or a collective of governments (in the case of RPGs or GPGs) may have to provide the good. In some cases, public-private partnerships or charitable foundations can foster provision of these public goods.

Although much attention was initially paid to pure public goods, most public goods are impurely public owing to partial rivalry and/or partial excludability of benefits (Cornes & Sandler, 1996). Partial rivalry typically arises from crowding or congestion costs where additional consumers detract from the quality or quantity of the good's benefits that are available to others from a unit of the public good. A regional interstate highway or waterway is subject to congestion, so that the marginal cost associated with additional users is not zero, thereby justifying a limit to the size of the sharing group. If, however, an impure public good is partially rival but nonexcludable, then the good will be overused since users will not account for the associated congestion cost that their use imposes on others. That is, the congestion externality will not be internalized through a user charge. An example of a partially rival, nonexcludable RPG is a commons, such as fisheries in Latin American waters.

A club good is an impure public good that is partially rival and excludable at a nominal cost. As such, a toll or user fee can internalize the marginal congestion cost,

thereby leading to optimal utilization. Moreover, these tolls can be used to finance an optimal provision level (Buchanan, 1965; Cornes & Sandler, 1996). A properly design club can induce users to reveal their true preferences and to be charged accordingly. Consider a bridge spanning a river forming the borders of two countries. Individuals, who have a greater willingness to pay for the use of the bridge, will transverse it more often and pay more in total tolls. Each single transit will cost the same because crowding cost is the same for each transit, but those users with a greater need for the bridge will cross more frequently and pay the toll more often, thereby revealing their type and preferences. The bridge is a regional club good that can be financed by loans, which are later repaid with congestion-internalizing tolls. Any regional infrastructure project in Latin America that displays crowding and excludable benefits can be provided through a club arrangement that can be financed through IDB loans and repaid through user charges. These club loans can also come from other Latin American banks, such as *Corporación Andina de Fomento* (CAF), *Banco Nacional de Desarrollo Económico de Brasil* (BNDES), and *Fondo para el Desarrollo de la Cuenca del Plata* (FONPLATA). Club goods can be provided privately (e.g., toll roads in Texas) or publicly (e.g., public hospitals and universities). Other club good examples include satellite-launch facilities (e.g., Alcântara in Maranhão, Brazil), air-traffic control networks, power grids, crisis-management teams, and the Panama Canal. IDB's greater use of loans to finance RPGs can with time be tailored to the financing of regional club goods, especially if the loan can be repaid according to the collection of user fees.

JOINT PRODUCTS

Joint products arise when an activity yields multiple outputs. For private goods, the classic example is a sheep, which yields a hide and mutton. For public goods, a single activity can produce multiple outputs with varying degrees of publicness: e.g., the Amazon rainforest not only sequesters carbon, which is a GPG, but it also provides eco-tourism, which is a club good subject to crowding and the use of tolls or fees. In addition, the Amazon rainforest offers biodiversity, local watershed, local climates, and foods. Security pacts can provide alliancewide RPGs in the form of deterrence and proactive measures, while these pacts offer defensive NPG benefits to the allies (e.g., border protection and disaster relief). A regional electric power grid, such as SIEPAC in Central America, augments electric reliability

(a purely public RPG), and supplies electric power (a private good) to its consumers. SIEPAC is an example of a joint product that stems from a public-private partnership that transcends national borders. Custom unions -*Mercado Común del Sur* (MERCOSUR), Andean Community of Nations (CAN), and Central American Integration System (SICA)- offer joint products by promoting regional infrastructure, best practices, and uniformity in transport regulations, which are RPGs. By increasing trade, member states gain an NPG. The allocation prognosis for joint products hinges on the *ratio* of excludable to total benefits. The larger is this *ratio*, the greater the anticipated allocative efficiency as markets and club arrangements can direct resources to their most-valued use through prices and tolls (Sandler, 2004). Customs unions can fund regional clubs when infrastructure permits exclusion of nonpayers.

AGGREGATION TECHNOLOGY OF PUBLIC SUPPLY

An important property of public goods is the aggregation technology of public supply (henceforth, aggregation technology), which indicates the manner in which individual provision levels are aggregated to determine the amount of the public good that is available for consumption by benefit recipients (Hirshleifer, 1983; Cornes & Sandler, 1984). Prior to 1983, the only aggregation technology in the literature was summation where each country's (or contributor's) public good provision are added together to ascertain the level of the public good. For cleansing an ecosystem, the amount of pollutants removed equals the summed efforts of the providing countries. The capacity of a regional waterway also depends on the summed provision levels. With a summation aggregator, every contributor's provision is perfectly substitutable for those of others; one nation's provided units have the same marginal impact on total provision as units supplied by other nations. This perfect substitutability provides strong motivation for free riding on the efforts of others, thereby resulting in suboptimal supply. In a regional context, a country would be less willing to assume a loan to supply a RPG unless other benefit recipients also assume loans to finance the RPG. Thus, IDB's (2012) effort to promote collaborative efforts through its Initiative for the Promotion of Regional Public Goods is well founded from a theoretical viewpoint. Other financial institutions -BNDES, CAF, and FONPLATA- can also apply their financial resources to finance such collective efforts to provide essential RPGs.

Generally, other aggregation technologies have a more favorable prognosis for RPG provision (Sandler, 1997). The weighted-sum aggregator puts nonunitary weights on the provision levels of the individual contributors. As such, the marginal impact that one country's provision exerts on the amount of the RPG is not necessarily the same as the marginal impact of other countries' provision levels. Thus, providers' efforts are not perfectly interchangeable or substitutable. In regards to the reduction of acid rain stemming from the elimination of sulfur or nitrogen emissions, a weighted-sum aggregator applies. This follows because the influence of emission cutbacks on acid deposition depends on wind patterns, the emission sites, and the pollutants' airborne time (Murdoch *et al.*, 1997). A weighted-sum aggregation technology also applies to curbing the spread of a pest, since the effectiveness of countries' actions depend upon the concentration of the pest and natural barriers to inhibit its dispersion. With a weighted-sum aggregator, the potential undersupply of RPGs may be attenuated because some nations receive greater payoffs from their own efforts as the degree of substitutability among provision levels is reduced.

Two other important aggregators are weakest link and best shot. For a weakest-link RPG, the smallest contribution level fixes the amount of the public good for all benefit recipients. As such, contributors are motivated to match this smallest contribution since to give more would be a waste of money. Some forms of infrastructure abide by weakest link -e.g., the least developed or least reliable air-traffic control system in a multinational network influences the traffic flow for the entire network. Similarly, the country with the least effective monitoring system for disease outbreaks determines the protection of all at-risk countries in the region. Weakest-link RPGs underscore the need for the IDB, other Latin American banks, and donors to bolster the efforts of the weakest-link suppliers in order to raise the provision of the RPG. If these suppliers are assisted, then other countries will voluntarily match their increased contributions. At the other end of the spectrum, the largest contribution of a best-shot RPG determines the amount of the public good for all benefit recipients. Contribution levels below the maximum provision of others do not increase the RPG level. Geoclimatic-specific research findings in agriculture are best-shot RPGs. This is also true of developing best practices for treating regional diseases. Discovering intelligence that can result in an effective

raid on a region-based terrorist group is also a best-shot RPG. For such goods, efforts must be concentrated and performed by the best-equipped country to accomplish the task; otherwise, wasteful duplication occurs or provision thresholds are not surpassed.

Many key sectors abide by multiple aggregators of public supply depending on the particular activity being investigated. In the governance sector, the country with the least sound financial practice will disproportionately influence the financial stability in the entire region. The country with the greatest security threat exerts the largest effect on the peace and security for the region. As such, peace may assume the characteristics of a weakest-link RPG, requiring stabilizing assistance to the most threatened country from other allies or donors. The development of sound financial practices is a best-shot RPG in the governance sector. For the health sector, monitoring disease outbreaks is a weakest-link RPG, while developing vaccines for diseases is a best-shot RPG (Sandler & Arce, 2002).

Sandler (1997) showed that aid flows should be directed toward weakest-link providers of RPGs, which are usually the poorer countries. This follows because the public good provision of these weakest-link countries must be brought up to an acceptable standard that satisfies all benefit recipients. To circumvent moral hazard and other considerations, donors may give in-kind transfers rather than funds (Vicary & Sandler, 2002). In contrast, aid flows should be directed toward best-shot providers of RPGs, which are often the richer countries. At first, this might appear counterintuitive; however, the rich countries are typically best positioned to surpass thresholds necessary to achieve a best-shot public good, such as a cure for a disease. The country with the best scientists and laboratories are best situated for making the discovery. Resources need to be concentrated where they do the most good for everyone. Thus, financial capacity is the key consideration for subsidizing weakest-link RPGs, while provision capacity is the key consideration for subsidizing best-shot RPGs. A country's ability to provide various RPGs, and not necessarily its income level, determines whose RPG efforts should be assisted by IDB, other financial institutions, and donors. For weighted-sum RPGs, aid should flow to those countries with the greatest marginal impact on the provision of RPGs. Hence, recent efforts by MERCOSUR's Structural Convergence Fund (FOCEM) to bolster the infrastructure of the two

poorer members (Berretoni & Lucángeli, 2012) makes great sense for weakest-link and summation RPGs, but not for best-shot RPGs, where richer countries' provision benefits all countries in a region. These convergence efforts should not be blindly applied to all cases. We refer the reader to Arce & Sandler (2002) and Sandler (1997) for the desirable direction for aid flows in regards to other aggregation technologies -e.g., weaker link, better shot, and threshold.

DIFFERENCES BETWEEN NPGs, RPGs, TRPGs, AND GPGs

NPGs possess benefits that are confined to the country's territory and do not transcend its borders. A country's central bank is an NPG. Other NPGs include the country's primary schools, its national guard, its justice system, its police, and its internal highways. Many NPGs are examples of social overhead capital that are complementary to RPGs and GPGs, since the NPGs facilitate the utilization and provision of public goods with wider ranges of spillovers. For example, a regional highway network needs a system of national highways for greater derived benefits, so that goods from other countries can reach their desired destination in another country. If regional health is to be promoted, then each nation's healthcare system in the region becomes an important consideration. NPGs can be provided at the national level with some help, at times, from donors, development banks, and other interested parties. Nations have an incentive to take out loans for their NPGs because the lion's share of the resulting benefits stays within the nation. NPGs are necessary for development.

RPGs are public goods whose benefits extend beyond a single nation's territory to some well-defined region. A region may correspond to myriad different concepts. The regional basis may be geological -e.g., nations along a river, or on a plain, or on a seacoast. In the seacoast case, the cleanup or prevention of an oil spill in, say, a gulf offers benefits to all potentially affected coastal nations as currents and random factors (e.g., wind or weather) influence which nations are ultimately impacted. In other instances, the region may be geographically based, such as countries in the Southern Cone of South America or in Central America. Propinquity may define a region, such as neighboring nations or countries within a defined distance from

a reference country. Distance becomes important in the case of airborne pollutants such as sulfur and nitrogen emissions, which causes acid rain downwind. Geoclimatic factors may identify a region as countries that share similar conditions for crops. The identification of geoclimatic-based regions is particularly important for agricultural research -e.g., FONTAGRO. Regions may, at times, be politically defined as in the case of customs union. Cultural similarities (e.g., language or ethnicity) may be the basis for a region. Finally, historical considerations may determine a region, such as past ties to the same colonizing country. In its Initiative for the Promotion of Regional Public Goods, IDB (2012) characterizes RPGs as “goods, services, or resources that are consumed and produced collectively by the public sector and, if appropriate, the private sector in a minimum of three Latin American countries”. This definition allows for public-private provision partnerships, and differs from the standard definition, which concerns the range of consumption spillovers and not the nature of the producers. For example, a best-shot RPG can be provided by a single country, but is consumed by countries in a region.

TRPGs have a benefit range that includes countries from two or more distinct regions. A transnational public good provides benefits to two or more countries, while a TRPG provides benefits to two or more regions. A public good whose benefits affect Central, North, and South America is a TRPG -e.g., hurricane-tracking satellites that monitor more than one geographical region. As nations supply RPGs through regional institutions, a need may arise to network these institutions to supply TRPGs -e.g., the preservation of rainforests on a continent or the linkage of customs unions. The Initiative for the Integration of Regional Infrastructure in South America (IIRSA), begun in 2000 by 12 South American countries, promotes TRPGs in the form of integrated energy, transport, and telecommunication networks as a means for facilitating interstate commerce. CAF, FONPLATA, and IDB have funded infrastructure projects of IIRSA, which, in turn, fosters SSC. Finally, GPGs display benefit ranges that include a large swath of the planet or, in some instances, the entire globe.

There are factors that both promote and inhibit the provision of these four classes of public goods. NPGs have the best provision prognosis because nations have proper incentives to provide these goods. The main concern is finance, which is where foreign aid from donor countries, regional development banks, NGOs,

and multilateral institutions has a role to play. GPGs are promoted through their far-ranging benefit spillovers because donor countries gain benefits through their efforts to underwrite recipient countries' provision of the GPGs. For example, foreign assistance to preserve a rainforest provides global public benefits from the sequestration of carbon and the preservation of biodiversity, which helps the donor country and other countries. Such GPG efforts support current thinking about sustainable development goals (UNCSD, 2012). Multilateral institutions have an interest, the funds, and a mandate to supply GPGs. However, GPG provision can be inhibited by the large number of benefit-recipient nations, since collective action is generally harder to achieve among more participants. Moreover, some GPGs possess unfavorable publicness properties of nonexcludable and nonrival benefits, which promote free riding and inhibit provision.

Perhaps surprising, RPGs potentially pose more inhibitors than NPGs and GPGs. RPGs may offer few spillover benefits to donor nations outside of the region or to many supporters of multilateral organizations. For example, reducing acid rain in many parts of Latin America may have little benefit spillovers to donors in North America or Europe owing to prevailing wind patterns. Curbing region-specific diseases may also have few global benefit spillovers. Nations within a region have little incentive to assume debt for an RPG that benefits the entire region unless other nations in the region are also carrying their appropriate debt burden for the RPG. Thus, IDB's initiative to promote RPGs is an important step to surmount this hurdle. This is also true for efforts by BNDES, CAF, and FONPLATA. Regional rivalries and past conflicts may also inhibit the provision of RPGs. The absence of a long-standing culture to support regional development banks is another inhibitor of RPG provision. In contrast, there is such a culture to support the World Bank and the United Nations, which bolsters the provision of GPGs and TRPGs. On the positive side, there are some considerations that facilitate RPG provision including the new regionalism and customs unions. The former makes nations recognize the benefits from regional collective action, while the latter promotes collective action in terms of funding. Some RPGs, such as regional infrastructure, possess favorable properties such as exclusion and crowding that permit a club arrangement to provide the RPG. IIRSA can promote infrastructure projects with agreeable public good properties. Cultural and spatial propinquity among benefit recipients at the regional level can bolster RPG provision. In some

regions, the limited number of countries bodes well for collective provision. Past and ongoing interactions can also foster RPG provision at the regional level.

TRPGs represent an interesting class of public goods whose benefit spillover range lies between that of RPGs and GPGs. Given TRPGs' greater range of benefit spillovers, there is a greater likelihood that donor nations may gain from supporting TRPGs compared to RPGs. Also, multilateral aid agencies have a greater interest to support TRPGs than RPGs. Given its multiregional spillover range, a TRPG may change its character between regions (e.g., prophylactic measures against malaria and river blindness differ among infected regions.) This consideration may or may not inhibit the provision of TRPGs. Two major inhibitors of TRPGs are the associated transaction costs in establishing networks among impacted regions and geographically dispersed spillover recipients. The latter consideration is also associated with another potential

inhibitor -the large number of nations necessary for effective collective action. Finally, the absence of jurisdiction-specific institutions means that novel networks of regional institutions (e.g., customs unions) are needed and this need may forestall TRPG provision. This concern will dissipate as more regional collectives come into existence, which can then be linked among regions. The creation of these networks can be achieved through collaborative efforts of the regional development banks, the World Bank, or countries (e.g., the case of IIRSA).

Table 1 lists the primary promoting and inhibiting factors for the provision of NPGs, RPGs, TRPGs, and GPGs. Currently, NPGs and GPGs appear to have a better prognosis than RPGs and TRPGs, because NPGs' incentives are right and GPGs are championed by the multilateral institutions. However, this can change with efforts by the regional development

Table 1

FACTORS PROMOTING AND INHIBITING NPGs, RPGs, TRPGs, AND GPGs

National Public Goods (NPGs)	
	Incentives exist for nations to provide these goods (promote)
	Loans from IDB, multilateral institutions, and donors can be taken out by the nation (promote)
	NPGs are complementary to RPGs, TRPGs, and GPGs (promote)
	Nations may lack finances (inhibit)
Regional Public Goods (RPGs)	
	New regionalism and customs unions can facilitate provision (promote)
	Favorable characteristics of publicness (e.g., joint products, weighted-sum aggregator, and excludable benefits) (promote)
	Cultural and spatial propinquity among spillover recipients (promote)
	Fewer nations involved than for TRPGs and GPGs (promote)
	Past and ongoing interactions among regional countries (promote)
	Less donor spillovers owing to some regional specificity of benefits (inhibit)
	Nations must form collectives to gain loans and provide collateral (inhibit)
	Regional rivalry, fueled by past and current disagreements (inhibit)
	Absence of a culture to support regional development banks (inhibit)

➔ Table 1

FACTORS PROMOTING AND INHIBITING NPGs, RPGs, TRPGs, AND GPGs

Transregional Public Goods (TRPGs)	
	Donor spillovers may arise, especially if joint products are present (promote)
	Multilateral aid agencies have an interest (promote)
	May be some dominant region-specific characteristics (influence uncertain)
	Transaction costs associated with establishing transregional network (inhibit)
	Large number of involved nations (inhibit)
	Geographic dispersion of spillover recipients (inhibit)
	Absence of a jurisdiction-specific institution, which may require networking of existing institutions (inhibit)
Global Public Goods (GPGs)	
	Donor spillovers exist (promote)
	Multilateral institutions have an interest (promote)
	Large number of nations involved (inhibit)
	May possess unfavorable publicness properties (inhibit)

banks, public-private partnerships, donor nations, and charitable foundations.

MAJOR PARTICIPANTS FOR RPGs AND TRPGs

There are diverse stakeholders and participants in the provision of RPGs and TRPGs. In fact, the nature and number of these participants grow more varied over time and they provide an essential means for overcoming these goods' inhibitors. *First*, and foremost, there is IDB and other Latin American development banks that can provide loans and grants to member countries to fund RPGs. To date, IDB has relied on loans, but grants are more appropriate for RPGs and TRPGs with especially far-reaching excludable and nonrival benefits. *Second*, customs unions can underwrite RPG loans and promote infrastructure. *Third*, multilateral institutions can pool funds for best-shot, threshold, and summation

RPGs and TRPGs. These institutions can bolster the provision of weakest-link public goods by subsidizing the efforts of the poorer countries. The World Health Organization (WHO) plays an important role in assisting in the provision on health-related RPGs and TRPGs. *Fourth*, networks of participants and institutions can provide TRPGs, such as the Global Environmental Facility (GEF) for environmental public goods and the Consultative Group for International Agricultural Research (GCIAR) for knowledge public goods. *Fifth*, public-private partnerships -e.g., the Global Fund and the Onchocerciasis Control Partnership- also promote RPG and TRPG provision. *Sixth*, donor countries with trade interests in Latin America (e.g., China, the United States, and Canada) gain from some RPGs, such as roads linking major seaports. These roads stimulate demand for their exports, thereby giving these countries a vested interest in some RPGs. *Seventh*, other important participants include charitable foundations (e.g., Gates and Wellcome) and NGOs (e.g., the Red Cross and Doctors without Borders).

ON REGIONAL SUBSIDIARITY

Subsidiarity derives from the notion that the smallest appropriate jurisdiction should provide the public good. In its starkest form, subsidiarity mandates that the decision-making jurisdiction should perfectly match the range of public benefit spillovers. Subsidiarity is consistent with global institutions supplying GPGs; the appropriate transregional jurisdiction or network providing TRPGs; regional institutions underwriting RPGs; and nations supporting NPGs. Subsidiarity is closely associated with the notion of fiscal equivalence (Olson, 1969). The analogy is, however, not perfect because, for developing regions, the financing of RPGs is often bolstered from outside of the decision-making district. Thus, a developing country may be making the provision decision for its NPGs, but the funding source may be from a regional development bank and other donors.

Adherence to regional subsidiarity is intended to ensure that decision-makers adjust their expenditure decisions on public goods to reflect those who derive benefits. In an ideal situation, subsidiarity promotes the equality between the marginal benefits (summed over regional recipients) to the marginal costs. If the decision-making jurisdiction lies within the RPG's spillover range, then undersupply is anticipated as not all recipients' derived marginal benefits are included when provision is decided. If, in contrast, the decision-making jurisdiction exceeds the RPG's spillover range, then oversupply is anticipated as tax spillovers to nonrecipients occur when RPG provision is decided. Regional subsidiarity limits transaction costs by reducing the number of participants, augmenting repeated interactions, and curtailing asymmetric information. Regional subsidiarity also promotes the evolution of regional institutions from shared cultures, norms, and experiences. A reliance on region-based institutions for supplying RPGs also reduces mission creep of multilateral institutions.

There are considerations that detract from the blind application of regional subsidiarity where the RPG's spillover range is the sole driver of jurisdictional design. *First*, economies of scale may justify having the RPG provided by an institution whose political domain exceeds that of the requisite region if the reduced unit cost offsets any lost efficiency from departing from subsidiarity. Global institutions may achieve scale economies for some RPGs by permitting fixed

costs to be spread over serving the needs of multiple regions. *Second*, economies of scope from sharing common inputs can reduce unit costs from supplying two or more RPGs by a common jurisdiction, which does not match the spillover ranges of the provided RPGs. *Third*, by increasing the cumulative provision of the RPG, cost savings from economies of learning may justify oversized decision-making jurisdictions. *Fourth*, the requisite regional jurisdiction may not exist or may possess insufficient capacity. This is particularly true for RPGs whose range of benefit recipients do not correspond to any established political jurisdiction. *Fifth*, the aggregation technology may favor a jurisdiction larger than that identified by regional subsidiarity. This is likely the case for some best-shot RPGs, where the required provision effort is beyond the capabilities of any established region. *Finally*, the requisite financing for the RPG may require a providing jurisdiction that exceeds the RPG's range of benefits.

Table 2 summarizes the supporting and detracting influences on the application of regional subsidiarity.

POLICY RECOMMENDATIONS

Many policy recommendations follow from the analysis of this article. IDB has essential roles, through its RPG initiative and its leadership, to promote myriad forms of RPGs. In so doing, IDB should consider the use of grants for select RPGs, where a large number of Latin American countries benefit and free-rider motives are especially strong. IDB can also play a pivotal role in the provision of TRPGs by serving as a catalyst for linking institutions in multiple regions. Given the increasing importance of RPGs in development, multilateral institutions and donor countries need to provide more funding for IDB and other regional development banks.

Customs unions in North, Central, and South America have a crucial role to play in the provision of RPGs and TRPGs. A customs union, which restricts trade to countries outside the union, can coordinate efforts among its members to provide RPGs, and it can secure loans to support RPGs. The linkage of customs unions is a means for providing TRPGs. Customs unions can also institute redistribution schemes for the provision of weakest-link RPGs (e.g., MERCOSUR Structural Convergence Fund). Another example is MERCOSUR's

Table 2

SUPPORTING AND DETRACTING INFLUENCES ON REGIONAL SUBSIDIARITY

Supporting factors for regional subsidiarity	
	Fosters efficiency by equating RPG's marginal benefits (summed over regional recipients) to its marginal costs.
	Foster efficiency by limiting tax spillovers to nonbeneficiaries.
	Limits transaction costs by reducing the number of participants, augmenting repeated interactions, and curtailing asymmetric information.
	Supports the evolution of institutions from shared culture, norms, concerns, experiences, propinquity, and values.
	Avoids "mission creep" of global institutions.
Detracting factors for regional subsidiarity	
	Economies of scale from reduced unit costs favor allocation by a larger jurisdiction than the spillover range of the public good.
	Economies of scope from reduced unit costs encourage providing two or more RPGs in the same jurisdiction even when spillover ranges do not match.
	Economies of learning may require oversized jurisdictions where the cumulative level of the RPG is larger.
	The requisite regional institution either does not exist or does not possess sufficient capacity.
	Some aggregation technologies (e.g., best shot) favor jurisdictions beyond those identified by regional subsidiarity.
	The requisite financing may require a larger political jurisdiction than the range of benefit spillovers.

adoption of the Transport Agreement of the Southern Cone to develop regional transport corridors by bringing its component parts up to an acceptable standard (Costa, 2012). In the case of best-shot RPGs, customs unions can pool and coordinate efforts among their member states to surmount provision thresholds.

Many RPGs, especially infrastructure, possess excludable and partly rival benefits, which can be supplied by club arrangements. IDB, customs unions, and multilateral institutions can provide the initial feasibility study to promote the requisite club arrangements for these club RPGs. Club arrangements are particularly appropriate for the provision and financing of infrastructure.

As trade increases with Latin America, trading partners outside of Latin America must come to realize

that Latin American RPGs can augment these partners' exports. As such, IDB and other Latin American financial institutions need to make these RPG spillover benefits transparent to these exporting countries in an effort to obtain RPG contributions. There is also a need to promote public-private partnerships at the regional level as has been done at the global level. IDB's initiative on RPGs moves in this direction by entertaining proposals with public and private sector participation. BNDES, CAF, and FONPLATA push their own RPG initiatives.

The nature of the RPGs, especially their aggregation technologies, informs policymakers on which countries' RPG provision should be bolstered through aid. Redistribution policies must be tailored on a good-by-good basis. ♦

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THE NEW BOOM IN SOUTH-SOUTH COOPERATION: THE EXPERIENCE OF IBERO-AMERICA

CRISTINA XALMA *

Doctor of International Economics and Development from the University of Barcelona (UB), Cristina Xalma is also a lecturer and researcher, and, since 2007, has worked as a consultant for the Ibero-American General Secretariat (SEGIB).

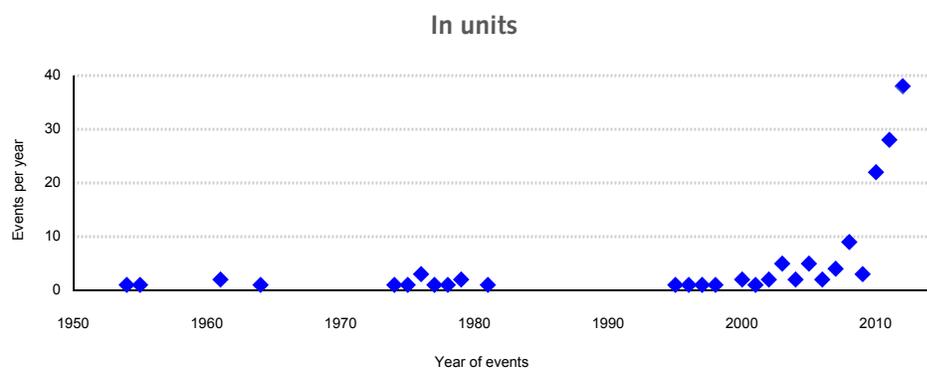
The article reviews and characterizes the recent boom in South-South Cooperation (SSC) by focusing on a specific experience: that of the member countries of the Ibero-American Conference and, in particular, the nineteen Spanish and Portuguese-speaking Latin American countries (from Mexico to Chile, including Cuba and Dominican Republic), plus Spain and Portugal. It seeks to understand a kind of cooperation that is expanding under various different guises and gaining in importance in the international development cooperation agenda with each passing year. Accordingly and in constant reference to this specific case, the article first explores the way this kind of SSC is evolving, its new scope, and its main features. Next, it reconstructs the bloc's political discourse regarding SSC, as well as the way it is pervading the international debate. With this in mind, it draws on the various editions of the Report on South-South Cooperation in Ibero-America, prepared by the Ibero-American General Secretariat (SEGIB), an analytical tool that, in addition to providing information, constitutes, both in itself and by structure, an intergovernmental, horizontal, and collective instance of SSC.

SOUTH-SOUTH COOPERATION: A BRIEF LOOK AT OVER HALF A CENTURY OF HISTORY

Any review of the history of South-South cooperation (SSC) immediately runs into a major obstacle: the reader is faced with

a multidimensional (political, economic, financial, technical) phenomenon that goes beyond simple "collaboration" between "Southern countries," whose

* Cristina Xalma is a researcher for the *Report on South-South Cooperation In Ibero-America*, compiled by the Ibero-American General Secretariat (SEGIB). Silvia Lopez, a research assistant for the Ibero-American Program to Strengthen South-South Cooperation (PIFCSS), has also collaborated on this article.

Figure 1**EVOLUTION OF NUMBER OF ANNUAL EVENTS CONTRIBUTING TO SSC DEBATE (1954-2012)**

Source: Based on the 2009, 2010, and 2012 *Reports on South-South Cooperation in Ibero-America*, and on the official Declarations and Documents linked to the various events included.

variety of manifestations make it difficult to unify both its concept and a way of identifying it.¹ Thus, faced as we are with this heterogeneity of forms, one approach to the evolution of SSC that takes in all of these dimensions is to keep track of the various regional and international events where SSC has played a leading role in the debate.² Similarly, when the number of events carried out during this exercise is associated with each of the years for which this type of event is recorded, a time series is obtained, as in *Figure 1*. From this it emerges that:

- a. Like the concepts of Development and of International Cooperation itself, SSC places its origins in the political and economic scene that emerged after World War II. In this new framework, SSC's first steps date back to the mid 1950s, coinciding with the exchange of Technical Cooperation measures among Southeast Asian countries, and with the momentum toward the creation of a space for consensus-building, such as the Non-Aligned Movement (NAM).
- b. Different stages distinguished by their intense dynamism can be identified in SSC's five-plus decades of accumulated history. As shown in *Figure 1*, there have been three periods of intense activity: the 1970s, the phase from 2000 to 2007, and that beginning in 2008 marked, as will become clear later, by particularly intense activity.
- c. There are no doubt several factors that explain this dynamic of behavior, but two are worthy of special mention: the geopolitical context and the way International Development Cooperation interacted with South-South Cooperation.
 - Geopolitically, both the 1970s and the start of the new millennium coincided with the renewed sturdiness of the developing countries on the international economic and political scene: in the first

¹ Another way of putting it is that SSC is seen in a variety of ways depending on who is looking. In illustration, the United Nations Conference on Trade and Development (UNCTAD) refers to SSC by showing the evolution of the exchange of financial, trade, and investment flows among developing countries. The annual reports of the United Nations General Assembly (UNGA) combine the same approach with another, more focused on Technical Cooperation and capacity building. In the meantime, the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) tends to equate the phenomenon of SSC with Official Development Assistance (ODA) flows of "non-DAC" and/or "Southern" countries.

² The meetings of the Group of 77 (the first in 1964), the High-Level Forums on Aid Effectiveness (the last in Busan in 2011), and the United Nations Conference on Technical Cooperation among Developing Countries (TCDC) in Buenos Aires (1978), to name but a few (SEGIB, 2008, pp. 11-13; 2009, pp. 23-28; 2012).

stage, as a result of the consolidation of the independence processes of the former African and Asian colonies, and of the need for new countries to make a stand against the prevailing global bipolarity; in the second and third stages, as a result of the ever more relevant role of the emerging countries on the world stage, where they have succeeded in expanding the Group of Eight (G8) (the seven most industrialized economies, plus Russia) to the G20, with the addition of countries like Brazil, Mexico, India, China, and South Africa (G5), and Argentina.

- In the 1970s, the architecture of international development cooperation was shaken by the impact of aid flows from “petrodollars”, accumulated mainly by the Arab countries in the second half of the decade and which, in their heyday (1975), accounted for 28% of global ODA (SEGIB, 2009, pp. 19-20), according to the Development Assistance Committee (DAC). Also, in response to a decade of question marks over the quantity and quality of aid, developments after the year 2000 (e.g. the Millennium Declaration, the International Conference on Financing for Development in Monterrey, or the

successive calls for Aid Effectiveness) also radically transformed the international development cooperation scene.

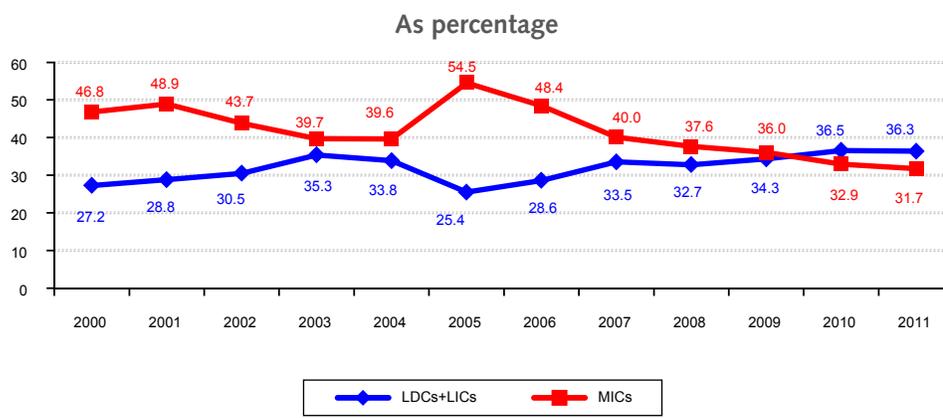
Specifically, as *Figure 2* shows, and coinciding with the two last stages, the main donors’ commitment to focus cooperation efforts on the most disadvantaged nations altered the structure of recipients: the least developed countries (LDCs) and low income countries (LICs) increased their share from 27.2% in 2000 to 36.3% in 2011, while middle income countries (MICs) went from 46.8% at the start of the period to 31.6% in the last year. Three inseparable dynamics can be identified: the displacement of MICs, the emergence of a dual role on the international cooperation scene, and the new boom in SSC.

THE NEW SSC BOOM: A LATIN AMERICAN APPROACH

In terms of *per capita* income, the nineteen Latin American countries (from Mexico to Chile) that are also members of the Ibero-American Conference

Figure 2

LDCs, LICs, and MICs’ SHARE OF TOTAL NET WORLD ODA AIMED AT DEVELOPING COUNTRIES (2000-2011)



Source: Based on <http://stats.oecd.org/Index.aspx?datasetcode=TABLE2A>.

classify as MICs. As a result, and along the lines of this argument, Latin America has, since the year 2000, been effectively displaced as a recipient of ODA. As *Figure 3* shows, Latin America in fact went from accounting for a record of 9% of total global assistance flows in 2001 to a 4.2% low in the financial period between 2007 and 2010.

Since the middle of the past decade, the region's cooperation agencies and bureaus began to feel that they were playing a new role on the international cooperation scene. But what in fact they were intuiting was that they were participating in forms of South-South collaboration no record of which was being kept.

A need then arose for more information on the process of change they themselves were involved in, for which there were scarcely any data. Through the Latin American countries' Cooperation Directors, the demand for the conceptualization, systematization, and recording of SSC reached the Ibero-American space and, more specifically, the Ibero-American General Secretariat (SEGIB).

This was how the *Report on South-South Cooperation in Latin America* came into existence, and in itself it was an SSC exercise. Looking back at its development from its first edition in 2007 to its latest in 2012 allows us to reconstruct and characterize SSC's most recent developments in Latin America and, via the construction of a joint political discourse, to identify the

region's growing influence in the global development cooperation agenda.

THE REPORT ON SOUTH-SOUTH COOPERATION IN LATIN AMERICA: MORE THAN A TOOL FOR DIAGNOSIS AND VISIBILITY

The *Report on South-South Cooperation in Latin America* "is a horizontal **intergovernmental** exercise in systematizing South-South Cooperation in the region" (Xalma, 2013, p. 5). The twenty-two member countries of the Ibero-American Conference played an equal part in drafting the Report. Government participation through cooperation agencies and bureaus takes place at two levels:

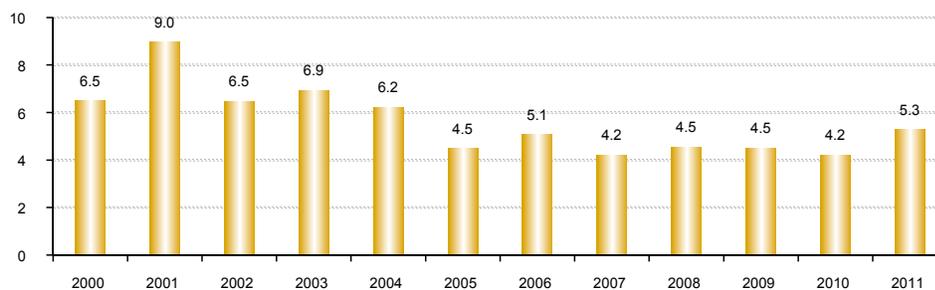
- As individual countries, through the politicians in the agencies and bureaus, and the staff that make up their technical units;
- As part of intergovernmental bodies and, in particular, of the Ibero-American General Secretariat (SEGIB) itself, and the Ibero-American Program to Strengthen South-South Cooperation (PIFCSS) (which will be explained in this section).

In this framework, the participation of the countries in the *Report on South-South Cooperation in Latin America* is not limited to providing the data it requires. Their participation goes far beyond, as they have simultaneously to work and decide collectively

Figure 3

IBERO-AMERICAN* COUNTRIES SHARE OF TOTAL WORLD NET ODA AIMED AT DEVELOPING COUNTRIES (2000-2011)

As percentage



Note: * Only includes the 19 Ibero-American countries that are also members of the Ibero-American Conference and classify as recipients of ODA.

Source: Based on <http://stats.oecd.org/Index.aspx?datasetcode=TABLE2A>.

and by consensus about aspects as diverse as: the conceptualization of SSC; the definition of a methodology for measurement and recording; the creation of indicators for improved identification, planning, and evaluation; tools for data collection and processing; or the discourse and position maintained where this modality is concerned. Consequently and as has been noted, **the exercise carried out is also technical and political**, as every breakthrough reconciles the technically possible with what is politically palatable to all.

The result is a Report that:

- a. Gauges and characterizes SSC in which Ibero-American countries participate. Given the nature of the decision-making and executive bodies, this is framed within technical cooperation among developing countries, where "*capacity building*" and "*knowledge, qualifications, resources, and knowhow exchanges*" are paramount (SEGIB, 2008, p. 16). Likewise, due, among other things, to the number and type of actors involved, this kind of cooperation is implemented via bilateral, triangular, and regional modalities (SEGIB, 2010).
- b. Is not limited to the systematization and characterization of SSC, but adds three complementary blocks of content to the results of the exercise:
 - To find out not just what happens but how, a chapter on case studies is included. Based on a methodology developed by the Ibero-American Program to Strengthen South-South Cooperation (PIFCSS, 2012b, pp. 15-17), it provides an insight into what occurs in the stages of identification, negotiation, formulation, and results of the bilateral and triangular projects selected.
 - Since the 2009 edition, the first chapter has been structured around a political reflection by the countries on the subject of SSC in Ibero-America. In fact, it is the Heads of Ibero-American Cooperation themselves (country representatives to the SEGIB) who draft, discuss, and agree the content.

- Albeit more marginally, the Report is careful to contextualize Ibero-America in the framework of international development cooperation through an annual analysis of the aid flows in which the region's countries are involved.

Over the six editions to date, the development of this content has also had positive repercussions for the Report as a product:

- a. It has become a visibility tool for SSC in Ibero-America, as well as an instrument to manage better.
- b. As we will see in detail in the next section, the Report has favored the articulation of an Ibero-American bloc position regarding SSC, as well as this position's gradual penetration of the international agenda and debate.
- c. And there is its contribution to the Ibero-American countries' institutional and methodological capacity building. Since 2009, this contribution has been reinforced by the emergence of the PIFCSS. Made up of nineteen of the region's twenty-two countries, its close relationship with the Report and clear orientation toward capacity building is suggested by the names themselves of its five Lines of Action (L) or work: Support for the Report (L3), and development of a Case Methodology (L5), the Formation (L1), and Design, Deployment, and Development of Information Systems (L2), as well as the facilitation of a Policy Discussion Forum (L4).

IBERO-AMERICA AND SSC: MAIN TRENDS

A review of the findings in the successive editions of the *Report on South-South Cooperation in Ibero-America* leads to the following description of SSC in the region between 2006 and 2011. In terms of major trends, it is worth highlighting that:

- a. Over the course of this period, the Bilateral Horizontal South-South Cooperation in which the Ibero-American countries participate through the exchange of Measures and Projects (see methodological note to *Figure 4*) has been

consolidated and strengthened. In particular, as can be seen from *Figure 4.A*, the number of projects and measures exchanged by the region's countries under this modality has tended to stabilize at above 800. The idea of strengthening is also supported by an increased share of projects (the largest instrument), which went from accounting for almost two thirds (62.8%) of exchanges in 2010 to nearly 72% in 2011.

- b. Nevertheless, *Figure 4.A* also suggests a downward trend in the absolute number of Bilateral Horizontal South-South Cooperation exchanges recorded between 2007 (the first year for which data exists) and 2011. But this "apparent trend" does not invalidate the previous idea. Rather, two methodological problems add nuances to these observations: on the one hand, there are the still necessary and frequent adjustments in the concepts of measurement used;³ on the other, the fact that we have not yet

been able to consolidate a stable data supply.⁴ Both things ultimately limit the reliability of the time series obtained.

- c. On the other hand, again in the framework of Bilateral Horizontal South-South Cooperation, certain trends can be identified that relate to the role and degree of the countries' participation. As seen in *Figure 4.B*, the nineteen Latin American nations actively participate in cooperation exchanges, but the intensity with which they do so differs according to whether they are acting as providers or recipients. Accordingly, just six countries (Argentina, Brazil, Chile, Colombia, Cuba, and Mexico) tend to concentrate 95% of projects offered. By contrast, the top six recipients (mainly Paraguay, and Andean and Central American nations) together never account for more than 40% of the total projects received.

³ With the Report came a record-keeping system, in which the concepts used to identify the evolution of this cooperation have gradually changed. As mentioned in the note to *Figure 4.A*, the turning point was 2009, when there was a shift from recording just "Measures" to differentiating between "Projects" and "One-Off Measures".

⁴ The 19 countries participating in this modality have not been able to report their data every year. Venezuela, for example, a country that had previously led the supply of projects (179 in 2009 alone, i.e. 20% of the total recorded that year), has been missing since 2010.

