Juliane Kolsdorf | Ulrich Müller [eds.]

Transforming International Cooperation

Thoughts and Perspectives on Moving Beyond Aid

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Preface

The formula is more international cooperation.
António Guterres, UN Secretary General, in September 2019,
on his formula for addressing critical global issues

Development policy and the system of international cooperation are in constant flux and change, just like the world and its global order itself. Nevertheless, some of its features and structures remain rigid and untouched, often due to a lack of alternatives, whether perceived or real. This as such is not new and we, who have been working in this field for many years, are constantly dealing with these discrepancies, trying to minimise the gaps between normative intentions, societal necessities and political reality, together with our clients and partners. However, the world has become much more complex in recent years, and fundamental changes are happening at a faster pace. New actors are taking their places on the main stage – be it emerging countries, popular movements or private sector giants – while routine partnerships have come under new scrutiny. New technologies are connecting people and changing access to information, knowledge and solutions, but may also create risks that we haven't imagined yet. Many of today's challenges, such as inequality, societal reconciliation or the effects of climate-related events, are facing countries in the North and South alike.

This publication circles around a topic that combines the 'old' and the 'new' in international cooperation.

Since 1969, the concept of Official Development Assistance (ODA) has been the framework for cooperation between 'developed' and 'developing' countries, based exclusively on the assessment of their income per capita. A new situation in our growing world economy has emerged out of this very categorisation: an increasing number of countries, including G20 members such as China, Brazil or Turkey, but also a range of medium-sized and small (island) countries, are moving towards the high-income category – and thereby towards 'graduation' from ODA. Regardless of the categorisation of these countries, serious challenges to sustainable development often persist, such as high degrees of social or regional inequality or great exposure to external shocks. Moreover, with the world facing serious global crises with respect to climate change, violent conflict and the spread of infectious diseases, it is more important than ever to invest in global partnerships.

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These transition processes must be also embedded in the broader political context and the major reforms of the development cooperation logic, set out mainly through the 2030 Agenda and the Sustainable Development Goals (SDGs). Under the new paradigm of universality, must we not question traditional structures, such as the donor-recipient logic and the narrow focus on income as a measurement of a country's development? Countries like Mexico, Chile, Uruguay or Indonesia have long demanded a different understanding of cooperation, including a truly mutual approach to learning and contributing solutions, and additional 'developing' countries are joining this call. It is important for international partners to understand and consider the demands and needs of countries moving towards graduation from ODA. How can the experiences and lessons of graduated countries feed into our modes of cooperation with other countries in transition? How can well-established, trustful relationships be secured and modernised in a post-ODA setting in order for us to jointly achieve our goals, as set out in the 2030 Agenda?

Together, we need to go even further and raise the question of to what extent the concept of graduation from ODA and the changing development cooperation system mutually affect and shape each other. How can we organise our work in a setting where the dichotomic distinction between 'donor' and 'recipient' no longer exists, to ensure that all actors needed to find the right solution can bring their share to the table? How can we make the best of our complex world, not without ODA, but with smart options for sustainable development and cooperation beyond categories? Last but not least: what does that mean for the ODA-regime itself?

By setting up a research-oriented project in 2018, the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) aimed to shed light on ODA graduation processes and their implications for countries in transition, for international partners and for the development cooperation system as such.

As a first component, GIZ supported the Overseas Development Institute (ODI) in conducting case studies to analyse the experiences and needs of four countries at different stages of graduation (Botswana, Mexico, Chile and South Korea). These were published by ODI in December 2019, and we would like to express our gratitude to the authors Annalisa Prizzon and Rachael Calleja for their thorough and enriching research, and to our colleagues involved – specifically at the respective country offices – for their dedicated support.

In the second part of the project, the findings of these studies served as a fundamental basis from which to enhance and expand the discussion on ODA graduation. In a series of fresh and fruitful dialogues, policymakers, practitioners and academics from more than 15 African, American, Asian and European countries embedded the topic in the global political context and the ongoing changes in development cooperation, focusing on a range of systemic questions

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surrounding the matter of ODA graduation and linking the topic to other debates on cooperation in the SDG era.
The result of these discussions is the collection of ideas and perspectives that you are holding in your hands. We hope it may contribute inspiring thoughts to the realisation of the 'new' system of international development cooperation: living out universality and vivid global partnerships, while leaving no one behind, with a smart use of ODA – and beyond.

Eschborn, May 2020

Dr Elke Siehl, Director of Corporate Development, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

Dr Dirk Aßmann, Director General of the Sectoral Department, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

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In addition, we would like to thank Michael Krempin, Astrid Bräu and Elke Siehl for initiating and kicking-off the project within GIZ; Annalisa Prizzon and Rachel Calleja at the ODI for their brilliant groundwork and great cooperation; our internal reference group, which contributed to critical reflection on the topic and to raising the systemic questions; our 'networkers' Annalisa Prizzon, Nadine Piefer-Söyler, Lothar Rast, Hagen Ettner and Martín Rivero, who were of great help in finding the right people for this piece of work; and those in Brussels, Washington and New York that were unable to join our talks for various good reasons. Tanja Randau saved us weeks of time thanks to her well-trained ears and precise transcription; Martyn Ford ensured that even the most complex train of thought was kept in correct British English, and Beate Bernstein at Nomos was of great support by finding solutions to every odd question. Finally: thanks to modern technology, which saved everyone time and emissions, and enabled us to even consider this format.

Without you all, this result would not have been possible, and the process certainly would not have been as much fun.

