United Nations Development Programme

Accelerating Sustainable Development
South-South and Triangular Cooperation to Achieve the SDGs
A UNDP Strategy

Working Document
New York, 20 July 2016

1	**Introduction**

This strategy aims at a re-think of UNDP's approach to South-South and triangular cooperation (SSC and TrC) as development accelerators and multipliers. Its preparation has been driven by two key developments: first, the commitments made in the **UNDP Strategic Plan (SP, 2014-17)** to employ SSC and TrC to help achieve development results that benefit programme countries; and, second, the **Management Response to the Evaluation of UNDP's Contribution to South-South and Triangular Cooperation** that commits to the preparation of a corporate strategy. These developments have taken place against the backdrop of a radical transformation in the scope, scale and effects of cooperation between developing countries over the course of the past two decades, calling for a creative and considered response from the multilateral development system. As the leading development agency in the UN system, this is a demand that UNDP both understands and embraces wholeheartedly.

This strategy also takes into account normative considerations that have shaped cooperation among developing countries even as this has become more complex and nuanced over time. It will be a living document that will be adjusted based on learning-by-doing and feedback received from partners. The strategy offers a snapshot of the state of play in UNDP's engagement with SSC and TrC; proposes a substantially overhauled value proposition for UNDP's future work on SSC and TrC; outlines a transformative partnership model that can deliver on this value proposition; and indicates a way forward to implementation within the current Plan period and into the next. Last but not least, **the strategy takes an important step forward in clarifying and deepening the organisation's relationship with the UN Office for South-South Cooperation (UNOSSC), within the framework of current legislation and in accordance with UNDP's role as its institutional host.**

Box 1: Working Definitions

Working definitions for SSC and TrC were developed and endorsed by the 17th High Level Committee on South-South Cooperation in 2012 in order to facilitate the work of the UN System. There are other definitions in use as well, by countries and international institutions.

South-South Cooperation (SSC) [1]

The Framework of Operational Guidelines on United Nations Support to South-South and Triangular Cooperation defines **South-South Cooperation** to be 'a process whereby two or more developing countries pursue their individual and/or shared national capacity development objectives through exchanges of knowledge, skills, resources and technical knowhow, and through regional and interregional collective actions, including partnerships involving Governments, regional organisations, civil society, academia and the private sector, for their individual and/or mutual benefit within and across regions. South-South cooperation is not a substitute for, but rather a complement to, North-South cooperation.' This definition is based on the Nairobi Outcome Document, negotiated at the UN High-Level Conference on South-South Cooperation and adopted by the UN General Assembly in December 2009.

Triangular Cooperation (TrC)[2]

Triangular cooperation involves Southern-driven partnerships between two or more developing countries, supported by a developed country(ies) or multilateral organisation(s), to implement development cooperation programmes and projects.'

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[1] United Nations, 'Framework of Operational Guidelines on United Nations Support to South-South and Triangular Cooperation,' High-level Committee on South-South Cooperation, New York, 2012 (SSC/17/3). South-South Cooperation is also understood as East-East Cooperation in the Europe and CIS region.
[2] Ibid.

2	**The Development Backdrop**

One of the major trends over the past two decades has been the transformation of growth and development performance and prospects in many parts of the world. Increases in economic output, major improvements in key human development indicators as well as the rapid expansion of trade, investment, financial, technological and other flows between developing countries have been remarkable. The development horizon facing an agency such as UNDP today is, thus, substantially altered from the one it would have dealt with in the 1980s or even as late as the early-2000s. The evolution of this phenomenon has been documented comprehensively in UNDP's Human Development Report 2013 'The Rise of the South: Human Progress in a Diverse World'.