Figure 4

SSC IN IBERO-AMERICA BY MODALITY, COUNTRY, AND SECTOR

A. BILATERAL HORIZONTAL SOUTH-SOUTH COOPERATION PROJECTS AND MEASURES (2007-2011)

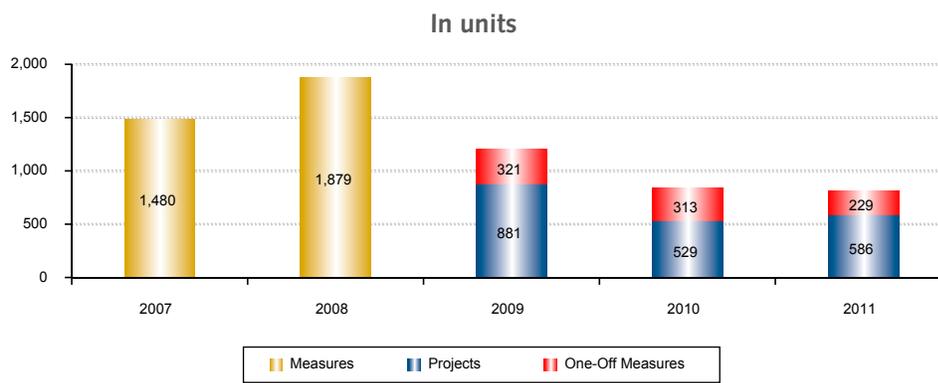
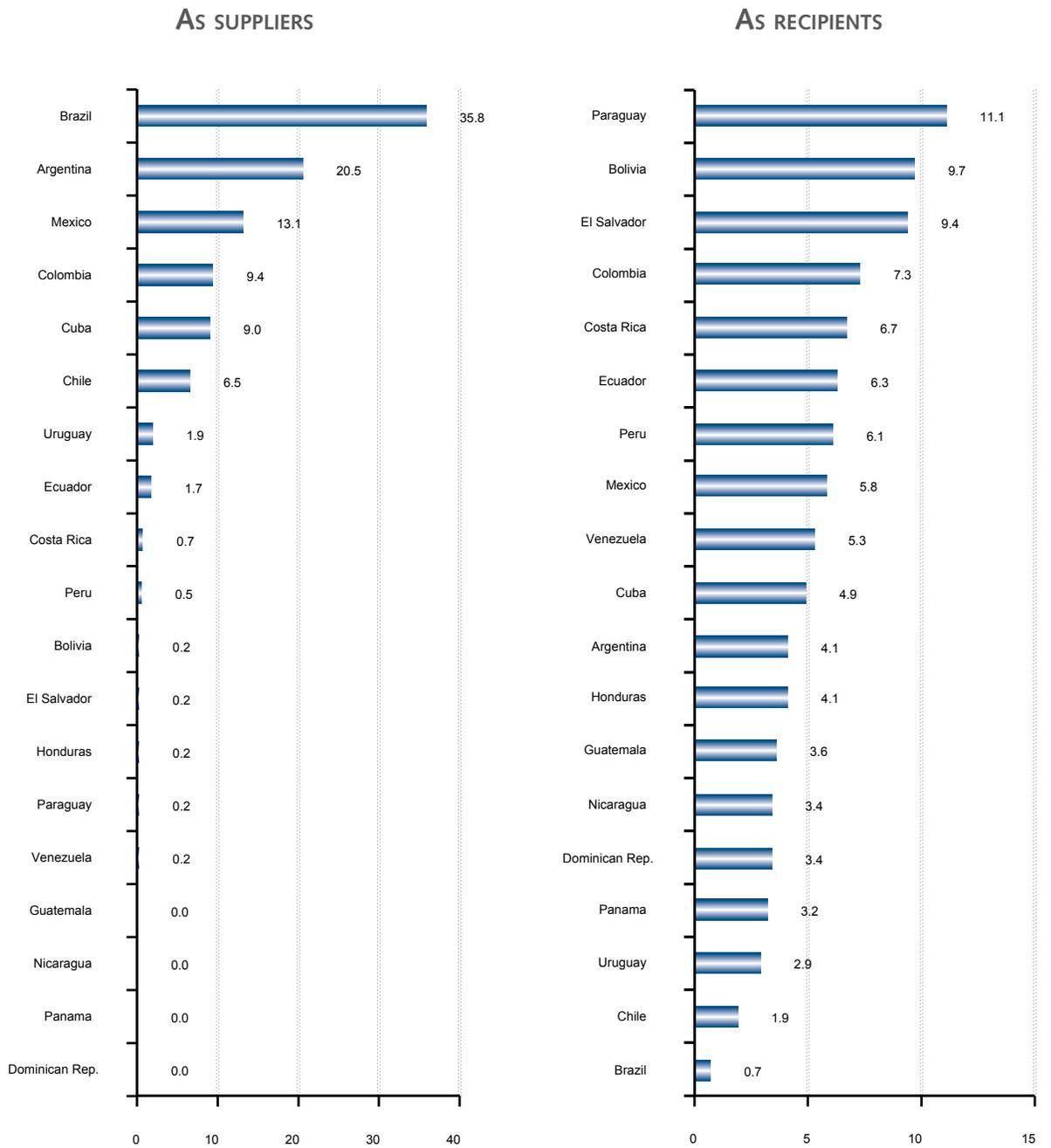


Figure 4

B. COUNTRIES' SHARE OF BILATERAL HORIZONTAL SOUTH-SOUTH COOPERATION PROJECTS BY ROLE (2011)

As percentage of total registered (586)

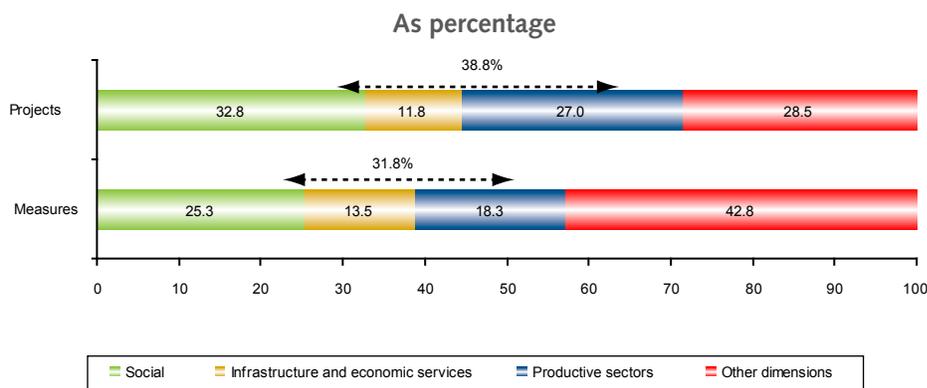


Institute for the Integration of Latin America and the Caribbean (IIG-INTAL). All rights reserved.

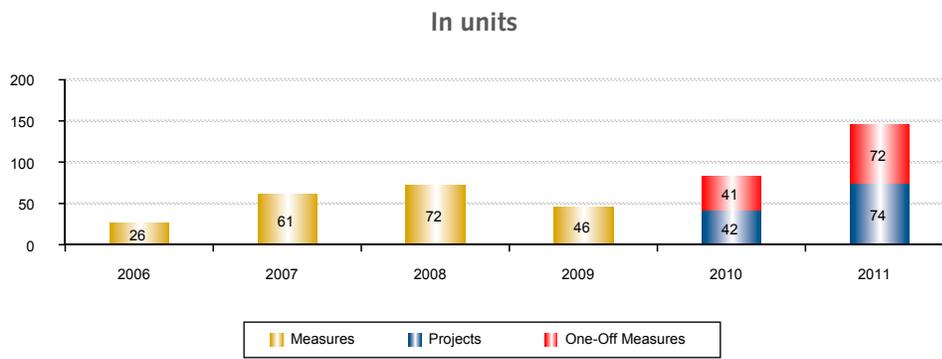
Figure 4

SSC IN IBERO-AMERICA BY MODALITY, COUNTRY, AND SECTOR

C. BILATERAL HORIZONTAL SOUTH-SOUTH COOPERATION PROJECTS AND MEASURES (2011) BY SCOPE



D. TRIANGULAR SOUTH-SOUTH COOPERATION (2006-2011)



Note: In 2007 and 2008, as with Bilateral Horizontal South-South Cooperation, as well as the period of Triangular Cooperation in 2006-2009, Measures made up all recorded SSC interventions without considering difference by instrument. From 2009 for Bilateral and 2010 for Triangular Cooperation, instruments of action are differentiated according as follows: **Projects** refer to a "set of interrelated measures designed to meet a common goal toward a specific recipient through implementation in the framework of one or several sectors and/or issues [...]"; **One-Off Measures** represent "a concrete if narrow expression of international cooperation. They are implemented just once, through specific modalities (counseling, internship, joint research, seminars, etc.)".

Source: Based on PIFCSS (2012a, pp. 10-11) and Xalma (2013, p. 14 and 16).

- d. Last, the analysis of the sectors of activity within which the implemented Bilateral Horizontal South-South Cooperation classifies gives an idea of the profile of capacities strengthened through the exchanges (*Figure 4.C*). In very similar proportions, the specific projects carried forward reinforce capacities in social areas (particularly education and health, but also sanitation and water supply, and social and housing policy), economic areas (on the one hand, everything that favors the creation of infrastructure and services needed for the operation of national economies, such as energy, the application of advances in science and technology, and support for the fabric of small and medium enterprises (SMEs), and on the other, projects in productive sectors, essentially mining, agriculture, and the processing industries), and areas classified under other headings (e.g. institutional strengthening, the environment, and disaster prevention).
- e. As seen in *Figure 4.D*, Triangular SSC is another modality that has been consolidated and strengthened during this period. In this sense, even in spite of the same methodological nuances applied to Bilateral SSC, the number of measures and projects year on year rose: 42 projects and 41 measures were recorded in 2010; by 2011 these totaled 74 and 72.
- f. In country terms, the transfer of technical capacities (by "first providers") tended to fall to the countries that are more active in supplying Bilateral Horizontal South-South Cooperation, particularly Argentina, Brazil, Chile, and Mexico. Meanwhile, prominent among "second providers" (supported financially, and sometimes technically and institutionally as well) were Japan (simultaneously withdrawing its ODA from the region), Germany, Spain, and (incipiently) United States. Similarly, although all the countries in the region participated as "recipients" of Triangular SSC in at least one measure and/or project, this again tended to be concentrated in Paraguay, Central America and the Andean region.
- g. Last, the most striking thing about this modality is the type of capacities that it tended to reinforce. In sector terms, it has a similar distribution to Bilateral Cooperation, but, even in the framework of the same type of activity, triangular cooperation often display greater

scientific-technological complexity (which would, in fact, justify the support of a third actor). To illustrate, prominent among housing policies would be projects devoted to the construction of earthquake-resistant buildings for disadvantaged families; in agriculture, support for the creation of national phytosanitary systems; or, in the environment, action toward implementing solid waste management models.

IBERO-AMERICAN SSC IN THE AGENDA FOR INTERNATIONAL DEBATE

This section is divided into three blocks: a review of SSC's role in the agenda for international debate on cooperation; the discourse that the Ibero-American space itself has built up around this modality; and the way this discourse has penetrated the agenda for international debate.

SSC IN THE DEVELOPMENT COOPERATION AGENDA

There are three stages, growing in prominence, to SSC in the international agenda for debate on development cooperation: 1954 to the end of 1990, 2000 up to 2007, and, coinciding with a remarkable boom in this area (see *Figure 1* again), from 2008 to the present.

Qualitative differences can be identified in each of these stages, due both to aspects that are cause for concern and to the frameworks in which that concern is discussed. Thus:

- a. Between 1954 and 1999, there was barely any talk specifically in South-South terms. One usually spoke of economic and technical cooperation among developing countries (ECDC and TCDC respectively), and of the possible integration of the two modalities. Along these lines and always within these dimensions, one talked of programs and plans of action, and performance guidelines. This gearing of content was closely related to the fact that these discussions took place within frameworks or spaces of economic or even political dialogue that were emerging in these years, such as, in the international field, the United Nations and its various agencies, the

G77 or the NAM, and, at more regional level, the Economic Commission for Latin America and the Caribbean (ECLAC) or Latin American and Caribbean Economic System (SELA).

b. The term SSC (and subsequently Triangular Cooperation) was coined in 2000 as part of the debate. In fact, in 2003, during the 58th session of the United Nations General Assembly, the term TCDC was officially and formally replaced by that of SSC. Accordingly, in the framework of the “*new aid architecture*” and of a likewise new “*development cooperation agenda*”, SSC begins to be addressed in connection with the other issues of the day: the Millennium Development Goals (MDGs), Development Financing, Effectiveness, MICs, etc.

c. 2008, however, was a watershed:

- Until this date, the treatment of SSC had been “marginal”, more conspicuous in the preparatory discussions of major events than in their final declarations. And when it did appear in final declarations, it did so in a *quasi* “anecdotal” way, as experiences to be reviewed and taken into account.
- But SSC and Triangular Cooperation have acquired a much more prominent role since 2008 as a benchmark and tool for change in terms of what needs to be reconsidered. Since 2008, one now speaks of SSC’s role in the new scene, its possible contribution to development goals, its role as a financing mechanism, and even of its effectiveness.⁵
- Also, since 2008, a growing number of frameworks or spaces in the regional and international scenes have been looking at SSC and positioning it in the debate: thus, in contrast to the preceding stage, the DAC, the Union of South American Nations (UNASUR), the Bank of the

South, and the Bolivarian Alliance for the Peoples of Our America (ALBA) have all tackled this kind of cooperation.

- Last, multiple platforms appear. While different in nature, these platforms all have this modality of cooperation within their specific scopes of operation: notably the Task Team on South-South Cooperation (TT-SSC), the United Nations’ Development Cooperation Forum (DCF), the World Bank’s South-South Experience Exchange, the Building Block on South-South Cooperation, set up in Busan at the end of 2011, and the Ibero-American Program to Strengthen South-South Cooperation itself.

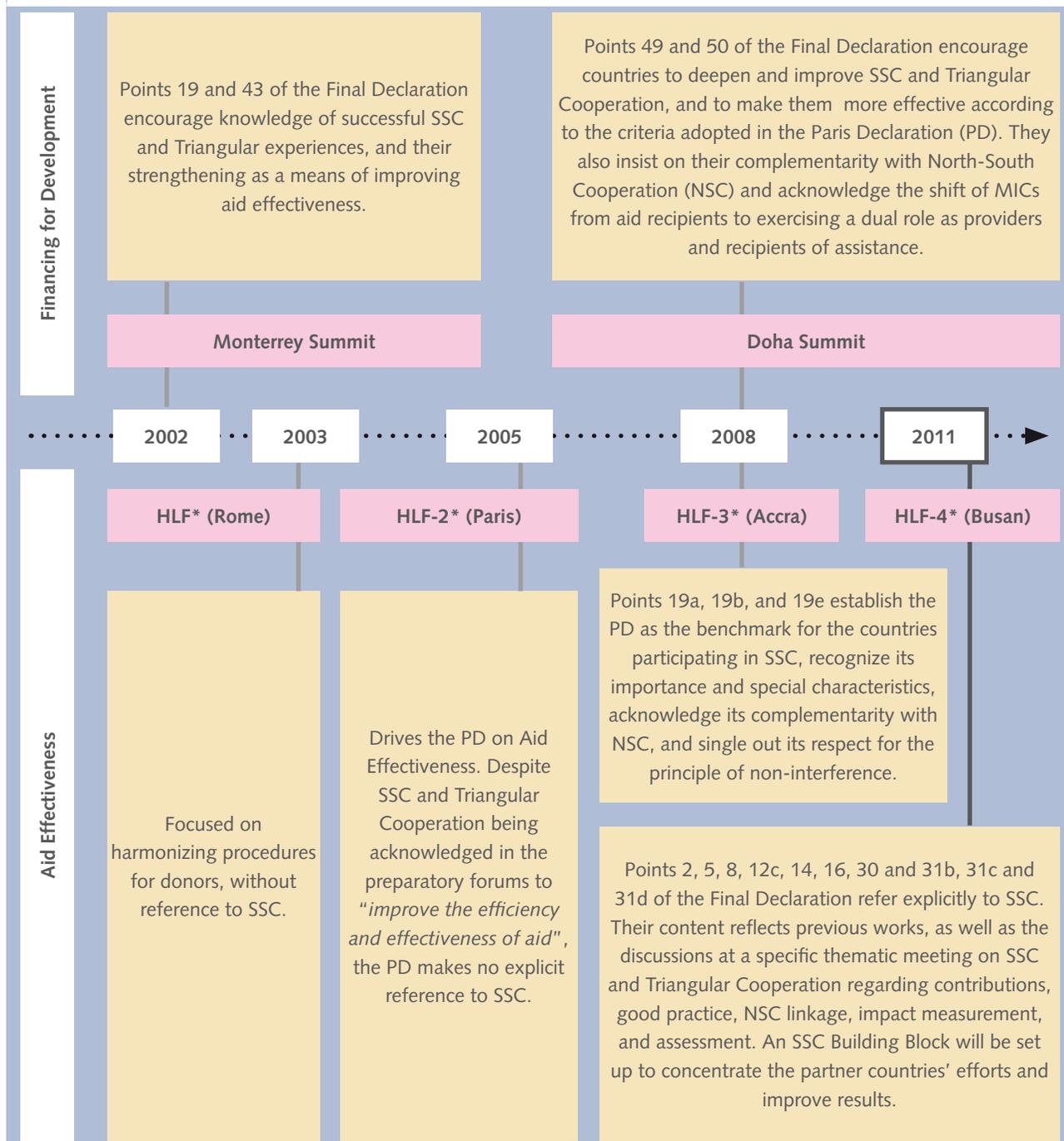
THE IBERO-AMERICAN STANCE ON SSC

Over the course of these years, the Ibero-American community has built up a position on SSC. The resultant discourse paints the following picture:

- a. The defense and deepening of the **criteria/principles associated with the practice of SSC in Ibero-America**. The countries place special emphasis on the fact that this is a form of **horizontal cooperation** (i.e. among equal partners, without conditions), where technical exchange and capacity building, reciprocity, the proximity of processes and adaptation to the local, respect for others’ sovereignty, and the search for efficiency in the use of resources are paramount.
- b. The understanding that SSC is **neither a substitute, nor a subsidiary, nor an instrument of NSC, but only a complement**. Here, a link between the two is favored and **the countries’ dual role** in the international cooperation scene is defended. This positioning has two outcomes:
 - On the one hand, in terms of “recipients,” it raises the need for MICs to continue receiving cooperation funds that contribute to consolidating their development processes. Along the same lines, they question the idea that *per capita* income should be the criterion of eligibility to opt for these funds, while ignoring inequalities within the countries.

⁵ A more detailed illustration appears in the *Box*, which summarizes the differential treatment of SSC in the successive events on Financing for Development and Aid Effectiveness that have been held since 2000.

Box. SSC in debates over Development Cooperation Financing and Effectiveness



Note: HLF* (abbreviation for High Level Forum).

Source: Based on the Declarations of the First High Level Forum on Aid Effectiveness, in Rome (2003); the Second in Paris (2005); the Third in Accra (2008), and the Fourth in Busan (2011); and on the Final Declarations of the Development Financing Summits, in Monterrey, March 18-22, 2002, and in Doha, December 2, 2008.

Alternatively, they favor replacing this criterion with another that keeps these problems in mind, such as an approach based on “*structural gaps*”, as proposed by ECLAC in a recent document.⁶

- On the other hand, as new “cooperators” they demand the recognition of SSC and Triangular Cooperation as mechanisms for institutional strengthening, capacity building, and promoting regional integration.
- c. Last, in the Ibero-American framework, there are **two coexisting positions** toward the **effectiveness of SSC**: the countries that propound moving forward in an agenda embedded in the principles established in Paris, Accra, and Busan; and those that defend an agenda of their own that is not necessarily embedded in the international agenda.

IBERO-AMERICA AND SSC IN THE INTERNATIONAL DEBATE

Collective work and the articulation of a common discourse around SSC have, in the space of a few years, enabled Ibero-America’s voice to be heard on the international stage. The ways this is manifested are closely related, first and foremost, to the presentation and elevation of Ibero-American positions in international forums, and, second, to the impact and ever greater presence of the Program and the Report. More specifically:

- a. In 2009, the Ibero-American countries presented their first position on SSC at the *High Level United Nations Conference on South-South Cooperation in Nairobi*, in November, to commemorate the 30+1 anniversary of the Buenos Aires Plan of Action for Promoting and Implementing Technical Cooperation among Developing Countries (TCDC) (1978). This position also recognized the work these countries had done both individually and collectively

⁶ The structural gap approach includes in *per capita* income parameters relating to inequality, poverty, investment, savings, productivity, innovation, infrastructure, education, health, taxation, gender, and the environment (ECLAC, 2012).

in 2008 in order for SSC to be duly addressed in the discussions and final declaration that emerged from the Third High Level Forum on Aid Effectiveness (HLF-3) in Accra.

- b. Similarly, in 2011, Ibero-America presented a new joint position on SSC at the 4th High Level Forum on Aid Effectiveness (HLF-4) in Busan (PIFCSS, 2011). This position was also presented and discussed at following events to evaluate the agenda post-Busan and at the 2012 DCF.
- c. In fact, the second DCF, in 2010, had already welcomed a presentation of the *Report on South-South Cooperation*, and of the Program, which were represented in turn by the SEGIB and many of its member countries. The DCF has thus become a frame of reference and mouthpiece for Ibero-American activity in this area, as have the annual events organized by the *United Nations Office for South-South Cooperation* (formerly the Special Unit for South-South Cooperation).
- d. Explicit references to the Ibero-American Program and the Report begin to proliferate, as, for example, in the document on SSC and Triangular Cooperation prepared by the United Nations Joint Inspection Unit and presented at the Seventeenth Session of the High Level Committee on South-South Cooperation in May 2012.
- e. In this sense, the Program and the Report are analyzed as case studies. As noted in previous sections, the fact that they are in themselves SSC exercises makes them benchmark experiences in areas such as the *High Level Event on South-South Cooperation and Capacity Development* in Bogota in March 2010, in the framework of preparatory meetings for Busan.
- f. Last, the acquis that the Program and the Report have generated for SSC in the region, and in terms of methodological development (information, measurement, and indicator systems), have made them a staple for other organizations. Clear examples of this are the documents discussed at the Thirty-Third Session of ECLAC in 2010, or the meeting of the Community of Latin American and Caribbean States (CELAC) in Chile in October 2012.

IN SUMMARY

The new boom experienced by SSC since 2000, and more conspicuously since 2008, marks a watershed in the historical trajectory of this modality, with Ibero-America playing a leading role in it. It has been influenced by the succession of dynamics generated by its classification as MICs, its subsequent displacement as recipients of ODA, and also the search and stimulus for a new dual role in international development cooperation.

In this sense, the need to systematize and record this new cooperation has, in their shared Ibero-American

ambit, led the Latin America countries and Spain to promote the drafting of a Report on South-South Cooperation. After six editions, this Report is now rather more than a tool to gauge and characterize the SSC in which the region participates. The Report is, first and foremost, an intergovernmental SSC exercise in itself: one that contributes to the strengthening of this cooperation in both Ibero-America and the world, through its technical and methodological contributions, and its contribution to the construction of a political discourse that is pervading the international debate on development cooperation. ♦

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THE RISING IMPORTANCE OF SOUTH-SOUTH COOPERATION IN ASIA-LAC ECONOMIC RELATIONS

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It is often argued that the current pattern of 'complementary' Trans-Pacific economic cooperation between East Asia and Latin America and the Caribbean (LAC) is not sustainable in terms of trade and investment. Typically LAC economies export low value-added commodities to Asia-Pacific in exchange for high profile manufactures. Although this pattern has pros and cons for both regions, it is being operated in unbalanced fashion. Trans-Pacific investment shows also a unidirectional pattern. From 2003 to 2011, investments from Asia to LAC rose from US\$13 to 17 billion, but most of these are Asian investments to a few large economies like Brazil and Mexico. Development cooperation between economies in Asia and LAC is an increasingly important pillar of bilateral economic relationships. It is also the area that offers measurable evidence of interregional cooperation. Nevertheless, the trend here is also the typical unidirectional pattern of cooperation with Asian resources mobilized towards LAC. Therefore, this paper will suggest South-South Cooperation (SSC) including Triangular Development Cooperation (TDC) as a newly rising mechanism for sustainable Trans-Pacific relations after assessing existing practices between three Asian countries: China, Japan and Korea, and LAC. In conclusion, the paper emphasizes two directions for future cooperation: first, the strengthened role of multilateral framework for active interactions among non-traditional partners; second, the contribution of SSC towards more balanced relations between Asia and LAC. Unlike typical Asia-LAC development cooperation of channeling Asian resources and experiences to LAC, equally rich experience and development practices of the latter must be viewed as critical resources for Asian developing countries.

THE PATTERN OF TRANS-PACIFIC TRADE AND INVESTMENT

The purpose of this study is to explore the possibility of sustainable Trans-Pacific relations by way of promoting South-South Cooperation (SSC) and Triangular Development Cooperation (TDC)

after assessing existing practices between three Asian countries: China, Japan and Korea, and LAC. The concept of SSC is gaining traction among both recipients and providers as well as in multilateral organizations, driven by the belief that developing economies often have better insights into their peers' development needs and that such linkages are mutually beneficial. In addition, the Official Development Assistance (ODA)

can facilitate other forms of cooperation, such as joint research initiatives creating opportunities for ongoing relationships and spill-over into other areas. In this regard, SSC aims to address the development needs of the Southern countries based on "successful Southern-grown development solutions (SDSs)" (<http://www.southsouthexpo.org/>).

Economic ties between LAC and Asia have expanded and diversified remarkably over the past decades. Not only have bi-regional trade flows grown in double digits, but investors in both the LAC and Asian regions alike are reaching increasingly across the Pacific.

Firstly, the volume of Trans-Pacific trade has considerably increased along the last decades. Latin America's total exports grew by an annual average of 11.13% between 1990 and 2006. Overcoming a steep fall in exports with the global financial crisis in 2008, Latin America reached its export growth of 29% in 2010 and 26% in 2011. While Latin America's trade flows have grown with most regions of the world over the past decade, its trade with Asia-Pacific has shown particular dynamism. Accelerated by cross-regional FTAs between Asia and Latin America in mid-2000s, trade between the two regions grew by an annual average of 20.5% in 2011. The region's share of Asia's trade more than doubled to 4.4% compared to that in 2002; and Asia's share of the region trade was 21%. The major counterpart of the region's trade is limited to a few countries which are China, Korea, Japan, and India. MERCOSUR and the Andean countries have experienced particularly strong growth in flows bound for China and Korea, while Central America's exports have grown significantly to China and Korea.

Thus, the growth of imports to LAC from Asia Pacific is bigger than the growth of exports from LAC to the region. This tendency is seen in Japan, Korea, ASEAN, China, Australia and New Zealand. Latin America is by large natural resource-abundant, while Asia-Pacific is scarce in that. Instead, Asia is a bigger supplier of capital and knowledge (especially in Japan, South Korea and Taiwan), as well as labor (China) intensive goods and services. These factor endowments are key drivers of the bi-regional trade patterns. Therefore, looking at the breakdown of sectors, it is possible to conclude that the trend in LAC exports commodities and imports manufactures from Asia-Pacific has deepened. For instance, the top 10 exports which consist of agricultural and mining products increased from 50% in 2000 to

nearly 70% in 2010, while the top 10 imports with its 41.8% share are manufactured goods.

Importantly, although Latin American exports to Asia-Pacific still largely consist of raw materials and commodities, the Asian market could in the future start absorbing greater quantities of Latin America's manufactured goods. With incomes, and, subsequently, consumption rising in the Pacific basin, the region's consumers and industries will likely demand more imports in general, and imports of increasingly sophisticated products as well as a greater variety of goods.

Secondly, the contrast existing in Trans-Pacific relations is further deepened in the investment side, when Trans-Pacific investment usually means Asian outward FDI to Latin America. Despite increasing economic linkages between Latin America and Asia-Pacific, total Asian FDI to Latin America continues to represent only a small share of total global flows to the region. In the period from 2003-2006, total Asian FDI flows to the LAC region composed only 3% of total FDI flows, a reduction from the previous average of 4% in the period of 1998-2002. Even though Japan takes 8% of FDI in that region, owing to the significant increase of investment in 2011, the share of Asian investment projects in LAC is only 10.9%. The European Union and North America continue to be the main sources of FDI for Latin America, together comprising 75% of all FDI flows to the region. All countries in Latin America, exhibited the same trend, except for Argentina where intra-regional FDI was second to FDI from North America. While Brazil and Mexico remain the largest recipients of FDI in Latin America, it is important to acknowledge that from 2005 to 2006 both countries experienced a decrease in Asian FDI, as did Peru, Chile, Ecuador, and Argentina.

Asia-Pacific FDI in Latin America continues to be driven by three factors: (1) natural resource seeking to meet domestic demand such as Japanese industrial conglomerate Mitsui's investment in Brazil's ethanol production operations, and investments by Chinese energy company CNPC in the exploration and development of Venezuela's oil capabilities; (2) efficiency seeking to export to the US market such as Mexico's manufacturing sector including Japanese Toyota, Korean Samsung and LG, and textile companies investing in Central America and the Caribbean; (3) market seeking for large local markets, mostly MNC investments in Brazil. At the same time, the shortcomings of the existing investment are: (1) lack of LAC investment in Asia; (2)

enclave trap nature of efficiency seeking investment lacking technology spillover, especially in Mexico; (3) inconsistent nature of Asian investment in LAC natural resource sector.

As discussed above, the usual pattern of the existing Trans-Pacific economic relation is in rather bottlenecked and imbalanced shape: (1) Trade imbalance between Asia and LAC deepening the Trans-Pacific mode of exchange between high tech Asia vs. commodity LAC; (2) Trade dominating Trans-Pacific relations leaving limited room for investment and projects participation; (3) Supremacy of Asian investment in Latin America and scarce presence of LAC companies in Asia; (4) Enclave trap of certain Asian investments in LAC: Asian manufacturing investment being either market seeking or efficient seeking, not necessarily creating local value chain; (5) Increase of resource seeking investment from Asia; (6) Uni-directional development assistance from a few Asian donors towards LAC (ADB *et al.*, 2012; Kwak, 2012).

We have briefly reviewed the fundamental nature and some limitations of Trans-Pacific trade and investment. The growth of trade and investment between LAC and Asia is bringing countries in the regions closer together, creating new opportunities for broader, more equitable, non-market cooperation. Thereby, the following sections will concern the question of how to escape this bottleneck with new instruments of SSC and TDC. They will basically examine the big picture of development cooperation between the leading Asian economies of CJK -China, Japan and Korea- and LAC as well as some of the existing SSC and TDC cases. Then, the paper will conclude by suggesting a way towards sustainable Trans-Pacific development cooperation under this new architecture.

CURRENT FASHION OF TRANS-PACIFIC DEVELOPMENT COOPERATION

Intra-regional development cooperation is very active both in Asia and LAC. In terms of inter-regional aid of development cooperation, the initiative has been usually taken by three Asian donors.

JAPAN: A LEADING DAC MEMBER COUNTRY

Despite the growth of Chinese aid, Japan remains the largest Asian source of bilateral development assistance

to LAC. Japan's aid to the region, which amounted to over US\$530 million in 2011, is widely spread over the region and has become one of the main sources of development assistance. Between 2005 and 2011, some of the largest recipients are Honduras (US\$719 in total, 15%), Brazil (US\$674, 14%), Peru (US\$59, 12%), Paraguay (US\$397, 8%), Bolivia (US\$342, 7%) (The Organisation for Economic Co-operation and Development's Development Assistance Committee - OECD DAC). However, since 2008, Brazil seems to get by far the largest portion of Japanese ODA, more than 50% of total ODA to LAC, thanks to some mega loan projects committed. Meanwhile, ODA to such countries as Honduras and Paraguay has recently dropped significantly (*Table 1* and *Figure 1*).

While LAC's share of Japanese aid is small at just over 5%, the region is gaining strategic importance for Japan. Development assistance will likely play a role in a broader strategy to boost the investment of Japanese firms in the region, especially in the areas of infrastructure and energy resources (ADB *et al.*, 2012, p. 112).

Is the ODA to LAC related to bilateral trade relations? General assumption will be for those donors whose ODA motivation is driven by economic and/or commercial interest. In order to address this issue, this paper has tried a comparison between ODA and trade data. *Table 2* shows the figures of Japan's ODA and trade data in the top 10 recipient countries in LAC in 2011. Among the 10 largest recipients in LAC, Brazil takes up more than 60% (US\$273.7m) of Japanese ODA to those economies, which is in line with the massive imports of US\$10,090m (US\$63.9%) from Brazil. A similar pattern can be found in Peru whose ODA and imports figures are reasonably high, 5.3% and 11.8% respectively. However, a counter example can be found in Mexico whose trade volume is large enough to compete against that of Brazil while Japanese ODA volume was mere US\$12.2m (2.7%). Nevertheless, this apparent contrast can also be explained with the different trade pattern with Mexico from that with Brazil. Japanese trade with Mexico is mainly focused on exports.

KOREA: JOINING THE NORTH AS A NEW DAC MEMBER

In addition to the big two, the Republic of Korea has fastly surged as a donor committing about 10% of its bilateral overseas development assistance to the LAC region, which amounted to US\$210 million in 2011

Table 1

JAPANESE ODA TO LAC COUNTRIES: COMMITMENT
US\$ Million

Year	2005	2006	2007	2008	2009	2010	2011	Total 2005-2011 (%)
Honduras	446.43	144.25	36.87	37.2	18.53	11.56	24.1	718.94 (15%)
Brazil	30.06	24.65	23.62	21.61	26.14	274.41	273.68	674.17 (14%)
Peru	9.29	77.42	15.72	83.99	220.74	164.69	23.86	595.71 (12%)
Paraguay	24.59	210.84	18.33	14.96	26.42	83.23	18.44	396.81 (8%)
Bolivia	55.96	97.5	34.06	31.15	60.27	45.26	17.83	342.03 (7%)
Nicaragua	53.53	43.13	22.76	27.79	25.16	60.02	37.37	269.76 (6%)
Panama	8.25	8.14	172.4	8.52	7.68	7.37	7.36	219.72 (5%)
Guatemala	32.08	100.55	9.92	11.03	11.68	33.04	13.55	211.85 (4%)
Costa Rica	8.53	137.72	7.75	5.89	7.91	25.39	7.57	200.76 (4%)
Haiti	0.94	5.56	10.85	14.61	23.23	76.83	13.8	145.82 (3%)
Ecuador	28.96	32.71	16.82	8.24	11.75	33.22	9.57	141.27 (3%)
El Salvador	19	15.97	18.65	11.23	11.46	31.07	15.09	122.47 (3%)
Argentina	13.53	10.26	17.36	8.44	11.68	46.03	9.26	116.56 (2%)
Mexico	17.35	14.84	16.06	14.43	15.86	14.45	12.19	105.18 (2%)
Dominican Republic	11.37	21.58	12.15	12.01	11.01	12.01	10.81	90.94 (2%)
LAC Total	817.62	1001.3	497.53	358.08	592.42	975.33	531.68	4773.92 (100%)

Source: Compiled by the author from *OECD.StatExtracts*.

Table 2

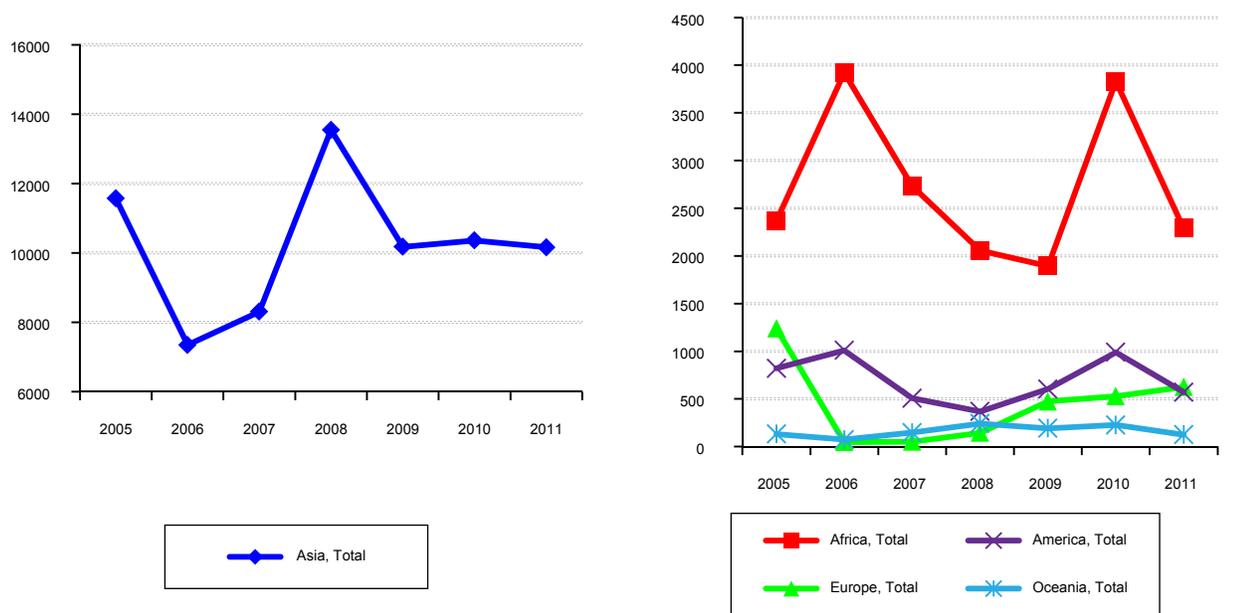
JAPANESE ODA AND TRADE TO/WITH LAC COUNTRIES
2011

Year	ODA	% among top 10 partners	Japanese Export to	% among top 10 partners	Japanese Import from	% among top 10 partners	Total Trade	% among top 10 partners
Brazil	273.7	60.8%	4942.1	33.8%	10090.9	63.9%	15032.1	49.4%
Nicaragua	37.4	8.3%	78.4	0.5%	25.4	0.2%	103.8	0.3%
Honduras	24.1	5.4%	98.6	0.7%	48.5	0.3%	147.1	0.5%
Peru	23.9	5.3%	726.8	5.0%	1866.0	11.8%	2592.8	8.5%
Paraguay	18.4	4.1%	94.7	0.6%	50.6	0.3%	145.3	0.5%
Bolivia	17.8	4.0%	123.3	0.8%	279.9	1.8%	403.2	1.3%
El Salvador	15.1	3.4%	123.0	0.8%	44.3	0.3%	167.3	0.6%
Haiti	13.8	3.1%	53.6	0.4%	1.5	0.0%	55.1	0.2%
Guatemala	13.6	3.0%	227.7	1.6%	218.7	1.4%	446.4	1.5%
Mexico	12.2	2.7%	8145.1	55.7%	3168.6	20.1%	11313.7	37.2%
Top 10 Total	449.9	100%	14613.3	100%	15794.4	100%	30406.8	100%

Source: Compiled by the author from *OECD.StatExtracts*, and *Trade Statistics of Japan*, Ministry of Finance.

Figure 1

JAPAN'S ODA BY REGION: COMMITMENT
US\$ Million



Source: Compiled by the author from OECD.StatExtracts.

(OECD). The Korean figure is smaller than Japanese ODA, but it's catching up fast as seen in Figure 2. While Japanese ODA to LAC, despite its large volume, has been fluctuating since 2005, Korean ODA has shown a stable increase and reached US\$210 million in 2011, roughly 40% of that of Japan. In 2005, it was only 8% (Table 1 and Table 3). Likewise, Korean assistance to the whole LAC region has dramatically increased from US\$68.59 million in 2005 to US\$210.07 million in 2011 (Table 3).

Between 2005 and 2011, the largest recipient of Korean ODA in LAC is Bolivia (US\$132.91 million) followed by Dominican Republic (US\$96.71 million), Nicaragua (US\$82.27 million), and Ecuador (US\$75.76 million). Similar to Japan, however, Korean ODA to LAC countries does not show any stable pattern as that country focus has been shifted dramatically from one to another. It is mainly due to the small volume of aid which resulted in large volatility even with a single project commitment. For instance, Bolivia has never been a large recipient of Korean ODA, but thanks to a

couple of large projects approved in 2009 and 2011, the country has outpaced all other competitors (Table 3).

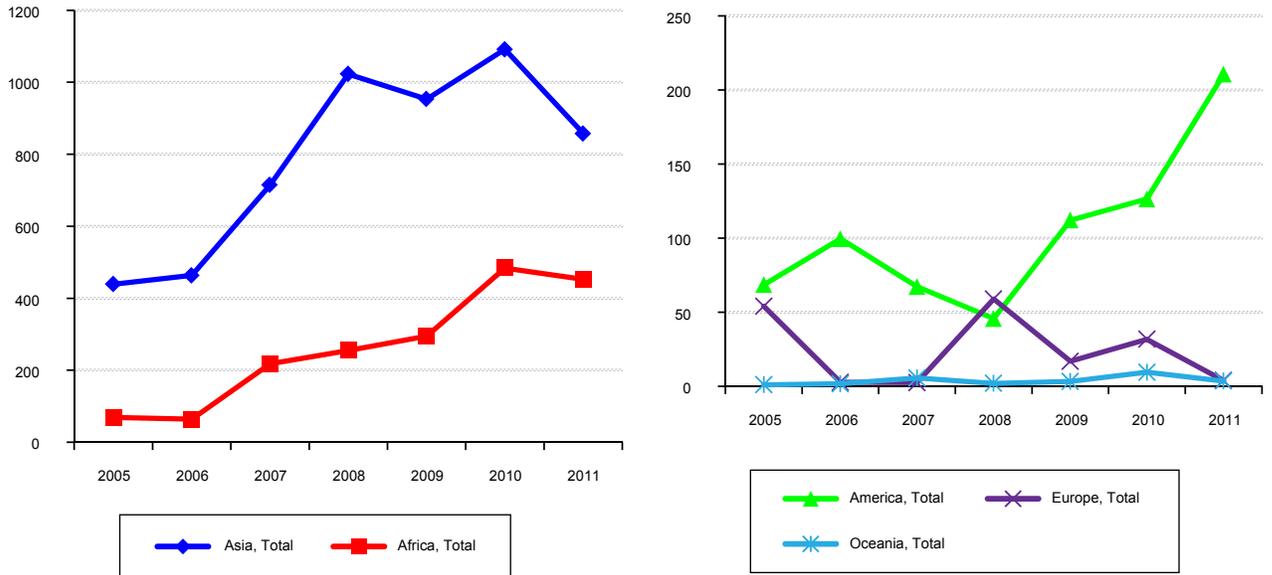
In terms of the relation between Korean ODA and trade with LAC, Korea shows a similar pattern although the scale is much smaller. In 2011, Bolivia received the largest aid from Korea in LAC (US\$75.1 million, 37%) while Korean imports from Bolivia also recorded reasonably high US\$482.4 (14%). Bolivia is the natural resource rich economy and Korea has always emphasized the importance of cooperation with Bolivia in order to secure rare earth like Lithium. However, Korea does not have main trading partners in LAC in aid basket-like Brazil, Chile and Mexico. So, there's little relationship between Korean ODA to LAC and trade (Table 4).

CHINA: A BIG SOUTH

The PRC has been another dynamic player in this area, more than tripling its annual foreign assistance since 2001. In 2009, China provided US\$1.9 billion in

Figure 2

KOREA'S ODA BY REGION: COMMITMENT
US\$ Million



Source: Compiled by the author from *OECD.StatExtracts*.

ODA, around 13% of it going to Latin America and the Caribbean. This is a sizable portion given the PRC's traditional focus on Africa, which still accounts for around 45% of its aid. According to the 2011 White Paper on People's Republic of China's Foreign Aid, much of Chinese assistance to LAC has been directed to agriculture, infrastructure projects, and public works. It is estimated that China's Ex-Im Bank provided around US\$1 billion to the region on concessional terms since 2009 (ADB *et al.*, 2012, p. 111).

Africa and Latin America are regions in which China is primarily engaged in order to secure strategic resources, compared to East and Central Asia where political interest is the main motivation for foreign aid. China's involvement in Latin America is not historically or ideologically rooted with the exception of Cuba.¹

¹ In fact, Taiwan was the first to establish closer links in Latin America as early as the 1950s. Six of the main diplomatic partners of Taiwan are all located in Central America: Panama, Nicaragua, El Salvador, Honduras, Guatemala and Belize.

Instead, China's engagement in development aid in LAC is known to be driven by two main objectives. First, China aims at outplaying Taiwan for diplomatic recognition, particularly in the Caribbean and Central America. Second, China needs to strengthen relations with resource-rich countries in the region that could help satisfy China's resource needs. Compared to Africa, however, Latin America plays a minor role in addressing China's energy and mineral needs. Humanitarian aid and technical assistance from China are basically nonexistent while over two-thirds of Chinese projects concerned natural resources and about one-third was targeted to infrastructure (Lengauer, 2011, pp. 62-63). Above all, the emphasis on natural resources implies a strongly commercial nature to China's aid in Latin America, less oriented toward infrastructure development than China's foreign assistance to Africa and Southeast Asia. (Lum *et al.*, 2009, p. 14) Nevertheless, Chinese banks tend to support more money to LAC for infrastructure and heavy industry than the World Bank and the IDB in term of loan basket. The Chinese banks channel 87% of their loans into the energy, mining, infrastructure, transportation

Table 3

KOREAN ODA TO LAC COUNTRIES: COMMITMENT
US\$ Million

Year	2005	2006	2007	2008	2009	2010	2011	Total 2005-2011 (%)
Bolivia	0.13	0.15	1.41	0.33	41.24	14.51	75.14	132.91 (18%)
Dominican Republic	23.46	1.82	1.09	2.44	1.83	27.58	38.49	96.71 (13%)
Nicaragua	0.65	12.97	16.09	1.8	0.02	23.18	27.56	82.27 (11%)
Ecuador	0.19	44.61	4.54	5.73	2.47	13.54	4.68	75.76 (10%)
Honduras	24.32	0.94	0.52	0.4	0.21	4.35	35.25	65.99 (9%)
Colombia	0.47	0.25	5.15	0.52	42.91	2.7	1.79	53.79 (7%)
Peru	3.57	4.63	14.78	7.94	5.22	7.47	7.83	51.44 (7%)
Guatemala	1.54	27.16	4	5.83	3.92	6.69	1.81	50.95 (7%)
Paraguay	2.56	1.92	7.83	7.7	9.58	8.29	9.42	47.3 (7%)
El Salvador	2.1	0.33	4.05	4.13	1.39	6.22	3.69	21.91 (3%)
Haiti	0.13	0.03	0.15	1.32	..	6.91	0.62	9.16 (1%)
Panama	0.79	0.43	2.41	0.51	0.64	0.67	1.17	6.62 (1%)
<i>LAC Total</i>	<i>68.59</i>	<i>99.55</i>	<i>66.16</i>	<i>44.54</i>	<i>111.08</i>	<i>126.36</i>	<i>210.07</i>	<i>726.35 (100%)</i>

Source: Compiled by the author from *OECD.StatExtracts*.