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List of abbreviations

AAAA	Addis Ababa Action Agenda
AFRODAD	African Forum and Network on Debt and Development
AMEXCID	Agencia Mexicana de Cooperación Internacional para el Desarrollo (Mexican Agency for International Development Cooperation)
ASEAN	Association of Southeast Asian Nations
AU	African Union
AUCI	Agencia Uruguaya de Cooperación Internacional (Uruguayan Agency for International Cooperation)
AUDA-NEPAD	African Union Development Agency – New Partnership for Africa's Development
BAPA	Buenos Aires Plan for Action
BAPA+40	Second United Nations High-level Conference on South-South Cooperation
BRICS	Brazil, Russia, India, China, South Africa
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (German Federal Ministry for Economic Cooperation and Development)
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
DAC	OECD Development Assistance Committee
DCD	OECD Development Co-operation Directorate
DEval	Deutsches Evaluierungsinstitut der Entwicklungszusammenarbeit (German Institute for Development Evaluation)
DFID	Department for International Development, UK
DG DEVCO	European Commission's Directorate General for International Cooperation and Development

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DIE	Deutsches Institut für Entwicklungspolitik (German Development Institute, GDI)
ECLAC	United Nations Economic Commission for Latin America and the Caribbean
EU	European Union
FCO	Foreign and Commonwealth Office, UK
FfD	Financing for Development
FSD	Financing for Sustainable Development
FOCAC	Forum on China-Africa Cooperation
G7	Group of 7
G20	Group of 20
GDP	Gross Domestic Product
GFATM	Global Fund against AIDS, Tuberculosis and Malaria
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (German Agency for International Cooperation)
	Before 2011: Deutsche Gesellschaft für Technische Zusammenarbeit GmbH (GTZ), Deutscher Entwicklungsdienst (DED) and Internationale Weiterbildung und Entwicklung GmbH (InWEnt)
GNI	Gross National Income
HIC	High-Income Country
HIPC	Heavily Indebted Poor Country
IDA	International Development Association
IDFC	International Development Finance Club
IsDB	Islamic Development Bank
IMF	International Monetary Fund
INGO	International Non-Governmental Organisation
INTRAC	International NGO Training and Research Centre
KfW	Kreditanstalt für Wiederaufbau (German Bank for Reconstruction and Development)

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LDC	Least Developed Country
LMIC	Lower-Middle Income Country
MDB	Multilateral Development Bank
MDG	Millennium Development Goal
MDRI	Multilateral Debt Relief Initiative
MENA	Middle East and North Africa
MERCOSUR	Mercado Común del Sur (Southern Common Market)
MIC	Middle-Income Country
MPI	Multidimensional Poverty Index
NAMA	Nationally Appropriate Mitigation Action
NeST	Network of Southern Think Tanks
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OOF	Other Official Flows
SAIIA	South African Institute of International Affairs
SDC	Swiss Agency for Development and Cooperation
SDG	Sustainable Development Goal
SECO	Swiss State Secretariat for Economic Affairs
SEGIB	Secretaría General Iberoamericana (Ibero-American General Secretariat)
Sida	Swedish International Development Cooperation Agency
SIDS	Small Island Development State
SME	Small and Medium Enterprise
SSC	South-South Cooperation
TICAD	Tokyo International Conference of African Development

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TrC	Triangular Cooperation
TOSSD	Total Official Support for Sustainable Development
UK	United Kingdom
UMIC	Upper-Middle Income Country
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UN-DESA	UN's Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNGA	United Nations General Assembly
UNOSSC	United Nations Office for South-South Cooperation
US	United States of America
USAID	United States Agency for International Development
USD	United States Dollar
WBGU	Wissenschaftlicher Beirat der Bundesregierung Globale Umweltveränderungen (German Advisory Council on Global Change)
WTO	World Trade Organization

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Introduction

Juliane Kolsdorf, Andrés Saravia and Ulrich Müller

At first glance, the overarching topic of this publication, graduation from Official Development Assistance (ODA)[1], describes a quite simple technical procedure, defined through the criteria set out by the Organisation for Economic Cooperation and Development's (OECD) Development Assistance Committee (DAC): when a country passes the threshold of approximately 12,000 USD income per capita and is therefore listed in the high-income category for three consecutive years, it is no longer eligible to receive ODA-financing. This 'ODA graduation' does not mean that any form of cooperation with these countries must cease, but that it cannot be counted as ODA anymore and does not contribute to reaching the 0.7% ODA/GNI target.[2]

However, a closer examination reveals that ODA graduation relates to a variety of political and economic questions. These connect with different topics, such as identities and alignments of countries in transition, policy implications for both graduating countries and DAC donors, financing tools for development, innovative modes and instruments of cooperation and the role of private actors and civil society. In that way, graduation links with some current major debates in international cooperation, embracing both a macro and a micro level, a global, regional and national scale, as well as a northern and a southern perspective.

A list published by the OECD in 2014[3] expected 29 countries and territories with a total population of 2 billion people to graduate from ODA by 2030. The list included China and other G20 countries such as Brazil, Mexico and Turkey, medium-sized and small countries such as Malaysia, Gabon and Uruguay, as well as a range of small island countries. Economic circumstances have changed and not all the countries listed have continued their growth, so ODA

1 ODA is defined as "official government resources that promote and specifically target the economic development and welfare of developing countries under concessional financial terms". See contribution by Ida Mc Donnell in this publication.

2 Most DAC members (with the exception of the United States and Switzerland) commit to the target of raising ODA spending to 0.7% of their national income. See OECD 2019.