Where will SSC and TrC fit within this setting? A sensible conclusion to draw under these circumstances is that SSC and TrC will not suddenly overwhelm North-South cooperation nor will many developing countries – still poor relative to developed economies – necessarily see themselves, for a variety of reasons, as major providers of traditional development assistance. Nevertheless, even though the increasing importance of SSC and TrC does not replace traditional forms of cooperation including official development assistance (ODA) and long-standing commitments in this regard, they can be an **effective complement, capable of spurring transformational change and contributing to the achievement of the 2030 Sustainable Development Agenda.**

Driven by solidarity and based on principles of mutual benefit, sovereignty, ownership, equality, non-conditionality and non-interference, SSC in particular is different from traditional development assistance and, thus, has its own role as a cooperation modality. With this view in mind, the Outcome Document of the Third International Conference on Financing for Development (FfD, 2015) encouraged '…..developing countries to voluntarily step up their efforts to strengthen South-South cooperation, and to further improve its development effectiveness in accordance with the provisions of the Nairobi outcome document of the High-level United Nations Conference on South-South Cooperation….' (para 57), in the context of poverty eradication and sustainable development. The Outcome Document also committed countries to '…..strengthening triangular cooperation as a means of bringing relevant experience and expertise to bear in development cooperation,' (para 57).

Tapping into the potential of SSC and TrC, however, requires a better understanding of their enhanced relevance for global development in the future. This should be the starting point for a response from UNDP.

3	**The Transformational Potential of SSC and TrC**

A.   The Potential

There is a set of mutually reinforcing reasons why SSC and TrC can play a pivotal role in transforming development prospects, as a complement to traditional ODA.

- Changing sources and scale of development knowledge and practice: There is now more than 60 years of experimentation and experience accumulated in developing regions. An enormous wealth of knowledge has been gained and data built up on a wide variety of models, policies, political and institutional arrangements and technologies, many designed and sustained indigenously, heterodox in character and tailored specifically to the circumstances of a very diverse set of countries. The point here is not the obvious one of more knowledge being available but the fact that:

(a) **the availability and, increasingly, the replenishment of the stock of knowledge is expanding rapidly in developing countries themselves;**

(b) **the flow of knowledge, expertise, products, services and finance is now multi-directional, well beyond simple 'transfers' between North and South; and**

(c) **the knowledge base has passed a certain threshold, becoming sufficiently deep and broad to represent a powerful variable on its own – if not strictly speaking a 'public good', then certainly of great public benefit**.

- <u>The determinants of growth and development:</u> Among developing economies, 13 have experienced at least 7 percent average annual gross domestic product (GDP) growth over four consecutive decades, with their income per capita doubling every 10 years or faster (Botswana, Brazil, China, Hong Kong SAR of China, Indonesia, Japan, Republic of Korea, Malaysia, Malta, Oman, Singapore, Taiwan Province of China, and Thailand)[3]. While diverse in many ways, what is common to all of these economies is their investment in knowledge-based growth that continuously improved competitiveness and economic performance, including in global markets. Progress in other parts of the South and specifically in Sub-Saharan Africa and South Asia has generally lagged in relative terms. Indeed, even at an annual average GDP growth rate of 7 percent, it would take least developed countries (LDCs) 50 years to reach the level of developed economies.[4]

  Maintaining such an ambitious pace of growth would require a series of mutually reinforcing steps such as national commitment to further reforms, expanded international cooperation and positive global market conditions. An even higher rate of growth would be required to raise incomes and reduce relative poverty if inequalities continue to worsen. It is in this context that recent research by Stiglitz and Greenwald[5] reveals that **enabling access to knowledge and advanced technologies as well as boosting national capacities through continuous learning are the most effective interventions for improving productivity and resilience**. Their research shows that, for countries to increase and maintain high growth rates for decades, efficient capital and labour allocation and increasing savings rates are not enough: they should also be accompanied by sustained investments in learning and local content development. Expanding countries' knowledge base, institutional capacities and human capital in key sectors yields spill-over effects that enhance societal development potential. In other words, **'….for an emerging market, access to knowledge is essential for its future growth.'**[6]

- <u>New economies of scale:</u> Globalisation of economies has also globalised opportunities, risks and structural problems, confronting countries with similar challenges. This has, in turn, made locally developed and tested solutions relevant to more than just one place and context. In other words, **the 'laboratory of development' accessible to any country or institution at present is much larger than what it could have fostered on its own**. This has always been true but the potential has been altered dramatically by accelerated flows of ideas, technology, people, finance, goods and services, both generally but also within the South. This means that **as more and more developing countries successfully test and find solutions, they substantially and progressively lower the marginal cost to other developing countries of trying the same options. Furthermore, this potential is less likely than before to remain latent**: more active interchange among

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[3] Michael Spence, The Next Convergence: The Future of Growth in a Multispeed World, 2012.