Table 4

KOREAN AND TRADE TO/WITH LAC COUNTRIES
2011, US\$ Million

Year	ODA	% among top 10 partners	Korean Export to	% among top 10 partners	Korean Import from	% among top 10 partners	Total Trade	% among top 10 partners
Bolivia	75.1	37%	26.6	1%	482.4	14%	509	6%
Dominican Republic	38.5	19%	152.8	3%	96.1	3%	248.9	3%
Honduras	35.3	17%	136.6	3%	141	4%	277.6	3%
Nicaragua	27.6	13%	197.7	4%	53.3	2%	251	3%
Paraguay	9.4	5%	199.5	4%	52.3	2%	251.8	3%
Peru	7.8	4%	1367.7	27%	1,950	57%	3318.1	39%
Ecuador	4.7	2%	886.6	18%	30.6	1%	917.2	11%
El Salvador	3.7	2%	97.8	2%	46	1%	143.8	2%
Guatemala	1.8	1%	343.5	7%	219.6	6%	563.1	7%
Colombia	1.8	1%	1613.9	32%	380	11%	1993.9	24%
<i>Top 10 Total</i>	<i>205.7</i>	<i>100%</i>	<i>5022.7</i>	<i>100%</i>	<i>3451.3</i>	<i>100%</i>	<i>8474.4</i>	<i>100%</i>

Source: Compiled by the author from *OECD.StatExtracts*, and *KITA Statistics*.

and housing (EMITH) sectors. Only 29% of the Inter-American Development Bank (IDB) loans and 34% of the World Bank loans go to those sectors; instead, these institutions direct more than a third of their loans toward the health, social and environmental sectors in LAC (Irwin, 2012, p. 17).

The newest emerging mega donor in Asia would be India whose donor agency, *Development Partnership Administration (DPA)*, has just been established (2012). Over the past decade, India has quietly transitioned to a donor country, emerging on the world stage as a significant provider of development assistance. In the mid-1980s, India was the world's largest recipient of foreign aid. Today foreign aid is less than 0.3% of the gross domestic product (GDP). The DPA will have around US\$15 billion to spend over the next five years targeting more than 60 developing countries (Overdorf, 2012). Currently, the vast majority of aid

goes to South Asia (76%), though the shares going to *Africa* and Latin America (3% and 4%, respectively) are growing. In South Asia, the largest recipients are Pakistan, Afghanistan, Sri Lanka and Bangladesh. India was the largest government donor to provide aid for the 2010 Pakistan floods (US\$25 million) and a big donor to the 2005 Pakistan earthquake (US\$40 million) (IRIN, 2011).

In summary, Japan is still a dominant power in Asia-LAC development cooperation. Meanwhile, China deserves to be a strong donor with massive foreign reserves and strong political influence, but it has not reached a 'Northern' donor status yet. Korea enjoys a unique position in this regard being an emerging northern donor as a member of OECD-DAC as well as a fast grown economy, still bearing memories of a Southern economy. Other donor economies like India and Thailand, however, have not shown any

A tale of two LAC donors with political initiatives

Big countries are not necessarily the most active ones. Perhaps, two most vibrant regional donors in LAC are Venezuela and Cuba. With a strong political orientation they have been providing extra-regional support.

Venezuela has been a major source of international cooperation, providing over US\$1 billion during 2006 in the form of oil aid, but its efforts have likewise focused on the LAC region. Venezuela has become an important actor in SSC under President Hugo Chavez. The Venezuelan government is reported to have committed some US\$43 billion worth of direct and indirect investments, subsidies, grants and donations between 1999 and mid-2007, of which over 40% could be classified as social investments including oil subsidies to Cuba; cash donations to Bolivia; medical equipment to Nicaragua. Through the PetroCaribe initiative, Venezuela provides small Caribbean countries almost 200,000 barrels a day of oil and petroleum products at subsidized rates. The subsidy is estimated at around US\$1.7 billion annually, which already puts Venezuelan aid at the same level as those provided by some OECD countries like Korea (The Reality of Aid Management Committee, 2010, p. 7).

Since the 1950s, Cuba has been involved in South-South cooperation activities with more than 167 countries in Asia, Africa, Latin America and the Caribbean. It is difficult to compare Cuban foreign aid levels since they don't report in financial terms. But the Cuban government reports that today there are 37,000 Cuban health workers in 98 countries and 4 overseas territories providing technical training or humanitarian assistance. Also, Cuba actively supports and participates in the Special Food Security Program of the World Food Organization by contributing agricultural and fishery experts and technicians to share knowledge and technologies to producers in other developing countries. Under this program, Cuba has signed agreements with African countries (Cape Verde, Equatorial Guinea, Guinea Bissau) and the Caribbean (Guyana, Grenada, Haiti, St. Vincent and the Grenadines, Dominica, St. Kitts and Nevis, Antigua and Barbuda, and the Dominican Republic) (The Reality of Aid Management Committee, 2010, p. 3).

significant presence as they do not prioritize Asia-LAC development cooperation.

LAC countries maintain bilateral international cooperation programs, but their focus is almost exclusively intraregional. The Argentine Fund for Horizontal Cooperation, for example, carries out economic and social development projects, but only 0.1% of its support through 2005 went to East Asia (UN Economic and Social Council - UN ECOSOC, in ADB *et al.*, 2012, p. 112). Brazil also has focused its growing aid programs within LAC and has not been a significant source of bilateral development assistance for Asia and the Pacific economies, with the exception of Portuguese-speaking East Timor.

As discussed, the development cooperation between the major Asian economies and LAC is increasingly an important pillar of reshaping bilateral economic relationships. It is also the area that offers measurable evidence of interregional cooperation. Nevertheless, the trend here is rather unidirectional under the frame of Asian donors and LAC recipients. That's why there's a growing need to introduce new instruments like SSC/TDC.

TRIANGULAR DEVELOPMENT COOPERATION (TDC) OF JAPAN AND KOREA

At the G20 Seoul summit in 2010, global leaders recognized the value of sharing knowledge as it “contributes to the adoption and adaptation of the most relevant and effective development solutions”. In order to “enhance the effectiveness and reach of knowledge sharing”, the G20 “request[s] the Task Team on South-South Cooperation (TT-SSC) to recommend how knowledge sharing activity, including North-South, South-South, and triangular cooperation, can be scaled up (June 2011)”. G20 countries agreed to mainstream knowledge sharing initiatives across its Development Consensus pillars and ask multilateral institutions to support this objective (<http://www.southsouth.org/en/seccion/11/what-we-do>).

Assuming that there are enough Southern-grown Development Solutions (SDSs) to globally share each other, the core issue is related to the modalities and funding sources to properly channel and share the knowledge and practices. There are two identifiable SDSs funding sources and practices between Asia and

LAC: first, direct support from a southern donor country; second, triangular arrangement with the support of the donor community and the multilateral system.

In the Trans-Pacific arena, first, Chinese assistance towards LAC would be classified as direct support from a southern donor. At the same time, the Korean experience of the fast economic development from the world's poorest country would also be a useful source of reference. Secondly, two DAC donors, Japan and Korea engagements with LAC, have been in the form of TDC. This mechanism, in which Japan or Korea, and LAC partners jointly carry out development projects in third countries in the region, or even in the extra-region, offers a promising approach to leverage the resources of Asian donors and the regional knowledge and existing network of other LAC countries.

So far, however, SSC projects have been only undertaken by Japan and Korea in the form of TDC. The main reason why Chinese ODA focusing on energy and infrastructure development, is not usually viewed as SSC/TDC is that the country is not ready to provide technical assistance. At Bogota Statement in 2010, the output of the first concerted efforts over SSC, it is clearly mentioned that the purpose of SSC is “to promote and implement good practices from SSC and capacity development to support countries in achieving the Millennium Development Goals and tackling emerging global development challenges ...” (The High Level Events on SSC and Capacity Development, 2010, p. 1). Therefore, the TDC cases, the paper concerns are drawn, are from those projects originated from Japan and Korea. Especially, Japan seems to have structured pivotal country-based TDC arrangements with main countries such as Argentina, Brazil, Chile and Mexico (*Table 5*).

JAPAN: MEXICO-EL SALVADOR-JAPAN TAISHIN (EARTHQUAKE-RESISTANT POPULAR HOUSING) PROJECT

After suffering from a series of severe earthquakes, the government of El Salvador requested Japan to extend technical cooperation and started TAISHIN (Earthquake-resistant popular housing) project with JICA. The project was implemented in partnership with Mexico as JICA had worked with Mexico over similar schemes before. Thanks to this project, Mexico's National Center for Disaster Prevention (CENAPRED) was established in the past.

Table 5

JAPAN'S TDC PROGRAMS WITH LAC PIVOTAL STATES

Japanese TDC Program	Program Contents / Main Activities	Signed Year
Japan-Chile Partnership Program (JCPP)	To organize international conferences and cooperation projects in Latin America in TCTP and TCED (case) Implementation of a technical cooperation project "Strengthening JCPP" for a three-year period beginning in 2003.	1999
The Japan-Brazil Partnership Program (JBPP)	To support related activities in Portuguese-speaking Africa (mainly Angola and Mozambique) Implementation of joint training focused on health and agriculture sectors	2000
Partnership Program for Joint Cooperation between Japan and Argentina (PPJA)	TCTP and TCED in the agriculture sector for neighboring countries of Paraguay, Bolivia, and Peru	2001
Japan-Mexico Partnership Program (JMPP)	TCTP	2003

Note: Third Country Training Program (TCTP), Third Country Expert Dispatch (TCED), Partnership Program (PP).

Considering other similar and sharing factors existing between El Salvador and Mexico such as the language, cultural background, living conditions and business processes, the triangular cooperation modality with technical transfer of the accumulated knowledge and experiences from Mexico to El Salvador was considered as an efficient way to secure development effectiveness of JICA projects. Given the destructive nature of an earthquake-related disaster especially to low-income populations, the project is focused on housing for the poor, one of the basic human right needs, by providing technical assistance to introduce earthquake resistant popular housing.

The TAISHIN project involved dispatching both Japanese and Mexican experts to El Salvador and providing training courses for El Salvador organized by CENAPRED. The cooperation between El Salvador and Mexico was strengthened through this project, which produced a number of other technical cooperation projects between both countries under the 'JAPAN-MEXICO Partnership Program' framework (Park, 2011, pp. 33-34).

JAPAN: BRAZIL-ANGOLA-JAPAN JOSINA HOSPITAL PROJECT

After 27 years of civil war, the Government of Angola drew out the *Five Year Health Development Plan (2000-2004)* to improve the facilities of the health system which was largely neglected during the civil war period. Based

on this plan, the Angolan government requested a grant aid to the Japanese government for the rehabilitation of the facilities of Josina Machel Hospital (JMH), which is a reference hospital at the national level, and the project was implemented during the period of 2002 to 2005. After the project, it was necessary to train the professionals to provide quality medical services. Then, Angolan Government requested another TA support to Japan in 2006. In the process of appraisal, Japan found it better recruiting Brazilian experts for this activity because of the language, location and cultural advantages. Thereby, this project has been reshaped to a TDC among Japan, Brazil and Angola. Professionals of JMH, Lucrecia Paim Maternity Hospital (LPM), 13 primary health care centers, and other hospitals were trained in the following five areas: hospital administration, equipment maintenance, nursing care, radiology and laboratory. The training was conducted by Brazilian Experts and Angolan professionals under the coordination of Japan, Brazil and Angola utilizing the facility of JMH which had been restored by a previous Japanese grant aid. As a result, the total of 12 training courses was held in three years cooperation period, and 714 professionals were trained (Park, 2011, pp. 37-38).

KOREA: SEED POTATO PRODUCTION TECHNOLOGY TRANSFER WITH PERU AND ALGERIA

Seed is one of the most important ingredients to a successful potato production management program.

In 2007, KOICA initiated the very first Triangular Cooperation Project with Peru and Algeria, which provided technical assistance on seed potato production technology to Algeria. More specifically, Korea, as a donor country, was responsible for the budget and the whole project including dispatching Korean and Peru experts to Algeria. Peru, as a pivotal country, was in charge of selecting qualified experts and dispatching them. Algeria, the recipient country, was also obliged to provide every convenience for the experts.

The activities of the experts were as follows: (1) Introducing seed potato production program; (2) Transferring technologies on how to cultivate seed potato; (3) Training in potato breeding and evaluation technologies for generic resources; (4) Suggesting an adequate potato breeding program for Algeria. Through these activities, the goal of this project was to improve the quality of the potato seeds genetics in Algeria. In responding to an effort to facilitate South-South Cooperation, this partnership between Korea and Peru is evaluated to bring positive effects: first, by stimulating cooperation and technology transfer among developing countries, the project introduced a solution to food shortage; second, providing a room for further cooperation with developing countries and securing foreign genetic resources.

KOREA: DEVELOPMENT OF TECHNICAL CAPABILITIES IN LATIN AMERICA FOR TECHNICAL AND VOCATIONAL EDUCATION

In partnership with the National Learning Center (*Servicio Nacional de Aprendizaje - SENA*) of Colombia, KOICA has implemented a Triangular Cooperation Project for the Development of Technical Capabilities in Latin America in 2011-2012. This SSC project has three components: (1) Teacher trainings for SENA instructors in three respective courses of automobile, automation, and electronic engineering; (2) Korean expert dispatch to SENA in order to design TVET curriculum in four respective courses of automobile, automation, and electronic engineering, and ICT; (3) Actual training in Colombia by inviting trainees from 11 neighboring countries in LAC.

More specifically, the teacher training components in Korea and Colombia will focus on the following issues: Diesel common rail system, emission reduction and fuel efficiency enhancing, and exhaust emission examination in automobile course; sensor manufacturing, use and maintenance, PLC manufacturing, use and

maintenance, Hydro-pneumatic design engineering in automation course; OR-CAD, P-CAD for PCB design, and PCB manufacturing and use technology in electronic engineering course; finally Android App development in ICT course.

This partnership between Korea and Colombia for other LAC countries is expected to produce multiple benefits: first, focusing on teacher training strengthens long-term sustainability in vocational education; second, by undertaking actual trainings in Colombia, the project can significantly lower the cost in disseminating knowledge and skills; third, training in Spanish language by Colombian instructors will be more efficient and effective than usual training in English.

CONCLUSION

There is no question that SSC and TDC are gaining recognition as a promising mode of assistance as well as a new horizon for cooperation between Asia and LAC. Despite the current intraregional focus of most LAC and Asian donors, development cooperation between the two regions offers considerable growth potential. This paper will conclude by suggesting the implications of Trans-Pacific SSC and TDC as well as directions for cooperation.

BOASTING INTERACTIONS AMONG NON-TRADITIONAL PARTNERS UNDER MULTILATERAL FRAMEWORK

Although there are noticeable good practices of SSC and TDC from major Asian donors towards LAC, genuine Trans-Pacific SSC has not started yet. Smaller economies should interact more. SSC between smaller economies will be more effective. Good practices regarding innovative development in both Asia and LAC should be explored and properly documented and shared. First, a brainstorming session from the experts of two regions will be a good starting point with a joint initiative of the Asian Development Bank (ADB) and the IDB. Given the great intraregional disparities in both LAC and Asia, it is necessary to have intermediaries with financial resources, as many economies have a significant need for development assistance to meet their development objectives. Second, technical expertise and development experience can be transferred, only when there's enough understanding and communications among

the parties involved. Therefore, a venue for multilateral dialogue is needed. It is necessary to open a new venue for widened Trans-Pacific SSC, beyond the traditional bilateral cooperation among limited players, China, Japan, Korea - Mexico, Brazil, and Chile (CJK-MBC). Governments should therefore identify areas of comparative advantage and focus efforts where there is corresponding demand. Likewise, recipient governments can facilitate efficient SSC by defining strategic aid priorities, assessing the comparative advantages of aid providers, and articulating specific financing and project needs (ADB *et al.*, 2012). In this broader policy context, the role of multilateral support is seen as an important tool for scaling up for sustainable use of SSC as the United Nations Development Programme (UNDP) emphasized.

“There is a common understanding that multilateral organizations are particularly well positioned to offer mechanisms, which, on the one hand, complement the often limited financial and institutional resources of their member or client countries. On the other side, as connectors between demand and supply of knowledge and expertise of both governments and non-governmental actors, multilateral organizations can also help generate good practices and facilitate learning on what works and what does not work” (UNDP, 2011, p. 9).

In this regard, the financial gap can be addressed by enhancing the combined role of ADB and IDB while the role of intra- and inter-regional connector can be undertaken by global multilateral framework such as UNDP.

Good news is that recently two MDBs have already established a series of cooperation mechanisms: *First*, there's an annual colloquium jointly organized by the ADB Institute and Integration and Trade Sector of IDB, which celebrated its 8th gathering year in 2013, providing a venue for discussing salient issues of Asia and Latin America. *Second*, top executives of the two banks started to participate in each other's Annual Meeting since 2012, when IDB President Luis Moreno participated in the ADB's 45th Annual Meeting in Manila. It followed with ADB President's participation at the IDB Annual Meeting in March in Montevideo, where the two presidents formally launched *Shaping the Future of Asia-Latin America and the Caribbean Relationship*, a joint ADB-IDB report. Two presidents underscored the need to diversify trade and investment and broaden economic cooperation among more

Asian and Latin America and the Caribbean countries (ADB, 2012). *Third*, they agreed to launch joint ADB-IDB program to share good development practices and promote member countries' cooperation in areas such as integration, trade facilitation and customs collaboration, integration corridors, telecommunications for development, inclusive business, and conditional cash transfers and social inclusion. Action program also includes a research initiative on understanding urbanization patterns in Asia and Latin America to be published in 2013 and a high level seminar for economic and development policy makers from both regions (IDB, 2013).

TOWARDS BALANCED TRANS-PACIFIC RELATIONS

SSC is an area that will contribute to more balanced relations between Asia and LAC. Unlike typical Asia-LAC development cooperation of channeling Asian resources and experiences to LAC, equally rich experience and development practices of the latter must be viewed as critical resources for Asian developing countries, especially in such sectors as agriculture, natural resources, and climate change. For instance, technology and related measures exercised in Peruvian mining development can be a valuable source of information for Mongolian mining sector where only 4% of mineral reserves have been uncovered. TDC can generate a new sort of benefit in that it can engineer efficient and effective technical/technological transfer from donor/pivotal country to beneficiary country. In this regard, being formed of middle income countries with some comparative advantage in such fields as social development and agribusiness, LAC's role in the international development is likely to be strengthened, especially as a Southern donor and/or a pivotal country. It is a departure from the traditional donor-partner (recipient) dichotomy in the Trans-Pacific relations.

There has been always a concern that funding for SSC is insufficient for both ends, so the challenge is to identify more donors who would recognize the potential of this form of cooperation. At the same time, as a future projection it is necessary to transform pivotal countries into donors with both financial and technical capacity (*Table 6*).

Last but not least, it is necessary to emphasize the role of the Trans-Pacific SSC and TDC which would provide a venue for extra-regional cooperation mechanism with enlarged stakeholders, in Africa for instance. As

Table 6

TRANS-PACIFIC PARTNERS OF SSC

	Asia	LAC
Resource and Knowledge Partners (Donor and Pivotal)	China, Japan, Korea, Thailand, India	Brazil, Mexico, Chile, Venezuela, Argentina
		
Knowledge and Recipient Partners (Pivotal and Recipient)	Central Asia, South Asia, South-East Asia, Middle East	Central America, Caribbean, South America

the Korea-Peru-Algeria case illustrates, SSC between Asia and Latin America can go beyond LAC, especially towards Africa. In this regard, cooperation with Brazil will be further strengthened in that the country has maintained special relations with African states. For instance, Brazil recently assisted Mozambique, a country where AIDS is the main cause of death and hospitalization among adults (Cox, 2010, p. 42). Next line of attention is likely to be given to the concerted role

of Asia and LAC towards the sustainable development goal of the post-MDG era. Once more cases are built-up, SSC or integration of the Global South is likely to be spotlighted as an agent to enrich the discourses of globalization currently characterized as global capitalism grown out of the Washington consensus, China's expanding economic footprint in Africa, and the varieties of East Asian capitalism in Latin America. ♦

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CIVIL SOCIETY ORGANIZATIONS AND INCLUSIVE PARTNERSHIPS FOR SOUTH-SOUTH COOPERATION IN LATIN AMERICA

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South-South Cooperation (SSC), as practiced in the Latin American context, needs to be analyzed not just from the exclusive standpoint of the governments that execute it, but including the perspectives and contributions of a variety of stakeholders who, as part of the development cooperation community, do not necessarily dialogue -still less interact- with each other regarding their practices and results. From such a multistakeholder view of international cooperation, this article addresses an aspect rarely dealt with before in the literature on SSC in the Latin American context: namely, the role of civil society organizations (CSOs) in defining, implementing, and evaluating the policies and actions of the region's governments in this area. In particular, it looks at how, to what extent, under what conditions, and with what results CSOs might intervene in the SSC offered by their countries' governments as the expression of a logic of public-private action, considering that the development cooperation provided by governments forms part of public policy (in this case, foreign policy) and is therefore perceived as a space open to citizen opinion and participation.

INTRODUCTION

The practice of international development cooperation (ICD) in Latin America has undergone a sea change in recent decades, particularly with

regard to the growing importance of South-South and Triangular Cooperation (SS&TC) in the intraregional

field, and to the rising number of state and non-state actors intervening in it ever more actively.¹

This change has transformed the countries of Latin America into interesting sources of innovative experiences on cooperation, both in terms of the diversity of approaches and policies, and of the development results obtained through its application and the forms of partnership among various actors (governments, local authorities, academia, civil organizations, and the private sector), either for mobilizing resources, or the joint deployment of knowledge and capacities to implement shared cooperation initiatives.

¹ There is no consensus over the definition of SSC. For the purposes of this work, we take it to mean a form of mutual cooperation between middle-income countries (MICs), geared to the development and strengthening of endogenous capacities through technical-scientific, economic, commercial, and cultural cooperation, and fulfilling certain basic principles that distinguish it from other types of cooperation: a consensual agenda among the parties; an agenda that is capacity-building and strengthening; that facilitates complementarity, participation, collaboration, and democratic ownership among its various different protagonists; that is sustainable, focused, effective, and efficient, etc. (Acuña & Vergara Moreno, 2009, pp. 393-397). According to SEGIB (2011) “[...] there is general agreement that the principal value added arising from South-South Cooperation is its contribution to developing and strengthening capacities between partners in a horizontal relationship where both parties benefit from sharing. In addition to capacity-building, development occurs through the exchange of know-how, technologies and experiences insofar as they strengthen human and institutional resources as well as national cooperation systems, encourage the production and use of local knowledge, skills and expertise and promote the systematization and analysis of successful experiences. In this sense, SSC constitutes an ideal vehicle that helps strengthen national ownership and leadership in developing countries”. (SEGIB, 2011, p. 13) For other approaches, see *Special Unit for South-South Cooperation of the United Nations Development Program (UNDP)*; UN (2009); ECLAC (2010); SELA (2011); *Task Team on South-South Cooperation, Organization for Economic Cooperation and Development (OECD)*; SEGIB (2011) and (2012). The lack of consensus over the definition of SSC also extends to the definition of Triangular Cooperation (TC). It can broadly be defined as a partnership relationship among actors of three countries; a cooperation provider or donor partner; a middle-income country (MIC) that also acts as a cooperation provider partner and recipient partner of a less developed country. The fundamental approach of TC is therefore defined by the joint action of two actors in favor of a third party: a donor, emergent or strategic partner, and a beneficiary partner (Gómez Galán, Ayllón Pino, & Albarrán Calvo, 2011, pp. 13-15). More specifically, in the case of developing countries, TC is adopted as a reinforcement to SSC because of the financial and institutional potential offered by the latter, thus deepening cooperation and extending it to other countries. Similarly, TC is also a potential scenario for civil society's participation in each of the countries involved, thus justifying its inclusion in the analytical outlook of this article.

Recognizing the importance of these trends, the 4th High Level Forum on Aid Effectiveness (HLF-4) in Busan, Korea, at the end of 2011 drew attention to the new public and private actors in the global architecture of ICD and pointed out the usefulness of setting up “inclusive development partnerships” based on openness, trust, respect, mutual learning, and recognition of the diversity and complementarity of the functions each actor can perform (HLF-4, 2011, 11.c).²

In light of these developments, the diversity of SSC solutions and instruments practiced in the Latin American context needs to be analyzed not just from the exclusive standpoint of the governments that execute it, but including the perspectives and contributions of a variety of actors who, as part of the development cooperation community, do not necessarily dialogue -still less interact- with each other regarding their practices and results. From such a multistakeholder view of international cooperation, this article addresses an aspect rarely dealt with before in the literature on SSC in the Latin American context: namely, the role of civil society organizations (CSOs) in defining, implementing, and evaluating the policies and actions of the region's governments in this area.

CSOs have a long history as stakeholders in ICD, and in SS&TC too. So far, this has been executed very largely outside official cooperation actions by their countries' governments as an expression of a logic of private action. The region's official agencies for their part very rarely rely on the contribution of CSOs for the supply and implementation of SS&TC actions operating in an exclusively public logic of action. What is at issue here then is to review how, to what extent, under what conditions, and with what results CSOs might intervene in the SSC offered by their countries' governments as the expression of a logic of public-private action, considering in advance that the development cooperation provided by governments forms part of public policy (in this case, foreign policy)

² We rely on the results of the HLF-4 in the knowledge that some countries in the region feel this forum only addresses procedural matters peculiar to North-South Cooperation.

and is therefore perceived as a space open to citizen opinion and participation.³

The contents of this work are the result of information collection from official documentary sources -particularly governments and regional bodies - on the SSC practiced in the region, and from a review of the academic literature on cases of cooperation among Latin American countries and suggestions for national platforms and CSO networks on ICD in general and SSC at the level of some Latin American countries.⁴ On the basis of such a limited comparison of sources and literature, I have outlined some working practices and modalities with the aim of identifying the capacities available and the most commendable public-private institutional arrangements to manage the growing diversity of financing sources and flows more effectively.

The article is organized in three main sections. *First*, it addresses a number of questions that explore the terrain, including some general considerations on SSC and the kind of participation of CSOs which we discuss below. *Next*, it looks at a number of experiences of CSO participation in the supply of SSC at the Latin American level. *And last*, on that basis, it identifies some issues to be kept in mind when moving toward more and better participation of CSOs in the region's supply of SSC.

³ Clearly the object of this analysis is not to make a value judgment about the merits or demerits of SS&TC from the perspective of CSOs, as defined and practiced in our region with regard to objectives, resources, and results; its scope is far less ambitious, confining itself to a partial review and first discussion of the intervention of some CSOs in defining and implementing the SS&TC supply from some countries in the region.

⁴ The concept of CSO we deploy in this work is more restrictive than that of civil society, but broader than that of non-governmental organizations (NGOs), with which the world of civil society partnerships is often identified, given that it already includes a greater variety of organizations than NGOs alone: from these to study and research centers, community organizations and grass-roots associations, environmental groups, organizations for the defense of women's rights, cooperatives, observatories, trade unions, etc. (Revilla Blanco, 2012, p. 1). However, the spectrum of opinions of CSOs used in this article regarding the practice of SSC in the region is restricted to NGOs and organizations for the defense of women's rights, trade unions, and study and research centers.

REFERENCE FRAMEWORK FOR THE ANALYSIS

To try to define what the role of CSOs in SSC might be we can begin by understanding ICD as the mobilization of financial, technical, and human actions, and/or resources in order to resolve specific development problems, promote wellbeing, and strengthen national capacities. So we cannot speak of a definition or of a few unique, unambiguous, permanent, abstract objectives where ICD is concerned; it changes with time, place, global trends, the circumstances and interests of the parties involved, the priorities of the international agenda, and particularly with current notions of development. Development has many interpretations, meanings, and significations that depend on the viewpoint of the one interpreting and applying it (Rodríguez Vázquez, 2010, pp. 9-10). On this basis, the principal value added arising from South-South Cooperation is its contribution to developing and strengthening capacities between partners in a horizontal relationship where both parties benefit from sharing.

From the point of view of the actors involved in the practice of ICD, and particularly of SSC, we find subjects with highly diverse natures and functions, participating in public and private, national and international, generalist and specialist institutions and organizations, with different forms and strategies of action, as well as modalities of interaction with each other.⁵

In this regard, there is no doubt that CSOs and academic institutions -public and private- in the region have long played a leading role in the practice of SSC (and even Triangular supported by their counterparts in the North) in a spirit of solidarity with each other and among their different sectors, resulting in a rich and dense fabric of linkages among civil societies in Latin America. However, CSOs' participation in SSC can and must be analyzed from at least two other angles: (i) their possible intervention in the implementation of official cooperation programs and projects at the level of the beneficiary country (for the sake of their own strengthening too); and (ii) their inclusion in the

⁵ According to the SEGIB, there is a recent trend, as SSC is practiced in the Latin American region, to "Move from exchanges with state actors as protagonists to a broader base of subjects and fields of action, fostering a more democratic ownership so as to create opportunities for different groups to benefit from the value provided by SSC. It should be noted that civil society and academia have made progress in this direction but further strengthening is needed". (SEGIB, 2011, pp. 14-15).

definition and implementation of the cooperation “supply” when its countries’ governments act as providers of development assistance (SEGIB, 2012, p. 52). In this sense, I believe that much remains to be done in our region, even if the inclusion of CSOs as potential beneficiaries of SSC is a far more frequent and less controversial practice than their participation in defining and implementing of the cooperation “supply”.

The participation of CSOs in the SSC supply has so far been the exception rather than the rule, and drawn attention to when it occurs. Mostly, if not exclusively, such cooperation is agreed, defined, and implemented by political and technical actors (including officials and professionals from the public sector and, sometimes, academics). This is due very likely -though not exclusively- to the nature of Technical Cooperation that what is today labeled SSC has had since its origins (initially called “Technical Cooperation among Developing Countries” - TCDC), as defined in the 1978 Buenos Aires Plan of Action (BAPA) to promote and implement Technical Cooperation among developing countries in order to “create, acquire, adapt, transfer, and share knowledge and experience of mutual benefit, and to achieve national and collective self-sufficiency, which are essential to economic and social development”.

But by now it is all too evident that “SSC requires an inclusive approach which ensures the participation of all stakeholders involved in the development process, where the state must take a leadership role in designing and implementing SSC policies, understanding that the various stakeholders should work jointly with public sector institutions”. (SEGIB, 2012, p. 17). Given this reference framework, the emphasis of this analysis will be to review the possible role of CSOs as “strategic actors” in the definition and execution of the supply, as opposed to their exclusive performance as “beneficiaries” that is commonly recognized in the practice of SSC in Latin America.

ON THE TRAIL OF CSOs IN LATIN AMERICA’S SSC SUPPLY

It is difficult to trace CSOs’ participation and contribution in the definition and implementation of the SSC supply in the region’s countries. First because, as mentioned above, such participation is

the exception rather than the rule, and a something striking to be drawn attention to when it does occur. To this is added the shortage of systematized information on such potential participation, perhaps as a result of the shortcomings often identified regarding the systematization of SSC information, or the fact that this aspect is ignored when it comes to keeping records of cases, focusing attention on the public institution leading (or coordinating) the implementation of SSC programs and projects. When such recognition does occur, very often the information on CSOs’ participation in SSC actions included in official reports and presentations is limited to merely mentioning the organization, without further details about its contributions or the nature of its intervention. Clearly, if we are to find out more about these interventions, a more detailed record of the role and contributions of all the possible stakeholders involved in each case of SSC would have to be kept, in the first place, rather than merely mentioning them or focusing attention exclusively on the action’s public stakeholders.⁶

However, for CSOs that have participated in SS&TC actions, either with other social organizations in tandem with the private sector or academia, or by acting as executors of a Technical Cooperation component provided by their countries’s governments, this is a major fact that they are careful to make visible and disseminate (among other things, for reasons of institutional prestige, but also of transparency and accountability). Still, such cases are not very numerous, although, as we shall see below, there are rich

⁶ Particularly interesting and potentially highly profitable is the effort currently being made in the region through the Ibero-American Program to Strengthen South-South Cooperation (PIFSSC), which includes two lines of action that meet this need: *Line 2*: Support to cooperation information, computation, and recording-keeping systems (contributing to the development and consolidation of information systems of PIFSSC member countries); and *Line 5*: Systematization and documentation of SSC experiences in Latin America (contributing to the systematization and documentation of countries’ SSC experiences that may constitute good practice). Regarding the need we are seeing in terms of making CSOs’ participation in SSC actions in the region visible, even if the analysis of their contribution is included in any of the initial experiences subject to systematization by the PIFSSC, it would be of great interest to have an express and indicative recommendation to all participating official agencies to include a specific section in the records of their SSC actions in order to ascertain and gauge the human, technical, and financial characteristics, modalities, and resources contributed by participating CSOs at different stages of the project (PIFSSC, 2012, pp. 14-19).

experiences in the region that are extremely useful in terms of good practice and lessons learned.

To this effect, there follows a brief description of two cases of CSO intervention in the supply and implementation of SSC among countries in the region, and in one extraregional experience. The first two (Colombia's cooperation with Honduras and Mexico's with Haiti) include donor countries of different sizes, different institutional arrangements, and even with the participation of the private sector in one case, and correspond to different moments, needs, and objectives (dealing with the post-earthquake situation in Haiti and the development of an alternative modality for the construction of social housing in Honduras). The case of extraregional cooperation (between Costa Rica, Benin, and Bhutan) has been included for its condition as an SS&TC experience and the high degree of responsibility delegated by government agencies in conducting and implementing the project in the participating CSOs. The information gathered has been produced by official agencies and regional bodies involved in this area, or by the CSOs themselves who have been involved in the implementation of the projects analyzed. Needless to say, this section is not an exhaustive inventory of such practices; it is simply a showcase for actions that illustrate a variety of modalities of collaboration and roles of CSOs in defining the content and implementation of various SS&TC initiatives.

TECHNICAL COOPERATION BETWEEN COLOMBIA AND HONDURAS WITH THE PARTICIPATION OF SERVIVIENDA

After Colombia and Honduras's signature of the Convention on Economic and Trade Cooperation, and Combating Drug Trafficking in 1993, an interesting Technical Cooperation experience was launched in the field of popular housing: the "SERVIVIENDA" project, carried out by the Colombian foundation of the same name, and consisting of a series of technology transfer actions in the construction of low cost modular housing and of support in providing financial facilities to purchase them (Uribe Villa, 2011, p. 76).

In this case, it was the public authorities that appealed to a private institution, the SERVIVIENDA Popular Housing Service Foundation, on the basis of its recognized expertise in this formal cooperation initiative with Honduras. SERVIVIENDA is a social, not-for-profit institution created in Bogota in 1976 by the Society

of Jesus. Its objective is to improve the quality of life of individuals, families, and communities through the development of comprehensive housing programs, as pioneers in Colombia in the use of extremely versatile light prefabrication technology for the construction of housing, schools, and health services, and for productive activities, after extending its operations to several neighboring countries (Ecuador, Guatemala, Haiti, Honduras, Jamaica, Nicaragua, Peru, Dominican Republic, and Venezuela).

In several analysts' view, this Technical Cooperation experience through the "SERVIVIENDA" project is regarded as one of the most successful cases (in terms of content) of cooperation among the region's countries in the 1990s. The entire action was paid for with resources of the Central America and Caribbean Cooperation Fund cofinanced at the time by Colombia, Mexico, and Venezuela, i.e. with public funds, and its objective was to alleviate demands on less favored sectors via an action involving technology transfer to build low cost modular housing. The executing agency on the Colombian side was the SERVIVIENDA Foundation, while its Honduran counterpart was in charge of the Federation for Community Development in Honduras (FEDECOH). The first stage evaluated the need for low cost housing in Honduras; the second stage set up the factory and produced 40 houses for US\$2000 each; and the third stage corresponded to the deployment of financial mechanisms for purchasing the units.

SERVIVIENDA was directly responsible for carrying out the actions in Honduras at every phase of the project's implementation, in close collaboration with the countries' authorities. The result was an experience from a technical point of view very positively evaluated by many of the participating officials (Guáqueta, 1995, p. 13).

MEXICAN COOPERATION WITH HAITI: A LABORATORY OF INNOVATIVE COLLABORATION EXPERIENCES AMONG GOVERNMENT, CIVIL SOCIETY, AND THE PRIVATE SECTOR

Mexican cooperation with Haiti has a long history, but this entered a new phase after the 2010 earthquake, especially after the most pressing needs had been met and the challenges in rebuilding the country's devastated economic and social infrastructure began to appear. Mexican cooperation subsequently focused on medium- and long-term development projects in four

priority areas: health, education, social development, and agriculture, and incorporated a new practice unprecedented in this area of the country's foreign policy: public-private partnerships.

Thus, in November 2010, the Mexico-Haiti Partnership was formed with the participation of the Secretariat of Foreign Affairs (SRE) and seven private actors related to big companies: *Fomento Social Banamex*, the Bancomer Foundation, the Cuervo Foundation, the Chrysler Foundation, the Televisa Foundation, the Aztec Foundation, and *Unidos por Ellos*. The Mexican State and the private stakeholders made financial contributions and, in conjunction with the Haitian government, defined a set of projects for infrastructure, health programs, and agriculture, including the "*De Campesino a Campesino*" project on productive initiatives.

The initiative for this project came from the Lindavista Center (*Centro de Investigación, Información y Apoyo a la Cultura, A.C.*), an NGO with a long track record in Mexico, and one of the leading organizations of the Haiti-Mexico Joint Committee of Civil Society for the Reconstruction of Haiti. To this effect, the Lindavista Center, together with Caritas Mexicana, set up a dialogue with the SRE in January 2010 toward the creation of meeting spaces for CSOs collaborating with Haiti or intending to do so, in order to find out about the Mexican government's strategy and actions in this area. Liaison mechanisms were subsequently established between the CSO and SRE initiatives, articulating a direct contact among civil societies (through the Haiti-Mexico Joint Committee of Civil Society) with the Mexico Alliance for Haiti, and having the two countries' governments as facilitators.

The "*De Campesino a Campesino*" project specifically sought to share successful production and marketing experiences with organizations of Mexican peasant producers, and Haitian peasants and promoters tailored to their circumstances and culture, and aimed at comprehensive long-term, local, sustainable development. It also sought to promote food security in rural Haitian communities participating through the incubation of food production projects, with the support of microcredits. The work proposal was submitted by the Mexican and Haitian CSOs participating in the Joint Committee of Civil Society to Mexico's SRE, which incorporated it in its Haiti cooperation agenda and supported it with resources

provided by the Mexico Alliance for Haiti. Various other Mexican public and academic institutions were added at the implementation stage and supervised by the Lindavista Center, responsible for executing the project.

The first phase of the project (2011) was of short duration, consisting essentially of Haitian peasants visiting rural communities in several Mexican states to give them knowledge of experiences of organic agriculture, and the development of productive capacities and access to information on how to incubate social enterprises and negotiate public resources, and so manage microcredit and savings cooperatives in an organized fashion. According to information from its organizers, the project to May 2012 enabled the incorporation of new technologies in the field for cultivation and irrigation, using elements drawn from the local environment, the planting of prickly pear cacti and their Haitian-style culinary preparation, and the establishment of experimental kitchen gardens. The second stage of the project took place in 2012, and the possibility of a third during 2013 is being considered, based on a comprehensive proposal for food production, and local and rural sustainable development in Haiti, provided the human and financial resources are in place to develop and maintain the institutional willingness of the Mexican government, the private sector, and Caritas Mexicana to continue supporting it.⁷

The Mexican authorities feel that the "*De Campesino a Campesino*" project is an example of possible "new practices that work in favor of so-called 'complementary development partnerships' by incorporating in them, alongside government, the private sector, civil society organizations, and other countries in triangular schemes" (Granguillhome Morfin, 2012, p. 26).

THE SOUTH-SOUTH COOPERATION PROGRAM ON SUSTAINABLE DEVELOPMENT IN COSTA RICA, BENIN, AND BHUTAN

An SS&TC exercise with intervention by a Latin American CSO is the Programmed of South-South Cooperation for Sustainable Development between Benin, Bhutan, and Costa Rica (PSC) after the World Summit on Sustainable Development (Johannesburg, 2002), with the financial

⁷ For further information, see: *Pro Tempore* Secretariat Mexican-Haitian Joint Committee (2012).

support of the Netherlands in the framework of the Sustainable Development Agreements.

The objectives set by the PSC included the development of reciprocity projects to generate knowledge and autonomy for the interested parties. Their results could be used as input to define sectoral strategies and draw up policy, mobilizing national governments, civil society, and the academic and private sectors in the partner countries to renew and strengthen the commitment to sustainable development in four thematic areas: sustainable tourism, production and sustainable consumption chains, conservation and sustainable use of biodiversity, access to sustainable energy, and efficient energy use. Gender equality was approached transversally in all PSC projects implemented between 2007 and 2011.

On the Costa Rican side, in addition to the specialized public units, participation was seen in the implementation of the cooperation actions offered by *Fundecooperación para el Desarrollo Sostenible*, a CSO set up in 1994 that works to improve the socioproductive, environmental, and gender conditions of Costa Rica's population by gearing their labor to meeting needs for financing and technical assistance to micro, small, and medium businessmen, individuals, or partners working toward sustainable, and in particular, innovative economic activities (e.g. sustainable agriculture and tourism, clean technology, and energy efficiency).

The PSC's political coordination arose out of a committee of government officials from each country, but the operation itself was down an organ comprising three directors or representatives from the national implementation mechanisms appointed by the governments in each of the participating countries. *Fundecooperación* acted, in Costa Rica's case, as a mechanism for implementation, participating in the execution of the actions offered and received by its country in the field of partnership, and acting as secretariat for the entire PSC.

Between 2007 and 2011, with a relatively small fund, wholly managed by private entities (supervised by their respective countries' authorities), PSC projects involved over 180 organizations, generating microbusinesses and jobs that enable the development of new products and services in its spheres of application. Mindful of these achievements, the program was hailed in 2010 as one of the best solutions for climate change and

protection of the environment, and received the United Nations' 2010 Global South-South Cooperation Award.

The three partner countries are currently seeking a new source of financing to enable them to continue under the new definition of "*Partners in South-South Cooperation*" (PSSC), with the intention of bringing in new partner countries.

SOME ISSUES FOR CONSIDERATION IN PROMOTING THE INTERVENTION OF CSOs IN LATIN AMERICA'S SSC SUPPLY

It becomes apparent from this brief presentation of just a few experiences that CSOs' participation in our region's SSC supply has precedents. It is possible and beneficial, even if it is not that frequent and its implementation is limited to certain areas. Its coordination and execution require the combination of willingness, conditions, complex institutional arrangements, and difficult financial and administrative frameworks, but it is not impossible to achieve. Both CSOs and official bodies agree over this valuation, realizing that CSOs should play a role not just by controlling and critiquing official SS&TC, but also as proponents and executors of cooperation alongside their countries' governments.

This was pointed out by the Task Team on South-South Cooperation prior to HLF-4, when it stated that broad-based horizontal partnerships with mutual leadership involving stakeholders such as local governments, civil society, the private sector, and academia, where all parties contribute and share responsibilities when it comes to planning, implementing, and evaluating (shared ownership), are indispensable if SS&TC is to achieve effective and lasting results in terms of development. This multistakeholder approach can also serve to build trust between countries in the long term, beyond relations between governments, and be sustained over time if knowledge sharing among partners covers a broad range of sectors and fully involves a diverse set of actors such as local governments, civil society, private sector and academia as part of broad-based horizontal partnerships, with a two-fold strategy (policy-makers and practitioners) to create formal and informal links that allow them to jointly identify key challenges, practices and solutions to be shared and adapted with a view to policy and

institutional changes. (Task Team on South-South Cooperation, 2011, pp. 01-02).