3 OECD 2014.

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graduation is not easy to predict. Therefore, and for other reasons, several countries and scholars have criticised the criteria for ODA graduation as too narrow.[4]

Within the current changes in the international system, emerging countries, many of which appear on lists for ODA graduation, play an outstanding role. Global world orders and relations of power are shifting. The number of important players in the multipolar international landscape is increasing. The transition in the global system has created feelings of insecurity, and the multilateral system is being challenged from various sides. At the same time – with the 2030 Agenda for Sustainable Development – the international community has agreed on an ambitious set of goals and principles that address sustainable development from at least three different angles, economic, social and ecological, which affects the responsibilities of several policy areas and poses substantial questions relating to policy coherence. There is broad consensus that emerging countries are crucial for achieving the Sustainable Development Goals (SDGs) and for protecting and providing global public goods. ODA still has an important place within the 2030 Agenda, especially regarding support for Least Developed Countries (LDCs). However, under the new paradigm of universality enshrined in the 2030 Agenda, every country must tread its own path towards sustainable development, regardless of national income levels. This contrasts with the traditional donor-recipient logic which ODA stands for. The Agenda also emphasises the importance of partnerships on an equal footing and new forms of collaboration, such as South-South and triangular cooperation[5], which have been repeatedly underlined since then, e.g. at the Second High-level United Nations Conference on South-South Cooperation ('BAPA+40 Conference') in 2019.[6]

In this context, several questions arise with regard to the implications of an increasing number of countries reaching high-income status and graduation from ODA: How do these implications differ in relation to a transitioning country's size, economic structure and political weight? How is the process of transition related to reflections on identity and affiliation, different needs and expectations, and priorities and strategies? What will happen with respect to developmental challenges that persist even post-graduation, such as high levels of social inequality and high exposure to external shocks? How do countries in transition prepare and position themselves for the process of graduating from ODA, and how does that connect with the South-South cooperation many countries increasingly provide?

4 See, for example, Ravaillon 2013 or Vignolo/Van Rompaey 2020.

5 South-South cooperation is defined by the UN as "a broad framework of collaboration among countries of the South in the political, economic, social, cultural, environmental and technical domains". Triangular cooperation "is collaboration in which traditional donor countries and multilateral organisations facilitate South-South initiatives through the provision of funding, training, management and technological systems as well as other forms of support". See UNOSSC 2018.

6 See UNGA 2019.

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Questions have also come up about how the graduation process of a country affects its international partners. Do they develop exit strategies that help to preserve development successes, established networks and links of trust? How will they sustain long-term relations with the countries in transition and foster value-based partnerships in a strategic manner, for instance to address global challenges together also beyond ODA? How do they learn from emerging countries' experiences regarding development challenges, like internal social and economic inequalities, environmental threats, etc., which are increasingly affecting them as well? Should they rethink their priorities and initiate structural changes in order to adapt to these new situations?

All these questions link ODA graduation to the changes and innovations that are currently taking place in the international (development) cooperation system, with regard to both systemic and technical issues. In terms of modalities, these include the rise of multi-stakeholder partnerships, global funds and networks or triangular cooperation. Next to international organisations and governmental institutions, this involves non-state actors like private companies, civil society, multilateral development banks and transnational networks. Implementing new knowledge sharing approaches – that are developed both within and without the current development cooperation system – also requires additional sources of and tools for financing sustainable development. These discussions are driven by the need to find new ways of achieving sustainable development between an ever-closer North and South and exchanging solutions regardless of a country's developmental status, and they become even more urgent when ODA-based relations are coming to an end.

The points mentioned underline the relevance of ODA graduation from both an academic and a political perspective and explain the motivation which lies behind this publication. In 2018, the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) launched an internal research-oriented project which aimed to analyse ODA graduation processes, their implications for countries in transition and international partners, as well as the effects on the future of the development cooperation system. As a first component of this project, GIZ supported the Overseas Development Institute (ODI) in conducting case studies in four countries at different stages of graduation from ODA: Botswana, Mexico, Chile and the Republic of Korea. Based on semi-structured interviews with representatives from governments, non-governmental organisations (NGO) and academia, the researchers explored the experiences and needs of these countries and made recommendations for managing transition processes, cooperation with development partners and cooperation beyond ODA.[7]

This publication is the result of the second component of the project, which draws on the findings of the first part. Based on the insights of the country studies, it aims to broaden the discussion on ODA graduation and highlight its

7 The key results of the studies are outlined in the contribution by Annalisa Prizzon in this publication.

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systemic and political implications, in order to enhance current debates on international cooperation and discuss a variety of analytical and practice-related questions.

This is done through moderated dialogues[8] on key topics in which the experts invited share personal views on graduation and the transition in international (development) cooperation. Following only a few guiding key questions, the purpose was to create space for a fruitful dialogue and an open exchange of ideas – to experience and mirror the "beauty of the imperfect", as one of the contributors remarked. In total, seven discussions were recorded and transcribed in January and February 2020. Complementary "spotlights" zoom in to specific (sub-)topics related to the focus of the dialogues by emphasising a critical or particular aspect of the respective theme, or by presenting an exemplary initiative or programme.

The selection of the discussants and authors emphasises diversity. Among the contributors are 18 women and 13 men, living and working in 15 different countries (and 9 different time zones) in Africa, Asia, Europe, and North and South America. They are academics, analysts, practitioners, development bankers, social entrepreneurs and representatives of ministries, implementing agencies and international organisations. This opens the stage to a broad scope of perspectives that shed light on the topic from various angles and mutually enrich each other, in order to reflect the multiple facets that ODA graduation can entail.