[4] At 7% growth rate per year, all other parameters unchanged, the income per capita doubles in 10 years (Rule of 72).

[5] Greenwald, Bruce and J.E. Stiglitz, 'Creating a Learning Society: A New Approach to Growth, Learning, and Social Progress,' 2014.

[6] Ibid, p.455.

developing countries increases the probabilities of successful diffusion. All other things being equal, this means higher returns are not only feasible but realisable from every dollar of additional investment through SSC and TrC - and much more so than in the past.

This phenomenon occurs because of a set of connected economies achieved through learning and cooperation:

(a) 'savings' in direct and indirect (e.g. time) costs from adapting rather than having to invent from scratch;
(b) greater probability of success by accessing solutions that have proven themselves in similar contexts;
(c) increased likelihood of cost-effectiveness and sustainability due to solutions that are optimised to succeed in resource and capacity constrained environments;
(d) improved efficiencies as well as gains in productivity and output made possible by the introduction of new products and services as well as the creation of new or bigger markets; and,
(e) finally, improved 'risk-proofing' from being designed to withstand implementation in settings that confront both domestic and foreign investors with substantially higher levels of risk and uncertainty, whether in frontier or emerging markets.

The points mentioned above have major implications for the implementation of the Sustainable Development Goals (SDGs). A set of goals and targets that are as integrated, comprehensive and complex as this requires a fundamentally different response at country, regional and global levels. It would be wasteful, inefficient and impractical – in fact, close to impossible - to try to achieve the SDGs in the next 15 years by pursuing policies and investments on a Goal-by-Goal basis, something that was feasible with the Millennium Development Goals (MDGs).

The *key* to success in the future will be to find solutions that possess three major characteristics: first, 'integration effects' realised by connecting work on closely related issues, in other words, investments that yield greater returns when they are planned, sequenced and delivered *together* rather than separately; second, 'multiplier effects', where investment in one area generates positive externalities across a wide range of other areas; and, third, 'acceleration effects', where time lags between investment and desired development outcomes and impact are compressed as much as possible by tackling structural constraints such as inequality in order to maximise what can be achieved in less than a generation.

SSC and TrC can tap effectively into all three of these 'effects'.   These modalities of cooperation have the ability – when seen as a significant complementary element within a broader package embracing ODA, domestic public and private investment, foreign direct investment (FDI) and remittances – of transforming the ability of developing countries to achieve the SDGs. They can also help achieve related goals, for example, the ambition of LDCs to achieve middle income status within the next 10-15 years or less.

This potential, however, will not be realised automatically . The best way of identifying how it can be unlocked is by applying the analogy of a **global 'marketplace'** to SSC and TrC where participants:

• come together voluntarily based on their interests and priorities;
• abide by jointly agreed principles;
• supply and demand solutions based on tested ideas and proven knowledge, technology and expertise;

- have an implicit or, more often, explicit sense of their cost of providing solutions and willingness to pay for them (from 'free' to being fully costed and paid for);
- try to secure mutually beneficial agreements; and,
- finally, seek out the best ways of financing and executing these agreements, either managing implementation between the parties involved and/or requesting third parties to step in.

Such an analytical perspective not only captures reality reasonably accurately but also yields useful insights into what it will take to make such a global 'marketplace' work better.

B.   The Bottlenecks

UNDP's analysis and experience point to five major and inter-connected bottlenecks affecting SSC and TrC at present: complexity, asymmetry, externalities, scale and sustainability.