CSOs view both their general participation in the SSC supply and their specific practice in Latin America at the level of certain countries and sectors in similar terms. In particular, CSOs in the region feel that their solidarity has contributed a great deal to horizontal cooperation among countries, making this experience a valuable repository of human development knowledge and practices, which have formed the qualitative differential of SSC, since many of the public policies shared as “good practice” by their countries’ governments are the result of social constructs and political struggles in which Civil Society has been a major player. For all that Civil Society’s commitment to ICD is already a reality, it could be expanded and deepened through partnerships with those responsible for cooperation and other potential stakeholders in their countries.⁸

However, acknowledging that this practice in our region is for the time being still in its infancy and rather sporadic, several conditions must be fulfilled before the number and quality of instances of it increase:

- a. To recognize that numerous stakeholders, not just public institutions, have experience, capacities, and skills to offer for cooperation, given that “Although the entities offering cooperation are experts in specific sector areas, the actual staff involved in the project often lack experience in cooperation processes or do not have enough time at their institutions to prepare the materials and methodologies needed for the cooperation”. (SEGIB, 2011, p. 132).
- b. CSOs in particular should not only play a watchdog role, but also be recognized and given a role that identifies, proposes, executes, and evaluates SSC. In these cases, the comparative advantages of this role in general and in each case of cooperation they intervene in should be made clear.
- c. The political will for dialogue and cooperation, i.e. sharing and implementing a participative

view of ICD, and of the necessity and usefulness of involving a broad spectrum of potentially interested public and private actors with recognized backgrounds (CSOs, academia, the private sector) in partnerships to tackle the different development challenges. This would enable the reciprocal recognition of roles and capacities on which basis potential courses of multistakeholder action can be identified, combining clearly established roles and capacities, and even sharing responsibilities and resources in the implementation of cooperation projects and actions.⁹

- d. This means that, under the leadership and coordination of the relevant government agents, there are stable spaces and mechanisms for consultation and participation supported by a legal framework in which substantive aspects of ICD policy and practice as offered by countries are discussed, agreed, and coordinated. This would allow the exchange of experiences, points of view, proposals, while agreeing on work objectives and modalities to improve contribution, interaction, and collaboration in SSC practice.¹⁰
- e. Through dialogue and consultation exercises like these, identifying the potential sectors and designing the most appropriate collaborative proposals and arrangements for the inclusion of this wide variety of stakeholders who enable inclusive alliances to be built and developed, in the knowledge that each stakeholder has capacities and skills to respond to specific demands or contribute to the cooperation supply. It is not a matter of reducing potential contributions of one stakeholder or another, but

⁹ “Several countries, to a greater or lesser degree, have developed stable frameworks to coordinate and work with other ministries and administrations, as well as with civil society. Coordination occurs at three levels: Government ministries; Regional and local government (decentralized cooperation); Academia and private organizations (NGOs, unions, associations, enterprise...) Recipient countries develop a closer coordination...” (SEGIB, 2010, pp. 143-144). In this author’s view, however, this coordination should be strengthened and extended to countries offering cooperation.

¹⁰ “The practice of consultation with civil society, academia and other stakeholders is underused. Other than participation in shared public information systems, interaction is limited to occasional town hall meetings that are neither regular nor supported by a legal framework”. (SEGIB, 2010, p. 146).

⁸ For examples of these arguments, see *CSO Statement on South-South Cooperation* (UN, 2009); *ALOP-Reality of Aid* (2010); *ABONG* (2011); *Martínez-Gómez* (2012).

of enriching the possible supply and meeting the demand for cooperation more diversely. Clearly, such joint actions are not possible in all areas covered by the practice of SSC, especially if still limited to Technical Cooperation alone. But identifying them and agreeing their execution on the strength of their specific realities and institutional arrangements would be done on a national case-to-case basis.¹¹

- f. The next step is for information systems to be improved to detect any such assets through the development of comprehensive lists of the capacities of all stakeholders involved;¹² then to recognize and systematize experiences (successful and unsuccessful), to evaluate the advantages and disadvantages of different working practices and procedures, and finally to define the most recommended institutional arrangements to manage the growing diversity of financing sources and flows more effectively, while recognizing, valuing, and, where possible, better coordinating the contributions of the various stakeholders of each country's cooperation system (Romero Keith, 2009, pp. 432-435).
- g. In the absence of systematic information on the interventions in the SSC offered and implemented by the countries of the region:

- i. As recommended by the SEGIB in its 2012 SSC Report, it would be extremely useful to include indicators and questions for information collection on this point in the surveys and systematizations carried out by the national organizations responsible (SEGIB, 2012, p. 68). This information should refer to the participation of the different public and private stakeholders involved in specific SSC projects at each phase (identification, negotiation, and formulation, implementation and follow-up, and evaluation). Particular attention should be laid on keeping records of each partner's type, role, and contribution, and the relationship that develops between them, including the institutional mechanism put into operation and the contribution of each to financing it.
- ii. It would be very timely and much needed to extensively investigate a significant and diverse number of countries on specific cases of CSO intervention in the SSC supply. This will make it possible to identify good practices and lessons learned, and thus possibilities and limitations of CSOs' participation in such cooperation.
- h. Endowing the SSC supply with more potent and effective financial resources. This point is repeatedly made as a debit to be dealt with by the region's countries by establishing new genuine resource funds for their cooperation actions, and not just to putting their contributions to international or regional organizations funds down as such, or valuing any operating costs and government officials' salaries involved in their actions as a contribution to their SSC. These resources should come from government contributions, but also the private sector, foundations, and, if possible, CSOs themselves (or CSOs should value operating costs and salaries of staff devoted to SSC actions as their contribution).

¹¹ At the Ibero-American level "traditional cooperation (ODA) is better coordinated than SSC received, and articulation is still in its infancy in the case of cooperation supplied. The exceptions are countries such as Spain, with a long tradition and many years spent strengthening coordination systems (Box VII.2); and Portugal, where an Interministerial Cooperation Committee and a Coordination Forum coordinate with other stakeholders. Portugal also instituted a decentralized management system pivoting around IPAD, with ministries, NGOs, academia and other institutions. [...] Mexico is also moving towards strengthening coordination. It has developed one of the most powerful and complete information systems in the region, expected to collect data from all the ministries and public offices receiving or providing cooperation. Cooperation received is aligned with the National Development Plan; cooperation given has a preliminary planning framework that needs fleshing out". (SEGIB, 2010, pp. 143-145).

¹² A good example of this would be the information collection mechanism implemented by the Brazilian Cooperation Agency (ABC), which, under the heading "Actors" in its survey of good practice and international technical cooperation products, includes associations, non-profit organizations, networks, academic or research centers, government bodies, the private sector, public companies, etc." (*Governo da República Federativa do Brasil, Agência Brasileira de Cooperação: "Levantamento de Boas Práticas e de Produtos"*).

There is a big difference between what happens among CSOs in the North (in particular, European NGOs) in the practice of North-South cooperation where their participation is concerned in defining, implementing, and financing their countries' ICD, and what happens with their Latin American counterparts regarding SSC.

NGOs from the main European donor countries are usually convened by the public agencies responsible for their countries to discuss priorities, agendas, action plans, budgets, and targets of resources allocated to ICD as part of the decision-making processes on development cooperation policy (also true in many cases at the decentralized level, and for the European Union as a whole). Moreover, through different modalities of award processes, contests, grants, and cofinancing, and a series of rigorous conditions and controls, they are even responsible for the implementation of part of the resources allocated to ICD in the relevant public budgets in terms of their own development partnership agendas, albeit aligned with national priorities for cooperation laid down by the competent organs of the State. And even if this access to public resources is being increasingly conditioned to contributions of significant percentages of their own resources to the total financing of the work plans, a good number of European NGOs finance most of their partnership cooperation with funds from the public coffers.¹³

Obviously, this practice is not exempt from questions and objections (even from the NGO sector itself), but it has become accepted and recognized practice in European North-South cooperation mechanisms, helping to strengthen this sector of civil society's role in defining and implementing part of public policy on their respective governments' development cooperation, and, in the process, contributing to the financing of these organizations. To this NGOs operating with public resources add private funds that they themselves collect and the importance of which, the volume of such resources aside, lies in the fact that they guarantee both the organization's autonomy with respect to the government of the day and the social support to their objectives and forms of action.¹⁴

Where CSOs in our region are concerned, the subject of resources and their financial sustainability is just one aspect of a far more complex problem to do with their role, legitimacy, and survival in their countries' social fabric, but which also touches on their potential

participation in SSC actions, a weakness that in recent times has been aggravated in several countries in the region, either by tensions arising from issues of autonomy or social legitimacy or by growing financial difficulties due to cuts in international partnership cooperation, where the bulk of its resources have long come from.

An ideal scenario in this regard lies in CSOs' capacity to mobilize resources for themselves from contributions by their partners or taxpayers, who share the objectives of their action (e.g. an organization like Greenpeace Argentina, which claimed to have financial contributions from 85,000 partners in 2012, although this type of revenue usually enables the financing of public campaigns and not the regular working of the organizations). But this scenario is extremely rare in the region for now and a CSO can hardly survive with a single source of revenue. The usual practice, then, is that these organizations have to combine varying percentages of contributions from different sources for their financing, such as the voluntary contributions mentioned above, contributions from international cooperation and the private sector (either directly from companies or from foundations linked with them), or even from State agencies through the implementation of public projects and programs.

This issue, which is beyond the scope of this article, is of growing importance for CSOs in the region, almost all of which face serious financing problems, and the treatment of which can also be approached from an SSC perspective. One possible approach is to review the role of CSOs of countries that broaden their SSC supply and whether they are called upon to adopt a leading role in this dynamic. In that case, having resources of their own is a condition that will enable them to operate autonomously regarding the actions of their countries' governments. Another possible approach is to conceive of CSOs intervening in SSC actions and implementing resources from government agencies or foundations linked to or coming directly from the private sector.

Where the latter possibility is concerned, to take up the previous examples again, we can see that, in several of the cases presented, CSOs access and implement public funds earmarked for cooperation, both from the donor countries' governments and from funds contributed to by the private sector and international organizations. This is current practice in the region that should be promoted, expanded, and diversified. It requires clear and objective rules for access to public

¹³ For example, in Spain's case, in 2011, the average public aid introduced and implemented by the country's nine largest NGOs accounted for nearly 20% of each of their budgets (López, 2012, pp. 40-41).

¹⁴ Private resources can come from a variety of sources: associate dues, aid from private entities (usually companies), specific fund-raising activities, or periodic actions such as public collections, etc.

resources, as well as transparency and rigor when it comes to the accountability and evaluation of the results obtained. In this way, problems will be avoided regarding possible cuts to the autonomy of CSOs, or risks of favoritism and clientelism associated with access to resources and, in the process, transparency and accountability will be ensured, narrowing the margins for uses not consistent with the purposes that justify the public financing received. It requires involvement from political representatives, practitioners, Civil Society, and academia in national debates about the challenges and difficulties involved in such practices, especially in areas such as information systems, communication with citizens, documentation of experiences, focus on results or transparency, and accountability to national interest groups. Feedback and review among national and international peers is critical in order to enrich these discussions, and the lessons learned from thematic platforms such as the *International Aid Transparency Initiative (IATI)* can help to evaluate the scope of such challenges, but also to identify ways of developing mechanisms of governance, transparency, and accountability (Task Team on South-South Cooperation, 2011, p. 02).¹⁵

CSOs intervening in these actions should assume a role not only of implementing public resources, with all the requirements that such activity might force them to comply with for the organs controlling the State and public opinion, but they could also contribute to the difficult task of helping to explain to their societies the need to allocate public funds to meet the needs of others when there are persistent high levels of poverty, inequality, and unmet needs in their own countries. In this sense, as suggested by Bruno Ayllón Pino, the participation of CSOs as implementers of SSC actions would also strengthen their role as “educators for development and international solidarity”, helping to justify the investment of resources in SSC not only in terms of altruism, but of mutual benefit and national interest to the donor country” (Ayllón Pino, 2013).

CONCLUSIONS

A valuable message derived from Busan is the expression of willingness to change thinking and actions from “Aid Effectiveness” to focus on “Development Effectiveness”, i.e. on real sustainable benefits for people. To this end, it is important to note the role of several actors in development cooperation which go beyond traditional donors and recipients: participants that are both providers and recipients, local governments, parliamentarians, civil society, the private sector and academia. To achieve successful development, the following will be necessary: an alliance between all parties, true democratic ownership, the adoption of rights-based approaches, and policies that coherently promote national and international development and a series of commitments to increase respect for diversity, inclusion and environmental sustainability which are fulfilled by all actors.¹⁶ In this respect, Busan drew attention to the importance of the new public and private actors in the global architecture of ICD and pointed out the usefulness of setting up “inclusive development partnerships” based on openness, trust, respect, mutual learning, and recognition of the diversity and complementarity of the functions each actor can perform, in a clear reference to civil and public logics.

Something similar is recommended by the SEGIB for the Latin American sphere when, in its *Report on South-South Cooperation in Ibero-America 2010*, it analyzes future trends and challenges in terms of coordination with other cooperation institutions and actors, and emphasizes that “Equal importance should be given to encouraging social engagement and coordination with other players in cooperation plans and activities. From joint policy and program discussions to coordinated sector and geographic area interventions, there is an array of opportunities for participation -insufficiently explored, with little legal coverage, therefore lacking stability and relevance. Creation of Cooperation Boards with clear competencies and sound frameworks would be a positive step forward”. (SEGIB, 2010, p. 149).

¹⁶ International civil society is already working in this direction, as are Latin American CSOs, as part of it, through their participation in initiatives such as the CSO Partnership on Development Effectiveness to participate in the *Global Partnership for Effective Development Cooperation*, or their involvement in the work of several Building Blocks, notably the ones regarding SSC, created in Busan.

¹⁵ On the IATI, see: “Supporting Aid Transparency”.

In light of these arguments, the diversity of SS&TC solutions and instruments promoted in LAC should be analyzed and shared among the diversity of actors which, as part of the ICD community, do not necessarily dialogue about their respective practices, results, and possible synergies as often as might be wished. For all the above reasons, it would be extremely useful for some countries in the region, individually or in concert, to draw up a line of work in the supply of SSC to promote the creation and operation of inclusive multistakeholder partnerships whose operation and results could be systematized and evaluated in terms of effectiveness, systematizing experiences (both successful and unsuccessful), evaluating the advantages

and disadvantages of different working practices and procedures, identifying the capacities available and the most commendable institutional arrangements to manage the growing diversity of financing sources and flows, recognizing and valuing and, as far as possible, better coordinating the contributions of the various SS&TC stakeholders in the region in the knowledge that "government and civil society apparatus involved in cooperation policy in a country are not transformed through administrative technical change, but through the implementation of new policies requiring continuous interaction between the technical and the political". (Warrens & Zapata, 2011, p 30). ♦

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Articles from the Call for Papers

SOUTH-SOUTH DEVELOPMENT COOPERATION IN LATIN AMERICA: WHAT ROLE FOR THE PRIVATE SECTOR?

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The international development community has become increasingly concerned with the role of the private sector in development. Historically, developed countries -the traditional providers of official development assistance- have sought to promote private sector development in developing countries. More recently, however, there has been an increasing focus on partnership with the private sector to address development challenges. While research on traditional donor approaches to the private sector is emerging, much less is known about the role of the private sector in South-South Development Cooperation (SSDC). This article seeks to begin addressing this gap by examining the theoretical and de facto roles given to the private sector in SSDC, using the Latin American region as a case study. The region provides a useful case because of its density of development cooperation initiatives, relatively high degree of institutionalization in areas relating to political and economic cooperation, and diversity in terms of size and levels of development across countries. Drawing from Kindornay and Reilly-King's (2013) categorization of traditional donor approaches to the private sector as a basis for analysis, the article looks at how SSDC providers in Latin America engage the private sector. By reviewing policies and activities in the region, the article shows where SSDC providers in Latin America and traditional donors are engaging in similar activities for private sector development. It also shows that, unlike traditional donors, providers of SSDC in Latin America have yet to embrace the private sector as a key partner in development.

INTRODUCTION

The international development community has become increasingly concerned with the role of the private sector in development. Historically, developed countries -the traditional providers of official development assistance (ODA)- have sought to promote private sector development in developing countries. More recently, however, there has been an increasing focus on partnership with the private sector to address development challenges, coinciding with a renewed focus on economic growth, trade, and the private sector as driving forces behind development (Estrup, 2009; Nelson, 2011).¹ At the international level, traditional and newer donor countries have put their weight behind statements supporting the private sector as a partner in development at the United Nations (UN) Summit on the Millennium Development Goals in 2010 and more recently at the 2011 Fourth High Level Forum on Aid Effectiveness (HLF-4) held in Busan, South Korea (see DCED, 2010; HLF-4, 2011).

The emphasis on partnership also coincides with the new circumstances that traditional aid donors face at home as a result of the aftermath of the financial crises in North America, the European Union and Japan, especially the questioning of help to the developing South and concern over the competitiveness of Northern economies. With few exceptions, traditional donors are implementing fiscal austerity programs that are decreasing or freezing the resources allocated to aid budgets. They are emphasizing "cost effectiveness" and "value for money," seeking to leverage shrinking aid budgets through innovative financing mechanisms, private sector-inspired solutions, and direct partnerships with private sector actors. Equally important, developing countries are recognized as key markets or investment sites for traditional donor countries' firms and investors; partnerships are also a means to promote donors' own private sectors abroad and maintain current levels of competitiveness. In addition to bilateral development financing, aid agencies are increasingly working with

firms in donor countries to promote development-friendly investments.

These trends signal an important shift whereby the private sector is not only being afforded greater space to contribute to international and national policy discussions on development cooperation, but is also expected to serve as an important development partner. Literature on new modes of private sector development partnerships is emerging, including preliminary assessments and recommendations regarding their value (BCLC & Corporate Citizenship, 2009; Kindornay *et al.*, 2013; Kindornay & Reilly-King, 2013). Despite the emerging consensus among traditional donor agencies on engaging the private sector in development, it should be noted that donors remain the willing but junior partners in these relationships since budgets allocated to these initiatives have so far been small compared to the private investments and trade flows between developed and developing countries.

In stark contrast with the above, much less is known about the role of the private sector in South-South Development Cooperation (SSDC) as a whole. Even less information exists regarding initiatives within SSDC aimed at partnering with the private sector from provider or recipient countries, though there are some limited case studies (Chowdhary *et al.*, 2012; Masagão *et al.*, 2012). It is notable, however, that much of the language used in public statements regarding SSDC has a positive tone toward the role of the private sector in economic development, seeing public policy as a channel that will enable it to contribute further (see, for example, Government of Colombia, 2012).

Nevertheless, the paucity in information about how the role of the private sector is conceptualized and operationalized in SSDC is due to the very nature of this emerging form of international cooperation. Since its beginning, SSDC has continued to serve largely as a direct instrument of presidential or official diplomacy. SSDC has emphasized elements of cooperation that are hard to quantify, given high levels of domestic fiscal opacity among most new or emerging donors. These elements include vehicles for inter-state cooperation such as knowledge exchange, reform of trade and investment provisions, debt relief, and human resources development in the public sector (Davies, 2010; Kim & Lightfoot, 2011; Naidu, 2011). While

¹ This summary on traditional donors' support for private sector development and private sector financing for development stems from the extensive literature already existing on the subject. See, for example, Bracking & Ganho (2011), Estrup (2009), Perry (2011), Kurokawa *et al.* (2008), Kingombe *et al.* (2011), and Kwakkenbos (2012).

exact contributions through SSDC are not known,² international assistance from SSDC providers, notably the BRICS (Brazil, China, India, and South Africa), has grown substantially over the past five years (Tomlinson, 2012; SSC, 2012). BRICS governments have engaged their private sectors to penetrate markets and build infrastructure in developing countries through development and export-import banks, such as the Brazilian National Bank for Economic and Social Development and Export-Import Bank of China. However, information on these initiatives is just emerging, and many of the details on such cooperation are still not public. The role of private sector in grant-based elements of SSDC is unclear.

This article seeks to begin addressing this gap by examining the theoretical and *de facto* roles given to the private sector in SSDC, using the Latin American region as a case study. The region is a useful case because of its density of development cooperation initiatives, relatively high degree of institutionalization in areas relating to political and economic cooperation, and diversity in terms of size and levels of development across countries.

In order to examine the role of the private sector in intra-Latin American SSDC, this article compares and contrasts traditional donors' approaches with those of newer SSDC providers. A categorization previously developed by Kindornay & Reilly-King (2013), which charted traditional donors' modalities of engagement with the private sector, is used as the starting point. Latin American donors' distinct path in their region is then compared to this categorization in order to determine the characteristics of their cooperation efforts as they relate to the role of the private sector. Since the above-mentioned scarcity of data makes a systematic comparison difficult, the analysis is based on a discussion of statements provided by different Latin American actors, including regional development banks, on what role they see for the private sector (theoretical) and what their programming, as far as known, includes (factual). The analysis also draws from

the Ibero-American General Secretariat's (*Secretaría General Iberoamericana - SEGIB*) *Report on South-South Cooperation in Ibero-America 2012*, which provides the most comprehensive review of SSDC activities in the region.

THE CONTEXT FOR THE ROLE OF THE PRIVATE SECTOR IN TRADITIONAL AID

The emphasis now being placed on the role of the private sector is not new to development agencies' discussions on economic growth. In the 1980s and 1990s, the World Bank's and International Monetary Fund's neoliberal Structural Adjustment Programs sought to promote economic growth through deregulation, privatization of national services, trade liberalization, and financial opening, explicitly seeing an important role for both foreign and domestic private sectors in market-led development solutions. This multilateral push for reforms in the developing world was accompanied by traditional donors' development agencies refocusing and revaluing the importance of the private sector in economic growth.

Over the past few years, members of the OECD-DAC have renewed their focus on the private sector as the driving force behind growth and development using a different prism. In addition to seeing the private sector as the key to growth, they now see it as an important and active development partner to engage when addressing global development challenges that have historically been the purview of governments and their associated multilateral structures, such as achieving the Millennium Development Goals. At the UN Summit on the Millennium Development Goals, 11 bilateral donors³ issued the Bilateral Donors' Statement in Support of Private Sector Partnerships for Development at the UN Private Sector Forum, recognizing the private sector as the engine of economic growth. "[R]ather than viewing the private sector merely as resource providers, [endorses ... recognized] the private sector as *equal partners around key development issues*" (emphasis original, DCED, 2010). The outcome document from HLF-4 also gave substantial prominence to the private

² Part of the difficulty in assessing SSDC providers' development cooperation is that these providers do not always make their figures public and they do not necessarily use the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC) definition of ODA as their reference point (Davies, 2011).

³ Austria, Denmark, Finland, Germany, Japan, the Netherlands, Norway, Sweden, Switzerland, the United Kingdom, and the United States.

sector as an equal partner in development, seeing it as having a central role “in advancing innovation, creating wealth, income and jobs, mobilizing domestic resources and in turn contributing to poverty reduction” (HLF-4, 2010, p. 10). Discussions on the post-2015 development framework that will supersede the Millennium Development Goals are also looking at the role of the private sector.⁴

In this context, traditional donors envisage a number of potential roles for the private sector to play, such as a funder and innovative source of finance for shared development goals and challenges, an implementing partner, a source of public and private income generation and job creation, and a key constituency to engage during the creation of national development strategies that support an enabling environment for the private sector and, in turn, economic growth (Kindornay and Reilly-King, 2013; Kindornay & Higgins with Olender, 2013).

Unlike international gatherings of aid agencies such as HLF-4, Group of Twenty summits reflect much stronger perspectives from developing countries, which also percolate into statements regarding international cooperation. In the context of the recent global financial crisis and the global economic crisis that continues until today, Group of Twenty communiqués have increasingly valued the experience of the private sector to bring about economic growth and thus development, calling for the implementation of public policies that facilitate the creation of jobs and new industries by private firms. But, unlike HLF-4 statements, no discussion has been given so far on the notion that private enterprises are to become equal partners in cooperation, financing development or much less in designing initiatives.

In contrast to discussions at the global level, in the Latin American context the private sector has not been included, until very recently, as an important part of the discourse on the promotion of cross-border cooperation. This is largely because of a studied avoidance by the main SSDC providers in the region -Brazil, Argentina, and Mexico- of phrases or statements that could appear similar to the “development language” of traditional donors, which is seen as colonial and condescending. Another reason for not mentioning the private sector as

a partner in development efforts is that doing so could bring up fears of intra-Latin American domination, as in Mexico using cooperation efforts to advance the interests of its companies in Guatemala and El Salvador, or Brazil doing the same in Bolivia and Paraguay. Discourses and practices of SSDC in the region so far remain quite distinct from the path taken by traditional donors and the renewed interest that they have in partnering with the private sector for development.

THE PRIVATE SECTOR AS A DEVELOPMENT PARTNER: TRADITIONAL DONOR VIEWS⁵

Traditional donors take many different approaches to the private sector, ranging from a focus on *promoting* private sector development in developing countries to *partnering* with domestic and foreign private sectors for broader development in developing countries. But almost all donors see the private sector as the key driver or engine of growth and development. The private sector fulfils this role by nurturing new investments, creating new and better jobs (leading to rising incomes for individuals), and generating new sources of domestic tax revenue (from which governments can dedicate more resources to social programs and subsequently reduce poverty).

The end goal of donors’ strategies tends to vary depending on the extent to which they are aimed at promoting private sector development *vis-à-vis* partnering with the private sector for development. Donors often see promoting private sector development in developing countries as the end goal. In this case, the link between growth and poverty in developing countries is a direct one: a thriving private sector contributes to growth, which in turn contributes to poverty reduction.⁶ Supporting the private sector is valuable in its own right because it facilitates growth⁷ and/or helps integrate developing countries’ domestic

⁴ See, for example, Watson (2012) and Lucci (2012).

⁵ This section draws from research conducted by Kindornay and Reilly-King that looks at bilateral donors’ strategies on aid and the private sector. See Kindornay & Reilly-King (2013) for a review of methodology and findings.

⁶ This approach is taken by Austria, Denmark, Germany, the Netherlands, Norway, Sweden, and the United Kingdom.

⁷ This view is seen in the strategies of Austria, Denmark, the Netherlands, and the United Kingdom.

private sector actors into the global economy, which in turn benefits the poor.⁸

In their efforts to promote the private sector in developing countries, traditional donors focus on three levels -macro, meso, and micro (Gibb *et al.*, 2008; Kurakawa *et al.*, 2008).

- **Macro-level** donor policies focus on creating a *business-enabling environment* -building economic, legal, and regulatory foundations (property rights, financial regulations, governance, and sound public financial management) to ensure that the right conditions exist for the private sector to thrive.⁹
- **Meso-level** interventions are those that *make markets work* in ways that address market failures and imperfections, enhance competitiveness, and better integrate all actors into markets. These interventions include aid for trade, value chain building, provision of finance, and technology transfer.
- Finally, **micro-level** interventions that *invest in businesses and people* entail building support services to enhance longer-term private sector development and growth. Examples include investments in businesses (technical and financial support to the private sector) and people (health, education, vocational skills training [particularly for women] focused on fostering a thriving workforce, and environmental sustainability).

Some donors tend to see the end goal of their strategies to be *partnering* with the private sector, often companies from the same country as the aid agency that operate in recipient countries as direct investors or trading partners, or both.¹⁰ As implementing partners,

donors are seeking to increase the value for money of each aid dollar spent by harnessing the skills, expertise, innovation, and finances of the private sector through, *inter alia*, traditional private-public partnerships, the provision of goods and services to poorer populations (bottom of the pyramid approaches, for example), research, innovation or challenge funds, advanced market commitments, concessional financing windows, innovative financing tools, and support for corporate social responsibility (CSR) activities.

A number of donors, including Sweden, the United Kingdom, and the United States, combine the logic of partnership with the private sector with the logic of promotion of the private sector. In this context, donors seek to create business relationships between their domestic private sector actors and companies from developing countries through initiatives such as challenge or innovation funds. Here donors are essentially *partnering* with the private sector to *promote* private sector development in recipient countries by partially supporting or subsidizing their own companies. Some donors highlight the need to ensure that their companies are making linkages with partners in developing countries as ways to simultaneously increase the internationalization of recipient countries' firms and facilitate the expansion of their own companies. Other traditional donors¹¹ see harnessing the expertise of their companies as having the potential to make positive development impacts and thus foster partnerships to increase agencies' effectiveness.

MODALITIES OF PRIVATE SECTOR ENGAGEMENT BY TRADITIONAL DONORS

Table 1 summarizes traditional donors' current modalities for engaging the private sector in their bilateral aid work. It is extracted and modified from Kindornay & Reilly-King (2013), who describe and classify OECD donors' main programs more extensively. These modalities provide a useful starting framework to guide research on the role of the private sector in SSDC in Latin America. The table specifically focuses on donors' interventions on private sector actors, although other types of

⁸ This approach is present in the strategies of Japan, New Zealand, Switzerland, and the United Kingdom.

⁹ See Estrup (2009, pp. 15-19) for a discussion about the nuances between donors' historical approaches to supporting an enabling environment.

¹⁰ This approach is particularly present in the private sector engagement policies of donors such as Denmark, Finland, the Netherlands, and the United Kingdom.

¹¹ Austria, Denmark, Finland, Norway, and the European Commission.

Table 1

EXAMPLES OF DONOR MODALITIES FOR ENGAGING THE PRIVATE SECTOR

Engagement for private sector development at macro, meso, and micro levels	<p>Macro</p> <ul style="list-style-type: none"> Engagement with the private sector, such as through business associations, to assess its needs during national development planning in recipient countries; can include civil society organizations (CSOs) and trade unions (e.g. Germany, Sweden, United Kingdom) Support for promoting and implementing national and international CSR standards like the UN Global Compact or the Extractive Industries Transparency Initiative (e.g. Canada, Denmark, Germany, Sweden) <p>Meso</p> <ul style="list-style-type: none"> Matching initiatives* that couple firms, generally in traditional donor countries, with businesses in developing countries (and sometime CSOs), often with a focus on development impacts (e.g. Denmark, Finland, Germany, Norway, the Netherlands, Sweden, United Kingdom, United States) Support for micro enterprises and SMEs, including farmers, with the goal of integrating them into global value chains (e.g. Austria, Canada, Italy, New Zealand) Financing for donor countries' companies to encourage their investment in developing countries (e.g. Denmark, Finland, Germany) <p>Micro</p> <ul style="list-style-type: none"> Technical assistance to private sector actors in developing countries (e.g. Denmark, New Zealand, United Kingdom) Economic empowerment initiatives that provide access to finance and opportunities to gain entrepreneurial skills, often directed at women (e.g. Australia, Austria, Canada, Norway, Sweden, Switzerland, United Kingdom, United States) Skills training for youth and women (e.g. Canada, Germany, Japan, Switzerland, United Kingdom)
	Partnerships to address development challenges

Note: * Donors seek to match their domestic firms with firms in developing countries. Danish International Development Agency Business Partnerships are one example.

Source: Adapted from Kindornay & Reilly-King (2013) and expanded.

intervention by donors exist under each category. For example, it does not include donors' interventions aimed at developing country governments regarding regulatory reform that would fall under activities that enable business environments.

Table 1 is divided into two broad categories. The first looks at modalities for private sector engagement under donor approaches to private sector development, or in other words, instances where donors are *partnering* with the private sector to *promote* private sector

development. The second category looks at modalities for private sector partnerships that focus on addressing development challenges.

In terms of private sector development activities, donors focus on engaging private sectors in developing countries in development planning at the national level, supporting CSR, and establishing the right incentives for foreign private sector actors to engage in development-friendly investments, including the establishment of new trade relationships and ventures with companies

in developing countries. They also engage local private sector actors in developing countries, particularly farmers, small and medium-sized enterprises (SMEs), and individuals through the provision of financial and technical assistance as well as capacity building to improve individual skills and business operations.

Donors have sought to develop innovative partnerships with the private sector to address development challenges. In addition to research and knowledge sharing aimed at supporting development-friendly investments and progress on technological innovations, donors are making use of funds, programs, and advanced market commitments to engage the private sector. They have established a number of challenge and innovation funds and programs aimed at harnessing private sector expertise, innovation, and finance. These funds and programs are generally based on a competitive call for proposals and provide co-financing for successful projects on a grant basis. Sweden's Innovations Against Poverty program is one example.¹² The program supports businesses based or operating in poor countries to develop services, products, and processes that benefit people living in poverty. It has no sectoral restrictions and is open to small and large businesses. The program will match a maximum of 50% of project costs for successful applicants.

Donors are making use of advanced market commitments to address global health challenges, particularly in the area of vaccine development. These commitments are stimulations of demand for a specific product for which there is a need (e.g. cheap vaccines) but where the private sector may not see a profitable market. Funding may be pledged, though is only actually committed if the product is created. The GAVI Alliance -a public-private partnership that aims to increase access to immunization in poor countries-makes use of such commitments.¹³

STATE OF SOUTH-SOUTH DEVELOPMENT COOPERATION IN LATIN AMERICA

Before proceeding to discuss the role of the private sector in SSDC in Latin America, it is useful to provide a succinct but purposeful description of the current state of cooperation in the region. The emphasis will be on the economic actors involved in cooperation, but the description will start with the overall picture and political context.

SEGIB has compiled the most comprehensive database on bilateral cooperation efforts in Latin America (see SEGIB, 2012). Its latest issue, from November 2012, details cooperation projects in 2011, a year that is representative of what SSDC has been in the past decade. SEGIB counts 586 projects in course or initiated in 2011, with the main sectors of cooperation being those related to social policies (60%) and economic affairs (40%). Within those broad classifications, policies to support public health and public education figured prominently in the social realm, while regulatory capacity in energy, infrastructure, and communications as well as production standards in agriculture and industry figured in the economic realm. The main SSDC providers in Latin America are Brazil, Argentina, and Mexico, which together accounted for 70% of all cooperation efforts. At roughly 25%, the next three countries -Colombia, Cuba, and Chile-accounted for almost all of the rest. On the recipients' side, the numbers are more evenly distributed, with only one country, Paraguay, receiving over 10% of all cooperation efforts, followed by Bolivia and El Salvador, which each accounted for almost 10%. Other Andean and Central American countries accounted for most of the remaining percentage, with the rest of the countries in the region much less represented.¹⁴ Interestingly, all Latin American countries are recipients of SSDC from other countries in the region, including Brazil and Argentina, the largest providers. Haiti was not included in the SEGIB study.

¹² See Sida (2011) for more information.

¹³ See GAVI Alliance (2013) for more information.

¹⁴ In 2011, Mexico, Costa Rica, Venezuela, Colombia, Ecuador, and Peru each accounted for between 5% and 7.5% of the total, while Argentina, Uruguay, Cuba, Honduras, Guatemala, Nicaragua, the Dominican Republic, and Panama each accounted for between 2.5% and 5%. Brazil and Chile were also recipients. They were involved in 11 and four cooperation projects, respectively (SEGIB, 2012, p. 31).

The situations described above reflect a series of changes that have been taking place in the region over the past decades. Incomes rose during the 2000s, but before that a growing sense of region developed from initially top-down regionalist initiatives on trade and investment integration. MERCOSUR, as well as the revived Andean Pact (later Andean Community) and the Central American Common Market, led to unprecedented levels of economic integration across different areas of Latin America. This has meant increased interaction among state actors charged with harmonizing everything from customs procedures to product standards and rules of origin, giving way to a much stronger familiarity among governments, if not nations (Colacrai *et al.*, 2009).

Efforts to integrate economies in different parts of the region have also led to eased border controls, which have facilitated the largest and most enduring migration flows seen in Latin America to date. Cross-border direct investment has also grown exponentially and regional markets in mass media have made Latin Americans much more aware of economic, social, and political realities in their neighboring countries. Government officials who are more familiar with each other and increasingly well-trained in regional negotiations as well as populations who are better informed of realities beyond their national borders have made cooperation for improved economic situations and better public policies the *de facto* preferred solution of national policymakers (SELA, 2011).

It is not only the gains from increased regional interaction that have mobilized governments to incorporate SSDC into their foreign policy plans. Economic integration efforts have brought about intensified cooperation and dialogue at the political level, structured around the common goal of achieving regional solutions to regional problems, such as the lack of adequate physical infrastructure, geographically unbalanced development, food insecurity, energy scarcity, and social policies with uneven coverage (Alvarez *et al.*, 2001). The perception of success among state actors regarding their economic integration efforts of the 1990s led them during the 2000s to refocus their efforts on other areas of public policy, according to their own domestic demands and greater awareness of their neighbors' problems.

In this context, SSDC from the main providers illustrates a clear picture of efforts grouped according to

perceived national "comparative advantages," in other words exporting policies via SSDC which the provider believes are among its best examples for the region. For instance, Brazilian cooperation mostly involves agricultural productivity for larger farms, production of biofuels from sugarcane, and cash-transfer social programs modeled on the "*Bolsa Família*" initiative.¹⁵ Argentine cooperation is focused on small and micro intensive agriculture, food security, and forensics to aid human rights or crime investigations. Mexican cooperation is dedicated to supporting agricultural exports and environmental management and strengthening economic planning agencies. Smaller SSDC providers, such as Colombia, Chile, and Cuba, follow the same pattern, with the first two focused mostly on exporting security and conflict-resolution policies and institutions, while the third promotes its public health and preventive medicine policy solutions (SEGIB, 2012).

The aggregate meaning of SSDC in Latin America is exemplified in Hochstetler's (2012) observation regarding Brazil's assistance: Brazil publicly rejects the label of *development assistance* since that implies a hierarchical relationship between donor and recipient. Such rejection of hierarchy is also implicit in the lengthy definitions of Argentine and Mexican cooperation programs, where cooperation is understood as a process of mutual learning and peer support, which limits cooperation to the technicalities of the policies in question, excluding aid to implement policies that otherwise would not be introduced (see AMEXCID, 2012b; FO.AR, 2009).

Another distinct characteristic of SSDC in the region is its non-bureaucratic mechanisms and the high occurrences of presidential and ministerial visits that trigger new initiatives or cooperation programs. For all donors, recipient selection is often driven by short-term political events such as state visits, but this trend is especially noticeable in states with relatively small assistance programs.

¹⁵ "*Bolsa Família*" refers to a group of social programs implemented in Brazil beginning in the early 2000s and later up-scaled to cover tens of millions of people. The population targeted by conditional cash transfers must ensure that their children attend school regularly, have medical checks, and receive vaccinations (Soares, 2012).

The supplementary and peer-nature of SSDC has strong implications for any possible role given to the private sector as either a subject of support or an implementing partner. The operations of “Translatinas” -large or multinational Latin American firms- across borders or in the whole region are a relatively new phenomenon, but they are already controversial in smaller Latin American countries (Casanova *et al.*, 2009). América Móvil (Mexico) in telecommunications, AmBev (Brazil) in beverages, and Techint (Argentina) in infrastructure are a few examples of companies with dominant stakes in several countries of the region besides their own and their home-country governments are hesitant to drive their interests even further with SSDC (Costa Vaz & Inoue, 2007). Future cooperation initiatives that seek to benefit from the financial muscle of the Latin American private sector need to be aware of already present sensibilities.

The expansion of Translatinas has had the strongest effect on neighboring countries, with Brazilian and Argentine firms affecting the smaller countries of MERCOSUR and Mexican firms affecting Central American states. Together with analysis of Latin American SSDC flows, like that done by SEGIB, the importance of geographical proximity is evident. For example, Paraguay is the largest beneficiary of Brazilian and Argentine cooperation in the region, closely followed by Bolivia. For Mexico, immediate neighbors Guatemala and El Salvador are the largest recipients by far. The concentration of flows to immediate neighbors demonstrates that there is “a higher level linkage [that] remains in place” between the expansion of large firms from a given country and a government’s cooperation efforts (Burges, 2011). Governments may also, however, be motivated by concerns about migration flows, security issues, and even geopolitical rivalries (Colacrai *et al.*, 2009).

SUPPORTING PRIVATE SECTOR DEVELOPMENT IN LATIN AMERICAN SOUTH-SOUTH DEVELOPMENT COOPERATION

SSDC providers in Latin America support activities that contribute to private sector development at the macro, meso, and micro levels, as has historically been the case with traditional donors. However, they do not explicitly target private sector development as a thematic priority. Rather, they

support activities in areas such agriculture, agro-industry, environment, water and waste management, public administration, transport and energy -areas which afford opportunities to support farmers, micro enterprises, and SMEs, including through technical assistance and improved access to finance (micro level) and addressing infrastructure gaps that constrain growth (meso level). While it is common practice for SSDC providers in the region to share best practices and lessons learned to improve growth outcomes, that can be seen as macro-level cooperation. This study did not find specific evidence that such cooperation included the participation of specific firms or even business associations.

While information regarding bilateral cooperation is limited, SEGIB’s report on SSDC in Latin America and this study’s examination of multilateral SSDC mechanisms in the region provide some insight on private sector-related activities. As mentioned, SEGIB’s report revealed that 40% of projects executed in 2011 focused on strengthening national economies. Notably, 70% of these projects involved productive activities in the agriculture, industrial, tourism, and natural resource sectors (SEGIB, 2012, pp. 7, 51). The remainder focused on building infrastructure and supporting basic economic services, including increasing access to energy and communications technologies, strengthening SMEs, and enabling countries to applying scientific and technological innovations (SEGIB, 2012, pp. 7, 51).

The agriculture sector received the lion’s share of resources directed to the productive sector, accounting for 57% of projects and 15% of cooperation in 2011 (SEGIB, 2012, p. 52). The activities supported tend to be micro-level interventions that target businesses and people, including technical cooperation to improve the quality and quantity of yields as well as support and training for small farmers (SEGIB, 2012, p. 52).

A number of activities supported by SSDC providers align with traditional donors’ meso-level interventions, including value chain building, technology transfer, and addressing market failures. In 2011, SSDC providers in Latin America supported production chains for processing agricultural by-products (roughly 11% of productive sector activities) and activities related to alternative energies, energy efficiency, communications, and technology development and dissemination for companies, especially SMEs (SEGIB, 2012, p. 52).

Regional organizations are important drivers of SSDC in Latin America.¹⁶ The Central American Bank for Economic Integration (CABEI) and Development Bank of Latin America (CAF) take very similar approaches (see CABEI, 2013a; CAF, 2013b). Both organizations are primarily South-South Cooperation organizations serving Latin American countries. However, Spain is on the boards of both organizations, Portugal is associated with CAF, and Taiwan is associated with CABEI (CABEI, 2013b; CAF, 2013b). CABEI mainly disperses loans, though it offers technical advice to micro enterprises and SMEs. With a broader stated mandate, CAF focuses on rendering technical assistance and financial advice, funding key projects, and developing human capital and competitiveness.

Like their bilateral counterparts, both institutions focus on the meso and micro levels of action -that is, trying to make markets work and investing in individuals and businesses. The banks' approaches differ from traditional donors' approaches to private sector development that focus more on macro-level interventions aimed at ensuring the right economic, legal, and regulatory foundations exist to enable the private sector to flourish, and on areas such as property rights, financial regulations, governance, and sound public financial management.

In their interventions at the micro and meso levels, CABEI and CAF work in areas such as trying to integrate micro enterprises and SMEs into value chains, adding value, and offering technical assistance. Both banks have specific programs to support micro enterprises and SMEs, primarily through microcredit, direct financing for SMEs, insurance, technical assistance, funding for foreign trade, and promotion of venture capital. Financial services for SMEs is usually carried out by intermediary organizations such as Savings and Credit Alliance in Costa Rica or the Bank of El Salvadoran Workers. CAF has a number of projects related to enabling businesses to add value to their products. Its PROPEL project focuses on small and medium-sized projects in the alternative energy sector, while the TICAF

program supports developing countries in breaking into the high technologies market, specifically information and communication technologies (CAF, 2013a).

CABEI identifies agriculture as an area of focus while CAF does not. CABEI's primary approach in this area is to disburse funds to intermediary financial institutions, which then give these funds to agribusiness and small rural farmers. The funds are earmarked for projects that will help with raising productivity, mitigating environmental vulnerability, and increasing value added to products. A representative initiative in this area is a CABEI loan for US\$ 60 million to the El Salvadoran government for family agriculture, rural entrepreneurship, food security, and nutrition. This program is based on meeting market demand and enhancing rural entrepreneurship. The program delivers free technical assistance to subsistence farmers, seeks to increase market ties through credit and crop insurance, establishes a liaison between local vendors and international business, and focuses on value-added products (CABEI, 2013c).