The first spotlight text by Ida Mc Donnell defines Official Development Assistance and provides a brief history and some key statistics that underline ODA's economic and political relevance. She discusses the role of ODA in adapting to the 21st century's challenges and contributing to the SDGs.

In the second spotlight, Annalisa Prizzon, who was the principal researcher at ODI to conduct the four case studies mentioned above, outlines their key findings. She identifies common trends and lessons in the transition from aid, which are a reference point for the following sections.

In the first dialogue, Imme Scholz and Elizabeth Sidiropoulos assess the global 'status quo' and embed ODA graduation into the shifting global system.[9] They examine roles and settings in international relations, highlight ongoing changes in world politics, such as the contestations of multilateralism, address the major challenges that both northern and southern countries are facing and draw conclusions for international development cooperation.

The second dialogue focuses on the implications, challenges and opportunities of ODA graduation for countries in transition.[10] Noel Gonzalez, Xiaojing

8 Each discussion was held in a virtual format, co-moderated by an expert and the project manager. The latter also gave a general introduction to the topic of graduation – similar to the messages given in this introduction.

9 Dialogue 1 was facilitated by Andreas Proksch and Juliane Kolsdorf.

10 Dialogue 2 was facilitated by Carolina de la Lastra and Juliane Kolsdorf.

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Mao and Karen van Rompaey look at graduation processes from the perspective of countries approaching graduation or having graduated. They underpin the different implications that ODA graduation can have for a country depending on its size and political relevance. The discussants debate the consequences of graduation for national and global developmental challenges, potential shifts in identities and affiliations and the transition from being a recipient towards being a provider of development cooperation.

Two additional spotlights complement this section. Thorsten Giehler discusses the case of China from his German development cooperation perspective. He argues that (former) donors have difficulty justifying the provision of development assistance to China, but due to strategic considerations still have a substantial interest in remaining engaged with the country and seeking new forms of cooperation.

Rachel Hayman highlights the role that civil society plays in achieving sustainable development and analyses the effects of ODA graduation on this particular group of actors. She also provides some suggestions as to how international cooperation actors can strengthen civil society, and civic space more generally, in countries in transition.

The third dialogue takes the perspective of DAC donors.[11] Corinna Küsel, Ivan Pavletic, Annalisa Prizzon, Anna Rahm and Markus Schrader share their tools and experiences in practice and research on managing transition processes and exiting from partner countries. They further discuss the strategic and political implications of ODA graduation for 'donor' countries' governments and implementing agencies, debating how long-term relations with graduating countries can be sustained after withdrawing and which modes of cooperation can be pursued beyond ODA.

The fourth dialogue emphasises the systemic aspects of ODA graduation and focuses on global goals and strategic partnerships.[12] Joseph D'Cruz, Yuefen Li, Stephan Klingebiel and Philani Mthembu identify persisting patterns and recent trends in the international landscape. They analyse the role of ODA and transition processes in the 2030 Agenda, taking southern perspectives and the principle of universality into account. Thereupon, they discuss how the system of international (development) cooperation could be transformed and what forms of cooperation are needed to achieve the SDGs in and through graduating countries.

The fifth dialogue links ODA graduation to questions of financing for development.[13] Fanwell Bokosi and Shari Spiegel embed processes of transition from aid into international and domestic financial systems and discuss current trends and challenges in that respect. They highlight the Addis Ababa Action Agenda as the central framework for financing sustainable development and indicate ODA's catalytic role in the international financial architecture. The

11 Dialogue 3 was facilitated by David Nguyen-Thanh and Juliane Kolsdorf.
12 Dialogue 4 was facilitated by Luiz Ramalho and Juliane Kolsdorf.
13 Dialogue 5 was facilitated by Ana Kemlein and Juliane Kolsdorf.

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discussants also point out possible new sources of financing beyond ODA and suggest systemic reforms needed to achieve sustainable development.

This debate is complemented by a spotlight on transition finance by Olivier Cattaneo and Cecilia Piemonte. The authors outline OECD's recent work on this issue, which intends to support DAC members in managing transition in partner countries better by finding adequate financial support.

In the sixth dialogue, Riad Ragueb Ahmed, Citlali Ayala, Semih Boyaci and Ulrich Wehnert debate modes of, ideas for and innovations in cooperation beyond ODA.[14] The discussants emphasise the necessity of new visions and perspectives that break with the traditional donor-recipient logic and move towards partnerships on an equal footing. Thereby they reflect the role of different actors and explore new tools and instruments to exchange knowledge on and find solutions to sustainable development.

Two additional spotlights illustrate the experiences of global networks and the incorporation of the private sector in this regard. Nora Sieverding presents the Global Alliances for Social Protection, a global project of German development cooperation that aims at fostering international dialogue and technical exchange on social protection, with a special focus on middle- and upper-middle-income countries.

Semi Boyaci introduces the Impact Hub, a network with 102 representations around the world, which builds communities of social entrepreneurs, empowering private actors especially from the South and facilitating and scaling innovations for sustainable development.

The seventh dialogue finally resumes a topic that has been mentioned in various occasions when it comes to new forms of international cooperation: the role of South-South and triangular cooperation.[15] Orria Goni, Nadine Pieper-Söyler, Martín Rivero and Rita Walraf discuss prospects and challenges for South-South and triangular cooperation, referring to different regional and institutional contexts. They argue how these modalities could be further promoted and improved in relation to transition processes and in a setting beyond ODA.

