

### Objectives of development cooperation

In some quarters, the term development cooperation remains almost synonymous with financial aid or, even more narrowly, with ODA (“official development assistance”). At the other extreme, development cooperation may be defined very broadly, to include, for instance, market flows (i.e. remittances or foreign direct investment).

Given both its history and distinctive potential, development cooperation should remain tightly focused on developing countries and internationally agreed concepts about what the global development agenda should aim to achieve. More precisely, development cooperation should have three major tasks (Severino and Ray, 2009; Ocampo, 2015):

1. supporting and complementing efforts of developing countries to guarantee the provision of universal social basic standards to their citizens, as a means for people to exercise their basic human rights;
2. promoting the convergence of the developing (and particularly the poorest) countries to higher levels of income and wellbeing, correcting extreme international inequalities; and
3. supporting efforts of developing countries efforts to participate actively in the provision of international public goods.

### Criteria for defining development cooperation

Development cooperation can be defined as an activity that meets the following four criteria:

1. *Aims explicitly to support national or international development priorities*

Not all international public non-profit activity is development cooperation. For instance, internationally coordinated security manoeuvres or support to developing countries’ military capacity may require plenty of international cooperation but would not be classified *development* cooperation. In order to help classify activities by whether they are developmental or not – there will always be grey areas – we should rely on globally agreed goals, namely the internationally agreed development goals, such as the Millennium Development Goals/SDGs, and other international or regional development agreements.

2. *Is not driven by profit*

This is the critical added value of development cooperation, in that it means doing something that is not-for-profit, or that accepts a lower profit than the market would offer. It would not happen if profit incentives alone were followed, or at least not in the same way. It is about correcting market failures and rules that impede or undermine developmental objectives. That said, development cooperation can also play a role in incentivising genuine for-profit activities with positive developmental impacts.

### Preparing for post-2015 and 2016 DCF

The universality and unified nature of the proposed sustainable development goals (SDGs) makes it increasingly difficult to distinguish actions that can be classified as international development cooperation from a range of other actions necessary for the good of the planet or to meet domestic objectives. Furthermore, since the 1990s, the number and diversity of development cooperation actors has increased rapidly, including, for example, a much wider range of countries and many more private actors; at the same time, the range of instruments and means of development support is broader than ever before.

This new reality requires a conceptual framing, one able to hold the array of agents and instruments oriented towards deliberately supporting developing country efforts to build inclusive and sustainable development strategies.

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The study aims to generate ideas for the post-2015 discussions, particularly in advance of the Third International Conference on Financing for Development (FFD3) in Addis Ababa, Ethiopia, 13-16 July 2015, and the High-level Meeting of the Development Cooperation Forum, in New York, July 2016.

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3. *Discriminates in favour of developing countries*

Only if an action aims deliberately to create new opportunities for developing countries, in a discriminatory way, and taking into account the structural impediments that limit poor countries' development, can it be considered development cooperation. This criterion will be increasingly important when it comes to implementing the post-2015 development agenda, as it distinguishes development cooperation from international action on sustainable development more generally.

4. *Is based on cooperative relationships that seek to enhance developing country ownership*

Development cooperation should be based on cooperative and non-hierarchical relationships between international partners that seek to complement resources and capacities in favour of development purposes. These relationships should be respectful of countries' sovereignty in defining and steering national development strategies. In fact, development cooperation should seek to widen developing countries' room for manoeuvre, limiting the restrictions and enhancing the opportunities that condition their development process.

Any activities complying with all of these four criteria should be regarded as "development cooperation" (DC).

Notably, under this definition, DC is a broad category which could include a range of activities not explicitly the remit of most DC agents, such as aspects of international trade or climate negotiations focused on support for developing countries. It draws in a far wider group of actors than are traditionally associated with development cooperation – a good thing, but not easy to manage practically. Development cooperation is not only about transferring resources; it includes any measure specifically designed in favour of developing country development. For instance, the General System of Preferences (a discriminatory reduction of duties for products coming from developing countries) is DC.