THE ROLE OF THE PRIVATE SECTOR AS A PARTNER IN LATIN AMERICAN SOUTH-SOUTH DEVELOPMENT COOPERATION

A review of Latin American bilateral cooperation agencies' publicly available policies and programs reveals very little mention of the private sector as a development partner. Colombia and Chile make reference to the private sector and Chile mentions private-public partnerships, though no information is available regarding what support might exist for private sector actors, including the terms of partnerships. Unlike traditional donors, Latin American countries are using technical cooperation as a means to support their commercial interests in limited ways. In the case of Brazil, Farias (2013) shows that public servants implementing technical cooperation agreements feel no pressure to consider Brazilian commercial interests either from the government or private sector, and have not witnessed direct private sector involvement in implementing the agreements that they work with.¹⁷

¹⁶ The Inter-American Development Bank (IDB) could hypothetically be included as well as a South-South Cooperation organization serving Latin American countries by virtue of its voting structure (its 26 borrowing members have a majority 50.015% voting power). However, the facts that its single largest stakeholder is the United States and it is physically based in Washington, DC make it significantly different from CABEI and CAF.

¹⁷ Findings are based on interviews conducted in October 2012 with 54 public servants from 25 federal ministries and institutions involved with implementing technical cooperation agreements.

While it is impossible to prove that the private sector *never* gains from Brazilian technical cooperation, according to Farias, public servants in Brazil showed an “overwhelming normative rejection of the idea of imposing conditions unrelated to the project for economic or political gain” (Farias, 2013).

SSDC providers in Latin America have yet to embrace the private sector as a *partner* in development, either to promote private sector development or address broader development challenges. This study found no evidence of Latin American countries establishing matchmaking initiatives aimed at partnering companies from countries providing SSDC with those in countries receiving it, nor did it identify the existence of challenge or innovation funds specifically geared at involving private sector partners to address development challenges. Chile and Mexico have a Joint Cooperation Fund, which was established in 2006. However, it is geared toward public institutions. Projects approved

since 2006 support state-to-state cooperation and are generally based on sharing best practices in areas such as agriculture and fisheries, with no private sector involvement. The Joint Cooperation Fund’s 2012 call for proposals, however, may indicate a shift to greater inclusion of the private sector. It included green infrastructure, competitiveness, tourism development, strengthening SMEs, and public-private partnerships for sustainable economic development among its priority themes (See AMEXCID (2012a).

In the area of health, where traditional donors have devoted significant efforts to establishing innovative financing mechanisms including advanced market commitments to incentivize private sector actors to produce vaccines needed in developing countries, Latin American countries have yet to follow suit (Tapia-Conyer *et al.*, 2013). While some private-public partnerships exist at the national level in the areas of research and development for vaccines, notably in

Table 2

AREAS OF CONVERGENCE AND DIVERGENCE BETWEEN LATIN AMERICAN PROVIDERS OF SOUTH-SOUTH COOPERATION AND TRADITIONAL DONORS ON ENGAGEMENT WITH THE PRIVATE SECTOR

Private sector engagement	South-South Cooperation providers	Traditional donors
Private sector development		
Promotion of private sector engagement in the national development planning of recipient countries		x
Support for promoting and implementing national and international CSR standards		x
Firm matchmaking initiatives		x
Support for micro enterprises and SMEs, including farmers, often with the goal of integrating them into value chains	x	x
Financing for donor countries’ firms to encourage their investment in developing countries		x
Technical assistance to private sector enterprises in developing countries	x	x
Initiatives that provide access to finance and opportunities to gain entrepreneurial skills	x	x
Private sector engagement to address development challenges		
Challenge or innovation funds		x
Advanced market commitments		x
Support for feasibility studies for development-friendly investments and research on scientific and technological innovations		x
Support for or development of knowledge platforms and learning tools related to the role of the private sector in development		x

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Mexico and Brazil (Tapia-Conyer *et al.*, 2013), this study found no evidence that such efforts have been extended to health programming through SSDC.

TRADITIONAL DONORS AND SOUTH-SOUTH DEVELOPMENT COOPERATION PROVIDERS IN LATIN AMERICA: CONVERGENCE AND DIVERGENCE ON THE ROLE OF THE PRIVATE SECTOR

The main insight that comes from this review of traditional donors' and Latin American SSDC providers' overarching perspectives is that they diverge. While donors are already developing an extensive series of programs to support and partner with the private sector, SSDC providers emphasize initiatives done by their public sectors, often touching areas that will support the private sector in specific industries or economic sectors, particularly in agriculture. *Table 2* shows areas of convergence and divergence between these two types of cooperation providers. It shows where SSDC providers in Latin America and traditional donors are engaging in similar activities, namely around micro- and meso-level interventions relating to private sector development. It also shows the stark contrast between these groups in terms of their partnerships, or lack thereof, with the private sector to address development challenges.

Notably, traditional donors are looking to reduce costs while SSDC providers are looking to scale-up their activities. Going forward, triangular cooperation may offer an opportunity for some convergence between traditional donors and SSDC providers in the areas of micro- and meso-level interventions.

CONCLUSIONS

There are a number of palpable reasons for the differences in approaches and methods between traditional donors and Latin American SSDC providers. The private sector is seen as an important development partner by donors while it is seen by SSDC providers as a potential political liability in their relationships with neighbors. In addition, while donors have become increasingly concerned with leveraging aid

and ensuring "value for money" through partnerships with the private sector, such concerns have been less present among SSDC providers, notwithstanding the *Bogota Statement: Towards Effective and Inclusive Development Partnerships*,¹⁸ which recognized the relevance of aid effectiveness principles for SSDC.

Given their respective motivations, donors and SSDC providers will likely continue to take divergent approaches to the private sector. Their perspectives on state and market relations vary, which is reflected in their engagement, or lack thereof, with the private sector. While donors focus more of their efforts on market-centered solutions, not only to private sector development but also development challenges, SSDC providers continue to emphasize the role of the state in providing solutions.

Despite differences in assumptions and motivations, triangular cooperation on micro- and meso-level interventions, where similarities between the activities supported by donors and SSDC providers exist, may provide a useful starting point for scaling-up private sector development in Latin America. ♦

¹⁸ See The High Level Event on South-South Cooperation and Capacity Development (2010).

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BOOSTING VOCATIONAL TRAINING AND SKILLS DEVELOPMENT: A CASE OF TRIANGULAR COOPERATION AMONG BRAZIL, GERMANY, AND PERU

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Cooperation agreements based on Triangular Cooperation are gaining momentum in the development community and are widely recognized as tools to promote development effectiveness. Although there is no globally agreed definition of Triangular Cooperation (as it has several modalities depending on the actors involved), there is a common understanding that it involves at least one provider of knowledge and facilitates the sharing of experiences with other developing countries. In Latin America, Brazil has emerged in recent years as an important provider of knowledge and technical cooperation. The Brazilian National Service for Industrial Apprenticeship (SENAI), in partnership with the Peruvian Vocational Training Institute (SENATI) and the German Cooperation Agency (GIZ), entered into a cooperation agreement that resulted in the creation of the Center for Environmental Technologies (CTA), based in Peru. The Center aims at training professionals in areas related to clean production and environmental conservation. Its establishment shows that Triangular Cooperation succeeds when the institutions involved share ownership, have similar strategic interests, and expect to derive mutual benefits from the partnership.

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INTRODUCTION

Empirical research shows that technical cooperation agreements are foreign policy tools that help to strengthen bilateral alliances, especially among developing countries. According to Barros Leal (2013), technical cooperation agreements are centered on the voluntary transfer of knowledge and have no conditionalities. They are based on mutual understanding of perceived benefits for the participating parties. Among developing countries, technical cooperation (TCDC), or South-South Cooperation, has gained centrality in the global dialogue on development effectiveness. Experience shows that the benefits of TCDC include the sharing of knowledge among countries that face similar development challenges and in some cases share similar history, cultural values, language, and social dynamics, thereby making the transfer of experiences and lessons learned more relevant. Similarity of geological and climate conditions seems to be an added advantage when sharing knowledge and transferring technologies, especially in areas such as agriculture, environment, climate change, and health.

Triangular Cooperation is also gaining momentum as development partners seek out alternatives to the traditional “North-South” approach to development cooperation. According to the Organization for Economic Cooperation and Development (OECD), there are multiple descriptions of Triangular Cooperation but no internationally accepted definition; definitions may vary according to the actors, roles, and modalities involved. Some definitions include non-state actors, such as the private sector and international organizations. Nevertheless, there is a common understanding that Triangular Cooperation should involve at least one provider of development cooperation or one international organization in combination with one or more providers of South-South Cooperation so as to facilitate the sharing of knowledge and experience with other developing countries (OECD, 2012).

Triangular Cooperation has been acknowledged and encouraged in a number of international agreements and events such as the “Accra Agenda for Action on Aid Effectiveness” (OECD, 2005-2008) and the “Santiago Declaration” (*Declaración de Santiago*), which was approved during the First Forum of the Latin American and Caribbean Community (*Comunidad de Estados Latinoamericanos y Caribeños* - CELAC) with

the European Union (EU) held in January 2013.¹ The “Santiago Declaration” highlights the importance of promoting South-South and Triangular Cooperation in the region as a complement to North-South cooperation in order to promote sustainable development. The Declaration commends the creation of the CELAC working group on international cooperation. The group will support the development of comprehensive guidelines for South-South and Triangular Cooperation in the region. In addition, several specialized development agencies are providing support to South-South and Triangular Cooperation initiatives such as the Office for South-South Cooperation-United Nations Development Programme (UNDP), the United Nations Educational, Scientific, and Cultural Organization (UNESCO) Development Cooperation Forum, the Ibero-American General Secretariat (SEGIB), and the *International Labour Organization, Inter-American Centre for Knowledge Development in Vocational Training (ILO-Cinterfor)*, which has been providing support for Triangular Cooperation in vocational training in Latin America since the 1950s.

There has been some progress in systematically evaluating the outcomes of Triangular Cooperation initiatives, but many challenges remain. This modality is inherently more complex than bilateral cooperation due to the required participation of at least three actors and the identification of an extensive variety of formulas for the implementation, coordination, and harmonization of different agendas, and, in some cases, high transaction costs (SEGIB, 2012). Such complexity necessitates further action to better understand how to overcome associated challenges. The financial mechanisms used in Triangular Cooperation are also complex in that programs could be (1) separately financed and managed by two donors, (2) co-financed by a traditional donor and a new donor, or (3) financed and managed by one traditional donor (SELA, 2011). According to primary data, Triangular Cooperation involving nonstate actors (e.g., interinstitutional cooperation) has been demonstrated to be an efficient complementary submodality, which could avoid some of the extensive complexities.

¹ The theme of the CELAC-EU Forum was “Alliance for Sustainable Development: Promoting Social and Environmental Quality Investments”.

As pointed out by Lamego de Teixeira Soares & Ferreira Sena (2013), Triangular Cooperation experiences tend to be successful only when the interests and expectations of the three participating players are in balance. This implies that technology and know-how are exchanged simultaneously among all three parties and that the interest of the participating countries is equally strong, thereby ensuring full engagement. Balance can be assured if the interests of the participating institutions are carefully considered.

Successful Triangular Cooperation initiatives contribute to strengthening relations between countries, building mutual understanding of shared challenges, and forging collaboration among peers. Identified benefits include: (1) reduced language barriers between knowledge provider and recipient; (2) shared knowledge of successful development policy implementation from a middle-income country (knowledge provider); (3) access to additional sources of finance; and (4) development of strategic partnerships among new providers and recipients of technical cooperation. Relationships developed through Triangular Cooperation among three southern countries of the same region, for example as in Latin America, could contribute to regional integration efforts.

TRIANGULAR COOPERATION CASES IN LATIN AMERICA

According to the Latin America and Caribbean Economic System (SELA, 2011), several programs and agreements have enabled some countries to move towards more and better Triangular Cooperation activities. The following funds and programs have undertaken such projects: (1) the Chile Cooperation Fund (with German participation); (2) Chile-Spain Joint Triangular Cooperation Fund; (3) Partnership Program between Japan and Argentina (PPJA); (4) Japan-Chile Partnership Program (JCPP); (5) Japan-Brazil Partnership Program (JBPP); and (6) Japan-Mexico Partnership Program (JMPP). Still, information about Triangular Cooperation in Latin America and the Caribbean is limited. The most current information regarding Triangular Cooperation projects in the region focuses on cooperation between Ibero-American countries. According to SEGIB (2012), Ibero-American countries were involved in 74 triangular projects and 70 actions implemented in 2011, compared with

42 projects and 41 actions in 2010 (an increase of 76% and 70%, respectively, over the previous year). According to SEGIB, the primary providers of Triangular Cooperation were Argentina, Chile, Brazil, and Mexico. Among the traditional donors, Japan and Germany are the main contributors (also referred as second providers) to Triangular Cooperation in Latin America and the Caribbean. In addition, *Table 1* shows other providers that participated in Triangular Cooperation projects.

Table 1

MAIN TRIANGULAR COOPERATION ACTORS AMONG IBERO-AMERICAN COUNTRIES

Actors	Countries
First providers	Argentina, Chile, Brazil, and Mexico
Second providers	Japan and Germany
Recipients	Bolivia, Ecuador, Colombia, Paraguay, and Peru

Note: Some countries listed by SEGIB as recipients are also providers of knowledge and technical assistance in Triangular Cooperation projects.

Source: SEGIB (2012).

BRAZIL AS A KNOWLEDGE PROVIDER

Over the past two decades, Brazil has emerged as a powerful global player. Economic growth and the success of poverty reduction and social inclusion policies and programs have earned Brazil worldwide attention. Brazil is recognized as the only economy among the BRIC countries (Brazil, Russia, India, and China) that achieved economic growth with social inclusion. Brazilian foreign policy relies mainly on “soft power”, the grounding principle for the development of Brazil and of the “global south”. Over the past 10 years, the governments of former President Lula da Silva (2003-2010) and of current President Rousseff have reinforced the development cooperation principles of “nonintervention”, “respect for sovereignty”, “solidarity”, and ownership of the requesting country (demand-driven cooperation). Brazil is seen as one of the major strategic players in Triangular Cooperation in Latin America, along with Chile and Mexico. The

Brazilian Cooperation Agency (ABC) plays a central role in forging development cooperation and expanding Brazilian presence not only in Latin America, but also in Africa and Asia. This expansion comprises technical cooperation and the sharing of experience in sectors where other developing countries value Brazilian knowledge, such as tropical health, tropical agriculture, sustainable energy, social protection, and vocational training. In Latin America and the Caribbean, Brazil has 22 bilateral cooperation agreements and has participated in Triangular Cooperation agreements with Japan, Germany, the United States, Italy, Australia, the United Kingdom, Spain, and France. Brazil recently signed new agreements with Israel, Egypt, and Australia. The country also participates in Triangular Cooperation agreements with the ILO, the United Nations Food and Agriculture Organization (FAO), the United Nations Population Fund (UNFPA), UNESCO, the United Nations Office on Drugs and Crime (UNODC), and the United Nations World Food Program (WFP).

TRIANGULAR COOPERATION FOR VOCATIONAL TRAINING AND SKILLS DEVELOPMENT

Technical cooperation has played a key role in the institutional development of vocational training centers in Latin America since the 1940s. The National Center for Industrial Apprenticeship in Brazil (*Serviço Nacional de Aprendizagem Industrial* - SENAI) has been a pioneer in the region. SENAI was founded in 1942 with the objective of supporting Brazilian industrial development, which was based on import substitution as in other countries of the region. The need for qualified labor in the industrial sector, combined with the economic growth potential and government priorities for industrial development, provided SENAI a central role in training a qualified labor force. Other countries have benefited from SENAI's experience and institutional capacity. In fact, SENAI has collaborated with the ILO to promote knowledge- and experience-sharing to strengthen vocational training since 1952. Perhaps this explains the fact that, in terms of financial contribution, vocational training is one of the key areas of technical South-South and Triangular Cooperation for Brazil. In partnership with SENAI, the Brazilian Cooperation Agency (ABC) has supported the development of vocational training centers in Bolivia, Colombia, the Dominican Republic,

El Salvador, Guatemala, Jamaica, Peru, and Paraguay. Other Central American countries are also using SENAI's model and experiences to institutionalize vocational training. SENAI's accumulated institutional expertise and practical experience with technical cooperation provide a springboard for expanding its global presence in more challenging environments. For example, in Africa SENAI has helped to establish vocational training centers in Cape Verde, East Timor, Guinea Bissau, Mozambique, São Tomé and Príncipe and, through a Triangular Cooperation agreement with the government of Japan, in Angola. Making use of instruments like mobile units and distance learning to ensure wider outreach, SENAI is well placed to respond to industrial needs in remote areas with different geological and climatic conditions.

The Peruvian and Brazilian governments have a long history of technical cooperation: the countries signed a bilateral cooperation agreement in 1975. The Brazilian Cooperation Agency (ABC) and the Peruvian Agency for International Cooperation (APCI) have worked jointly to support bilateral and Triangular Cooperation projects in several areas. Peru and Brazil are currently implementing 20 joint projects, and are in the process of signing two more; another nine projects are under negotiation. The Peruvian National Service for Industrial Apprenticeship (*Servicio Nacional de Adiestramiento en Trabajo Industrial* - SENATI) was established in 1961 to train workers for the industrial sector. Over the years, SENAI and SENATI have developed close institutional relations, and the warm relationship between the governments of Brazil and Peru has strengthened these ties. They share similar institutional models, with financial, administrative, and pedagogical autonomy as well as strategic areas of interest, such as the environment and energy.

For the past 30 years, Germany has been active in both Peru and Brazil, providing technical cooperation and financial contributions. Today nearly 150 people work for the *German Agency for Development Cooperation (GIZ)* throughout *Brazil*, including seconded and national personnel, development advisors, and experts from the *Center for International Migration and Development (CIM)*. GIZ has operated in *Peru* since 1975, and it currently has 16 seconded personnel, fewer than 200 national personnel working in the country, 35 development advisors (including seven from the Civil Peace Service), 15 CIM experts, and more than 10 returning experts. The German

“dual” system of vocational training, a combined program of practical training in a company and theory taught at a school, has inspired both SENAI and SENATI's pedagogical approaches. It is considered one of the best examples of training for the labor market and a way of expanding education and improving the supply of the necessary skilled labor in Latin America (Carlson, 2002).

Both SENAI and SENATI share a solid technical cooperation and institutional partnership with GIZ. This relationship is framed in the context of ongoing bilateral engagement between the government of Germany and the Brazilian and Peruvian governments, previously only through North-South Cooperation and now also through Triangular Cooperation. As a result of a recent Triangular Cooperation agreement between the three parties, the Center of Environmental Technologies (CTA) was established in 2011 in Peru. SENATI (the recipient institution) collaborated with SENAI (the knowledge and technology provider) and GIZ, with support from the Brazilian Cooperation Agency (ABC) and the Peruvian Agency for International Cooperation (Agencia Peruana de Cooperación Internacional - APCI) (SENATI, 2013). The responsibilities of each entity are highlighted in *Table 2*.

Each entity brought fundamental experiences that contributed to the successful implementation of the project. The Environmental Department of SENAI in the city of Bahia (in northern Brazil) has extensive experience in supporting industries to achieve environmental safeguards, designing capacity-building methodologies, and providing advisory and laboratory services. Finally, GIZ offers technical advice on cutting-edge technologies. The ABC coordinates the triangular partnership with APCI, its Peruvian counterpart, and acts as a co-financier on behalf of the Brazilian government.

The CTA was established to train professionals in technical areas linked to environmental technologies, and provided technical capacity building in research and laboratory services in areas such as water and sanitation, clean air and clean development mechanisms, land and recuperation of degraded landscape, solid wastes and clean production and energy efficiency. The center also offers continuing education courses on environmental community-based monitoring, environmental monitoring (technical level) and eco-efficiency. It promotes the incorporation of advanced technologies in the field of sustainable environmental protection (SENATI, 2013). The agency supports various productive sectors and aims to help industries develop their activities in line with sustainable outcomes.

The Center has developed a marketing and communications strategy as well as a monitoring and evaluation framework to measure impact and outcomes. The estimated duration of the project is three years, with a total budget of more than US\$5.2 million (SENAI, 2013). Upon completion of the project, the center will be managed solely by SENATI.

Table 2

ACTORS IN THE CENTER OF ENVIRONMENTAL TECHNOLOGIES (CTA) IN PERU

Entity/ Partner	Responsibility
SENAI	Technology transfer, training of CTA technical team Share successful experiences on the application of environmental technologies in Brazil
SENATI	Implementation and management of the center
ABC	Project coordination and budget execution Political orientation and design of triangular model of cooperation
GIZ	Environmental policy guidance Technical advisory services and budgetary contribution Integration of CTA in global environmental networks
APCI	Advice on triangular model of cooperation

Source: SENATI (2013).

CONCLUSION

Triangular Cooperation is often seen as complementary to South-South cooperation or TCDC. Northern countries involved in Triangular Cooperation have accumulated experience as providers of technical cooperation; therefore, they can share lessons learned with developing countries that are either receivers or providers of knowledge. The development community has increasingly recognized the instrumental role of these cooperation modalities in promoting development effectiveness, strengthening bilateral relations, and even promoting regional

integration. As a result, Triangular Cooperation has been considered an efficient tool for knowledge sharing and technology transfer. Several initiatives in Latin America have carried out evaluations of this modality, and there is common acknowledgment of the need to develop a policy framework and to harmonize monitoring and evaluation mechanisms. Among countries in the region, Argentina, Chile, Brazil, and Mexico are considered “providers” of technical assistance, while Bolivia, Ecuador, Colombia, Paraguay, and Peru are “recipients”; however, some recipient countries, like Peru and Colombia, are also “providers”. As more countries in the region become “providers” in triangular or South-South Cooperation, there is a need for continuous policy debates to support the design of policy frameworks, offer a more comprehensive understanding of this modality and its impact, share lessons learned, and systematically integrate these lessons in development interventions.

The Triangular Cooperation agreement among Brazil, Germany, and Peru to support vocational

training and skills development shows that Triangular Cooperation succeeds when the institutions involved share ownership and the same strategic interests, and perceive mutual benefits as a result of the partnership. The positive institutional relationship among SENAI, SENATI, and GIZ has provided a strong base for the implementation of the Triangular Cooperation agreement and establishment of the CTA. The three parties worked in close collaboration to establish the Center with the goal of building a trained skill base to serve the needs of industries on issues related to environmental protection and clean production. SENATI will assume full responsibility for the management of the Center at the end of the triangular project, at which point the parties involved will be able to evaluate results and impact. This initiative is clearly grounded in a solid partnership in strategic areas of interest for all partners and with benefits for the industrial sector. For these reasons, the CTA could become a center of excellence in its field and a knowledge hub in the region. ♦

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SOUTH-SOUTH COOPERATION AND COMPANIES IN BRAZIL AND CHILE

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This article analyzes the participation of companies in the South-South Cooperation (SSC) of Brazil and Chile, ranking among the most active in Latin American countries in terms of the number of SSC projects implemented in 2011. It proposes that economic interests attract the private sector into SSC, and that such interests are in line with the foreign policy objectives set by both governments. As Brazil and Chile have implemented very similar economic programs -except for some slight variations-, their companies' participation enables us to observe whether the economic model has any impact on the role they play in SSC.

INTRODUCTION

South-South Cooperation (SSC) is currently linked to both economic (securing markets, reducing dependence on developed countries, and promoting business alliances at multilateral trade negotiations) and political (regional or global support and security) interests from a win-win perspective. Hence, 40% of the SSC projects implemented in Latin America in 2011 aimed at strengthening national economies, and 28.5% sought to strengthen public sector management (security and justice), with indirect economic implications (Burges, 2012; SEGIB, 2012, p. 7).

This article analyzes the participation of companies in the South-South Cooperation (SSC) of Brazil and Chile during the last decade. It proposes that economic interests attract the private sector into SSC -no exclusion made of

solidarity reasons- and that such interests are in line with the foreign policy objectives set by both governments. As Brazil and Chile have adopted very similar economic programs -the Brazilian model is inspired in German neoliberalism and the Chilean one draws on the Chicago School of Economics, with less State intervention (Ramírez, 2012, p. 77)- their companies' participation enables us to observe whether the economic model has any impact on the role they play in SSC.

THE BRAZILIAN CASE

In Brazil, SSC has been defined in official statements as non-refundable actions taken by the government to promote the development of relatively less developed countries or to respond to emergencies.

This draws on the fact that Brazil has curbed poverty in the domestic front, and can therefore help other nations do the same (Farani, 2010) by transferring its own successful practices. SSC focuses mainly on Portuguese-speaking countries, which account for 77% of Brazilian aid in Africa, while East Timor absorbs 96% of such assistance in Asia.

Brazilian SSC, however, goes hand in hand with an increase in its foreign trade (goods, machines, and new technologies such as bio-fuel). In 2009, Brazilian direct aid channeled through the Brazilian International Cooperation Agency (ABC) amounted to US\$1.2 billion, while indirect assistance -lines of credit and loans from the National Development Bank of Brazil (BNDES)-amounted to US\$3.3 billion. Cooperation operations through BNDES and the Brazilian Export Financing Program are both reimbursable and contingent upon using a portion of the funds to purchase Brazilian goods or services, thus attracting construction and industrial firms into SSC (Ayllon & Leite, 2010; Iglesias & Pereira de Costa, 2011).

When the participation of the private sector in SSC is analyzed from the perspective of the Brazilian economic model in place since the 1990s, which is based on national development plus conditional trade liberalization, it is clear that Brazilian companies' competitiveness as well as their capacity for foreign export and investment have increased. Originally, Brazil encouraged the growth of industrial sectors to promote import substitution in the domestic market, but such sectors, to varying degrees, are not yet competitive enough to break ties with the State (Machado Oliveira, 2013, p. 111). There is, however, another group of competitive (agribusiness and mining) companies, most of them large exporting firms, which have a leverage on the positions adopted by Brazil in the World Trade Organization (WTO) and the MERCOSUR-European Union (EU) negotiations.

In 2009, Brazilian exports of non-manufactured products accounted for 31% of total exports; low-tech products represented 28.9%, while the percentage of medium to high-technology exports was 18.1%. Although the latter sector has become more competitive, its exports have been adversely affected by currency appreciation, making Brazilian products expensive for the external market *vis-à-vis* comparable products from other countries (Sennes, 2012). This negative issue disappears when such products are exported through BNDES lines of credit.

Several factors arouse the interest of businesses in SSC, and their participation is reflected in the increase in Brazilian exports to and investments in Portuguese-speaking African countries. Brazilian technical assistance to Africa rose from 20% of the total Brazilian foreign assistance in 1995-2000 to 52% in 2006 (Correa Kruschewsky, 2011, p. 24). Between 2002 and 2008, Africa also absorbed 7% of all Brazilian exports, 75% of that share being manufactured goods. (Goes, Patriota & Tiburcio, 2010). The private sector is interested in projects such as producing bio-fuel in Africa with Brazilian technology to be later exported to Europe, thus turning Brazilian ethanol into an international commodity (Iglesias & Pereira de Costa, 2011).

The priority given to SSC in Africa reflects there is a long-term view of the benefits to be reaped from African development, since one of Brazil's stated goals is to set foot in what is deemed to be one of the last commercial frontiers of the world. Far from considering it a lost continent, Brazil sees Africa as a potential place to do business and as a source of natural resources. Besides ethnical and language ties, the true factors helping Brazilian construction firms to be awarded contracts in Africa are the loans and lines of credit granted by Brazil to African countries. As a result of this, Brazilian trade with African countries, involving primarily Brazilian manufactured products, tripled between 2002 y 2006, totaling US\$13 billion in 2006 (Schläger, 2007). In 2011, its exports comprised vehicles, machines, and mechanical appliances, reaching an amount comparable to Brazilian exports to Germany and Japan that same year (Bartesaghi & Mangana, 2013, p. 17).

Furthermore, SSC is creating new trade opportunities for Brazil at a time when its trade with developed countries has hit a ceiling (Soares de Lima, 2005). The crisis had had a negative impact on Brazilian outward trade flows, but by 2009-2010 exports had rebounded by shifting their geographic focus -China purchased almost twice as much as what it used to buy from Brazil and Africa increased its share, whereas exports to MERCOSUR, EU and USA decreased. This recovery was fuelled by commodities and mineral products, while technology-intensive items (aircraft, IT, except for pharmaceuticals) were hit more by the crisis (Castilho, 2011). Although the African market still represents a small portion of Brazilian trade flows, it has a potential for raising the demand for higher value-added products.

With the support of the government, the largest Brazilian companies in the energy (Petrobras), construction (Odebrecht, Andrade Gutiérrez, Camargo Corrêa) and mining (Vale) sectors are investing in Africa and other developing regions. Even if Africa does not account for a very significant portion of Brazil's total overseas investment, its share in 2009 was 5% *vis-à-vis* 9% in North America. The largest investors were Randon (automobile) (30%), Votorantim (non-metallic minerals), Odebrecht (construction) (24% each), Vale (mining and metal extraction) (21%), Petrobras (19%) and Camargo Corrêa (infrastructure) (14%). In fact, Odebrecht, operating in Africa since 1979, is one of Angola's largest employers (Ayllon & Leite, 2010, pp. 8-9). As from the 1980s, a connection is observed between the Brazilian policies promoting exports of capital goods and services-favoring construction firms and the country's foreign policy goals (López, 1999a).

This expansion is complementary to the realistic guidelines of Brazilian foreign policy. According to Gratius (2012), since 2003, the Brazilian government has been following a foreign policy geared toward protecting economic and strategic interests rather than toward values such as democracy and human rights. Other authors agree that the foreign policy of former President Fernando H. Cardoso, strongly inclined to legality, has been modified to conform to the pragmatic logic of power that seeks to strengthen Brazil's position in the international system by diversifying foreign relations and creating coalitions. Thus, the internationalization of companies, supported by government incentives, enhances Brazil's positive image abroad, which contributes to pursuing its objectives in the WTO and the United Nations (Woodrow Wilson International Center for Scholars, 2008; Ayllon & Leite, 2010; Ayllon, 2012), and "Brazil's political interest in Africa makes African countries more receptive to Brazilian investment" (Iglesias & Pereira de Costa, 2011, p. 15).

In 2002, Brazilian construction companies stated that they needed public financial support to take part in construction works abroad, which Iglesias (2008) associated to the fact that private financial markets were almost inexistent in Brazil. In 2011, governmental technical cooperation (SSC) was central to enable mining and construction companies to compete with China in Africa (Iglesias & Pereira de Costa, 2011). Africa is important for Vale, according to Ricardo Saad, the firm's Africa boss, while for Leonardo Calado de Brito (OAS) there is nothing left to build in Europe, "Africa

is the place to be". Brazilian firms are aware of Chinese presence and seek to make a difference, says Rodrigo da Costa Fonseca, Andrade Gutierrez's president in Africa. While Chinese companies ship in workers from China, 90% of Odebrecht's employees in Angola are locals, as are 85% of Vale's employees in Mozambique, a policy that helps them win infrastructure contracts. (The Economist, 2012; Burges, 2012, p. 234).

At first, Brazilian firms focused their efforts on Lusophone Africa, and then spread across the continent, in line with the government's decision in 2003 to expand SSC to the entire region. (Benhassain, 2005). In some cases, their presence in Africa dates back to the 1970s, when large public works in Brazil ended, and companies needed to get contracts abroad, a trend that grew after the foreign debt crisis. This was before attention started to be given to SSC in the early 21st century, although it has also been suggested that SSC follows businesses in order to alleviate social tension in countries like Mozambique, where there are substantial Brazilian investments (Frayssinet, 2012).

In sum, the last decade has witnessed an increase in Brazilian SSC with Africa as well as in Brazilian exports to, and investments in, SSC recipient countries. Brazilian companies serve as complements to the government policy of using technical cooperation as a "door opener in Africa" (Burges, 2011), by becoming involved in co-financed projects, such as the one designed to foster cotton cropping with Brazilian technology among small African farmers. The privately-funded Cotton Institute of Brazil has committed to this project twice as much the sum jointly donated by the ABC and the Food and Agriculture Organization of the United Nations (FAO) (Souza, 2012), and Vale has made donations for the construction of a plant to produce AIDS generic drugs in Mozambique.

THE CHILEAN CASE

The democratically-elected government led by what is known as "*Concertación*" (Concert of Parties for Democracy) inherited in 1990 a growing economy. After twenty years of a very open trade liberalization policy, the major impacts of tariff reduction had already been absorbed, and the exports as a percentage of GDP rose from 15% in 1965 to 35% in 1990-1994. (Sapelli, 2000, p. 543, 545). The year 1990 saw the creation of the Chilean

International Cooperation Agency (*Agencia Chilena de Cooperación Internacional* - AGCI), a central objective of which is to strengthen Chilean presence in the region. After President Michelle Bachelet decided, in 2006, to prioritize Latin America and the Caribbean, South America and Mexico became the main recipients of Chilean SSC between 2006 and 2009, accounting respectively for 25% and 24% of the total, followed by Others (22%), Central America (13%) and the Caribbean (12%); 55% of the total was used for technical assistance (DPS, 2008).

Alfredo Moreno, the Chilean Minister of Foreign Affairs, believes that the projects undertaken by AGCI in third countries, contribute to "building and maintaining a forward-looking friendship with other countries" (AGCI, 2012b). Since 2005, AGCI has operated within the aegis of the Ministry of Foreign Affairs. The agency seeks to strengthen Chilean presence in Latin America, reinforce relations with priority countries for foreign policy reasons, and spread out Chilean scientific, technical and cultural capacities. Its action is important for foreign policy and is complementary to trade agreements in terms of economic integration, as AGCI reinforces such relations by reaping social and political gains (DPS, 2008).

A significant component of Chilean SSC is the Chile-Mexico Cooperation Fund, within the framework of the Chile-Mexico Strategic Partnership Agreement (2006). The pre-existence of political and economic ties between both countries and the political will to reinforce them led to its creation. SSC has therefore supported the objectives and priorities of Chile's foreign policy (Colacrai *et al.*, 2009). This alliance involves two partners with similar degree of development, where both are suppliers and recipients but also undertake joint projects for the sake of less developed countries.

Most production-focused projects led by the Fund are carried out in Chile, with a growing demand for transfer of expertise to enhance SMEs development and competitiveness so that they can gain access to international markets. Enterprises take part in horizontal cooperation talks to share experiences, discuss the priorities of potentially exporting sectors, and disseminate the Chilean experience in international negotiations (OECD-WTO, 2012).

Between 1990 and 1995, Mexico stood out among the destination markets for Chilean products, while the number of businesses involved in export transactions

to Mexico doubled. But the export peak took place after the signature of the Chile-Mexico Free Trade Agreement (1998), between 2004 and 2008, when exports rose from around US\$1.3 billion to slightly more than US\$2.2 billion. In 1998, Mexico ranked ninth among Chile's destination countries; in 2010 it climbed up to the seventh position, and to the third in Latin America, following Brazil and Argentina very closely. Chile's major exports are copper by-products from State-owned CODELCO, wood and products from private agri-food industries (DIRECON, 2011, pp. 4-5; Rosales, 2000).

In 2008-2009, Mexican demand declined as a result of the impact of the US crisis, whereas industrial exports from Mexico to Chile increased (Garcés, 2013), due to the fact that a significant portion of the goods and services that Chile once exported are now produced by Chilean firms in Mexico. Hence, Chilean imports have been replaced by Chilean investments. In only two years, Tres Montes Luchetti (processed foods), CMPC group (forests, timber, cellulose), Molimet (molibdenum), Sonda (IT), Saam group (Ports) and Masisa (wood panels and boards) invested US\$300 million en Mexico (DIRECON, 2012).

Increases in exports to, and investments in, Mexico by large Chilean groups are likely to be accounted for by the FTA with Mexico rather than by SSC. The agreement, which contains provisions regarding investment protection, dispute settlement, and foreign investment taxation, was supported by the Production and Commerce Confederation of Chile in the understanding that Mexico plays by the rules of the game of international trade (Durán & Oyarzún, 2010). As 80% of the funding targeted for industries in Chile and abroad come from private pension funds, enterprises are less dependent on the State (Merke, 2010).

In 1998, the Chamber of Commerce in Santiago de Chile recognized the conflicts arising from Chilean investments in some Latin American countries and proposed the creation of a publicly and privately financed fund to counteract the hostility towards Chile through communication actions, social work, and technical cooperation (López, 1999b, p. 297). Hence, Chile's SSC in the region has the added value of reducing social tension, in the same vein as what was said about Brazil in Mozambique.

The Chile-Mexico Fund, co-financed by the private sector, supports projects such as the one designed

to “Strengthen cooperation and trade ties between the footwear industries of Chile and Mexico with a view to enhancing competitiveness and improving access to export markets”, to which the government Cooperation Fund contributes US\$140,000 and the private sector, US\$154,000. The aim is to replicate in Chile Mexican experiences related to the production and management of SMEs providing sewing services in order to generate exports to and strategic partnerships with Mexico in the leather and footwear sectors and set foot in new markets through trade agreements entered into between Chile and other countries (AGCI, 2012a).

CONCLUSIONS

During the last decade, Brazilian and Chilean SSCs have pursued political and economic goals that form part of their respective national interest within a realistic approach to international relations. This interest is reflected in their economic policies whereby companies can accumulate resources (capital, knowledge, expertise), therefore, business strategies are rooted in national economic policies (Goldstein, 2007). In the 1990s, privatizations and restrictions to foreign capital contributed to the creation of groups of Brazilian capital that acquired CVRD (today, renamed Vale), Embraer and Petrobras, Brazil's internationally leading companies. In the 2000s, the government broadened its scope of influence and changed the legal framework to enable Oi Telemar to buy Telecom (2008) with BNDES financing, on the grounds that Brazil would be more competitive in the Latin American and African telecommunications sector (Masiero & Zalaf Caseiro, 2012).

In the case of Chile, overseas investment was facilitated because, after the external debt crisis, the government offered tax and credit incentives to foreign investment and exports. Some economic groups diversified and expanded at the regional level in the 1990s.

The State-run Economic Development Agency (CORFO), jointly with ProChile, has financially supported foreign buyers of Chilean goods and engineering and consulting services, as well as buyers of inputs for the manufacture of non-traditional goods and services to be exported (*El Divisadero*, 2007). But, usually, the government provides support through trade and investment agreements, trade negotiations, and road shows, rather than through direct funding, as it happens

in Brazil. Moreover, Chilean firms' internationalization has been facilitated by a stable institutional framework as well as by their access to financing and the capital market.

In both cases, SSC is a foreign policy instrument helping Brazil and Chile attain their economic goals and overcome their neighbors' mistrust and the new stratification of the Global South, according to which they are at an intermediate level close to the developed countries (Vieira & Alden, 2011). Moreover, SSC serves as a mechanism to gain recognition and support (Brazil, at the WTO and the UN; Chile, among its regional priority partners), without necessarily representing a contradiction between solidarity for development and national economic advancement (Burges, 2012). This encourages business involvement, despite the differences as to the mechanisms used by either government to boost it and the type of business that participates (large-sized companies in Brazil, SMEs in Chile).

In Brazil and Chile, private companies reap benefits from SSC, which have a positive impact on the governments' political interests. Furthermore, SSC relies on the competitive advantages (technology, domestic savings, etc.) that these companies create as government policies favor their interests. In this sense, the economic model in Brazil and Chile is relevant for these countries' SSC, as it gives the private sector a fundamental role in supporting their foreign policy goals. Overall, SSC and companies appear to supplement and support each other in both countries, without discrediting the benefits brought to third countries. ♦

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SOUTH-SOUTH COOPERATION IN SURINAME: NEW PROSPECTS FOR INFRASTRUCTURE INTEGRATION?*

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The current wave of South-South Cooperation (SSC), through its heavy emphasis on infrastructure as a necessary-yet-insufficient condition for development, creates new opportunities and new challenges for regional integration in Latin America and the Caribbean. This article examines the growing role of SSC in infrastructure and integration in Suriname, with a focus on transportation infrastructure. More specifically, it analyzes how the forging of new bilateral and multilateral partnerships is changing the country's prospects for integration, not only into the region, but also into global markets. I focus on three South-South partnerships particularly relevant to Suriname's infrastructure integration: its deepening bilateral relations with China, its growing closeness to Brazil, and its membership in the IIRSA process. On the one hand, there is an increasingly clear mismatch between China's mega-project approach to Suriname, which includes a new port and North-South road into the deeply forested interior, and Brazilian plans for infrastructure development in the Amazon region. Moreover, the IIRSA framework prioritizes different projects altogether. These gaps suggest the need for Surinamese government to play a more proactive role in coordinating the different SSC initiatives for infrastructure and integration being proposed in (and around) Suriname.

INTRODUCTION

The current wave of South-South Cooperation (SSC), through its heavy emphasis on infrastructure as a necessary-yet-insufficient condition for development, creates new opportunities and new challenges for regional integration in Latin America and the Caribbean (LAC). Not only are there regional

arrangements in place to foster such integration cooperation providers -like China and Brazil- have been proposing or implementing new bilateral initiatives in the region, including mega-projects. What are the implications of the SSC proposals for infrastructure appearing in the region? This article examines the growing role of SSC in integration in the Guyanas, with a focus on transportation infrastructure in (and around)

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Suriname. More specifically, it analyzes the new or intensifying bilateral and multilateral partnerships being endorsed by the Surinamese government to boost the country's prospects for integration within the region and into global markets. I focus on three SSC partnerships particularly relevant to Suriname's infrastructure integration: its deepening bilateral relations with China and Brazil, respectively, and its membership in the IIRSA process. Although transport infrastructure is a central concern to Suriname and its neighbors, those relations are driven by multiple factors -including political and security drivers- that reflect Suriname's strategic importance to aid and cooperation providers.

On the one hand, there is an increasingly clear mismatch between China's mega-project approach to Suriname, which includes a new port and North-South road into the deeply forested interior, and Brazilian plans for infrastructure development in the Amazon region. The two cooperation providers' projects do not seem to take one another into account. Moreover, the IIRSA framework prioritizes different projects altogether, possibly underestimating the growing (and potential) role of bilateral projects falling outside its scope. While the array of alternatives presents new opportunities for development in Suriname, these gaps suggest the need for the Surinamese national government and for regional multilateral institutions to play a more proactive role in coordinating the different SSC initiatives for infrastructure and integration currently being debated or implemented in Suriname and its vicinity.

BACKGROUND

Over the past decade, emerging powers have become increasingly active in development assistance, emboldened by economic growth and more assertive foreign policies (Mawdsley, 2012). The global economic crisis has accelerated this trend, reducing aid and investment flows from Northern countries and enhancing the role of SSC (OECD, 2013). As a result, just as Northern donors restructure and cut back on assistance, Southern providers step up their international cooperation -often in the same countries. These shifting dynamics are sharply apparent in the case of Suriname- a country long considered as a "strategic afterthought" by Northern analysts, but of increasing political, economic, and security importance to Southern cooperation providers from within and outside the region (Figure 1 and Table 1).

Figure 1

MAP OF SURINAME



Source: CIA Factbook.

Despite its history of heavy reliance on Dutch aid since achieving independence from the Netherlands, in 1975, over the past few years Suriname has increasingly turned to SSC, with a heavy focus on Brazil and China as bilateral partners, and on regional multilateral initiatives such as IIRSA and CARICOM. There are political as well as economic reasons behind this shift. On the political side, Suriname's ties to the global North, including its uneasy relations with the the Netherlands, weakened after Dési Bouterse won the 2010 presidential elections. Bouterse, who had previously ruled Suriname as a dictator, in 2000 was convicted *in absentia* of drug trafficking by a Dutch court. The Netherlands promptly cut off aid to Suriname, and the United States distanced itself from the new government. The onset of the global economic crisis in 2008 also made other sources of European assistance and investment scarcer. Some Northern donors are still present in Suriname. Several Northern companies remain active in minerals extraction, and some donor agencies still carry out foreign aid projects. Relations with the Netherlands have since thawed somewhat,

and the US, perhaps in response to China's growing engagement in Suriname, has once again sought to deepen relations with Paramaribo, launching joint antinarcotics and open skies initiatives.

Table 1

SURINAME SELECTED ECONOMIC AND SOCIAL INDICATORS FOR 2012

Population	560,157
Total Area	163,820 sq km
GDP	US\$6.685 billion
Real GDP growth	4%
Per capita GDP (PPP)	US\$12,300 ¹
Total exports	US\$2.927 billion ¹
Main exports	alumina, gold, crude oil, lumber, shrimp and fish, rice, bananas
Total imports	US\$1.838 billion ¹
Main imports	capital equipment, petroleum, foodstuffs, cotton, consumer goods
Population below poverty line	70%
Unemployment rate	7.6% ³
Rank in UNDP Human Development Index	104 ²

Note: ¹ 2012 estimate in US\$; ² Out of 187 (2011); ³ 2010.

Sources: IMF Country Report 2012, CIA Factbook.