This is exemplified in a spotlight by Shams Banihani that briefly presents the UN South-South Galaxy, a global knowledge sharing platform set up by the UN Office for South-South Cooperation (UNOSSC) which aims to scale up South-South and triangular cooperation through digital technologies.

In their conclusions and outlook the editors, together with Carolina de la Lastra, reflect the different sections and identify key topics that can be found in all dialogues and connect with each other in multiple ways. Drawing on these, this publication gives an outlook on the pathways to a possible future beyond ODA and discusses parameters of change with the vision of a new universal partnership based on global goals and knowledge sharing.

14 Dialogue 6 was facilitated by Ulrich Müller and Juliane Kolsdorf.
15 Dialogue 7 was facilitated by Christof Kersting and Juliane Kolsdorf.

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Spotlight i: Official Development Assistance in 2020 – debated, disrupted and relevant, still.

Ida Mc Donnell, OECD

Official development assistance (ODA) is defined by the OECD Development Assistance Committee (DAC) as official government resources that promote and specifically target the economic development and welfare of developing countries under concessional financial terms[16].

In 2018, the 29 member countries of the DAC provided 153.3 billion USD as official development assistance, accounting for 0.30% of gross national income (grant equivalent measure)[17]. ODA flows are significantly higher now than at the turn of the 21st century. In 2000, total ODA for DAC countries as a percentage of GNI was 0.22%. However, growth has levelled out since 2008, averaging 0.30% of DAC countries' GNI over the period. As a whole, global ODA efforts fail to match the collective ambition of the 2030 Agenda for Sustainable Development or the development finance commitments and ambitions, including the UN target of 0.7% ODA/GNI, set out in the Addis Ababa Action Agenda.

Box 1: Top five ODA providers in 2018: volume and share of GNI
Top five by volume: United States (34.2 billion USD), Germany (25 billion USD), the United Kingdom (19.4 billion USD), Japan (14.2 billion USD) and France (12.1 billion USD).
Just five DAC members met or surpassed the UN target for a ratio of ODA to GNI of 0.7%: Denmark (0.72%), Luxembourg (0.98%), Norway (0.94%), Sweden (1.04%) and the United Kingdom (0.70%).

16 All ODA-related definitions are available here: http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/officialdevelopmentassistancedefinitionandcoverage.htm (15.04.2020).

17 OECD 2020.

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A "gold standard" in flux

The DAC adopted ODA as the "gold standard" of so-called foreign aid in 1969. This statistical measure has provided transparency to improve development co-operation policies while also enabling countries to set targets for increasing their development cooperation effort (e.g. 0.7% ODA/GNI target, 0.15-0.20% GNI for least developed countries, and input targets in some sectors). Still, the definition's broad focus on promoting economic development and welfare means it is open to interpretation. There has always been debate about the appropriateness and credibility of the ODA concept[18]. These discussions tend to be highly technical and highly political, as illustrated in 2017 when the DAC could not reach a consensus on the rules for counting ODA contributions in private sector instruments[19] or debt relief under the new grant equivalent methodology.

Fifty years since its creation, the strategic role and added value of ODA continues to be debated. ODA priorities are shaped by shifting geo-politics, economic and fiscal constraints in provider countries as well as progress and challenges to international development. In some cases, this translates into demands to adjust ODA rules, which could boost (or undermine) the integrity of this gold standard. For example, the 2015 surge in the flows of refugees into many DAC member countries led them to clarify the rules for in-donor refugee costs two years later[20]. Similarly, important boundaries have been set on military aid or cultural programmes[21]. Typically, updates to the DAC statistical reporting directives promote greater transparency and accountability as well as legitimacy for specific issues. The ODA policy markers on gender equality and women's economic empowerment, biodiversity targets and climate change provide crucial comparative data and an impetus for DAC members to deliver on these priorities. The latest marker for 'The inclusion and empowerment of persons with disabilities' responds to the pledge in the 2030 Agenda to leave no one behind[22].

At recent ministerial level meetings of the DAC (e.g. in 2014 and 2017), members emphasised the critical financing role of ODA in countries most in need (such as least developed countries, small island developing states, fragile contexts), which tend to struggle to attract other external investments, especially private ones. In least developed countries, ODA represents 60% of

18 Hynes/Scott 2013.
19 OECD 2018a; OECD 2018b.
20 OECD 2017.
21 For more information, see OECD: Official development assistance – definition and coverage.
22 OECD 2018c.

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external finance compared to 13% for non-LDCs[23]. Yet, the share of ODA to LDCs dropped from 32.5% of the total ODA in 2010 to 29% in 2017[24]. New ODA rules, agreed in 2017, give more ODA credit for lending to poorer countries, reflecting the greater risk providers take in these contexts while serving, potentially, as an incentive for them to invest more. The extent to which these rules will bear fruit is unclear, but there are promising signs: final OECD data for 2018 show that the total ODA from DAC countries to least developed countries was 45.9 billion USD, an increase of 3% in real terms.

While the new rules strive to create fairer global distribution of the total ODA between countries, the DAC also stresses that ODA plays a critical and evolving role in middle-income countries and countries transitioning[25] through income levels, which face specific challenges and continue to be eligible to receive ODA[26].

Adapting to 21st century challenges

A key question pre-occupying DAC members is how to ensure development cooperation is most effective in helping countries deliver the SDGs for all and reaching the furthest behind first. The answer depends on its capacity to take on the 21st century's complex development challenges, such as inequality, forced displacement, the impacts of climate change or protecting international public goods. It also depends on the catalytic role that development cooperation plays in the evolving international landscape, where the diversity of public and private actors and financial instruments is growing, while ODA budgets appear to be plateauing. Providers of development cooperation will need to team up with other actors more effectively in this complex global development system[27].