## **Types of development cooperation**

To further elaborate the definition and delineation of development cooperation, three main types of development cooperation can be identified in the

modern era: *Financial (and in-kind) transfer; capacity support; and policy change.*

### ***TYPE 1: Financial (and in-kind) transfer***

Financial transfers are what most people think of when they talk of "aid". For good or ill, aid remains seen as the mainstay of development cooperation, possibly because it is the easiest activity to measure. At the forthcoming Addis Ababa meeting on Financing for Development, financial transfers may once again dominate the DC discussions. A failure to make progress on the quantity of finance transferred from richer to poorer countries would seriously impede progress on some of the other growing issues (such as capacity building) and the more systemic issues requiring policy change (for example, it is difficult to guarantee financial stability without available contingent funds against liquidity crises).

While in-kind transfers have been common in the past (including food aid and the delivery of clothing), this approach has been criticised – it can be poor value for money and undermine domestic markets in the recipient country. For these reasons, DC "in kind" appears to be reducing in relevance in the modern era.

### ***TYPE 2: Capacity support***

Many countries are gradually emerging from extreme economic poverty and rising up the income ladder. While they will rely less on transfers (financial or in-kind), they can still benefit from other forms of development cooperation. Long an integral part of aid, capacity building may grow in importance in the years ahead given the changes in the international agenda and much wider range of issues covered in the SDGs than the MDGs. According to DAC data, services such as training and capacity building made up 10% of ODA in 2013, down from nearer 25% in the 1980s, and is a far larger proportion of South-South Cooperation (SSC), about 75% (UNDESA, 2014).

Among the most important lines of action in this field have been the following three:

#### ***Organisational and human resources***

While anecdotally there have been many successes over the years, broadly there is pessimism about the contribution that outside actors can make in a complex area like organisational and human resources that is context specific and often hard to understand. If this area of work remains a priority for DC agents,

it is more for its recognized importance than for confidence that impact will be made.

#### *Technology cooperation*

A common complaint in the development field in past decades has been that technology has not been transferred from advanced to less-advanced countries as efficiently as possible. The relevance of this aspect has grown as the international community seeks to help developing countries – particularly middle-income countries (MICs) – take advantage of techno-leapfrogging, for example, from fossil-fuel based technologies to sustainable ones (UNDESA, 2013).

#### *Sharing policy experience*

Over the years the relationship between development cooperation and the policies enacted by developing countries has been much criticised by some, for two main reasons: the content of the advice has sometimes been wrong, and the means of implementing policies considered appropriate by DC agencies have been heavy handed. In direct response to this latter problem of “conditionality”, SSC agents have established themselves on a basis of respect for domestic policy processes.

#### **TYPE 3: Policy change**

It is long recognised that some of the most important things that wealthier countries can do to support poorer countries have less to do with transferring to them either money or knowledge, but regard changing rules and activities (at national and international levels) that work to keep poor countries poor and in need of constant support. At national level, policy change includes reviewing public policies in light of their effects on the development agenda, strengthening

complementarities and avoiding conflicts among them. At international level, it implies building better enabling rules for global governance in pursuance of a more equitable distribution of development opportunities among countries and people and a more efficient provision of international public goods.

## **Conclusion**

The definition of development cooperation and its three main component areas presented here will not resolve all the grey areas that exist in this field. In particular, the real intention of an intervention, whether to favour a particular developing country or to promote the interests of the international partner (whether a country or private organisation) may not always be clear. This definition is proposed simply to define the parameters for discussions of DC types and individual cases. Table 1 sets out some of the components of the development cooperation concept outlined here.

As defined here, development cooperation demarcates a broad area of international action in which several modalities of support can operate. The arrival of the SDGs would further cement the importance of the non-financial forms of DC, and all DC agents will need to assess how much they are availing themselves of these options. If the MDGs allowed a focus on aid as the main conduit of international support, the same is not the case for the SDGs, which pointedly emphasise a host of other measures required to support progress – some systemic, some context-specific.

*Table 1: What is development cooperation?*

<b>Purposes</b>	<b>Characteristics</b>	<b>Types</b>
Guaranteeing universal basic standards of social protection	Explicitly intended to support national or international development priorities	Financial (and in-kind) transfer
Promoting convergence among countries' standards of living	Not driven by profit	Capacity support
Supporting efforts of developing countries to actively participate in the provision of international public goods	Discriminates in favour of developing countries  Based on cooperative relationships that seek to enhance developing country ownership	Policy change

## **Box: Is it Development Cooperation, or is it...**

### *Development Cooperation*

Activity that aims explicitly to support national or international development priorities, is not driven by profit, discriminates in favour of developing countries, and is based on cooperative relationships that seek to enhance developing country ownership.