At the same time, SSC providers have significantly increased their cooperation programs in Suriname, particularly in transportation infrastructure. In contrast to the Northern partners, Brazil and China (both of which stress non-intervention in their foreign policies) have had no qualms about dealing with Bouterse. Surinamese government officials have proven receptive to this engagement, not only working to deepen these ties, but also painting the Netherlands aid suspension an opportunity to reduce dependency and increase integration with LAC (Martinez McGough & del Rio, 2012a). Bouterse frequently emphasizes the importance of South-South relations, including with neighbors like Guyana, Venezuela, and Brazil (Martinez McGough & del Rio, 2012c). For instance, Suriname

has been working to overcome border disputes with French Guiana and Guyana (along the Marowinje and Corantijn rivers, respectively); a maritime border dispute with Guyana was arbitrated by a tribunal convened under the United Nations Law of the Sea in 2007. Suriname has also opened a new consulate in Belém, in the Brazilian state of Pará, and it has established a direct maritime transport route with Brazil. But perhaps the most dramatic change has been an upsurge in Chinese trade and investment, accompanied by a significant influx of Chinese immigrants that not only vastly expanded Suriname's original Chinese diaspora but also brought new tensions to Suriname's already complex ethnopolitics (Fat, 2009; Ellis, 2012).

In addition to enhancing bilateral ties within and outside the region, Suriname is a member of several regional initiatives, including the Organization of American States (OAS), the Community of Latin American and Caribbean States (CELAC), and the Caribbean Community (CARICOM) (which President Bouterse chaired during the first half of 2012), and the country has deepened its ties with the Southern Common Market (MERCOSUR). In January 2011, Suriname joined the Union of South American Nations (UNASUR), whose temporary presidency Bouterse is due to assume in August 2013. Through these initiatives, the Surinamese government has explicitly stressed the importance of SSC and regional integration. At the Sixth Summit of the Americas, in Cartagena, Bouterse emphasized that regional unity could bring about "The Decade of the Americas" (Bouterse, 2012). Moreover, Suriname participates in the Initiative for the Integration of the Regional Infrastructure in South America (IIRSA) process, meant to enhance integration in South America by strengthening linkages between transport, telecommunications, and energy infrastructure.

Integration through SSC could really be transformative to Suriname, whose small commodities-based economy has long struggled to attract investors, especially outside of the minerals sector. In 2012, Suriname ranked 164th in the World Bank Group's Ease of Doing Business index (World Bank, 2012). The country is a significant producer of bauxite, which makes up about 15% of its gross domestic product (GDP) and 80% of export earnings. However, a drop in prices has negatively affected the economy, for instance prompting BHP Billiton to close down its operation in Suriname. The country has abundant natural resources -not only minerals, including bauxite and gold, but also potentially significant deposits of

iron ore, manganese, and possibly rare earth metals in the interior. In addition, Suriname has hydroelectric potential in the Amazon, as well as agriculture and fisheries potential along its Caribbean coastline. Finally, there is also some offshore oil production, with the prospect of large untapped reserves. Thanks in part to surging trade, Suriname has recently experienced robust economic growth: GDP growth reached 4.5% GDP in 2011. Foreign direct investment in Suriname rose from US\$163 million in 2006 to US\$585 million in 2012 -a more than three-fold increase (Martinez McGough & del Rio, 2012c).

Despite this vast potential, especially in relation to its population size -the World Bank includes Suriname among the world's 10 richest countries in terms of natural resources- Suriname faces significant challenges. The country has high poverty levels, as reflected in its ranking of 105 out of 186 countries surveyed by the 2012 United Nations Human Development Index (UNDP, 2012). Transport infrastructure remains sorely inadequate. Because of the lack of roads, much of the country's interior is supplied by river traffic in the rainy season and by small aircraft (often landing on dirt strips) during the dry season. There are also minimal international linkages, including no direct links to Brazil. Most of Suriname's roughly 4,570 kilometers of roads remain unpaved, and traffic volume is low. There are two main arterial roads, both running East-West in the country's northern part, where most of the country's population (approximately 560,000) is concentrated near the Caribbean coast. The northern road runs between Albina, on the border with French Guiana, to Nieuw Nickerie, on the border with Guyana, via Paramaribo. The southern artery links Paramaribo with Apoera via Bitagron. Both roads date from the 1960s, and their condition -already precarious- deteriorated significantly during the Suriname Guerrilla War (1986-1992).

Rehabilitating transport has become a priority for donors in Suriname, not only for the improvements to the local population, but also as a way to enhance accessibility of remote areas and unleash some of the country's untapped potential. Over the past decade, several stretches of these roads have been paved or upgraded, often by a combination of bilateral and multilateral agencies. For instance, one section of the East-West road (from Albina to Meerzorg) is being repaved with funds from the European Union, the *Agence Française de Développement*, and the Inter-American Development Bank (IDB) (IIRSA, 2010). Yet expansion of the roads has been limited. Not only

are Suriname's connections across the international borders limited, so are the interconnections between the country's coastal areas and the densely forested areas of its interior (van Dijck, 2013). Moreover, its port facilities -also a key component of the country's competitiveness- are limited, hampering the country's foreign trade, both with its neighbors and with other regions. Neighboring Guyana competes with Suriname for the status of Caribbean gateway to South America, and -unlike Suriname- it already has a road reaching into northern Brazil. Improving transportation and integration is thus an essential part of Suriname's search for higher competitiveness.

Although Northern donors, including the European Union, stress the transport sector in their assistance programs, there is a growing perception within the Surinamese government -manifested through its foreign policy discourse on SSC- that other cooperation partners may help the country achieve a degree of self-reliance that Northern aid has failed to foster. The next section of this paper examines the main SSC initiatives related to transport integration: Suriname's role within IIRSA and its growing bilateral cooperation with China and with Brazil.

MULTILATERAL AND BILATERAL SSC INITIATIVES

SURINAME AND IIRSA

As part of IIRSA's "Guyanas Shield Hub", which encompasses all of Suriname and Guyana as well as the eastern part of Venezuela and northern Brazil, Suriname has committed to making infrastructure expansion and upgrading a priority. Accordingly, its 2012 national budget prioritized roads, bridges, public schools, and housing. The Port of Paramaribo has been rehabilitated, and the government has been stressing the need to seek financing for other infrastructural projects via public-private partnerships (PPPs) as well as through tax adjustments. In addition, there is an ongoing effort by the Surinamese government and its partners to strengthen related institutions; for instance, the Ministry of Finance has set up a new investment unit with assistance from the IDB (Sandel, 2009).

Within the IIRSA framework, which tries to identify investment and upgrading projects that would be strategic to enhancing South America wide integration, Suriname's integration potential is viewed within the

broader context of the economic and geographic diversity of the Guyanas and, more broadly, the Amazon region. Within IIRSA, the top priority for the area is to interconnect the countries along the Caribbean coast (as well as French Guiana, which is an overseas department of France). To help ensure the quality and integration potential of upgrading initiatives, road revitalization initiatives are also expected to conform to standards established by IIRSA.

Within Suriname, IIRSA prioritizes rehabilitation of the country's northernmost East-West road, which would eventually become part of a long corridor interconnecting Ciudad Guayana, in Venezuela, to Paramaribo. Because of the poor shape of many stretches of the Suriname road, IIRSA calls for paving and upgrading this artery, which is also significant because of the high demographic and economic concentration along the route. A second, mid-term goal is the upgrading of the southern East-West road by 2015. The Suriname Planning Bureau has also looked into incorporating the East-West Link into the Pan-American Highway, which links the Americas in a South-North highway system that runs from Prudhoe Bay, in Alaska, to Ushuaia, Argentina with only one significant interruption (the Darién Gap, in Colombia).

As for a North-South road within Suriname, IIRSA planning documents refer to it vaguely as a "long-term" or "future" project, with no set timeline for feasibility studies. In contrast, the IIRSA Guyanas Shield Hub has concrete plans to improve the existing Caracas-Manaus road and to pave the rougher stretches of the Georgetown-Boa Vista route. Another IIRSA component does foresee a Brazil-Suriname link, but through a trajectory that would not come close to the Suriname-Brazil border: instead, it would be an extension of an East-West corridor whose Western part runs from Georgetown through Paramaribo to Albina, on the border with French Guyana, and whose Easternmost stretch would go from Oiapoque to Ferreira Gomes. Linking up the two separate stretches will depend in great part on whether French Guiana, which is not a part of IIRSA, becomes an observing or participating member.

CHINA'S MEGA-PROJECT APPROACH

Although China's role in LAC is still dominated by trade, over the past five years Chinese investments in the region have increased dramatically. In 2010,

China's loan commitments to the region (approximately US\$37 billion) surpassed the combined commitments of the World Bank, the Inter-American Development Bank, and the US Ex-Im Bank (Gallagher *et al.*, 2012). Moreover, the trend is likely to accelerate. During its June 2012 visit to LAC, former Premier Wen Jiabao proposed the expansion of cooperation through the creation of a Forum for Latin America-China Cooperation, along with an offer of US\$15 billion in initial loans. This growing role includes a growing interest in LAC transport infrastructure, where most Chinese investments aim to facilitate trade with the region (i.e., transportation of LAC commodities to China, and of Chinese manufactured goods to LAC markets).

China (both the government and the private sector) has developed a keen interest in the region's sorely underdeveloped railways, roads, and ports. In some countries, Chinese companies have proposed a number of "mega-projects", including new ports, import distribution centers in Mexico and Chile, and "dry canal" railways in Colombia and Nicaragua, meant to serve as alternatives to the Panama Canal. Although other SSC providers are also engaging in mega-projects in the region (Brazil's Odebrecht is building Puerto Mariel in Cuba, and Russia has an estimated US\$20 billion in investments in Venezuela), China's abundant financing and prior experience developing large-scale infrastructure at home and in Africa -including in countries long overlooked by Northern aid- have emboldened its proposals in LAC.

Most notably, Chinese companies (with the support of government agencies) have offered Suriname a large infrastructure deal. The package includes a new port and a 500 km road stretching from Paramaribo, near the Caribbean coast, to the Amazonian port of Manaus, in the center of the Brazilian Amazon, alongside a railway. The proposal has been eagerly received by the government of Suriname, eager to develop its heavily forested (and sparsely inhabited) interior. However, China's growing role in Suriname has not occurred without tensions, particularly as the influx of immigrants has swelled the Chinese-descent population to some 40,000 (around 10% of the population). Civil society and political opposition groups, fearful that Suriname is merely transferring its former dependence on the Netherlands to China, also question the wisdom of the Surinamese government accepting such large loans from China. The government defends growing ties with China as an opportunity to boost and diversify trade and foreign direct investment.

The mega-project offer comes within the context of a rapid approximation between Suriname and China. Diplomatic relations between the two countries were formally established in May 1979, although the following decades brought little concrete cooperation. Ellis (2012) notes that, as China's involvement in Suriname grew in the 1990s, it did not follow the trade-centered pattern as in the rest of the region, concentrating instead on transportation infrastructure. In 2011, only 2.4% of Suriname's exports went to China (*versus* 32,6% to the United States and 22% to Belgium); Chinese imports to Suriname made up about 12.7% of the total, *versus* 33.6% from the United States and US\$20.7 from the Netherlands (MRE, 2013). In 1998, the Surinamese government signed a Memorandum of Understanding with China's Dalian to pave 270 km of roads. Despite some resistance from the political opposition, the project was completed in 2003, and Dalian was subsequently contracted for a number of other infrastructure projects, most having to do with road rehabilitation. Dalian now has gravel mines and works on 8000 public housing units, financed with a loan from China Exim Bank (Taiwan offered to implement the same project in an unsuccessful bid for diplomatic recognition, but it was rebuffed by the Surinamese government). These projects have been accompanied by cooperation initiatives in other areas, including education, agriculture, and tourism, as well as some military assistance (Embassy of the People's Republic of China in the Republic of Suriname, 2009). In their efforts to boost cooperation ties with Suriname, Chinese diplomats frequently note the historical links between the two countries, noting for instance that many Surinamese politicians are of Chinese descent, including Bouterse (Yuan, 2010).

Geographically, China's infrastructure projects and proposals for Suriname have focused on the coastal plains, where the population, existing infrastructure, and most economic activity are concentrated. But China's interest in Suriname's interior, which is almost entirely covered by pristine rainforest, has been growing, especially given the country's timber and potentially large reserves of minerals. Since 2007, when Vice-President Ram Sardjoe visited China, Suriname and China have signed several loan agreements to undertake more ambitious projects related to port and road infrastructure, including plans to enhance access to the interior. Chinese companies are also interested in expanding Surinamese timber exports to China. In September 2011, the two countries signed additional cooperation agreements covering loans and

grants, which mentioned that the China Development Bank was studying funding for infrastructure projects (Ministry of Foreign Affairs, 2011). During President Xi Jinping's June 2013 visit to Central America and the Caribbean, which included a stop in Trinidad and Tobago, he was expected to hold bilateral talks with Bouterse (among other heads of state from CARICOM countries) on topics that include infrastructure.

Projects proposed so far are ambitious in scope. As part of a cooperation deal signed in 2010 with Cheng Dong International and China Harbour, Chinese companies have proposed to build a new deep sea port in the Caribbean and to link Paramaribo with Manaus via a road and railway. The agreement also includes an enormous sea dam that would stretch from Albina to Nickerie, with bridges crossing the Corentyne and Marowijne into neighboring French Guiana and Guyana, respectively (Martinez McGough & del Rio, 2012b). The project is touted as potentially transforming Suriname into a significant hub for marine transport (at the moment, most large shipping companies, including those taking commodities from Brazil to China, bypass Suriname altogether). As for the North-South road and railway link running into the interior, it would serve as a major national integration route, particularly as it would transverse the two East-West roads being upgraded. However, falling commodity prices may change the importance accorded to Suriname, including the cost benefit of such large-scale projects. Moreover, as the next section of this article explores, the North-South road's potential for international integration would depend not only on the feasibility of the project on the Suriname side, but also on the level of interest on the part of the Brazilian government and private sector partners, especially construction companies- a key question, considering the economic and environmental challenges that such a project poses.

BRAZIL'S GROWING INTEREST IN SURINAME

Suriname and Brazil share a border in a region that is of national strategic importance to both, due largely to the difficulty of patrolling such a densely forested area. During the late Cold War, Suriname became a security concern to Brazil's military regime. In 1983, the government of General João Figueiredo (1979-1985) sent a high-level mission to Suriname, led by General Venturini, to offer political, military, and economic assistance. The package offer was an attempt to prevent Bouterse's regime from deepening

ties with Cuba (Domínguez Avila, 1983). Thereafter, Brazil's engagement with Suriname waned; during the following two decades, trade between the two countries remained insignificant. Recently, however, commercial exchanges have been expanding rapidly, surging from US\$10.7 million in 2002 to US\$62.1 million in 2012. Nevertheless, this trade is still small. In 2012, Brazil accounted for no more than 0.1% of Suriname's exports and 4.1% of its imports (MRE, 2012). Commercial flows between the two countries are hampered in part by the difficult terrain and the lack of direct transport routes. Around 95% of the total bilateral trade volume is transported by sea (FUNCEX, 2010).

For the Brazilian government, this surge in trade is part of a broader attempt to enhance economic, political, and security integration in South America, including the Guyanas shield countries, which Brazil views as South American rather than Caribbean (Farias, 2000). The Brazilian government has begun calling Suriname a "strategic partner" (Agostine, 2009), and recent talks have encompassed energy cooperation, particularly given Suriname's hydroelectric potential and oil prospects. Since 2011, Brazil has been cooperating with Suriname's Ministry of Natural Resources and the Anton de Kom University of Suriname to map the geology of the Brazil-Suriname border, a sign of interest in exploring the minerals potential of the area. In addition, there are political considerations. During his Senate confirmation, Brazil's ambassador to Paramaribo suggested that Brazil should take advantage of the opportunities opening up as Suriname expressed its intention of becoming closer to other South American countries and just as the Netherlands distanced itself from its former colony (Comissão de Relações Exteriores do Senado, 2011).

A February 2013 meeting in Brasília between Brazil's Foreign Relations Minister, Antonio Patriota, and his Suriname counterpart, Winston Lackin, covered topics in education, health, and agriculture, and electricity, as well as political issues such as the Brazil-CARICOM Summit (Ministério da Defesa, 2012). Brazil has also been stepping up defense cooperation with Suriname for Amazon surveillance and drug trade prevention (there is some concern that Suriname may serve as a transshipment hub for cocaine and other drugs from South America, and that the jungle areas are vulnerable to infiltration by the Colombian Revolutionary Armed Forces of Colombia, or FARC). Trafficking in persons to and from Suriname is yet another shared concern, though the government has established an anti-

trafficking commission to tackle the issue. Brazil's broad strategic interests are also reflected in the growing bilateral cooperation in defense, with Brazil refurbishing combat vehicles in Suriname's Armed Forces and stressing the need to involve Suriname in the integration of South American defense (Carvalho, 2011).

Finally, the Brazilian government has an interest in helping to ensure the safety of the roughly 18,000 Brazilians in Suriname, many of which entered the country illegally to dig for gold. In 2009, violent riots broke out in Albina (a base for gold diggers prospecting in the area) between the local Maroon population and gold diggers that included Brazilian, Chinese, Colombian, and Peruvian citizens after a man was allegedly stabbed to death by a Brazilian. The Brazilian government sent a diplomatic mission to aid the Brazilians, and the event resulted in the evacuation of Brazilians and Chinese from the area.

As for China's plans for the Paramaribo-Manaus road and railway, there is so far no expression of interest on the Brazilian side. Despite talks on infrastructure integration through the Amazon after Bouterse's election, no headway has been made. Brazil's National Development Bank (BNDES), which finances SSC in many other countries in the region (including projects being carried out by construction companies) has no bilateral projects in Suriname, nor known plans to finance such a direct transport link. Brazil's "Arco Norte" project aims to link northern Brazil with the three Guianas, but in a roundabout way, with the road re-entering Brazil and ending at the mouth of the Amazon river in the state of Amapá. In July 2009, the Brazilian Army Engineer Corps completed a 230-meter bridge over the Takutu river, but this integrates Brazil with Guyana rather than Suriname. In 2012, a second bridge was completed, linking Brazil and French Guyana across the Oiapoque River.

Moreover, the large infrastructure incentive package launched by President Dilma Rousseff seems to focus more on national infrastructure development than on regional integration. Although it includes plans to modernize and expand the terminals at the port of Manaus, there are no plans for a road or railway from Manaus to Suriname. Brazil's limited (if any) interest in a direct connection to Suriname is a result of multiple factors. *First*, such a road would cut across a significant swatch of virgin rainforest, raising environmental concerns. The proposed route would run in or near areas that have been set aside as national parks or reserves,

including the Central Suriname Nature Reserve, a World Heritage Site, and Brazil's Tumucumaque Park, the world's largest protected continuous area of pristine rainforest. Despite growing interest by private sector actors (including Brazilian companies) in exploiting Amazon resources, civil society entities on both sides of the border have been vocal opponents of major infrastructure projects, including roads that would create incentives for illegal logging, deforestation, and minerals extraction. Near the border with Suriname, the only Brazilian road is a small, unpaved service route for the Kayapó indigenous villages (DNIT 2012). Environmental activists are strongly opposed to paving the Amazon stretch of BR-163, a 1780-km road stretching from Mato Grosso, in Cuiabá, to Santarém, west of Manaus, that was built (with lasting environmental consequences) by the military regime in the 1970s.

Second, along with environmental risks are the prospects of exacerbating social tensions. Enhanced accessibility of these remote regions would allow for prospecting and extraction of minerals. While, on the one hand, such activity might contribute to both countries' economic dynamism, the extraction would be conducted in remote areas where, as history has shown, curbing illegal logging and prospecting is extremely challenging. The influx of more illegal migrants may also add more tension to an ethnopolitical scene that is already among the most complex in LAC. In 2009, a network of Amazon indigenous groups issued a declaration denouncing IIRSA's Guiana Shield Resolution as "responsible for the genocide of indigenous peoples and the depredation of forests" (Forest Peoples Programme, 2009). The Brazilian NGO Institute for Indigenous Research and Capacitation (*Instituto de Pesquisa e Formação em Educação Indígena* - IEPÉ) has been working to build a network of indigenous groups across the Guianas Plateau, including groups in Brazil, French Guyana, and Suriname. A cross-Amazonian corridor would thus encounter resistance from civil society groups on both sides of the border.

In addition to provoking new tensions, by enabling movement across the border, such a land link could also enable trafficking of drugs and people. Finally, it is unclear that a road and railroad linking Manaus and Paramaribo would in fact reduce the cost of cabotage sufficiently to justify the costs of building such a link. Another Amazonian road project being implemented -the "Road to the Pacific", intended to link the Brazilian

Amazon to coastal Peru- has been criticized for being too long and sinuous to become a major corridor for transporting soy, iron ore, and other Brazilian commodities to the Pacific for export to Asia (Carvalho, 2011). The cost-benefit analysis for such a project would have to take into account not only political and social risks, but also weigh the economic pros and cons given the distances and terrain involved.

CONCLUSION

SSC has the potential to transform Suriname's transportation infrastructure and, more broadly, the country's economy, but it would require both significant funding, careful examination of the risks involved, and considerable stakeholder coordination. The completion of a Suriname-Brazil corridor proposed by Chinese companies, with backing from the Chinese state, seems improbable, as it would depend not only on overcoming hurdles on the Surinamese side, but also on securing Brazilian commitment to the plans. It is possible, then, that present Chinese interest in this area is more about enhancing access to the interior of Suriname -and developing the extraction of its natural resources and their transportation via the Caribbean- than about facilitating long-distance trade via the Amazon. Even if only the Surinamese stretch of the corridor is completed, the Chinese mega-project may have a dramatic impact on the country's economy, demographics, and environment, with probable spillovers into the political domain.

As for the mismatched plans for Suriname seen in IIRSA and in bilateral cooperation agreements, new questions arise about how to coordinate their divergent plans. While some of the projects being proposed for Suriname might not be incompatible or mutually exclusive, they are clearly based on a different calculus of the country's strategic importance, regional role, and domestic politics. While lack of coordination is not specific to SSC, this phenomenon needs not be accompanied by the same level of "donor fragmentation" that has characterized so much development assistance.

More specifically, the mismatch between multilateral and bilateral integration frameworks observed in the Suriname case highlights the need for national governments and associated stakeholders in Suriname (and, more broadly, in LAC) to better coordinate

regional and national infrastructure frameworks with the bold bilateral cooperation initiatives being put forth. Without such coordination, Suriname runs the risk of either not maximizing the potential of strategic infrastructure investments (for instance, by failing to plan for intermodal integration), or of endorsing projects based on short-term economic interests rather than long-term sustainability.

More broadly, the need to rethink integration coordination in light of surging SSC is all the more important because, although China and Brazil

have become especially active in their international cooperation, they are far from being the only SSC providers playing larger roles in LAC, including in the the Guyanas Shield. Russia, India and Iran have all started new cooperation projects in the area, some of which could also be characterized as mega-projects. Finally, the stress on heavy infrastructure promoted by emerging SSC alliances, including the BRICS grouping (whose planned BRICS Development Bank is being designed primarily to fund major infrastructure), may demand a new degree of preparedness, negotiation, and risk analysis by SSC recipients in LAC. ♦

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ENERGY SECURITY AND BINATIONAL COOPERATION: A CASE STUDY OF THE ITAIPU DAM

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This article aims not only to review the literature about South-South Cooperation (SSC) on energy matters, but also to understand it mainly from the perspective of the countries of Latin America and the Caribbean (LAC). It argues that there are many benefits and barriers to the development of physical energy integration in the subcontinent, focusing on the case study of energy cooperation between Brazil and Paraguay, concerning the Itaipu Dam. Thus its main goal is to discuss the threat of cancelling such cooperation after Paraguay's temporary suspension from MERCOSUR and UNASUR in the second half of 2012. We thereby intend to highlight the relevance of this binational project for both countries, which currently calls for urgent national policy interventions. It is also important to emphasize that, as this is a current diplomatic problem that can directly affect energy security in the region, this work is not only of academic importance, but is mainly a policy-based approach that requires further analysis.

INTRODUCTION

It is easy to see why the rapid and sustained economic growth seen in many developing countries over the last decade has led to their emergence as partners in international cooperation and driven the development of South-South Cooperation (SSC), usually involving the sharing and creation of new knowledge, mutual learning, increased ownership in building solutions, and the development of new creative practices among countries in the South.

When we look at the reality of Latin America and the Caribbean (LAC), we see that they share a common history, as well as present-day concerns due, for example, to similar economic endowments, social-political structures, shared geographies, cultures and languages. Yet precisely because of these difficulties LAC countries have mutual opportunities (e.g. investment agreements) that are often easier to tackle, being based on lower costs at a regional level through collective South-South action. Therefore, as a result of their similar structures, countries can share experiences and capabilities to find collective solutions to their issues.

Given that special care is required where energy is concerned because, unlike all other goods and services, it permeates all socioeconomic dimensions, Latin America's physical (energy) infrastructure deserves special attention and accurate research in order to help underdeveloped regions by giving them greater autonomy. As the largest and most significant case, the Itaipu Dam,¹ and the current conflict between Brazil and Paraguay are the reasons behind this article.

This paper is not only of academic importance, but is primarily a practical, policy-based approach. We set our discussion of regional energy integration within the debate over the development of these two countries. While the discussion of energy potential, socioenvironmental sustainability, and political issues covers a vast multidisciplinary literature, the current diplomatic problem involving Paraguay's suspension from MERCOSUR and UNASUR requires deeper investigation. The issue therefore forms the main focus of this article.

Where policy is concerned, we review the literature and theoretical discussion of the benefits for Brazil and Paraguay once the Itaipu Dam was built and the two countries could use its electricity. We then carry out a strategic survey to help bring this aspect of energy cooperation into clearer focus, and assess its prospects.

The article is structured as follows: first, we briefly review the literature on energy integration and cooperation in LAC, and analyze its main benefits and obstacles; the second part is a case study on the Itaipu Dam (a benchmark in the literature on Latin American energy integration) based on reward matrices (Game Theory) that illustrates the risks associated with this diplomatic issue between Brazil and Paraguay; the third part sets out the main conclusions.

A BRIEF REVIEW OF ENERGY COOPERATION AND INTEGRATION IN LAC

According to ECLAC (2009, p. 1), "Regional integration is the process by which diverse national economies seek mutual gains by complementing one another more", and can be divided into three different types: (i) economic and trade integration; (ii) political integration; and (iii) physical integration. Although the latter is less found in the literature, it is important to have in mind its intense relation to the other two first ones, as well as its direct impacts on socioeconomic development.

Special care is required where energy is concerned because, unlike all other goods and services, it permeates all socioeconomic dimensions (Bertinat & Arelovich, 2012, p. 13). And precisely because of its specificity, physical (energy) infrastructure in Latin America deserves special attention and detailed investigation, helping to overcome underdevelopment by bringing greater autonomy to such countries.

Against this background, this paper focuses on the third definition of regional integration -physical integration- and the reality of South American energy in the light of spillover effects.

BENEFITS

It is well known that South American energy integration:

¹ The Itaipu Dam was built during the 1970s and 1980s, and is now fully operational.

“(…) has been discussed for over three decades. Originally, the initiatives emerged in the context of important government participation in energy companies. During the 1990s, energy integration plans were given new impetus, with a focus predominantly on liberalism and covering a larger territory: the entire continent” (Bertinat, 2008, p. 21).

We must then be mindful that not only has there been a diversion of policies relating to the progress of South American regional integration, but above all, an incorporation of new actors in this realm, as well as a restructuring of the economic logic. In light of the strategic change in this sector, the main benefits relating directly and indirectly to its progress are as follows.

First, we have to remember that the idea of energy integration between many countries and/or regions allows them to explore complementarities, optimizing the use of resources (Fiorotti Campos *et al.*, 2010, pp. 168, 177). Following Weintraub *et al.* (2008), production costs would then fall for participating countries, directly affecting the demand for such resources. Moreover, assuming that there is a pressing need to promote energy security (Yergin, 2006) at competitive prices in the region, such action would guarantee the search for mutual benefits, while also bringing productivity gains from the increased scale (Samek, 2011 *apud* Castro *et al.*, 2012).

According to ECLAC (2009, p. 2), the main benefits relating to South American energy integration could be represented by its relationship with current economic, trade, and political integration, and its great potential for future unity, peace, and regional development, while also reducing asymmetries and enhancing social equity. Furthermore, fixing common bottlenecks and decision making processes based on mutual gains are defended by ECLAC, as is the important role of developing this sector’s integration in the medium to long term.

Also, for Castro *et al.* (2009; 2012), it is possible to explore the synergies arising from hydrological complementarities, and reduce electricity systems implementation and operating costs, as well as the mutual use of natural resources (economies of scope and scale) and a more efficient, better quality service supply. Oxilia Dávalos (2009, p. 34) highlights the fact that South American energy integration allows countries to “overcome conflicts among themselves through coordinated and cooperative policies” in order to explore many possibilities of public and private

funding, and also to take advantage of numerous tariff incentives (*Ibid.*, pp. 46; 90; 94).

Nevertheless, there are those who contend that “there are ample integration² opportunities, even if there is historical mistrust among nations. Some countries, for example, are unwilling to export electricity to their neighbors or accept outside mediation to resolve their conflicts” (Weintraub *et al.*, 2008).

There are clearly then many reasons to invest and believe in potentialities and positive externalities where the development of energy integration in South America is concerned.

BARRIERS

While there are numerous benefits that arise from the development of South American regional integration, there is a trade-off between these benefits and the nations’ sovereignty,³ specifically in terms of self-sufficiency and energy security. Therefore, given the current context in South America, we can see that there are still obstacles to regulatory and institutional issues, shortages of funding, and important regional asymmetries.

Castro (2010) has estimated that only a small part of South America’s hydroelectric potential is being used, often affected by variations in climate -especially in the case of hydroelectric plants. Moreover, technical problems and regional case of peaks in the use of electricity complicate mutual planning and jeopardize regional energy security (Castro *et al.*, 2009; 2011; 2012).

Other specialists in this field, like Moura *et al.* (2012), highlight the nations’ “selfishness”,⁴ when considering “one-way” exchanges, meaning that only unilateral gains would prevail in bilateral cooperation. On the other hand, Udaeda *et al.* (2006) and Castro *et al.* (2012, p. 6) assume that institutional and regulatory asymmetries, which make it difficult to standardize

² Considered “the best substitute for energy cooperation”.

³ A common dilemma found in discussions on regional, not just physical integration.

⁴ While taking into account the critique of the personification of agents and structures, as well as the risk of homogenizing the parts.

norms and patterns, therefore jeopardize the goal of the countries' energy integration itself.

Such matters, however, are very closely related to "loss" of sovereignty and increased political distrust among countries (Mariano, 1995; Silva, 2008), whose sectoral policy -and often their macro- and microeconomic policies too- is affected by their commitment to uphold the integrationist project. So, the lack of mutual planning (no public or private interest) and the focus on binational ventures interfere with conceiving and imagining the energy sector beyond national borders, locking them up in national logic at the expense of a supranational conception (Bertinat & Arelovich, 2012; Castro *et al.*, 2012; Costa & Neto, 2007).

Against such a background, it is extremely important to keep in mind Oxilia Dávalos's view (2009, p. 145) of the legal-institutional framework. Hence it is hard to achieve convergence among South American countries in energy issues. Economic, legal, and institutional implications aside, we can see that:

"the criteria promoting regional energy integration [...] basically follow the concern to maximize the corporate profitability of companies in this sector, rather than a concept of integration that guarantees people's welfare and safeguards natural resources. This assumption has created a vulnerable energy model that also concentrates resources". (Bertinat, 2004, p. 52).

So, the obstacles to Latin American energy integration are bound up with a broad range of issues that intentionally or implicitly definitely limit further development.

THE CASE OF THE ITAIPU DAM

The building of the Itaipu Dam ended a long-term diplomatic impasse involving Brazil and Paraguay, especially during the 1960s (Souza, 2005). The problem was to do with the ownership of land in the Salto de Sete Quedas region. However, since 2012, a new diplomatic threat has jeopardized the continuity of such cooperation between the two countries where energy integration is concerned. The former Paraguayan President, Fernando Lugo, was impeached by the country's Congress in a swift maneuver that led to Paraguay's suspension from the Southern Common

Market (MERCOSUR) at the Mendoza Summit in Argentina, June 28, 2012.⁵

In fact, after President Lugo's impeachment, current president Federico Franco also threatened the Brazil-Paraguay transaction regarding the purchase and sale of Paraguay's electricity surplus. In Franco's view, "the [Paraguayan] government's decision is clear and we will not keep on giving away our electricity". He added, "notice I use the word 'give away', because that's what we've been doing: we've been giving away our electricity to Brazil and Argentina,⁶ not selling it". While the Paraguayan government has questioned the traditional method of setting prices, we must remember that these were set by bilateral agreement, but have increased sharply throughout Lugo's mandate: the price paid by Brazil has increased threefold (Brazilian Representation in the Parliament of MERCOSUR, 2009). It has also been agreed that a 500 kilowatt transmission line is to be built between Itaipu and Asunción, what would leverage the electricity usage of Itaipu power plant in Paraguay.

In compliance with the 1973 agreement, each country was entitled to half the total energy produced by the Dam. But, as Paraguay uses just five percent of its share, the surplus is sold off to Brazil. Even at the risk of raising demand by building this transmission line, the Brazilian director of Itaipu, Jorge Miguel Samek, has said that, during a meeting in July 2012, Franco gave assurances that "everything was normal". Samek went on to say, "It is clear that, if they (Paraguay) consume more electricity, there will be less (electricity) available for Brazil [...]. Everything regarding this point is very well explained in the contract". (Veja, 2012).

Where tariffs were concerned, the increase in which is influenced by the Paraguayan government, the Brazilian Electricity Regulatory Agency (ANEEL) decided at the start of 2012 to keep it at US\$24.88/kW per month, the same price as for 2011. For 2013, ANEEL decided to raise the tariff to its current price of US\$26.08/kW per month. The tariff is allocated to 31 Brazilian distribution companies (a 4.81% increase) (ANEEL, 2012). According to Paraguay's latest Energy Balance Sheet (BEN), exports to Brazil through Itaipu

⁵ On June 29, 2012, the Union of South American Nations (UNASUR) also suspended Paraguay, confirming its temporary suspension on August 15, 2012.

⁶ With the Yacretá Hydroelectric Power Station.

in 2011 were 3.24438 billion TOE (6.5% up on the previous year), accounting for 78.8% of total energy exports in 2011.

On the subject of the tariff,⁷ Attachment C, paragraph III.8, of the 1973 Itaipu Agreement sets the price of one gigawatt-hour ceded to the other party is to be US\$300.00. However, in 1986, when the Dam's first turbines began to turn, the Brazilian government decided to add a multiplier to this basic price. There is, then, clearly strong pressure from the Paraguayan government for a higher tariff. ANEEL is responsible for setting the new multiplier every year in Brazil.

It is also important to stress that the Brazilian Minister of Mines and Energy (MME), Edison Lobão, has declared that the shift in the Paraguayan government's position should not significantly alter the two countries' relationship in terms of Itaipu electricity usage. In Lobão's view, the Itaipu Dam is "nearly autonomous" and its board is made up of an equal number of directors from each country. In his own words, "selling electricity from Itaipu is regulated by an agreement and cannot be altered, unless the Paraguayan and Brazilian parliaments⁸ approve it. Even if the Paraguayan Congress changed something outrageously, it would not be approved by the Brazilian Congress", he said during a meeting of the National Council for Energy Policy (CNPE) at the end of June 2012.

Energy integration between the two countries implies optimal shared usage of the resources (water from Paraná River), simultaneously turning these natural resources into financial ones. Moreover, the project is aligned with the need to promote energy security at competitive prices in the region, increased reliability being seen together with productivity gains originating from the increased scale (Samek, 2011 *apud* Castro *et al.*, 2012).

As shown in *Table 1*, the Itaipu hydroelectric plant is the largest power plant in both South America⁹ and the world.

Even taking into consideration the fact that physical integration in South America has lately gained ground and acceptance in political agendas throughout the region, it has to be acknowledged that there are numerous weaknesses, and theoretical and practical gaps in this approach. *Table 2* shows that such failures are responsible for the low hydroelectric potential used by various different countries in the subcontinent and are often suffused with delicate geopolitical and historical issues.

Nevertheless, the table shows the specificity of Brazil, Paraguay, and Uruguay in terms of the usage of their own hydroelectric potential. The following graphs, on the other hand, show that each country has a "role system" and is either a big importer or exporter of electricity in the region. In terms of Itaipu's relative importance for Paraguay and Brazil, *Figure 1* and *Figure 2* also show that the latter imports about 76% of the electricity produced in the subcontinent, while the former exports about 89%. This represents an extremely significant proportion of what the Itaipu Dam produces.

Under the 1973 Itaipu Agreement, Brazil has preference in purchasing the electricity surplus from Paraguay, which consumes just 5% of its legal share of electricity produced by the Itaipu Dam (50% of the yearly total). Consequently, Itaipu is responsible for 17% of the electricity consumed in Brazil and 73% in Paraguay, proof of the Dam's major economic importance for both countries.¹⁰ *Figure 3* below shows the growth of hydroelectric production in the subcontinent (left axis) against the number of installed power plants (right axis) in the period from 1984 until 2011.

When the Itaipu Dam delivers electricity to the connection points, which are part of the Interlinked System, onward transmission to centers of consumption is performed by *Furnas Centrais Elétricas* in Brazil and the National Electricity Administration (ANDE) in Paraguay. However, these two agencies are only a few

⁷ See Brazilian Representation in the Parliament of MERCOSUR (2009) and Subsecretariat of Information of the Federal Senate (1973).

⁸ It must also be remembered that the purchase of Paraguayan surplus is established by contract, as part of the loan Paraguay was to receive from Brazil to pay off its debt from the building of the Itaipu Dam.

⁹ The Itaipu Dam's slogan is "The world's largest generator of renewable clean energy". See *Itaipu. Energy*.

¹⁰ See *Itaipu. Energy*.

Table 1**POWER PLANTS IN SOUTH AMERICA**

Ref.	Countries	Designation	River	Installed Capacity	Observations
A	Br-Py	Itaipu	Paraná	14,000 MW	Operating
B	Ar-Uy	Salto Grande	Uruguay	1,890 MW	Operating
C	Ar-Py	Yacretá	Paraná	3,200 MW	Operating
D	Ar-Br	Garabí	Uruguay	1,500 MW	Under analysis
E	Ar-Py	Corpus	Paraná	3,400 MW	Under analysis

Source: CIER (2010).

Table 2**HYDROELECTRIC POTENTIAL IN SOUTH AMERICA (MW)**

2009

Countries	Potential (MW)	Installed Hydroelectric Capacity (MW)	Used Potential (%)
Argentina	40,400	9,940.0	24.6%
Bolivia	40,000	1,500.0	3.8%
Brazil	143,000	74,360.0	52.0%
Chile	25,156	4,943.0	19.6%
Colombia	96,000	8,996.0	9.4%
Ecuador	30,865	2,033.0	6.6%
Guyana	7,600	0.5	0.0%
Paraguay	12,516	8,130.0	65.0%
Peru	58,937	3,242.0	5.5%
Uruguay	1,815	1,358.0	74.8%
Venezuela	46,000	14,567.0	31.7%
<i>Total</i>	<i>502,289</i>	<i>129,069.5</i>	<i>25.7%</i>

Source: Report of Energetic Statistics (OLADE, 2010) and CIER (2010).

of the ones involved in the process, which also relies on civil society, construction companies, and political lobbies from the two countries.

However, we must also be mindful of the possibility of interrupting cooperation between Brazil and Paraguay, as occurred in 1965, when the dialog between the two countries suffered a setback (due to Brazilian military troops in the region) just after the two countries had committed to joint electricity production in 1962 for the first time. Nevertheless, assessing the issue and

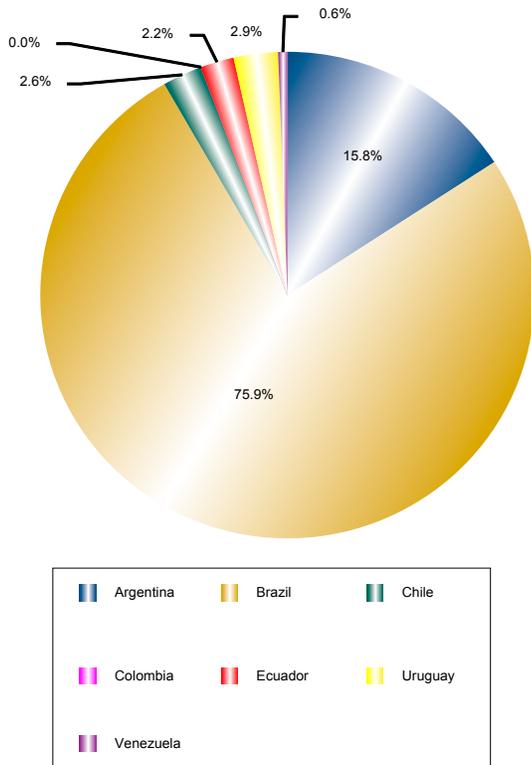
presenting a systematic strategic study is aimed at preventing a similar situation occurring again.

ITAIPU CASE THROUGH GAME THEORY

Such a conflictive situation as above can be understood through a game theory reward matrix and can at once be classified as the following games: (i) Non Zero-Sum Game: rewards are not

Figure 1

ELECTRICITY IMPORT SHARES, PER COUNTRIES IN SOUTH AMERICA
In percentage, 2009



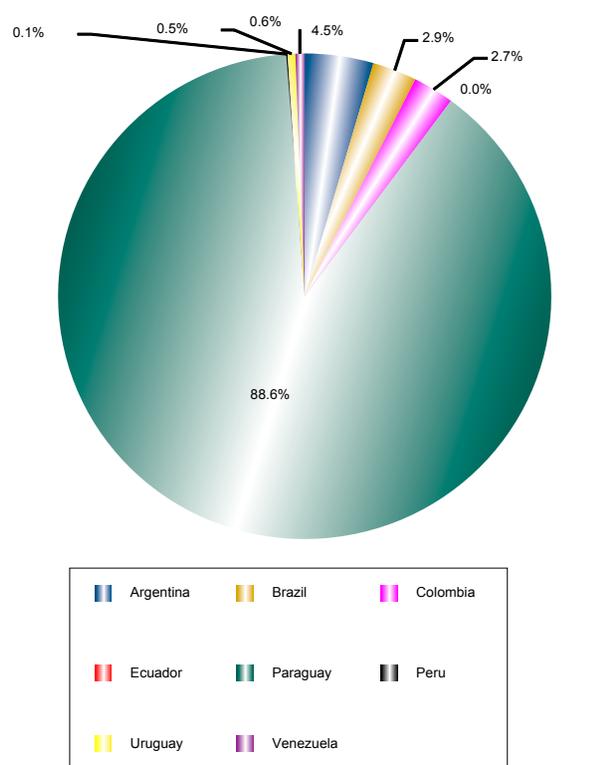
Source: CIER (2010).

always opposite, and there can be a sum different than zero in at least one case (Arvelos, 2009); (ii) Dynamic: considering political and diplomatic impasses since the start of the use of Paraná River, the game can be considered dynamic because it can be represented in its extensions to explicitly show the players' possible moves and the sequence in which they occur; (iii) Perfect Information: seeing it as a sequential game, both countries know all the information before making their decision; and (iv) Mixed Strategy: neither of the countries know each other's decision on making their decision, but can only consider associated probabilities for each option (Davis, 1973).

The game between the two countries could, then, be represented as in *Table 3*.

Figure 2

ELECTRICITY EXPORT SHARES, PER COUNTRIES IN SOUTH AMERICA
In percentage, 2009



Source: CIER (2010).