ODA alone cannot provide the trillions needed to fund the 2030 Agenda, but it helps in a unique way, thanks to its concessional nature and specific focus. DAC members need, however, to shift their focus on assessing performance according to the size of budgets; what matters more is maximising and showing the unique contribution development cooperation policies, knowledge, ideas

23 OECD 2019.
24 Ibid.
25 For more information, see contribution by Cecilia Piemonte and Olivier Cattaneo on Transition Finance in this publication.
26 The threshold for high-income countries graduating from the DAC List of ODA recipients is a GNI per capita higher than 12,235 USD for three consecutive years. For additional information about graduation from the DAC List of ODA Recipients, see OECD: History of DAC Lists of aid recipient countries and also the DAC HLM Communiqué of 2017.
27 See Ingram/Lord 2019.

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and finance (ODA and beyond) actually make to progress in well-being, resilience and sustainability in developing countries.

Today's narratives and priorities for development cooperation tend to emphasise national, bilateral interests (including commercial) over other principles for effective development cooperation[28], and multilateral cooperation for peace, prosperity and the planet. Yet, when countries signed up to the SDGs, they supported a shift in thinking about the universal nature of sustainable development: ideas of charity, of "us" and "them" and "developed" and "developing", which have underpinned official development assistance since the 1960s, are outdated in the face of today's problems and solutions that are rarely contained or found within national borders. Development cooperation, including the mix of official financing for development, needs a fresh narrative that explains to a wider public what it is, how it operates and why it is needed. The 2019 OECD Development Cooperation Report "A Fairer, Greener, Safer Tomorrow"[29] proposes a call to action to bring the full capacities and resources of the development system to bear on the immense challenges of our time (see Figure 1).

28 For more information, see: http://effectivecooperation.org/about/principles/ (15.04.2020).

29 OECD 2019b.

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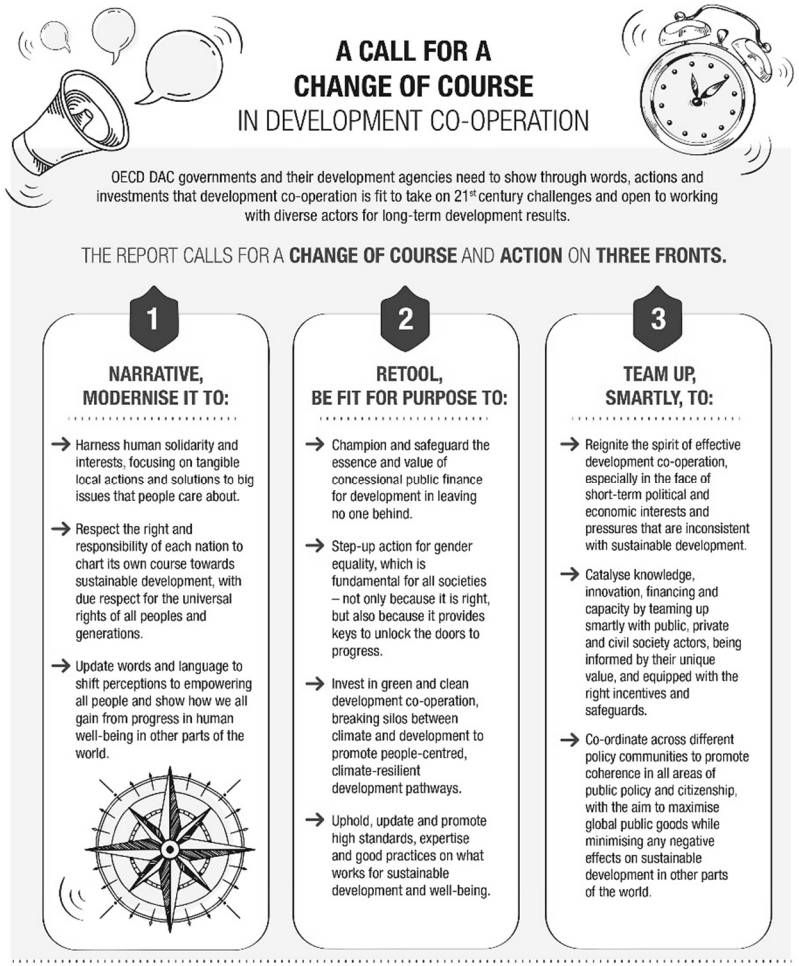
Figure 1: A call for change of course in development cooperation



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Spotlight ii: Moving away from aid – trends from the experience of Botswana, Chile, Mexico and the Republic of Korea

Annalisa Prizzon, ODI

Several countries are expected to graduate from ODA and many others to transition from aid as they approach ODA graduation up to 2030. However, we know little about how countries that have completed the transition and graduation process from aid managed to do so while ensuring that development results are sustained when ODA declines or disappears. We also have scarce evidence about how development partners should support such countries to maximise the effectiveness of their resources, or how countries could engage in global dialogue when ODA falls or is no longer an option.

Calleja and Prizzon[30] addressed this gap in policy literature by analysing the experiences of four countries: Botswana, Chile, Mexico and the Republic of Korea. The economies of these countries reflect three different stages of the transition from aid and graduation from ODA: mid-way through the graduation from ODA but not yet there (Botswana and Mexico); a recent graduate from the list of countries eligible for ODA (Chile in January 2018); and the entire transition process, from recipient economy to fully fledged donor (Republic of Korea).