- Heterogeneity and complexity: To begin with, there are **critical gaps in our understanding and knowledge of SSC, in particular**. This arises because:

  (a) there are many different kinds of relationships and transactions that are happening under the broad umbrella of SSC that may not be fully acknowledged or understood;
  (b) information on trends, patterns and levels of cooperation is patchy or incomplete, disorganised, non-comparable and not easily available or accessible; and
  (c) clear evaluative bases, tailored to the principles of SSC, are yet to be prepared by developing countries themselves for their own use to assess performance and identify strengths, weaknesses and opportunities.

  Overall, the quality and availability of information on the scale and impact of South-South cooperation have not kept pace with growing demand among Southern partners for peer learning to further improve results. Current analytical frameworks, which draw on those used for traditional development cooperation, are also considered inadequate for SSC, given its principles and modalities.[7]

  Scale and complexity also make it **exceptionally difficult for any single entity or even group of entities to capture, access and, importantly, make sense of information and knowledge about what is going on** and how best to make use of it. This can only happen successfully by enabling institutions and experts across the South and North to voluntarily share the information and knowledge to which they have access, something that is currently occurring to an insufficient degree. In addition, both experts and practitioners from the South lack adequate 'voice' when Member States deliberate on SSC and TrC, depriving inter-governmental processes of fuller access to valuable knowledge, experience and perspectives. A final compounding factor is the **absence or limited nature of global fora for dialogue, experience exchange and, perhaps, decision-making among developing countries themselves and their partners**, places where they can come together to assess how SSC and TrC are progressing and can be strengthened further in the future.

- Asymmetry: **Countries and non-state actors have an asymmetric ability to manage and participate** in SSC and TrC mostly because of two critical considerations: first, insufficient recognition of SSC and TrC as a major public policy issue requiring a systematic and results-driven approach; and, second, capacities to share, access, plan, coordinate and monitor which tend to be variable or, sometimes, non-existent across participants, including access to a pool of national experts who can help initiate and sustain partnerships. As a result, there may be many more

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[7] Ibid, 2014

partners at present who want to engage in SSC but cannot do so because of still unresolved constraints. **Engagement is deterred, in addition, by unfamiliarity with the many channels and modalities of SSC** and the norms, standards and rules that come with them. This can create considerable complexity, raise costs and, thus, heighten barriers to cooperation by requiring greater capacity than many countries possess at present.

- Externalities: Due partly to complexity, data shortfalls and the relatively recent surge in the volume and coverage of SSC and TrC, **there is only a partial understanding of the externalities generated by these modalities of cooperation**. As a result, participants in the global 'marketplace' are not able to take them fully into account when they offer and seek out solutions. For instance, there are positive externalities that may arise from the adoption of particular policy or technological options that are important to understand and factor into the decision-making process such as the introduction of electronic social security payments that triggers the development of a local mobile banking and IT services sector. There may also be some negative externalities that need to be better understood, for example, from the selection of an inappropriate land management technique that actually worsens rather than improves sustainability and social impacts. As both development theory and evidence show, these externalities can have quite large effects on costs and benefits and need to be factored into public policy and cooperation programmes.

- Sub-optimal scale: Despite an often high level of interest and commitment to cooperation, **policies, regulations and procedures across developing countries may be having the unintended effect of making it harder** for them to benefit from each other's knowledge, products and services, perhaps because of varying technical standards, different procurement rules or diverging trade or exchange rate provisions. Policy incoherence, together with a lack of institutional capacities for cooperation, can create 'thick borders' between countries and hinder the expansion of SSC and TrC. This constrains the range and value of development benefits that can be realised through these modalities.

- Sustainability: There is growing anecdotal evidence from developing countries themselves that point to **demand for improved sustainability of SSC**. This does not suggest problems intrinsic to this modality of cooperation but, rather, possible shortfalls in design, delivery, management and monitoring and evaluation (M&E). Some promising SSC initiatives, for example, are constrained by financing and, as a result, lack follow-up. Others may be undertaken in an ad-hoc manner or on a narrowly-based partnership, and fail to achieve impact at scale. The developmental value of SSC and TrC - their ability to secure and help sustain a flow of benefits over time - will require greater attention to these issues and stronger mitigation measures.