Table 3

REPRESENTATION OF THE BRAZIL-PARAGUAY GAME *

	Paraguay	C	NC
Brazil			
C		(3,3)	(1,2)
NC		(-1,2)	(-3,-1)

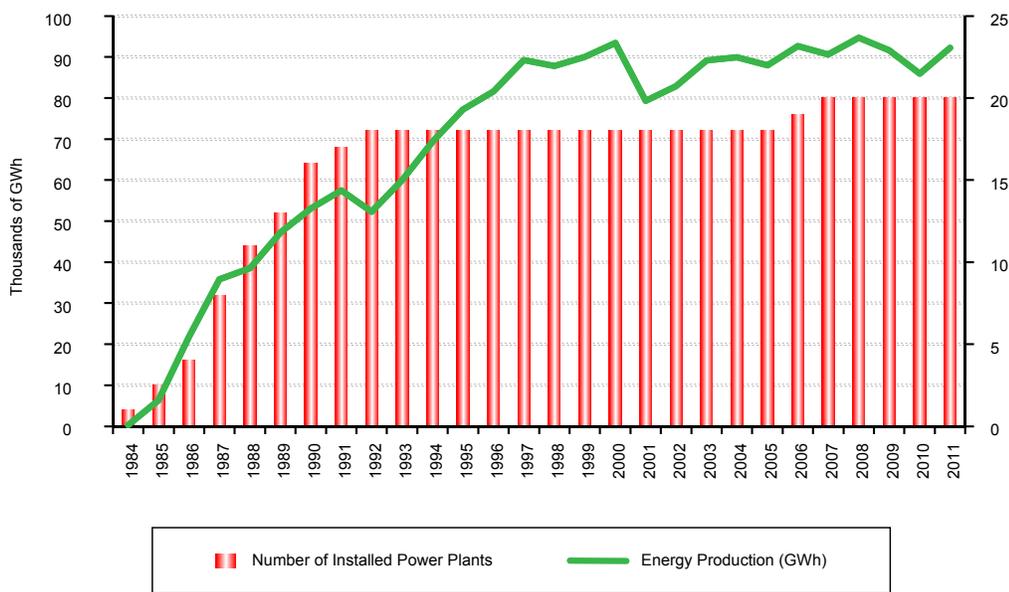
Notes: * The reward values are fictitious and, therefore, merely for representation. C = Cooperation; NC = No Cooperation.

Source: Author's elaboration.

Thus, given arbitrary numbers and the fact that Brazil's strategies are dominated by cooperation, we

Figure 3

HYDROELECTRIC PRODUCTION (GWh) VS. INSTALLED POWER PLANTS



Source: Based on <http://www.itaipu.gov.br/energia/producao-ano-ano>.

begin with a game theory scenario that shows the extreme outcomes that can be reached:

1. Brazil and Paraguay cooperate: a Pareto-optimal situation, because it is the best possible situation for both countries, while also being a Nash equilibrium, since each country gives its best response, taking into account the other country's expected response (Fiani, 2006). The generation, distribution, and prices of Itaipu's electricity are derived from a bilateral agreement between Brazil and Paraguay, and this agreement is still operating. Moreover, both countries depend on the continuity of this cooperation, due to the income from exports of Paraguay's electricity surplus and Brazil's need for imports. Brazil's strategies are dominated by cooperation. Having said this, given the premise of perfect information, Paraguay should also choose to cooperate, as Brazil's strategies are known;
2. Neither Brazil nor Paraguay cooperate: the worst case scenario, since Brazil would have to import electricity from other countries with a surplus, probably at higher prices, or else would have to fall back on non-renewable, polluting thermoelectric plants; Paraguay, on the other hand, would have no destination for 45% of Itaipu's electricity production and would make a considerable loss.¹¹ Apart from being the worst for both countries, this alternative seems to be unlikely given the importance for the Brazilian government of purchasing the Paraguayan surplus, and for the Paraguayan government,

¹¹ The announcement made by the current Paraguayan president, Federico Franco, about cutting off the electricity surplus for Brazil (and Argentina), is still awaiting the vote in the Parliament. To justify this step, Franco claims that "we will use this electricity throughout developing areas in Paraguay". See Giraldi (2012).

the impact on its balance of payments of selling its surplus.¹²

As we can see, the Cooperate-Cooperate (C-C) strategy is not only the most interesting for both countries, but is the dominant strategy, representing the best outcome no matter what the other player's decision may be. It therefore shows a Nash equilibrium, in which neither player increases their gains by unilaterally changing their strategy. It is therefore the rational outcome of this game.

Should one of the countries unilaterally and simultaneously change its strategy (C-NC or NC-C), neither country would profit from the decision and would achieve smaller payoffs. On the other hand, while, according to game theory, the NC-NC outcome may not be justifiable due to the payoffs, it would be possible in the real world, since the information is not perfect and the players (countries) are not 100% rational.

CONCLUSION

Clearly, precaution is required when analyzing regional integration, either because of its complexity or because of the associated externalities involving other sectors of the two countries' economies. Even more precaution is needed when it comes to regional energy integration, as there is a great deal of specificity where energy resources are concerned. When it comes to studying regional energy integration in South America, concepts such dependency, underdevelopment, and politico-economic autonomy clearly have to be taken into account.

It is not only the qualitative analysis of the benefits and impasses of energy integration in the subcontinent, but also the quantitative analysis that throws up numerous opportunities to be seized, as well as barriers to be overcome. In this sense, for all that South American countries share similar colonial histories, there are still

strong and persistent asymmetries, not just economic and political, but social and institutional.

In the specific case of Itaipu, the relevance of such study is clear, especially when the role of Brazil's imports of Paraguay's electricity surplus produced by the Dam is taken into consideration. This has historically affected the energy dynamic between the two countries and also the relevance of this export in Paraguay's balance of payments.

Therefore, because it deals with an ongoing diplomatic question, the literature has not yet presented any in-depth studies in this field, regarding the new threat to Brazilian-Paraguayan cooperation. Having this said, it is our feeling that, in the context of energy security, it is important and necessary to fill this gap.

Thus, the above analysis using game theory shows that the optimal solution is for both countries to cooperate (CC), the main reasons being: (i) in the event of a non zero-sum game, both countries benefit from energy cooperation; (ii) Paraguay and Brazil would be respecting the rules established when the agreement was signed in 1973; and (iii) the diplomatic impasse involving Paraguay and Brazil would come to an end, preventing the issue from spreading to other countries as a means of retaliation.¹³

Thus, cancelling binational cooperation involves great risk for both countries, representing the second possible outcome of the reward matrix shown in the session "The Case of The Itaipu Dam". Such risks would not be only related to economic issues, but, above all, to politico-diplomatic issues associated with contracts and commitments signed right at the start of construction work on the Itaipu Dam. ♦

¹² According to ECLAC (2012), in 2011, Itaipu and Yacretá brought in US\$619.5 million in non-tax revenues, accounting for 2.4% of Paraguay's GDP. By increasing the tariff multiplier to 15.3, Paraguay will receive an additional US\$240 million per year.

¹³ Even because Paraguay threatened Argentina, saying they would like to review the tariffs of Yacretá.

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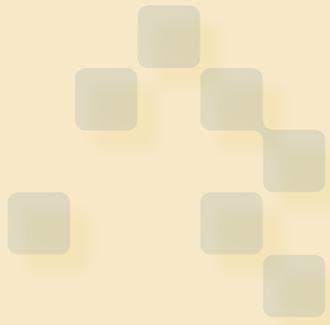
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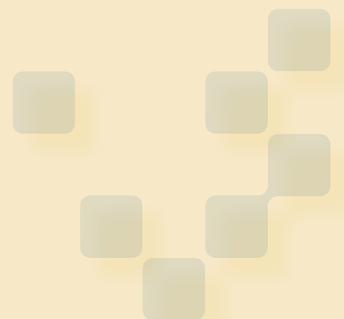
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I N T E R V I E W S



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- **The Presidential Agency for International Cooperation, Colombia, was created only a year ago. What led to the decision of setting up APC-Colombia back then?**

Different changes in the global dynamics of international cooperation; foreign policy decisions that led Colombia to seek a better insertion into such systems and to promote its best development practices in other countries, as well as the specific development challenges of a country that has turned into a middle-high income country, are among the reasons that led the Government to setting up the Presidential Agency for International Cooperation, Colombia (APC-Colombia), as a technical agent of international cooperation, to warrant a better management of the cooperation received and granted by the country.

Based on strategic cooperation processes headed by the Agency, we sought to consolidate Colombia's role as an important player in international cooperation, working in solidarity with its sister countries in this continent, and with other developing nations elsewhere in the world. With the creation of APC-Colombia, the new institutional structure of International Cooperation in Colombia aims at promoting the country's new role as provider of cooperation, given its strengths and best practices, and at helping to position the country in the international arena to move ahead in its goal to become a part of the Organization for Economic Cooperation and Development (OECD).

APC-Colombia was created in response to the challenges imposed by a changing scenario in international cooperation and development. At the same time, the new structure coordinates foreign policies, and the country's development and cooperation strategies. Furthermore, besides the international community, the Agency also coordinates the players of the National

System for International Cooperation, that is, the different Government sectors -at central and sub-national levels- and other important cooperation actors such as civil society, the academia and the private sector.

- **In which South-South Cooperation (SSC) activities is Colombia participating within the regional integration processes, such as the Pacific Alliance, the Mesoamerica Project and other global initiatives?**

Besides bilateral actions, Colombia's South-South Cooperation (SSC) is also taking place within the framework of regional dialogue mechanisms, in which the country participates together with other Latin American and Caribbean countries (LAC), and Asia. For instance, since 2012, Colombia has been actively partaking in the Pacific Alliance, within the academic mobility component, by offering 100 undergraduate and PhD scholarships to students of the mechanism's member countries. The same effort is being made by other member countries of the Alliance (Chile, Mexico and Peru). Likewise, the Alliance has made progress in other fields of cooperation, to support micro, small and medium-sized companies, in the exchange of best practices; and scientific research in climate change, creating a network of experts. The Alliance has other groups and technical forums from which other cooperation initiatives will certainly stem in the future.

Since 2010, Colombia has been developing the Regional Cooperation Programme with Mesoamerica that focuses on six areas (safety and security, social promotion, local governance, quality, support to micro, small and medium-sized companies and utilities). So far over 2000 people have participated and 74 activities were carried out (courses, training sessions, traineeships, workshops, etc.), with nine countries of the region. The programme currently has broad support from over 40 partners at the national and international levels.

Colombia is also very active in the framework of the Central American Project, which is targeted to member countries and where Colombia's participation stands out in areas such as infrastructure, competitiveness and social development.

The country has moreover consolidated other forums at which it shares its experiences at the regional level, for instance, the Cooperation Strategy with the Caribbean Basin countries, which has been in place since 2009, and that addresses topics such as vocational training, the environment, management of risk and culture. Likewise, since 2011, the country has been implementing a Comprehensive Safety Strategy in Central American and Caribbean countries, which is currently being extended to African nations.

The positioning of Colombia within the Forum for East Asia-Latin America Cooperation (FEALAC), as well as the initiative for strengthening bonds with countries such as Indonesia, Vietnam, Egypt, Turkey, Azerbaijan and Kazakhstan, through SSC dialogue, has allowed us to enhance new cooperation relationships with Asian, African and East European countries. At FEALAC, we are supporting the Seminar on Sports Diplomacy and Social Inclusion through sports, that will be held this year, and we are also leading a project to create and start up a Network of Scientific-Technological Convergence in the countries that make up this mechanism.

Furthermore, a Spanish-teaching initiative will be put in place for officials from Asian countries. Additionally, Colombia now has strategies for Southeast Asia, Africa and Eurasia that include cooperation activities in topics such as social promotion and protection, agricultural innovation, youth entrepreneurship, risk management and climate change, among others.

- **Which are APC-Colombia's partners in Latin America and the Caribbean for SSC and Triangular cooperation? Does it work with countries outside the region?**

In 2012, Colombia established cooperation bonds with 51 LAC, Asian, African and East European countries. It enhanced its relationship with China and India, and came into contact with 15 countries from the Asian, African and East European regions.

We have gradually positioned our strengths at the international level, which has led traditional sources of cooperation to view us as strategic partners to implement Triangular Cooperation Initiatives. We are currently working with Germany, Australia, Canada, Korea, U.S.A, Japan, multilateral banks and some of the United Nations organizations, to carry out cooperation activities for the benefit of the global south nations with which we have bonds in place. Likewise, we are exploring and implementing joint actions with Mexico and Chile, to favour third developing countries. Soon we hope to consolidate these partnerships and carry out new cooperation actions with other countries in the region and, possibly, with nations from other continents.

Colombia has partnered with other strategic players of international cooperation, such as the Inter-American Development Bank (IDB) -through the *Multi-Donor Fund for Regional Infrastructure Integration* and the *Biodiversity and Ecosystem Services Programme*- and with the World Bank -exchange of South-South experiences- to reinforce SSC actions. This is also allowing us to promote and exchange Colombia's best practices, even with countries that we stood apart from in olden times, because of the geographical distance that hindered better cooperation relationships in the past.

- **What specific sectors are of interest to Colombia for SSC?**

With a view to providing strategic guidance for the country's international cooperation, a 2012-2014 *National Strategy on International Cooperation (Estrategia Nacional de Cooperación Internacional - ENCI)* was prepared to establish priorities, for defining cooperation received by the country, and consolidate its strengths to offer collaboration to other countries. Colombia can offer cooperation in safety and violence prevention, conciliation and reintegration, promotion of productive development, good governance, social promotion, sustainable development, culture and sports. Most of these strengths are set forth in the country's regional strategies, and have been included in the pre-identification of working areas with countries elsewhere in the world.





JORGE DACCARETT (AGCI)

He is an Industrial and Civil Engineer, who graduated from the Pontificia Universidad Católica, Chile, and holds an MBA from the Universidad Adolfo Ibáñez. He is currently the Executive Director of the Chilean International Cooperation Agency (Agencia de Cooperación Internacional de Chile - AGCI). Before that, he worked for international companies and non-profits in Chile, Argentina and Spain, and is the founder of the ChileArab consulting firm. He has fostered business relationships between Chile and the Middle East in investment and trade, leading also a process of cooperation with Palestine from the Chilean-Arabic private sector, in health and education. Jorge Daccarett was advisor to ProChile and Uruguay XXI in the topic of Arabic and Islamic markets, and developed the Halal certification programme in Chile, together with SOFOFA and COFRO. From his position at AGCI, he has promoted Chile's role in South-South and Triangular Cooperation as a panelist at Chatham House and OECD, among others. He holds the international business Chair at Universidad de Los Andes and was a columnist for La Segunda newspaper.



● What led to the creation of the Chilean Agency for International Cooperation?

The Chilean Agency for International Cooperation (AGCI) was set up in 1990 to improve the quality of life of people and help to develop and integrate Latin America and the Caribbean (LAC), by sharing successful experiences and public policies.

Although for many years Chile was a full recipient of international cooperation, nowadays our country is a member of the Organization for Economic Cooperation and Development (OECD), and we have already been ranked as a middle-income emerging country. Our role is thus two-fold: we receive technical assistance in strategic areas and provide South-South cooperation.

The latter entails coordinating and implementing assistance that poses new challenges to us with a view to 2015. This will no doubt benefit the region as a whole. In view of the horizontal and reciprocal nature of South-South Cooperation (SSC) principles, Chile does not provide financial assistance but instead trains human capital and transfers knowledge and experiences in assertive, successful public policies that the recipient country adopts, and then replicates or scales up to third countries.

- **What are some of the South-South Cooperation (SSC) initiatives in which Chile participates?**

Chile's SSC focus is on developing programmes, projects and actions that foster the exchange of knowledge and the reinforcement of human capital as essential pillars of efficient, sustainable cooperation. In our region, we are a benchmark country for successful, flexible, adjustable and replicable public policies, which are highly valued by Latin American nations.

On the other hand, we are a central hub for triangular cooperation in our region, that is to say, that Chile appears as a platform to leverage financial and technical resources, attracting countries from Latin America and elsewhere to take part in the design and implementation of cooperation programmes and projects in aid of a third LAC country, thus generating synergy by tapping the competitive edge of all participating nations, and bringing in more complex and longer-term financing and management instruments.

The most highly demanded thematic fields of cooperation in our region are, *inter alia*: food security, social development programmes, poverty and social cohesion, gender, and trade openness.

- **What are some of the most successful development experiences in Chile that can be shared with other countries?**

Our know-how mainly lies in the coordination of projects in which our experience and the implementation by expert partners has allowed us to identify similar conditions in the recipient country. Chile has a cooperation model oriented to the requesting country's demands, with the participation of our country's public sectors, and the resources and experience of any of the partner countries, to set up a programme or project that will better meet the identified needs. In this regard, Chile has implemented several initiatives in many areas such as education, transparency, State management, health, sustainable development and the protection of renewable resources.

In the last few years, Civil Society players have also been brought into the game: TECHO, *América Solidaria* and COANIQUEM; the Academia, by participating in International Courses and the Training of Human Capital and, finally, the Private sector that, in terms of cooperation to Chile's development, is setting up a Public-Private Partnership.

- **Has the recently created Pacific Alliance considered the possibility of covering cooperation matters?**

The Pacific Alliance already includes cooperation on the basis of two components: Students Mobility and the Cooperation Fund.

With regard to the former, Mobility Scholarships within the Pacific Alliance cover Undergraduate and Postgraduate studies, with earmarked funds for 100 annual scholarships. With regard to the latter, the Agreement which is currently being negotiated among the four member countries will define the creation of a common fund that will be set up by the Ministers of Foreign Affairs, at the Pacific Alliance Ministerial Meeting this month. Such funds include resources for projects, programmes and cooperation activities, organization of joint studies, exchange of information, joint training activities, technical assistance, establishment of networks and any other modality agreed upon by its members.

An agreement was reached to address the following cooperation topics: Micro and Small Businesses; the Environment and Climate Change; Innovation, Science and Technology; Social Development; Student and Academic Exchanges, and Tourism. So far, three Pacific Alliance Cooperation projects have been approved and started up to support micro, small and medium-sized companies, as well as a Research Network on Climate Change, and Student and Academic Exchange Programmes.

- **Which are the most important SSC challenges?**

The main challenge is to include the new international cooperation architecture model that encompasses the private sector, the academia and civil society. We must all turn cooperation into a common “topic”, a shared commitment. Cooperation is a circumstantial instrument that benefits some players at present and will favour others in the future, and that helps to empower the most vulnerable countries so that they can act independently to meet their specific needs, with the support of other countries that have already faced similar issues. There are many needs overall, and private actors as well as civil society have long-standing experience in project implementation, within the different socioeconomic frameworks, adjusting resources and objectives to the current situation of the beneficiaries’ place of residence.





MARTÍN RIVERO ILLA (AUCI)

He holds a Master's in Development Studies and Public Policies, Institute of Social Studies (ISS), The Hague, The Netherlands, and an undergraduate degree in Political Sciences, Universidad de la República del Uruguay, where he teaches International Cooperation and Development. He has worked and been a consultant for several international agencies and institutions such as UNDP, IDB, UNICEF, IDRC and ILO. He is currently the Executive Director of the Uruguayan International Cooperation Agency (Agencia Uruguaya de Cooperación Internacional - AUCI); and since January 2012 has also held the post of Executive Secretary of the Ibero-American Program to Strengthen South-South Cooperation at SEGIB.



Photo: Nicolás Garrido. Courtesy of Seisgrados Magazine

● What is the role of Uruguay in Triangular and South-South Cooperation (SSC)?

Uruguay combines its role as a traditional recipient of cooperation with its incipient role as provider of South-South Cooperation (SSC). Although Uruguay is a small country, it believes in the need to work together with the rest of the international community to address common development challenges that each country must face, no matter its economic importance or size.

In this regard, although Uruguay faces significant pending challenges to consolidate the benefits of the economic growth it has achieved in the last few years, it has also learnt lessons that encourage the country to take on responsibilities in regional and global development. In its recent history, the Uruguayan state has had to innovate in its policies to face development issues, within a context of an international economic and financial crisis, the high cost of energy resources and its high vulnerability *vis-à-vis* the fluctuations of the world economy. This has led to a significant wealth of experiences and to building capacities at the public institutions in charge of social policies, management of the economy, provision of services and public infrastructure (health, education, water and sanitation), and technological innovation, among others.

Uruguay is making available to its bilateral and triangular cooperation partners, the lessons it has learnt and the capacities it has built into its public institutions.

Furthermore, as a southern country, Uruguay supports the guiding principles of SSC that consider it a type of cooperation based on horizontal and reciprocal partnerships, which are demand-driven and aim at capacity-building and the generation of independent, sustainable, local knowledge, seeking the best solutions, adjusted to the local and national contexts.

- **Since you are the coordinator of the Ibero-American Program to Strengthen SSC, could you tell us what the Program is all about?**

The Ibero-American Program to Strengthen South-South Cooperation stems from the mandate of the Plan of Action of the 17th Ibero-American Summit held in Santiago, Chile, in 2007.

The field of action of the Program is SSC that has been strongly encouraged in the region in the last few years, but faces challenges as regards the capacity of the institutions promoting these activities.

The Program was approved by those in charge of Cooperation, within the framework of the 18th Summit in San Salvador, in November 2008. Its initial objective and the goal for these first four years of work was to “Strengthen Horizontal South-South Cooperation and make it more dynamic, thus contributing to the quality and impact of its actions, as well as to the dissemination of the related best practices”. This will be achieved through:

- Capacity building and strengthening of institutions in charge of managing cooperation in Ibero-American countries, by training in cooperation management and competencies, creating consistent information systems, and discussing and defining the region's common positions on this matter.
- Identification and dissemination of SSC success stories and best practices in the region, so that they are replicated within the region as well as elsewhere, in places with similar levels of development.

In these last few years, Program activities have been carried out within a framework of respect for basic SSC principles, such as their horizontal and supplementary nature. Furthermore, the Program's resources have mainly been allocated to the institutional strengthening of its member countries Technical Cooperation Units, to the improvement of SSC information systems and the establishment of the region's political -strategic positions with regard to the most important topics of the global cooperation agenda. In this regard, the Program has played a very significant role in the region.

Based on the Strategic Plan recently defined by the Program's Steering Committee in the last couple of years, the idea is to provide greater visibility and momentum to the Program so it can meet its objectives, which have been reinforced and outlined again according to the needs of the current international cooperation context, particularly that of SSC.

- **In what way does the Ibero-American Program to Strengthen SSC benefit the region?**

At a time when SSC is on the increase, and traditional North-South cooperation has been suffering the consequences of the economic and financial crisis, the Program has allowed technicians and politicians to meet and discuss SSC-related topics.

Given its conceptual and methodological wealth, the Program is a suitable platform for decision-making and setting of positions to make the voice of the region heard.

- **What is the added value of the Ibero-American Program to Strengthen SSC?**

The main added value of the Program is to have created a platform capable of coordinating the political and strategic dimensions, which entails involving all cooperation authorities of the member countries and the technical officials of the different organizations. The coordinated actions of political authorities have led to setting up and promoting basic global agreements and common stances on SSC principles and priorities, from a Latin American regional standpoint.

The political level has an effective impact on the other successful dimension of the program: the technical level. Bonds set up between the technicians of the countries' Technical Units, through an exchange of experiences, have significantly reinforced the links between countries for bilateral SSC initiatives. Thanks to this mutual knowledge and the good relationships between the State players of Ibero-American SSC, there has been a reduction in "transaction costs" when implementing joint cooperation projects.

On the other hand, the *Annual Report on South-South Cooperation in Ibero-America*, published with the support of SSCP, and the documents systematizing successful experiences in one of its lines of action, have become the written evidence of SSC activities. The Report is the only one of its kind. There is no other report on cooperation between countries of a region.

The Program has also served as a discussion and regional position shaping forum on topics regarding the international cooperation agenda and SSC. These stances have been presented at relevant fora, such as the 4th High-Level Forum on Aid Effectiveness in Busan, Korea, or the United Nations Economic and Social Council (ECOSOC), in New York. All this helps to strengthen those responsible for Cooperation and the region as such; and also strongly reinforces the capacity to coordinate positions in the international cooperation debate.

SSCP can serve as a reference model for other areas of Ibero-American cooperation which is currently being renewed, as well as for other similar platforms in other regions. Furthermore, it is considered an example for the integration of Ibero-American countries.

- **Which are the priority countries and topics for Uruguayan cooperation? How are these priorities set?**

Uruguay has cooperation agreements in place with all Latin American countries. Due to geographical distances, available resources and the competitive edge of cultural affinity, the Uruguayan South-South Cooperation Program focuses mainly on the region: South American, Central American and Caribbean countries.

Since the creation of the Uruguayan International Cooperation Agency (AUCI) at the end of 2010, bilateral Programs have been started up with Argentina, Chile, Bolivia, Colombia, Cuba, Ecuador, Paraguay and El Salvador. Moreover, an important joint Uruguayan-Mexican fund was launched in 2012 and will be implemented as from this year. Specific projects have also been carried out with several countries such as Nicaragua, the Dominican Republic and Haiti.

In 2013, the idea is to update bilateral cooperation Programs with some of Uruguay's partners, for instance, Peru, Panama, Costa Rica and Guatemala.

So far, a few specific activities have taken place outside the region due to technical assistance requests received by the country: two in Africa and one in Asia. Anyhow, these have been small scale activities and, as explained above, our country's capabilities and those of AUCI, particularly, would not allow its participation in big projects outside the region, at least for the time being.

Uruguayan cooperation is demand-driven, so Uruguay is open to collaborating in the fields that our partners deem useful for their development priorities. Anyhow, AUCI has been carrying out field work since the end of 2010, which has been the beginning of an important survey and systematization of national capacities in four strategic areas, in which Uruguay has been able to develop experience and knowledge to be transferred in SSC initiatives.

Many of the strengths are linked to cumulative institutional experience or long-term policies in Uruguay. Other initiatives relate to processes that were initially promoted from the field of international cooperation and that the country has adopted and developed, reinforcing them with national capacities and resources. In this regard, Uruguay fulfills its commitment of supporting the development of other countries based on its own experience.

According to the above systematization, the four strategic areas for Uruguay are: I. Social Affairs; II. Farming; III. Infrastructure for Development; and IV. Governance and Quality of Democracy.

In brief, I could say that within the social arena, we include topics on the design and management of inclusive social Programs, the coordination of social policies and institutions, public health Programs such as transplants, the fight against tobacco, and support to breastfeeding, as well as digital inclusion policies -Plan Ceibal, Uruguay-, among others.

Uruguay has long-standing experience in farming given its productive profile, which includes topics such as animal traceability, food safety, improvement of productive chains and animal and plant health.

Infrastructure for development encompasses matters related to energy efficiency, access to drinking water, logistics, equitable access to the society of information and knowledge.

Finally, the so-called governance and quality of institutions (democracy) is based on the wealth of experience of this country, with stable and strong democratic institutions, as well as with recent innovations, such as access to public information or democratic participation. Some of the topics in this field are, *inter alia*, collective bargaining, institutional quality, electoral regime, and e-government.



JUAN MANUEL VALLE PEREÑA (AMEXCID)



He graduated in Economics from the Instituto Tecnológico Autónomo de México (ITAM), and holds a Master's degree in Public Policies, Woodrow Wilson School of Public and International Affairs, Princeton University. He is the Executive Director of the Mexican Agency for International Development Cooperation (AMEXCID). Previously, he has been Head of the Banking, Securities and Savings Unit, Undersecretariat of Finance and Public Credit, Mexico. Before that, he held other posts in government, as well as in the private sector, related to loans and financial systems. He has been the Representative of the Mexican Government to international cooperation agencies.

- **As a middle-income country and member of G-20, Mexico is a provider and recipient of development cooperation. What is the role or comparative advantage of Mexico in international cooperation?**

Mexico is both a recipient and provider of international development cooperation (IDC); it plays a two-fold role on this agenda. Historically, we have received very small amounts of the so-called Official Development Assistance (ODA). On the other hand, the technical cooperation we have offered for several decades has been orderly and, above all, sustained in time, particularly in the transfer of institutional knowledge, experience and practices. To provide greater visibility, we are working on the monetary quantification of this cooperation although results have not yet been published. In the current state of affairs, this situation is changing. Since it is an Upper Middle-Income Country (MIC), and a member of the Organization for Economic Cooperation and Development (OECD) and of G-20, in a world in which economic power is increasingly encompassing the so-called emerging powers (our country, among others), we expect to be receiving less ODA, whilst offering more cooperation. From this standpoint, it is necessary to progressively reinforce our profile as cooperation providers. The Government of President Peña Nieto is aware of our international position, and the constructive role that Mexico should play in the region, and has undertaken the commitment to reinforce this profile. To that effect, we have an essential instrument: the Mexican Agency for International Development Cooperation (AMEXCID), which was set up in 2011.

With regard to the above, a comparative advantage of the cooperation offered by Mexico, which it certainly shares with other emerging economies, is clear: the capacity to export experiences in several public policy fields that we have tested before at home, and are susceptible of replication in developing countries, since we share with these countries very similar problems and realities in different areas.

As regards cooperation modalities and instruments, our competitive edge lies in technical cooperation and in our full, open willingness to share knowledge and experiences. However, it

must not be overlooked that, in the future, Mexico may more frequently apply other instruments that have so far characterized traditional donors of the so-called financial cooperation.

- **Does Mexico really need to receive cooperation?**

As noted above, Mexico has never been an important recipient of Official Development Assistance because back in the 1960s, Mexico was already considered a relatively developed country, with little need for ODA. In other words, ODA has never been too relevant to Mexico. Having said this, the above trend was reinforced in the last few years with the decision of several donors to reduce or eliminate ODA in Middle-Income Countries and, above all, in the upper segment of MICs like Mexico. Overall, we believe that we can understand this decision although we are not in full agreement with it. In any event, it should not be a sudden decision and should not be applied insofar as possible to lower-income MICs, which continue to depend on certain ODA areas or projects as, for instance, several of our Central American neighbours. This is partly the outcome of an erroneously broad MIC notion which encompasses, in the same segment, such dissimilar countries as Nicaragua and China.

Revisiting the Mexican case, the country undoubtedly needs cooperation in certain sector-based and regional niches in which cooperation inputs can be very relevant. Within this context, it is worth underscoring the very important differences in the levels of development between different regions in Mexico, and even within a single State, which forces us to design a cooperation reception strategy focused on these regions. In any event, and despite opinions that Mexico would tend to receive less ODA, bonds with traditional donors should be maintained and renewed to promote emerging cooperation formulae, such as Triangular Cooperation.

- **What are some of the most outstanding Triangular and South-South Cooperation (SSC) initiatives in which Mexico is participating at the global and regional levels?**

Firstly, I would put into context that Mexico considers Triangular and South-South Cooperation (SSC) as joint cooperation mechanisms based on partnering efforts (human, technological or financial resources), of two or more parties, to support the sustainable development of those involved.

Since 2009, Mexico has submitted around 20 projects as success stories in SSC and Triangular Cooperation, in several scenarios sponsored by important bilateral and multilateral cooperating partners, for instance, the Ibero-American General Secretariat, the World Bank, and the United Nations Development Programme (UNDP), among others.

One of the relevant SSC cases was implemented through the Mexico-Chile Joint Cooperation Fund, set up within the Strategic Partnership Agreement signed by these countries in 2006 to enhance and deepen their bilateral bonds. With an annual budget of two million dollars (a million per country), the Fund has financed projects in support of sustainable development in both countries, and now they are also working together on Triangular Cooperation.

After six years, the Fund has provided flesh to the Mexico-Chile cooperation portfolio, and has created a shared gains equation by exchanging experiences and identifying best practices, through the 45 cooperation projects it funded in this period. Furthermore, it has allowed joint

cooperation to be provided to Haiti, and will soon do likewise with other Latin American and Caribbean (LAC) countries.

Based on empirical evidence, it can be noted that the Mexico-Chile Joint Cooperation Fund has become an emerging vehicle for bilateral integration, and a South-South benchmark, if we consider that its experiences have arisen the interest of other countries in the hemisphere to replicate this mechanism: Argentina, Costa Rica and Uruguay. A similar scheme has been in place with Uruguay since March 2012.

On the other hand, it is worth highlighting the International Electoral Training Programme of the *Instituto Federal Electoral* (IFE), Mexico that the Institute deploys for its counterparts worldwide and, particularly, in LAC, Africa, Asia and Eastern Europe. Topics addressed within this Programme's activities meet explicit country requests, thus favouring cooperation processes in line with the needs of the requesting countries. These actions have led to promoting one of the main SSC principles, that of adoption of this modality.

In this regard, a clear example of the above is that, in 2012, fifteen of these cooperation activities were carried out, while nearly 20 international events are foreseen for 2013.

Under the Triangular Cooperation modality, Mexico has so far implemented projects targeted to LAC countries. Within this framework, a "best practices" project is the one with the Japanese International Cooperation Agency (JICA) in support of Paraguay, to improve the sesame seed of the country's small farmers. This initiative is helping to upgrade the "*Escoba Blanca*" (white broom) seed variety in Paraguay; progress was also made in the adoption of six Mexican varieties of this seed (in experimental phase), which directly benefits small farmers in Paraguay.

Another noteworthy project is implemented by the Inter-American Institute for Cooperation on Agriculture (*Instituto Interamericano de Cooperación para la Agricultura* - IICA) in the field of protected farming, in support of St. Lucia. It will hopefully be replicated in the short run in other English-speaking Caribbean countries. This project addresses an economical farming development option in a country that imports farming products. At present, two greenhouses donated by Mexico are being installed in St. Lucia and local technicians are being trained in their maintenance.

It is important to highlight a public-private experience within SSC, after the earthquake in Haiti on 12 January 2010, when the Government of Mexico and the private sector supported projects for construction, re-construction, and expansion of infrastructure within the framework of the so-called "Mexico Partnership for Haiti". This partnership of non-profits, NGOs and the federal government built two orphanage schools, a vocational school, a comprehensive care centre for the population at whole, and a medical clinic.

Another example of public-private cooperation was the transfer of five million dollars to Haiti, under an agency agreement between the Government of Mexico and Fomento Social Banamex, with the purpose of promoting projects defined by Haiti. In response to the above, the Head of State of Haiti initially proposed the reconstruction of the "Gonaïves" market, and then presented an initiative for building 15 local markets across the country. These buildings have been successful in various ways since, besides allowing traders to sell their products under more favourable conditions, they have become a sort of community center, and people

meet outside to carry out several activities because in most cases it is the only lit-up building at night, thanks to the photocell lighting system installed in each of the buildings, with technology provided by Mexican companies.

This public-private cooperation modality is an example of supplementation that could be interesting to replicate in other countries, not only because of its innovative nature but also because of the reinforcement of resources coming from the private sector.

- **What specific sectors of Mexican cooperation are more attractive to its partners?**

A study carried out by AMEXCID in 2012 showed that -in the last 15 years- Mexico has received requests from Central American countries in five sectors particularly (which are, in turn, the main recipients of Mexican collaboration): agricultural development, the environment and climate change, health, education, and socioeconomic development. Mexico and the recipients of this cooperation have always been interested in promoting institutional strengthening, which cuts across all these sectors. Furthermore, in the last few years, cooperation demands have increased in public safety, climate change and renewable energies.

Of the 195 LAC cooperation projects implemented by Mexico in 2012, there were 153 bilateral, 18 regional and 24 triangular projects. Distribution of bilateral cooperation by sector was as follows: 25% was cross-cutting (applicable to several sectors), classified under the socioeconomic development category; 22% under agricultural development; 17%, education; 16%, under the environment; 7%, health and 13% under others.

As regards Triangular Cooperation, the main sector-based percentages for 2012 were as follows: the environment, 41%; agricultural development, 20% and civil protection, 13%.

- **What SSC activities are taking place within integration processes, such as the Mesoamerica Project or the Pacific Alliance?**

As regards the Pacific Alliance (PA), and specifically its Technical Group on Cooperation, there has been tangible progress in setting up a "Network of Scientific Research on Climate Change", in approving a project for improving competitiveness of micro, small and medium-sized companies in the region, and in the Student and Academic Mobility Platform in the area, that offers 100 annual scholarships by country (a total of 400), to postgraduate students and researchers in the region.

Additionally, this group works on the establishment of a common cooperation fund which guarantees financial certainty, thus allowing real planning exercises in line with the priorities in this field of all four member countries of the Alliance (Colombia, Chile, Peru and Mexico).

It is worth highlighting that, in view of the potential of this Alliance, countries from elsewhere in the world have expressed their interest in participating in one way or another, *inter alia*, Australia, Japan, Portugal, Canada, Spain and New Zealand.

There is intensive, sustained collaboration within the Mesoamerica Project (MP), which is a sub-regional cooperation initiative for executing infrastructure programmes to favour economic and social development, with an impact on the integration process of countries from Colombia to Mexico.

The creation of the Infrastructure Fund for Meso-American and Caribbean Countries -called the Yucatan Agreement-, and the inclusion of MP in the Mexican Agency for International Development Cooperation (AMEXCID), in February 2012, have reinforced the role of MP as an executing body of high-impact projects.

Within this framework, the Yucatan Agreement (signed in December 2011), and its funding of infrastructure works, have provided greater dynamism to regional cooperation in this field, and have promoted works that will have a great incidence on integration in the area. MP has implemented an agenda focused on seven sectors: health, natural disasters, housing, communications and transport, energy, trade, and the environment.

There are big projects such as the 2015 Meso-American Health initiative, with the Government of Spain, the Bill & Melinda Gates Foundation and the *Instituto Carlos Slim de la Salud*; as well as the so-called Meso-American System on Territorial Information that will operate with high-performance servers donated by Mexico; the Programme for Development of Social Housing in Central America, benefitting 5,260 families; and the Meso-American Integration Corridor that funded two Bailey bridges in Guatemala.

Within the field of energy, there has been an increase of energy exports by the Federal Electricity Commission of Mexico to Guatemala, and from there to Honduras and El Salvador. As regards biofuels, it is worth underscoring support rendered to the Meso-American Network of Research and Development in Biofuels and, finally, in trade facilitation, the Meso-American Procedure for the International Transport of Goods (*Tránsito Internacional de Mercancías* - TIM), which entails the installation of IT systems and standardized procedures at border ports of the Pacific Corridor, to optimize migration, customs, quarantine and phytosanitary-related paperwork.

- **Which are Mexico's partners and what topics of Triangular Cooperation is the country working on to reinforce other countries' capacities?**

In the field of international cooperation, the triangular modality is becoming more important among countries at different levels of development, that are interested in innovating in this area of public policies, with the purpose of encouraging sustainable development along new paths, by joining efforts and capabilities.

Mexico has been no exception to this trend and has progressively joined efforts and strengths to work in triangular schemes with developed countries such as Japan, Germany, Spain and South Korea; with middle-income countries like Chile and Indonesia; and international organizations such as UNDP, the World Tourism Organization (UNWTO), the Food and Agriculture Organization (FAO) and the Inter-American Institute for Cooperation on Agriculture (IICA). All projects of this kind implemented so far by Mexico have been channeled in favour of LAC countries.

In 2012, Mexico implemented 24 projects (100% more than in 2011 and 600% more than in 2007), within a framework of innovation, which led to forging and deploying unprecedented triangular initiatives with Chile and Indonesia, in topics such as economic development and climate change, respectively, as well as in housing in Colombia.

The 24 projects implemented in 2012 had an impact on six sectors: 12 environmental projects, five agricultural development ones, three in civil protection, two in support of economic development; one in tourism and one in housing.

With a view to 2013, Mexico faces three essential challenges in this cooperation modality: to upgrade mechanisms in force with countries and international organizations as regards the so-called transaction costs (coordination of logistic and administrative processes); to improve technical and financial co-responsibility so as to better use resources; and to reinforce the collective adoption of assessment systems.

Within this framework, the establishment of Triangular Cooperation partnerships must be very effective to ensure management capabilities for promoting international linkages that supplement cooperation flows related to sustainable development.



REBECA GRYNSPAN (UNDP)



Ms. Grynsipan was appointed by Secretary-General Ban Ki-moon to the position of UN Under-Secretary-General and UNDP Associate Administrator on 1 February, 2010. Before joining the United Nations, she was the Vice-President of Costa Rica from 1994 to 1998. She is a strong and consistent advocate for human development. She has helped focus global attention on the need to reduce inequality, build social cohesion, empower women, and achieve the world's Millennium Development Goals.

● How do you see the current state of South-South Cooperation (SSC) globally?

We see the developing world poised to effect transformative change by applying each others' development solutions. At the same time, developing countries are also beginning to gain a greater voice in global governance and achieve better access to economic opportunities in the world economy. Rapid economic growth has enabled China, Brazil, India, South Africa, and many other developing countries to lift hundreds of millions of people out of poverty, to usher billions into the middle class, and to become the linchpins of the global economy in the wake of the current economic downturn in the North. With the creation of the G20, fast-growing developing countries now have a prominent place in the negotiations shaping global economic governance.

Earlier this year, *The Economist* reported that developing countries had reached a new milestone in their economic relations. For the first time ever, in 2012, the value of developing countries' earnings from South-South trade was nearly at par with their earnings from North-South trade. Between 2005 and 2009, South-South trade expanded from 12% to 22% of world trade, and it is projected to stay on this upward trend in the coming years. It is important to emphasize that South-South development assistance is a complement but not a substitute of Official Development Assistance (ODA) and it remains small (although growing fast) compared to ODA from OECD members.

The real benefits of SSC are also beginning to show in the socioeconomic transformation it brings to the 48 least developed countries (LDCs) with a combined population of 880 million people who get by on a *per capita* income of less than US\$1.25 a day. Notably, emerging economies present least developed countries with new opportunities for greater access to capital, development finance, affordable technologies, medicines, and foreign direct investment. Between 2003 and 2010, the share of foreign direct investment projects in LDCs that were accounted for by southern investors increased from 25% to 40%.

Reverse migration is becoming the new normal. People in the South seeking better economic opportunities or seeking a better future for them and their families increasingly migrate not to the North, as was overwhelmingly the case in past years, but to other developing countries, often within their regional neighborhoods. Flows of migrant workers among developing countries now account for a majority of the 241 million people who lived outside their country of origin in 2011 (up from 150 million in 2000). Remittances to developing countries from these migrant workers have boomed to \$325 billion (2010), about three times more than all ODA.

Despite this impressive transformation, the *2013 UNDP Human Development Report* warns that the gains associated with the “rise of the South” are not equitably distributed among countries of the South. There are significant disparities in the way developing countries and regions in the South benefit from rising South-South flows of trade, investment, and finance. Countries that are land locked or far from major world markets tend to trail behind at a slower pace. The report also reveals that the rise of the South has not changed the phenomenon of “enclave economies” in countries heavily dependent for income on the exports of a few commodities and extractive industries, as this reduces the potential gains from South-South trade, economic diversification and exposes them to the risk of Dutch Disease, to name only a few.

Even within the high performing emerging economies of the South, significant development challenges remain. Recent research shows that 72% of the world's poor, or 960 million people, live in middle-income countries, while only one quarter, roughly 370 million, live in low income countries. Domestic inequality levels present significant challenges to development, particularly among the emerging economies. Demands for greater voice and a more effective, transparent and accountable Government as well as the equal distribution of the benefits of economic growth have caused upheaval and social unrest in many countries of the South.

Many countries of the South have achieved much success, but sustaining this momentum and extending the gains to all countries is a challenge that requires appropriate policy intervention. These policies include enhancing equity, enabling voice and participation, confronting environmental challenges, and managing demographic change.

- **What is the importance of SSC in Latin America and the Caribbean and what role does the United Nations Development Programme (UNDP) play?**

SSC has deep historical roots in Latin America and the Caribbean (LAC). The 1978 UN Conference on Promoting Technical Cooperation among Developing Countries took place in Buenos Aires and produced a blueprint that holds to this day. Since that Conference, SSC has evolved and has become more important to how countries in the region relate to each other and to other regions in the South.

SSC is seen in LAC as a key mechanism for institutional strengthening, capacity development and regional integration. They are spurred on by a diversity of policies, motives, sectors of cooperation, and mechanisms. At least seven countries in the region are already recognized leaders in SSC or they are working to assume this role on the basis of their national convictions and specific areas of strength. For instance, Cuba has been sending doctors and teachers to rural areas of other developing countries for decades as an expression of South-South solidarity. Brazil's former president, Luiz Inácio Lula da Silva, began promoting Brazil as a SSC partner and institutionalized SSC as a key element in Brazil's foreign policy followed by President Dilma Rouseff. Mexico has a history of cooperating with Central America and for Mesoamerica cooperation to foster regional integration through the strengthening of partner countries' public institutions and infrastructure. A large part of Chile's efforts in SSC are with

the United Nations, and they include activities such as peacekeeping, demining, and support for refugees.