From the four selected countries' experiences, Calleja and Prizzon[31] identified a series of common trends and valuable lessons in the transition from aid and for the new partnerships beyond ODA. We summarise these findings here across three dimensions.

Managing the transition from aid

How have these countries sustained development outcomes in managing the transition from aid?

- Management of the transition from aid was not treated as a separate issue but was implicit in national development plans, the main instrument for ensuring development results.

30 Calleja/Prizzon 2019a.
31 Ibid.

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- Government officials from the case study countries did not express concerns about losing access to funding after graduation from the list of countries eligible for ODA, even at early stages of the transition from aid. Instead, the main concerns were about losing access to channels for policy dialogue and technical assistance that often accompany loan and grant assistance.
- Transition from aid disproportionately affected domestic non-governmental organisations (NGOs), which were often the first to feel the effects of a donor's exit.

Cooperation with development partners

What were the approaches development partners applied and what were the demands from recipient country governments when aid flows fell?

- Several countries continued to demand technical assistance from development partners, particularly for knowledge transfer and skills development, including technical vocational education and training.
- Donors continued to work with countries in transition to support the development of international cooperation agencies and strategies for outward assistance and partnerships.
- Countries have found particular tools useful for transitioning from donor-recipient relationships to development partnerships – namely, joint funds for development cooperation and innovative financing mechanisms.

Cooperation beyond official development assistance

Finally, what were graduating and graduated countries' expectations for future bilateral and multilateral cooperation as they moved away from aid and after their graduation from the list of countries eligible for ODA?

- Triangular cooperation is often considered an important modality for maintaining relationships with development partners during the transition from ODA and beyond, although this importance decreases as the country becomes a more established donor. Regional cooperation was also viewed as an approach for cooperation beyond ODA, particularly when bilateral relations are being phased out.
- Countries in transition expect beyond-aid relations to include economic engagement, scientific and technical cooperation, and support for global and regional public goods.

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- Multilateral spaces – including the OECD, G20, Pacific Alliance and SADC – were considered key forums for dialogue and technical change post-ODA.

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Dialogue 1: ODA graduation in times of changing global relations and partnerships

Any political phenomenon can only be properly understood in its broader context. Questions of international cooperation are thus necessarily framed by historical processes and relations of power. We therefore start our first discussion with an examination of the global 'status quo' and embed the topic of this publication, ODA graduation, into the shifting world order, analysing current roles and settings in international relations and identifying changes in positions, status and categories. What are the overarching issues determining world politics and who are the old and the new actors driving them? What is the impact of these global shifts on international cooperation, especially development cooperation? Of what relevance are roles, status and categories and what is the impact of changes in positions and relations? What challenges face multilateralism and what ways exist to maintain and renew strategic partnerships and shared values?

The discussion was held between *Imme Scholz*, Deputy Director of the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE), and *Elizabeth Sidiropoulos*, Chief Executive of the South African Institute of International Affairs. It was facilitated by *Andreas Proksch*, Director General of the Department for Sector and Global Programmes at GIZ and *Juliane Kolsdorf*, editor of this publication. [32]

Let me start with a brief anecdote. After finishing university, I myself [Andreas Proksch] was at the German Development Institute for the Postgraduate Course. On the first day of the course, there was a very flamboyant head of department talking to us about possible world models, as he called it at that time. He wanted to give us an idea of the latest thinking on the future development of our world, of our political system on our planet. At that time, the world was still very clearly divided into the rich and the poor, the North and the South, and already one of his ideas about the future was that this easy and clear distinction would gradually become lost in the years and decades to come, up to a point where we would have to face the possibility of arriving at a completely chaotic system in which it is no longer possible to make a clear distinction between the roles and positions of all the different nations and countries. I still

32 For better distinction from the discussants, the inputs and questions by the facilitators are displayed in italic without naming the respective person.

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see him standing at the flipchart, thinking decades ahead, and today, nearly 40 years later, we are discussing similar issues, also with the same institute.

We all know that the status quo is changing rapidly, and we would like to use the time with you to look in a bit more detail at what the global status quo is, and what the major ongoing changes are. We would naturally like to shed some light on the issue of different countries moving towards ODA graduation: bigger, powerful players like China, Brazil, Turkey and also smaller actors, like Chile, Malaysia, small island countries, etc. We want to discover what role these two groups could play in shaping international orders, relations and partnerships. Let us start with how the shifting world order is affecting international cooperation. How would you describe the current global order at present?

Elizabeth Sidiropoulos: It is in transition. It is highly unpredictable. It is reminiscent of Gramsci's analysis in the 1930s that the old is dead but the new is not yet born.[33] It is also an environment where identities, distinctions and classifications are becoming much more diffuse and much less defined. If I reflect on conversations that are happening here in South Africa, some of the debates are almost a bit anachronistic in that they are occurring and reflecting a narrative that is 30, 40 years old, but at the same time, the way in which countries like South Africa are engaging pragmatically takes account of the fact that this is now a very different world from the 60s and the 70s, as you alluded to in your introduction. It was a North-South world, a very clear polar distinction. That is now much less the case; it has become much more mixed. And certainly, in the debate that is happening in the North, there is also a very clear realisation that there are significant developmental challenges even in wealthy countries; and that is the whole debate around inequality.

Basically, everything that we have learned at university and that we have engaged with over the last few decades is now being questioned: international cooperation, which development economists and people working in the development field thought was an important contribution by the North to help the South, to help poor economies. Southern actors would say it was also a historical responsibility, the result of the legacies of colonialism, that the North has an obligation to do that.