### *Aid*

Broadly defined, "aid" means the transfer of resources from donor countries to developing countries, under concessional terms, to promote social and economic development (Riddell, 2007). However, the term has long become interchangeable, in many quarters, with the official resources made available by OECD DAC members, i.e. ODA. In either case, aid is clearly much narrower than the definition of DC presented here, which includes activities that do not involve direct resource transfers.

### *International Cooperation*

Development cooperation is part of international cooperation, but there are fields of international cooperation that are not directly related to development, such as sharing rules on international flights or adopting preventive measures against terrorism.

### *Provision of International Public Goods (IPGs)*

International public goods (IPGs) have to be provided through international coordination and cooperation, and some IPGs are tightly connected to development possibilities (for example, a vaccine against malaria or fair trade rules). The provision of these IPGs *may* be part of the global development agenda, but not necessarily, for development cooperation requires discriminatory action in favour of developing countries.

### *Total official support for development (TOSD)*

The DAC has begun to work on a new measure called Total Official Support for Development (TOSD) whose purpose is to provide a more accurate measure of donor contributions addressing global challenges and enablers of development (including climate change or peace and security, for example). It is likely that TOSD will include aspects that are not DC (e.g. some financial measures that fund IPGs) and will not include other components that would count as DC (e.g. DC by private actors).

### *Financing for Development (FfD)*

This is a much broader category than DC because it includes all financial sources (official and private, concessional or under market conditions) that can help finance the process of development.

### *International public finance (IPF)*

This term is used to cover all types of publicly sourced money transferred internationally but does not define its purpose (see Glennie and Hurley 2014). Thus it would not comply with the first criteria of the DC definition presented here.

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Table 2: Development cooperation types, modalities and instruments

Type	Main modalities	Instruments (examples)
<b>OFFICIAL</b>		
Financial (and in-kind) transfers	Grants	General budget support Investment projects Core support to NGOs Contributions to Multilateral Institutions Multi-donors Funds (basket funds)
	Loans and equity (and quasi-equity) investment	Concessional loans Multi-donors Trust Funds <i>Aid for Trade (loans)</i> <i>Loans with lower concessionality than ODA</i> <i>Syndicated loans</i> <i>Equity investment</i> <i>Mezzanine finance</i> <i>Risk-mitigation instruments</i>
	International levies and some other innovative finance	Solidarity levy on airlines ticket Pilot advance market commitments for vaccines <i>Caribbean Catastrophe Risk Insurance Facility</i>
	Public-Private Partnership	GAVI Global Fund
	Public climate finance	Mitigation projects <i>Certified Emission Reduction Trading</i>
	In-kind transfer	Food aid Non-food commodities
Capacity support	Organizational and human resources	Decentralized cooperation University cooperation Institutions and capacity building programmes
	Technology coop'n	<i>Cooperation among research centers</i>
	Sharing policy experiences	Policy advice Capacity and institution building
Policy change	In-country	Scholarship programmes Refugees in donor countries Administrative costs Debt relief Promotion of development awareness
	Changing global rules	<i>Exceptions in TRIPS: transition period for LDCs concerning patent regarding pharmaceutical product</i> <i>Trade preferences (GSP): Reduction of trade duties</i> <i>Duty-free, quota-free for LDCs</i>
	Policy coherence	<i>Monitoring national improvements by the EC</i>
<b>PRIVATE</b>		
Financial (and in-kind) transfer	Private grants (NGOs and Foundations)	<i>Gates Foundation</i> <i>Oxfam etc.</i>
	Innovative finance	<i>Product RED</i>
	Public-Private Partnership	GAVI Global Fund
	Social impact investment	<i>Social Impact Bonds</i> <i>Global Innovation Fund</i>
Capacity support	Organizational and human resources	<i>Institutions and capacity building programmes, often at small scale</i>
	Technology coop'n	<i>Support for drug development and access</i>
Policy change	Social Corporate responsibility initiatives	<i>Better Factories (ILO)</i> <i>Tom's Shoes</i> <i>Starbucks</i>
	Fair Trade	<i>Fairtrade International</i> <i>European Fair Trade Association</i>

Note: Italic is official DC transfer but usually non-ODA countable