4	**The Current State of Play in UNDP**

There are five main sources of data and lessons learnt on UNDP's work to date: the Evaluation of UNDP's contribution to South-South and Triangular Cooperation 2008-2011 (2013); the expert consultation held during the preparation of the Strategic Plan (2013); two programme mapping analyses (2014 and 2015); e-discussions among UNDP staff and knowledge networks (2014); and informal, mostly bilateral, technical brainstorming with Member States which began in early-2015 and will continue into the implementation stage of this strategy.

The evidence points to **five key strengths**: facilitating impartial spaces for consensus-building; offering a 'force multiplier' for the UN; extensive field-based presence and capacity; long-term engagement and capacity development approaches; and comprehensive corporate systems of accountability.

There are also **five main areas for improvement**: the programmatic application of SSC involves abundant initiatives but lacks systematic approaches to fully serve UNDP's strategic roles; support to policy frameworks and institutional capacities have yet to reach adequate scale; there is demand for approaches tailored to different typologies of countries calling for greater differentiation in approach; there is substantial untapped potential to increase regional integration efforts as well as sub-regional and neighbourhood initiatives; and partnerships in support of SSC and TrC are primarily with governments, and have yet to leverage support from the private sector, civil society and other non-state actors.

Some examples of the work of UNDP are presented in Box 2 below and additional analysis is provided in the Annex.

Box 2: Recent Examples of UNDP Support to SSC and TrC

In 2014, UNDP reported 469 projects across 133 countries that mainstreamed South-South and triangular cooperation. **UNDP's role focused mainly on knowledge brokering**. For example, UNDP supported Indonesia to share its good practices with the Philippines to help with recovery efforts from Typhoon Haiyan. In Jamaica, UNDP facilitated the knowledge transfer of Cuba's Risk Reduction Management Centre model. Furthermore, UNDP supported establishment of Centres of Excellence in developing countries on various subjects central to sustainable development, including the International Policy Centre on Inclusive Growth and the World Centre for Sustainable Development in Brazil, the Global Centre for Public Service Excellence in Singapore, and the Istanbul International Centre for Private Sector in Development. In 2013, UNDP and the Government of Kazakhstan launched the Regional Hub of Civil Service in Astana to share knowledge about effective civil service systems, uniting efforts to reform and strengthen civil services in the region and beyond, involving over 30 countries and five international bodies. UNDP in collaboration with the Government of Aruba launched the Centre of Excellence in Sustainable Development for Small Island Developing States (SIDS). The Centre aims to strengthen innovation and resilience in SIDS and facilitate SSC on issues such as renewable energy, climate resilience, water, tourism, environment and public health.

Beyond knowledge sharing, **UNDP also facilitated important partnerships.** During the Ebola crisis, UNDP partnered with the Government of South Africa in deploying autoclaves in Ebola affected countries (Guinea, Liberia and Sierra Leone) to safely dispose of medical waste. In Armenia, UNDP initiated and supported cooperation between Armenia and Kyrgyzstan in jointly developing a Disaster Risk Reduction (DRR) strategy and a legislative framework for DRR. UNDP is helping Brazil to roll out the second phase of the Cotton 4 Project initiative to Burundi, Kenya, Malawi, Mozambique, Tanzania and Uganda. UNDP also works with Brazil and Cuba to support restructuring of the Haitian health system. Additionally, utilising triangular cooperation, UNDP has worked with the Governments of China and Denmark to support energy-related activities in Ghana and Zambia. UNDP also collaborates with the Republic of Korea (ROK) to scale-up elements of its rural development model (Saemaul Undong) through SSC to Bolivia, Lao PDR, Myanmar, Rwanda, Uganda and Vietnam. With UNDP's support, 100 experienced public servants from Ethiopia, Kenya and Uganda have been

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