As a consequence of this diversity, UNDP's approach to promoting and supporting SSC in LAC has also been diverse, with national ownership as its guiding principle and a focus on capacity development and knowledge management. We have engaged key stakeholders to deepen our understanding of the development needs they want to pursue through SSC. In November 2009 we organized a meeting in Santiago de Chile with UNDP Country Offices such as Brazil, Mexico, and Cuba. The conclusions of that meeting were consolidated into a report and have guided our work in the region. UNDP focuses on:

- Creating virtual and physical spaces for knowledge exchange, such as communities of practice, regional workshops and knowledge fairs;
 - Brokering South-South exchanges;
 - Developing tools to facilitate SSC;
 - Encouraging UNDP country offices to identify and systematize good practices that can be transferred to other countries within and outside the region and providing partners with technical support when necessary;
 - Further positioning SSC in the region;
 - Supporting coordination among the UN agencies in the area of SSC at the regional level, and;
 - Mainstreaming capacity development and SSC into the work of UNDP thematic practice areas.
- **How do you see the role of SSC in the Sustainable Development Goals (SDGs) process, both in terms of developing and achieving the goals?**

The global South has a big stake in placing humanity on a sustainable development path. Developing countries also have vast endowments of the world's biodiversity. The global South is the new frontier of rapid growth, industrialization, and urbanization. Developing countries and vulnerable groups suffer more adversely from the effects of climate change and environmental degradation. Attention to both of these realities is impossible to achieve without international collective action -climatic conditions have no respect for borders. Hence, it is of paramount importance to place SSC at the core of the collective search for solutions needed to reach consensus on sustainable development goals and the means to achieve them. It means greater knowledge and experience sharing. It means more SSC to share environment friendly policies and technologies. It also means forging triangular partnerships in which partners from the North and the South embrace collective problem solving when dealing with our common planet. Support to SSC that strengthens the bargaining power of developing countries in negotiating these goals is an investment in their implementation by the countries where the majority of the world's population lives. UNDP is proud of the role it is playing to support developing countries in its analytical work to inform the policies and actions that will define and implement these goals.

- **What are the priority areas in which UNDP is supporting capacity development through SSC in LAC?**

As I indicated earlier, institutional capacity development is a crucial aspect of our support to SSC in LAC countries. The activities UNDP supports are too numerous for this space, but there are a few illustrative examples. We work to strengthen the capabilities of national development cooperation agencies while supporting them to better engage in SSC and the broader dimensions of international cooperation for development at regional and global levels. At their request, we have provided this kind of support to Nicaragua, Honduras, Colombia, Peru, Mexico, among others. In the case of Nicaragua, we helped broker a dialogue with Ecuador that resulted in a SSC agreement by which Ecuador exchanged its experiences and lessons learnt on development planning by training Nicaraguan civil servants. In Honduras, a capacity development process initiated in mid-2012 to strengthen the country's Secretariat of Planning and External Cooperation has shown increased coordination between government units, which are now more knowledgeable about the work that is carried out in various departments. Similar support for institutional capacity development has also been provided by UNDP to Peru and Mexico among many other countries.

Another key contribution of UNDP to capacity development through SSC is reflected in the methodological and technical support provided by our Regional Service Center (between 2009 and 2012) in organizing knowledge fairs to showcase development solutions in the region. The UNDP Capacity Development and Knowledge Management units collaborated with the Government of Panama and convened the first regional SSC fair: *Knowledge from the South*, which deepened the understanding of SSC as an effective mechanism for advancing the sustainable human development agenda in the region. As many as 33 SSC experiences from diverse countries were showcased at the fair's South-South Solutions exhibition. The fair, which brought together 300 participants from 24 countries, resulted in the drawing up of various collaborative arrangements among participating countries and organizations in the region which have been implemented or continue to be strengthened. Our support to institutional capacity development is also seen in the policy dialogue forums we have helped establish. Notably, following the first regional SSC fair in 2012, UNDP helped convene a regional meeting of directors of national development cooperation agencies. The event strengthened regional cooperation ties by reactivating the only dialogue mechanism that brings together the directors of development cooperation agencies from both LAC, and offers them a space to exchange views on development cooperation issues in middle income countries for the advancement of their national development agendas. The meeting's main outcome was the agreement reached by the participants to establish a Permanent Dialogue Forum which is to meet annually starting in 2013.

- **The new cooperation space**

It is quite clear that SSC can only be complementary to traditional development cooperation and not a substitute. Instead of a one-size-fits-all approach to development, there are different "models" of development cooperation. This does not mean that we have not, over time, learnt from what works and does not work in development cooperation. We know what makes good development cooperation: country ownership and leadership of development cooperation to ensure better aid alignment with national priorities and stronger country institutional capacities. We are now better at linking development aid with development results.

But, we still have a lot to learn from each other and reflect on what the new development environment will require in terms of investments. We hope that the South will be active in this

discussion at all levels -country, regional and global- as without their engagement we cannot make progress on this agenda.

The geometry and geography of the Development Assistance space has changed. The World is not anymore divided between providers and recipients of aid: countries provide and receive cooperation at the same time. So we have cooperation going in all directions: South-South; North-North; South-North; triangular, etc.

As the middle income countries (MICs) have expressed very clearly, development assistance remains important to them as they still face important development challenges of poverty, inequalities and technological gaps. We look forward to supporting reflections of this nature as the global community works toward the formulation of the successor to the eighth Millennium Development Goals (MDG8) -the global partnership for development goal.

The question is *what knowledge, experience, good practice is produced from SSC and how is this pertinent for the formulation of the new MDG8?* SSC cooperation, for instance, is more about the sharing of technical know-how as well economic cooperation through trade, investment, and the transfer of technology and other knowledge exchanges. It is about learning from each other's development trajectory.

The challenge is to strengthen a meaningful dialogue and look at more coherence among all these actors and instruments to strengthen effective development cooperation that would support a global partnership for development. The challenge is actually for us to define what global partnership for development should look like in view of the changing global environment, emerging development challenges and what we have learnt from the results and failures in traditional approaches to development aid.

- **What new forms of partnerships, e.g. public-private partnerships or civil society do you see arising in the Post-Busan development paradigm?**

I have mentioned the new actors in development cooperation in my previous answer, arguing that we are now developing a more comprehensive and inclusive development cooperation model.

Philanthropies and private foundations also provide a significant and growing volume of development assistance and development solutions and innovations. UNDP has worked with a number of partners at the United Nations (UN) to organize a meeting in April to discuss this growing role of philanthropies and foundations to strengthen our understanding of their views on development cooperation.

I think we still need to learn more about the opportunities offered by the private sector to contribute to development cooperation. The post-Busan Global Partnership for Effective Development Cooperation is looking into these issues, but it is not straight-forward.

Whether it is about the role of the non-governmental organisations, the philanthropies and foundations or the private sector, or development partners from the North or the South, we need to address development assistance fragmentation and the move towards development finance predictability, transparency, and accountability for development results. UNDP, together with other members of the UN Development Group and in a continuous dialogue with member states, is working to maximize its own role and that of different actors in development

cooperation in reaching the Millennium Development Goals (MDGs) and beyond. UNDP has itself conducted an assessment of its SSC and is looking at the implementation of the recommendations of this review. SSC should be mainstreamed across all our development interventions under the guidance of the developing countries that we serve.



BRENDA KILLEN (OECD)

Ms. Killen is Head of OECD's Global Partnerships and Policy Division. Among other functions, this division works to monitor implementation and drive international progress on development, through the Global Partnership for Effective Development Cooperation in partnership with UNDP. Ms. Killen has a MSc in Economics from the London School and prior to her current position at OECD, she worked at the World Health Organization (WHO) as Deputy Director of Health Policy, Development and Services from 2004 to 2007. Prior to joining WHO, she worked for the Department for International Development (DFID) in the UK where she was Head of the Europe, Middle East and Americas Policy Department. An experienced development economist, she was previously DFID's Senior Economic Adviser for Asia and, from 1996-1999, was an adviser to the UK Executive Director on the board of the World Bank and the International Monetary Fund (IMF).



Video

Only in English

● What are the implications of the increase in South-South Cooperation (SSC) for traditional donors?

The increase in South-South Cooperation (SSC) is a manifestation of changes happening across the globe: the former distinction between developed and developing countries no longer reflects the actual global balance of power. The world as a whole, but also the “development cooperation community”, is moving from bi-polarity to a multi-polarity, as was recognized at the Fourth High Level Forum on Aid Effectiveness in Busan. These changes have an effect on development cooperation, not only in the way it is managed but also in the relationship between development aid and other sources of finance. The current preference for the term “development cooperation” over “aid” is a reflection of this new perspective; and this is clearly influenced by the philosophy of SSC.

Traditional donors are transforming the way in which they provide development cooperation. This process began some years ago with the 2005 Paris Declaration, which established the consensus that vertical relationships between “donors” and “recipients” were hindering efficiency. Today, there is a focus on partnerships among equals which, as was highlighted in Busan, must be inclusive, bringing on board all development actors.

I believe that Busan and other initiatives are helping to break down the barriers between South-South and “traditional” development cooperation providers. It is increasingly clear that these relationships must be complementary rather than competitive, and that triangular cooperation, properly implemented, offers many examples of effective joint work. But above and beyond this modality, I am convinced that there are numerous opportunities for future cooperation, both at the global and at the country level. In this sense, the concept of ownership

is crucial. What really matters is not what the providers of development cooperation (be it South-South or traditional) are interested in, but what the country receiving this cooperation wants and needs.

- **What progress has been made in implementing the commitments agreed at the 4th High Level Forum on Development Effectiveness in Busan?**

Busan is the culmination of a series of efforts designed to make aid more effective, which were initiated in 2003 in Rome with the First High Level Forum. But it is also much more than this: it represents a turning point in development cooperation, through which a broad range of countries and organizations have defined shared principles to achieve common goals. A year on from the agreement at Busan, some commitments have already been met, and work is underway to reach the others.

Firstly, the political structures to drive the Busan agreement are in place. The Global Partnership for Effective Development Co-operation has been established, its mandate has been agreed and its co-chairs have been selected (Armida Alisjahbana from Indonesia, Ngozi Okonjo-Iweala from Nigeria, and Justine Greening, from the United Kingdom). A steering committee has also been created, which held its first meeting last December in London. The first meeting of the Global Partnership is expected to be held by the end of this year.

Secondly, we have the mechanisms in place to monitor progress and hold each other to account. The success of the Busan agreement will depend on progress in developing countries. Countries are already putting in place their own frameworks to monitor all development partners contributions to development effectiveness. At the international level, ten indicators with targets for global monitoring of the Busan commitments have been defined. And, while these mechanisms will evolve over time, and some details need to be polished, the monitoring process will begin this year. Progress in implementing the Busan commitments will be reported to the Global Partnership by the end of the year.

Finally, members of the Global Partnership are doing their homework and making advances on concrete commitments. Work is advancing, for instance, on the approval of a common standard for the electronic publication of data on development cooperation. A draft of common principles for the prevention of proliferation of multilateral organizations and global programmes and funds has been prepared and is waiting to be approved by the Global Partnership. And Development Assistance Committee (DAC) members will release a yearly report to address the issue of countries receiving insufficient aid.

- **In what way is the Global Partnership for Effective Development Co-operation pursuing inclusive participation of a broad range of actors?**

All countries and organizations involved in development are invited to participate in the Global Partnership. At the last meeting of the Steering Committee held in December, four main themes were highlighted as priorities for the first ministerial meeting of the Global Partnership: domestic resource mobilization, the role of the private sector in development, inclusive development, and knowledge sharing as a particular modality for development co-operation. Given the relevance of these themes to development in its broadest sense, we expect that those already involved will encourage others to join in the work of the Global Partnership.

The composition of the steering committee of the Global Partnership reflects its openness: it includes not only representatives from governments, but also from parliaments, the private sector and civil society organizations. This inclusive participation also needs to be reflected at the country level, where all development actors should be consulted and involved in the design and execution of development policies and plans.

- **What role are Latin American and the Caribbean (LAC) countries playing in the Global Partnership?**

The Latin American and Caribbean (LAC) countries have traditionally played a discreet role in the international discussion on development effectiveness, which does not reflect the importance of this region. We believe that this can change and that the Global Partnership can contribute to this change. The LAC countries can share valuable experience regarding the development challenges of middle-income countries, where economic growth has not necessarily benefited the whole of the population. Fighting inequality is a major issue and it is important to discuss the role international development cooperation should play in combating it. The region could also share successful experiences in areas such as cash transfer or other specific of SSC initiatives.

This region is now represented on the Steering Committee of the Global Partnership by Peru and Guatemala. Both are making efforts to engage with other countries and regional organizations to raise awareness of the concerns and initiatives of the LAC region. I invite those interested in sharing experiences and promoting ideas to contact them. For example, the Inter-American Development Bank (IDB) could also play a major role in promoting the implementation of the Busan commitments in the region.

- **How can development cooperation be measured in a way that reflects the increasingly diverse modalities of the new aid architecture?**

One of the strongest messages that came out of Busan is that development cooperation is more than aid and more than funding. Development cooperation is also about sharing knowledge and experiences and sharing expertise, which is not always quantifiable in financial terms. Yet, even if we focus on strictly monetary terms, Official Development Assistance (ODA) and private donations make up just a small part of total international financial flows for development. Today, remittances, foreign direct investment and export credits are often much more important than aid. Under these circumstances, it would be unrealistic to expect to have one single parameter to measure development cooperation. Certainly the ODA financing currently tracked by the DAC of the Organisation for Economic Co-operation and Development (OECD) will continue to be a reference, but clearly that will not be enough.

OECD and other organisations are currently working to improve our measurement of development finance. The idea is to capture all relevant finance and facilitate reporting by all providers of development co-operation, public and private. The discussion on how to measure development cooperation is intimately linked with the discussions around establishing new development goals post-2015. Of course, many of these issues will be at the top of the list of priorities for the Global Partnership.





RAFAEL GARRANZO (AECID)



He is a sociologist graduated from the Universidad Complutense, Madrid. He is currently Director of Cooperation with Latin America and the Caribbean, of the Spanish Agency for International Development Cooperation (Agencia Española de Cooperación para el Desarrollo - AECID). In the past, he was Coordinator of Spanish Cooperation with Chile at AECID (1998-2001), and Deputy Director for Mexico, Central America and the Caribbean (2002-2005). As a diplomat he was posted in Guatemala, Italy, Chile and the U.S.A.

● What's new in South-South Cooperation (SSC) contributions to Latin America and the Caribbean (LAC)?

South-South Cooperation (SSC) is a cooperation modality that has been in place for almost as much time as traditional cooperation, but has emerged again very strongly in the last few years and is promoting new, very interesting elements in Latin America and the Caribbean (LAC).

In the first place, SSC is reinforcing work schemes of a horizontal nature, in which dialogue and consensus prevail in all phases of the intervention, from negotiations on what is to be done during the implementation stage, through to formulation and follow-up. It is important to highlight that this cooperation does not focus so much on transferring financial resources but instead on conveying knowledge, capacities and best practices.

Secondly, this is a cooperation modality that adjusts very well to the regional integration processes in LAC and, moreover, reinforces them. Until not so long ago, the region was promoting a series of integration experiments based on the European model, although nowadays the desire to integrate is still present but from a more pragmatic, less ambitious approach as regards institutional building. Within this framework, SSC is an additional element to support regional integration processes, since it promotes the adoption of common procedures and positions and strengthens links.

Finally, the strong momentum of SSC in Latin America, side-by-side with an interesting effort to conceptualize and systematize activities, has positioned the region as a main player in international debates on the architecture of the cooperation system, and the world partnership for development. SSC in LAC is giving rise to inputs such as the *Common Position on SSC* presented at the Fourth High-Level Forum of Busan, or the *South-South Cooperation Report in Ibero-America*, which have become references in the global debate and are forcing traditional partners to rethink certain cooperation objectives and procedures.

- **What changes does the emergence of global SSC bring about to Spain's Cooperation in LAC?**

To understand the size of the changes brought about by SSC in Spain's Cooperation, it is necessary to realize that SSC results from deep changes in LAC and Spain, which force the latter to rethink its relationship with the region overall. As regards Latin America, the economic growth process has led some of the region's countries to no longer be eligible for Official Development Assistance (ODA). Spain wishes to continue cooperating with them but must adjust its actions to the new reality and needs. As far as Spain's context is concerned, we are immersed in a great crisis that has forced us to drastically reduce the volume of ODA resources, and thus rethink our deployment in the region, and carry out an exercise of geographical and sector-based concentration, besides showing a greater commitment towards intervention efficacy and efficiency. In any case, and beyond the changes that this global reality is imposing on Spain's Cooperation, the renewed momentum of SSC in LAC has also led us to make some important decisions.

On the one hand, the region's clear interest in moving ahead with SSC has led Spanish cooperation to encourage fora to help contribute to that objective. Spain is thus one of the most committed partners in the *Ibero-American Programme to Strengthen South-South Cooperation*, with the participation of most Latin American states. It aims at improving institutional capabilities of the agencies in charge of international cooperation, through training and coaching, the development of information systems and the discussion and adoption of common positions in this field.

On the other hand, the commitment of these countries to SSC and their appeal to be recognized as development players with their own proposals, is forcing traditional partners to reconsider the objectives and procedures of their cooperation policies. The momentum of Triangular Cooperation in the last few years undoubtedly confirms this assertion. Triangular Cooperation reinforces SSC because it makes resources available to two partners in the South that the traditional donor will not implement directly. The ground that Triangular Cooperation is gaining on the agenda of traditional donors shows that they are willing to recognize that they cannot keep their southern partners out of the debates on cooperation and development.

A third change promoted by SSC within Spanish cooperation is related to the coordination of discussion fora to foster common views at a time of intensive debate on the post-2015 international development agenda. Although so far Spanish cooperation has basically focused on specific interventions to promote development, the active participation of LAC countries in cooperation has turned them into strategic partners in the above-mentioned debate. Spain has always demonstrated special commitment to Latin America, and deems it important to discuss the eligibility criteria for countries to become ODA recipients because Spain believes that, to achieve real development, Middle-Income Countries (MIC) should continue receiving support from traditional donors. LAC itself is committed to providing arguments to justify such need, and thus the joint work of both sides in this regard.

Finally, there is another interesting change stemming from this progress in SSC, which is related to the latter's interest in systematizing and disseminating the best cooperation practices. This effort is translating into documents and inputs on cooperation practices and procedures, from which Spanish cooperation is drawing lessons. On the other hand, this has led the Spanish Agency for International Development Cooperation (AECID) to reconsider some of its objectives at its Training Centers in Latin America, by including within its activities, training and debates on SSC and Triangular Cooperation as well as the Post-2015 Development Agenda.

- **What is the role of Spanish Cooperation in a region that has grown more rapidly in the last decade and mainly comprises middle-income countries and three G-20 members?**

Important changes have taken place in a region that has shown good growth rates in most countries, and has been able to place some of them in very relevant discussion fora, such as the G-20. Nonetheless, one should not lose sight of the fact that this economic growth, although widespread, is also unequal. Furthermore, LAC is becoming a more heterogeneous region, so Spain cannot think in terms of a uniform approach. In this regard, and based on a clear commitment to all LAC States, AECID is proposing a strategy for relating to the countries that makes a distinction between MICs with a higher income and those with a lower level of development.

In the lower-income countries, Spanish Cooperation will continue with the implementation of financial assistance programmes, although we are reviewing their contents given the need to approve new Partnership Frameworks in many cases. To ensure quality, efficiency and a results-oriented approach, we would like to discuss how to push forward an effort that has already been triggered to provide for sector-based concentration, which will not be easy taking into account the plurality of our relationships. Of course, the strategic sectors of our cooperation will result from the negotiation of a new Country-Based Partnership Agreement with each of them, based on their development priorities and our potential added value.

With regard to the higher-income countries, the last Master Plan envisaged the cancellation of current cooperation programmes in Mexico, Uruguay, Argentina, Brazil, Venezuela, Panama and Costa Rica (the Programme in Chile ended during the implementation of the previous Master Plan, although AECID did not close its lines of work). This process will be agreed upon by consensus and carried out in a gradual manner to ensure an appropriate closing of programmes, to allow for their substitution by a generation of New Partnership Agreements that better adjust to the capabilities countries have for their development. With these states it makes no sense to establish bilateral cooperation schemes based on the donor-recipient rationale, but instead it would make sense to start up a new relationship model between peers, to collaborate in the implementation of some items on the development agenda. Besides working with them on Triangular Cooperation activities, we wish to establish agreements in areas such as the protection of Global and Regional Public Goods, research applied to development or coaching and training in this field.

- **What sectors or modalities are of interest to Spain for Triangular Cooperation in LAC within the context of the crisis, on the one hand, and within the good prospects for LAC, on the other?**

Triangular Cooperation that the Spanish International Development Cooperation Agency is promoting in Latin America was not determined by the crisis in Spain or by growth in Latin America, but instead was established in view of the specific demands from our partners in the region. Latin American countries consider Triangular Cooperation as a mechanism to reinforce the institutions implementing SSC programmes, and as a way to support the institutions' own programmes. Therefore, AECID is being asked to sign triangulation agreements more frequently to push forward this objective. At the same time, Triangular Cooperation is deemed to be an intervention modality that facilitates the incorporation of certain elements into a project, such as technological innovation, which is not always accessible to the region and that a traditional donor is in a position to provide.

Based on these requests from LAC for Triangular Cooperation programmes, AECID started systematizing and self-assessing its interventions to guarantee the quality and appropriateness

of activities carried out under this modality. Although we have an interesting history in triangulations in the region, we are still missing an analysis of negotiation and management procedures, financing formulae, the best allocation criteria or follow-up and evaluation mechanisms. Through the systematization of our experience, we aim at obtaining inputs that would allow the formulation of a really efficient Triangular Cooperation Strategy, to optimize results and show the comparative advantages of this modality for all participants, including Spain. In no case are we thinking of Triangular Cooperation in which the role of Spain is restrained to that of a mere financier, but instead are considering interventions in which all participants will make contributions in line with their capacities, and benefit from the strengths of other players.

So far we have promoted Triangular Programmes with several countries of the region, such as Chile, Argentina, Brazil, Mexico, Uruguay, El Salvador or Costa Rica, establishing frameworks of action with different government levels that are allowing us to develop a wide range of programmes. Nonetheless, AECID is also considering the possibility of fostering triangulation agreements in which LAC partners will not necessarily be government agencies but also civil society organizations that can support the States in consolidation and reform processes.

- **What is the role of traditional donors and SSC players in global initiatives for international cooperation, such as the Global Partnership for Effective Development Cooperation?**

At AECID we believe that traditional donors and SSC players should not play different roles in international debates on development cooperation. Indeed, as mentioned above, Spain has been acting decisively in the field of Ibero-American cooperation to position topics of common interest, such as the advisability to maintain ODA flows to MICs, or the need to extend the number of topics included in the Development Agenda. Spain -a traditional donor-, and LAC countries as SSC players, must coordinate actions to advocate for the setting up of a new Development Agenda that, besides eradicating poverty, will include issues such as ensuring the provision of Global Public Goods, the quality of democracy, or Human Rights Guarantees. The world is completely different from the times when cooperation emerged and, there is a correlation of advocacy capabilities and forces that urge us to rethink the role of emerging countries, but also that of traditional donors. In current debates on the new architecture of cooperation, the difference does not lie so much in the fact of a country being in the north or in the south, but instead in having or not a similar view on development and its different dimensions. In this regard, Spain and LAC have stances that are close to one another.



MASATO WATANABE (JICA)



He obtained his B.A. in Law from the University of Tokyo in 1980. Currently, he is the Vice President of Japan International Cooperation Agency (JICA). Before joining JICA in July 2009, he held multiple positions in Diplomatic Services. He served as Minister at the Embassy of Japan in Indonesia (from 2004-2007), and Deputy Director-General of International Cooperation Bureau, Ministry of Foreign Affairs (MOFA) of Japan (from 2007-2009). From his various assignments at the MOFA, he has accumulated broad and in-depth knowledge and experience on foreign diplomacy and international cooperation. He aspires to make the most of these skills to further raise JICA's effective performance as one of the world's leading bilateral development institutions.

- **Japan's postwar recovery and development is a model to which many developing countries aspire. What are the key development experiences that Japan shares with its developing country partners?**

The economic development of Japan is not only due to efforts made after the Second World War. Japan's industrial modernization began during the *Meiji* era (1868-1912), after a century of Industrial Revolution in Great Britain. Literacy rapidly increased thanks to considerable improvements to basic education, including unprecedented spending by municipalities on this area, which accounted for 43% of the total budget.¹ Such investments in human development lay the foundations for successful economic development. Amartya K. Sen pointed out that Japan's development process was characterized by emphasis of education, associated with the provision of skills training, land reform, and ensuring the availability of credit, which broadened access to the opportunities offered by the market economy.²

"Self-help" is a principal philosophy of Japanese Official Development Assistance (ODA) which reflects Japan's real experience of human resource development (including establishing institutions for that end) underlying the development of the nation.

In addition to human resource development, economic and social infrastructure development supported our rapid growth during the post-war period. With concessional lending from the World Bank, Japan started construction of irrigation dams and canals, express railways, highway networks, power plants and so on. In response to such large-scale infrastructure development, the role of the market economy was rebuilt and put back in place widely

¹ GLUCK, CAROL. 1985. *Japan's Modern Myths: Ideology in the Late Meiji Period*. Princeton: Princeton University Press.

² SEN, AMARTYA K. 1999. *Beyond The Crisis: Development Strategies in Asia*. Institute of Southeast Asian Studies.

throughout Japan. This new dynamic fostered improvements in production efficiency and living environments and resulted in upgrading the quality of life. On the other hand, we have learned empirically that such rapid, large-scale infrastructure development influences demographics and the industrial structure. We have also experienced environmental degradation and pollution caused by rapid economic growth.

Besides the post-war experience on development and national efforts to overcome the negative aspects of its rapid growth, Japan has more to offer for the sake of mutual learning. Recovery from natural disasters, issues of inequity and an aging society are areas from which Japan still has a lot of experience and lessons to offer to the international community in order to jointly seek out solutions towards the achievement of sustainable and inclusive development.

- **What have been the main drivers of Japan's aid over the last decade?**

In the last decade, the global community has strived to achieve the Millennium Development Goals (MDGs), and so has Japan, and Japan International Cooperation Agency (JICA). Japan/JICA incorporates the perspective of human security in each of its projects. With its efforts to protect people from the threats of natural disasters, conflict and poverty, we work hard to ensure that the outcomes of cooperation reach every individual, and in the long run help develop people's capacity to become self-reliant.

Human security focuses on comprehensive endeavors in two areas: freedom from “want”, including a lack of social services such as education and health/medical care and underdeveloped basic infrastructure; and freedom from “fear”, such as the fear of conflict, terrorism, natural disasters and the prevalence of infectious diseases. Therefore, human security, which is enhanced by protecting people from a wide range of threats and developing their capacity to tackle these threats, is an important concept to build upon to achieve the MDGs. We provide dynamic assistance for capacity building and the development of infrastructure to support sustainable achievement of MDGs.

Japan supports capacity development among developing countries as one of its important approaches to achieving human security. In this approach, capacity is defined as “the ability of people in developing countries to address their development issues”. The approach takes into consideration an aggregate of diverse factors including institutions and policy/social systems and attaches importance to self-motivated (or home-grown) efforts of developing countries. Amidst advancing globalization, developing countries have been undergoing drastic and rapid change. To steadily achieve MDGs and sustain and expand their outcomes, it is essential for developing countries to build their capacity to solve their own problems of their own accord.

We understand the role of infrastructure as an essential foundation to achieve development goals such as poverty reduction, MDGs, and economic growth and to eventually help realize the diverse potential and possibilities of people. With this understanding, Japan has provided assistance for the development of infrastructure in developing countries. However, during the process in which infrastructure is developed and contributes to growth, special attention should be given to potential adverse effects, including the widening of income gaps and environmental deterioration. Likewise, once facilities are completed, it is necessary to take appropriate measures to avoid problems such as inadequate management and maintenance or poor service delivery. Together with infrastructure development, we strive to amplify its effects by assisting relevant personnel in developing countries to develop their capacity in planning, operating, and maintaining the infrastructure.

● Why does Japan support South-South Cooperation (SSC)?

Japan joined the Colombo Plan and started its international cooperation efforts in 1954, when Japan was still receiving loans from the World Bank. Some of the cooperation from Japan at that time was based on the technology and experience gained through the assistance extended by donors. Experience as the provider of South-South cooperation (SSC) is probably one reason why Japan is convinced of its effectiveness.

There is a certain situation where partnerships among neighboring countries are more valid and workable than bilateral assistance of traditional donors. Balanced growth that narrows development gaps between countries underlies peace and stability in a region. Japan has long worked with various institutions/agencies in developing countries to help build their capacity to solve challenges they face. Many of them are now very active in SSC programs and have become assets for JICA to partner in conducting Triangular Cooperation.

From a broader perspective, environmental conservation, sustainable use of natural resources, equitable growth and global peace and order are important for the security of Japan. These are more reasons why Japan needs to promote SSC and to engage in Triangular Cooperation.

It is an important advantage of Triangular Cooperation to mobilize knowledge technologies of both developed and developing countries. Triangular Cooperation can be perceived as a catalyst to transform the North-South dominant development cooperation into a diversified one.³ I can say that supporting SSC is one way to achieve *JICA's vision of "Inclusive and Dynamic Development"*, as this type of cooperation enhances knowledge accumulation and capacity building to cope with enormous and complex development challenges.

● Does JICA focus its technical assistance and Triangular Cooperation towards any specific sectors or activities?

Regardless of whether it be bilateral cooperation or Triangular Cooperation, JICA intends to offer support to meet the needs of a beneficiary country and to carry out result-oriented cooperation. However, it can be said that SSC/Triangular Cooperation has comparative advantages in addressing cross-border development challenges and threats, including communicable diseases (avian flu etc.), transnational crime, environmental and resource management, large-scale disasters, climate change mitigation and adaptation, and food security. Issues of inequity and private-sector promotion are emerging in the development agenda.

JICA currently organizes more than 150 training courses hosted by over 30 developing countries annually, and has 40-year's experience in this type of program. JICA continues to be more than ready to work in sharing diverse experience and knowledge and discovering solutions jointly with beneficiary and pivotal countries.

³ HOSONO, AKIO ET AL. 2011. "Inside the Black Box of Capacity Development for Development Effectiveness", in: Kharas, Homi (Eds). *Catalyzing Development: A New Vision for Aid*. Washington, D.C.: Brookings Institution Press. pp.179-201.

- **What kind of Triangular Cooperation activities is JICA undertaking in Latin America and the Caribbean (LAC) through its Partnership Program?**

The government of Japan signed Partnership Program (PP) agreements,⁴ comprehensive frameworks under which JICA and counterpart organizations in partner countries jointly implement technical cooperation for beneficiary countries, with four governments (Argentina, Brazil, Chile and Mexico) in Latin America and the Caribbean (LAC) region. JICA started technical cooperation in the region first in Brazil in the 1950s, then Mexico in the 1960s, followed by Argentina and Chile in the 1970s, and achieved results in various sectors, particularly agriculture. Utilizing the experiences shared with partner countries over several decades, JICA has been expanding the Triangular Cooperation, which includes the Third Country Training Programme⁵ and Dispatching of Third Country Experts.⁶

Examples of Triangular Cooperation which have utilized experiences and achievements obtained through JICA's bilateral cooperation with partner countries are as follows: *The Project for Capacity Development for Improvement of Livestock Hygiene in the Southern Part of South America Through Regional Technical Cooperation and Integral Control of Plant Virus Diseases* in Argentina; *International Training Course on Agroforestry Systems Technology and International Training Course on the Community Police Koban System* in Brazil; *International Course on the Attention System of Rehabilitation for Disabled People and Seed Production of Mollusks Bivalves* in Chile; *Enhancement of Technology for the construction of Popular Earthquake Resistant Housing and Regional Development on Sustainable Waste Management* in Mexico.

Regarding cooperation for small and medium enterprises (SMEs), JICA has been expanding Japanese production management skills to other Central American countries in cooperation with Costa Rican consultants who acquired their abilities through JICA's cooperation at the Technical Instructor and Personnel Training Center (CEFOF) which dates back over 30 years. As a result of the professional advice offered by the Costa Rican consultants, some SMEs have successfully started exports of their goods and services.

As regards cooperation in seismic technology, JICA supported the establishment and capacity development of the National Center for Prevention of Disasters (CENAPRED) in Mexico and helped CENAPRED share its experiences of construction methods to build capacity and co-create innovative solutions for Earthquake-resistant housing in El Salvador, where residential properties have suffered from earthquakes in the past. Furthermore, Mexican counterparts are implementing a Triangular Cooperation project in Haiti, and Salvadorian researchers are disseminating their experiences gained from Triangular Cooperation to Nicaragua and other Central American countries.

Recently, JICA has been expanding Triangular Cooperation with Brazil to Africa, under a project called *Agricultural Development of the Tropical Savannah in Mozambique (ProSAVANA-JBM)*. This project fully utilizes the experiences that have been gained through

⁴ Comprehensive framework, agreed by the Japanese government and government in the developing country, for the joint support of development efforts of other developing countries and regions.

⁵ With assistance from donor countries and aid organizations, a country in the developing world accepts training participants from other developing countries with shared characteristics in order to transfer or share development expertise and skills.

⁶ With support from donor nations and aid organizations, experts from developing countries are dispatched to other developing countries in order to transfer their expertise and skills.

JICA's agricultural development cooperation (the Cerrado Development) in Brazil since the 1970s. It aims at alleviating poverty by supporting agricultural development for small-scale farmers and at ensuring food security through the agricultural development of medium-or large-scale farmers participating in the international market. Its success was highlighted at the Fourth High Level Forum on Aid Effectiveness in Busan in November, 2011.

JICA also supports capacity development of agencies in charge of SSC in PP countries. For instance, JICA plans to organize a joint seminar with the Brazilian Agency for Cooperation (ABC) and the United Nations Development Programme (UNDP) aimed at developing the capacity of government officials in charge of Triangular Cooperation. In addition, JICA actively contributes not only to the implementation of Triangular Cooperation projects but also to sharing JICA's experiences, lessons learned and best practices at several international conferences, such as High-level forums on SSC.

● What challenges does Japan's Triangular Cooperation face in Latin America and the Caribbean?

One of the challenges of Triangular Cooperation is the extent to which JICA is able to respond to the needs of the final beneficiary countries. Also, it is important not to impose the assistance only from the viewpoint of Japan and the PP countries. Another challenge is, compared with bilateral cooperation, the Triangular Cooperation that naturally involves more diverse actors, and therefore JICA also needs to understand the budget and the implementation system of the PP countries, so that the assistance can be provided in an effective way.

A good example of a JICA project that tackles the former challenge is *the International Training Course on the Community Police Koban System* that JICA and Brazil are jointly implementing for Central American countries (Costa Rica, Guatemala and El Salvador). JICA implemented the bilateral technical cooperation for Brazil in order to transfer the Japanese community policing system between 2005 and 2011, and helped to establish Japanese-style community police activity in São Paulo state mainly through police-stations. International seminars and training courses for Central American countries conducted in Japan during the course of the project helped to increase public awareness on the importance of community police in Central American countries. Countries where there was deteriorating public security wanted to share Brazil's experiences. Moreover, São Paulo State Police positively engaged themselves in the project, and thus, through mutual interest, cooperation between the three partners (Central American, Brazil and JICA) was successful.

Regarding the latter challenge, JICA and PP countries jointly established a working group in order to implement progress management efficiently, taking into consideration the operation system and the budget based on PP countries' situations. JICA aspires to help improve the progress management and operation while continuing to reap the benefits of cooperation.

JICA also places emphasis on ownership by provider and beneficiary country of cooperation. *The Project for Strengthening Nursing Education and In-service Training in El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic* in Central America and the Caribbean region (Regional Cooperation) is one example of respecting ownership. Several leaders in nursing from El Salvador provided their leadership skills to neighboring countries under the guidance of Japanese specialists and conducted consultations and guidance with four neighboring countries on a daily basis via Skype and JICA's video conference system. In 2010, this project was awarded the *Outstanding Performance Award* at the High Level United Nation Development Conference on South-South Cooperation.

As mentioned above, JICA will continue to contribute to more effective Triangular Cooperation, sharing our experiences and lessons learned with international organizations, emerging countries that are active in south-south and Triangular Cooperation, and LAC countries on occasions such as international conferences.

- **Many countries in LAC are particularly vulnerable to natural disasters. What lessons can be learned and adapted to the LAC region from Japan's 2011 earthquake and tsunami?**

First of all, we deeply appreciate all the support and encouragement received from all over the world, including Latin America and the Caribbean region, since the earthquake and tsunami struck in March 2011. From the experience of this earthquake, it has become clear that large scale disasters have an impact not only on the disaster-struck country but also internationally. Therefore, we need to strengthen commitment to disaster prevention in the international community.

In the past, Japan has taken measures against natural disasters through a combination of hard structural measures such as levees and dams, and non-structural measures such as forecasting, warning systems and evacuation drills. However, several studies undertaken since the earthquake have shown that there was a huge gap between the disaster-response capacity that communities expected and the actual capacity at the time of the disaster.

In order to minimize the gap and build societies with tolerance and adaptability to disasters, JICA plans to develop a comprehensive approach through Risk Literacy, Redundancy and Continuous Improvement. Furthermore, we plan to bring the approach to the mainstream of all projects, including those unrelated to disaster prevention.

Moreover, in the case of Kamaishi in Iwate prefecture, some communities survived the tsunami thanks to their own emergency drill, and we learned the importance of disaster-prevention education which incorporates local culture and traditions. While it is impossible to control the occurrence of natural disasters, it is possible to reduce the risk and the damage. JICA implements a comprehensive approach based on the concept of Disaster Management Cycle, which consists of three stages: *Prevention, Emergency Responses and Restoration and Reconstruction*. JICA plans to share the lessons learned and knowledge acquired through experiencing many disasters, including the 2011 earthquake and tsunami, with the LAC region.

The following includes some major examples of cooperation in Latin America.

Immediately after the Haiti earthquake occurred, the Japan Disaster Relief Team was dispatched, and relief supplies were delivered. Additionally, JICA participated in the Post Disaster Needs Assessment (PDNA) led by the Haitian Government with the support of the United Nations, World Bank and Inter-American Development Bank (IDB), among others. Following the emergency response, JICA implemented the *Urgent Rehabilitation and Reconstruction Support Project for Haiti*. The project included (1) assistance for the formulation of the Basic Plan for National Land Development and (2) assistance for implementation of an urgent rehabilitation project for reconstruction. In addition, along with development of the disaster recovery plan and conducting a schematic design study for the project for improvement of urban roads for the reconstruction, an urgent rehabilitation water-supply project was implemented in Léogâne (2010-2011). In Hyogo Prefecture, Japan, JICA provided a training course for Haitian government administrators and Non-governmental Organization (NGO) staff. The training course aimed to share Japan's experience, lessons learned, and the process of reconstruction from the Great Hanshin-Awaji Earthquake, in order to illustrate the importance of partnership

with local communities for reconstruction (twice in 2011). In cooperation with Mexico's National Center for Prevention of Disasters (CENAPRED), a triangular project to dispatch Mexican experts in quake-resistant engineering technology to Haiti is being implemented (2010-2014).

In Central American and the Caribbean region, the *Bosai-project* -technical cooperation is being provided to six Central American countries to improve disaster management capabilities of local governments and communities as well as to promote disaster prevention measures by related organizations in each country and through coordination with the *Centro de Coordinación para la Prevención de los Desastres Naturales en América Central (CENPREDEENAC)* (2007-2012). JICA also shared the knowledge and knowhow of community disaster risk management based on Japanese experiences with related organizations in the Caribbean region. Moreover, the *Technical Assistance Project for the Department of Adaptation for the Climate Change and Strategic Risk Management for Strengthening of Public Infrastructure in El Salvador* (2012-present) is being provided to El Salvador to enhance the ability of utility infrastructure to adapt to disasters and anticipate dissemination in the future Central America.

In the case of Chile, immediately after the 2010 earthquake, a team of structural engineers was dispatched and programs were implemented to provide technical assistance over a wide range of areas, such as tsunami warning systems, reinforcement of bridges and buildings, and psychological care, with the aim of improving government response capabilities for earthquakes and tsunamis (2010-2011). Furthermore, the technical cooperation *Research Project on Enhancement of Technology to Develop a Tsunami-Resilient Community* (2012-2016), based on lessons learned from earthquakes and tsunamis in Japan and Chile, is ongoing. The project is planning to implement (1) developments and improvements of tsunami damage estimation using the numerical model, (2) prediction of tsunami damage and development of measures to mitigate damage, (3) development of a high-performance method for warning of tsunamis, and (4) proposal of a program to develop strong citizens and communities.





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SOUTH-SOUTH & TRIANGULAR COOPERATION IN LATIN AMERICA AND THE CARIBBEAN

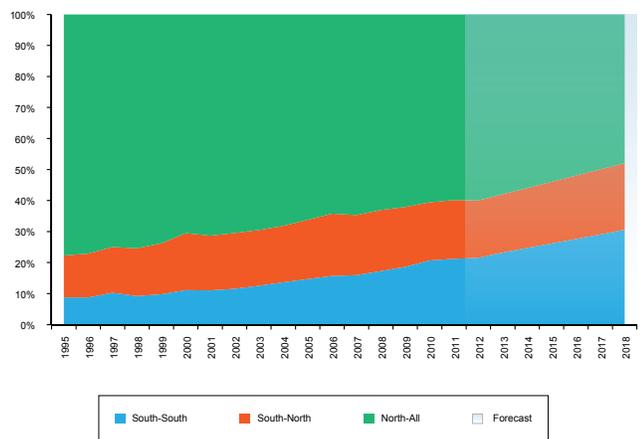
SELECTED INDICATORS

Exports from developing countries are forecast to be over half of global trade by 2018.

Please see the Trade and Integration Monitor 2013 (forthcoming) for a detailed treatment of South-South trade flows.

Figure 1

SHARE OF TOTAL WORLD EXPORTS

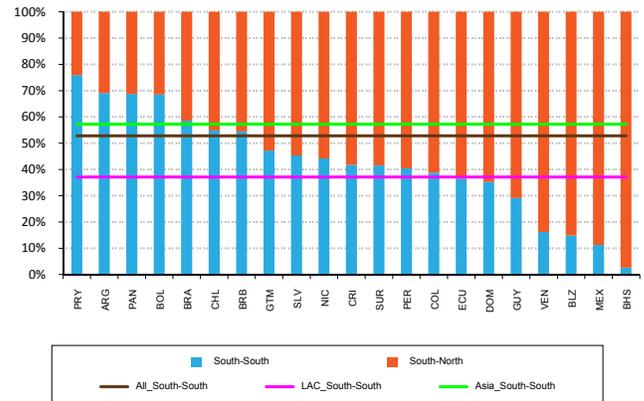


Source: IDB/INT based on COMTRADE and IMF WEO.

Mexico constitutes 33% of LAC total exports but only 10% of LAC South-South exports.
 In 2011, South-South exports accounted for 37% of total LAC exports. Excluding Mexico, the share of South-South exports in LAC is 53%.

Figure 2

**SHARE OF SOUTH-SOUTH EXPORTS
 IN COUNTRIES' TOTAL EXPORTS
 2011**

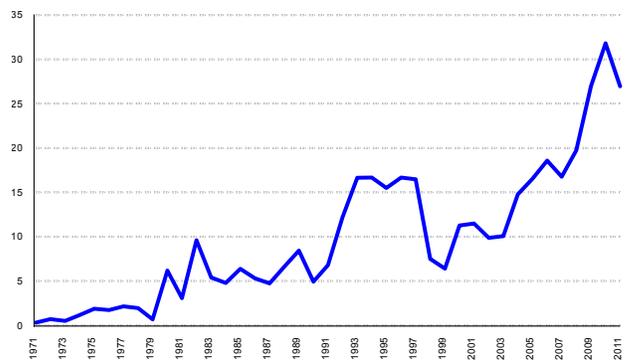


Source: IDB /INT based on COMTRADE export data HS1988.

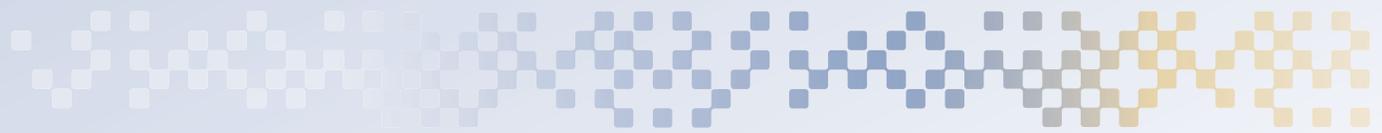
Developing and transition economies now account for the source of more than one-quarter of foreign direct investment.

Figure 3

**SHARE OF DEVELOPING AND TRANSITION ECONOMIES
 IN GLOBAL OUTWARD FDI FLOWS**



Source: UnctadStat.



READERS' CONTRIBUTIONS AND PRESENCE IN THE JOURNAL

*I*ntegration & Trade sets out to lay down communication mechanisms with its readers, who are also potential contributors. The Journal applies three editorial modalities:



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See the ongoing



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