With all the geopolitical changes happening, that more altruistic dimension of a discussion around international cooperation has also been questioned and perhaps eroded. In certain countries less, in others more, but I would argue that it is a very clear trend across the world. Some of that has been a result of the rise of new actors from the developing world, who take a very different approach to international cooperation. It is all about mutual benefit and it is about commercial opportunities, not about charity.

33 See Gramsci et al. 1971.

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Imme Scholz: I think there are several sources of these changes. One is that rising powers – not only the large regional powers and new global players you alluded to but a second grouping, middle-income countries – are moving towards graduation from ODA while retaining many characteristics of what we used to call underdevelopment, regarding state capacities, redistribution of income, social and economic infrastructure and knowledge capacities, although I would say except for China, which is really a special case. There are changes in economic shares and participation in trade and in finance, but I want to highlight the remaining disparities.

A second source of this changing world order is the weakening of the multilateral system as we used to know it, its principles, its rules, its institutions, its procedures, which has to do especially with the emergence of China and Russia and with the recent political divisions within "the West". These trends question the Westphalian system and the expectation of the "West" that economic development goes along with a development of institutions and political regimes towards democracy, participation and human rights. For me, the changes we are now witnessing in political references, nationally and globally, are frightening because our only historical reference is that in such situations, war will break out. We do not know what war will look like, but I think this is clearly on the cards.

And third, I would add the degree and plurality of environmental changes we are facing. The fires in Australia have shown that vulnerability to global environmental change is not only a feature of developing countries or of extremely poor and vulnerable countries.

So, I would see these three sources and, of course, they interact. The ways of understanding short-term crises or deep crises and dealing with them which we have used in the past do not seem to hold anymore. We had an approach in 2008 and 2009 to the global crisis of the financial system – but will it work next time? The references are unclear today.

Elizabeth Sidiropoulos: Just to take this further: about ten years ago, there was a lively academic debate about the fact that the liberal international order is constructed in such a way that it is open enough to be able to adapt and to bring in people and countries who can feel that they are part of it.[34] The liberal international order, as it was constituted, particularly in the immediate post-Cold War time, was beneficial to emerging economies. Suddenly, China benefitted significantly from the system, as did many other developing economies. And certain academics wrote that the liberal order as such is open enough to be able to adapt – so that we do not have to deal with the Thucydides trap, what Graham Allison referred to in his book a few years ago, about the fact that when a rising

34 See Ikenberry 2008.

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power disrupts the dominant hegemon, it often ends up badly, or even in war[35]. But what we have really seen in the last seven or eight years is that this is not the case. It is not the case because countries like China, emerging superpowers, do believe that they need to be able to stamp their authority and their particular views on norms on the system. This has gone together with the coming to power of president Xi; he has taken a much more assertive approach in international affairs.

So, the response from those that have all the power in the global system has been: we will give as much as we have to give but not more, and it will take a long time. For example, if you look at the way in which the reforms to the quota system in the IMF happened from 2010 onwards: it took forever to bring incremental changes to the voting proportions within the IMF. As China particularly has risen and has asserted itself, becoming the second largest economy, it has also felt much more confident about being able to cooperate in certain areas but to contest in others. You can call this contested cooperation. And you see that with several other developing regional powers or emerging powers from the global South. South Africa is an example of that. The country is not very powerful, but you find that it cooperates in certain institutions and helps to build them up, but in other cases, it complains about the fact that these institutions are not changing quickly enough. And then it works with China or Russia, who it believes are able to push for change or to create alternative global institutions in parallel, maybe not to replace but to contest the traditional ones.

Both of you have already hinted at repercussions on international cooperation and development cooperation. Do you dare to look a little bit into the future? What do you think will happen in this regard?

Imme Scholz: Let me start with a clarification of what I said before: the global order is also changing because it is being questioned by Western powers. The influence of Donald Trump cannot be underestimated, and I really thought I should reread the G-Zero book by Ian Bremmer[36] – it is not US and China, it really seems to be Zero what we are seeing.

If we think of the impact of these changes on international cooperation, I see that sometimes the terms international cooperation and development cooperation are used interchangeably. The international cooperation system needs to be reformed and the 0.7% target[37] which you mentioned in your introduction could really be a disincentive for modernising this system. In a way, it is part

35 Allison 2017.

36 Bremmer 2012.

37 Refers to the commitment stated by most DAC donors to achieve the target of spending 0.7 per cent of their GNI on ODA measures. For further information, see: https://www.oecd.org/dac/stats/the07odagnitarget-ahistory.htm (15.04.2020).

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of the old narratives, the outlived narratives that Elizabeth mentioned. Of course, I do not dismiss the claim of Least Developed Countries (LDCs). But questioning the 0.7% target is often, just for political reasons, interpreted as questioning the need for international cooperation for poverty reduction. But that is not the point.

What is becoming clear now is that the global system is changing very much and so many foundations we took for granted are shaking. International cooperation and development cooperation, you mentioned the altruistic justification, have always been part of the multilateral system of cooperation. So, if multilateralism is now being weakened – because more and more countries adopt a short-term perspective or see their national interests as juxtaposed to international cooperation because they understand it as a zero-sum game – then, international cooperation for preserving peace and the rule of law, and for working jointly towards what we define as shared interests or the global common good, will become more and more difficult. Elizabeth mentioned the keywords: it is mutual interests, it is commercial interests, and the need to reform multilateral institutions but it is not clear how to reach it. This means that we are in transition, but it is not clear where we are going exactly. Democratic countries interested in maintaining and reforming multilateralism need both a value-based and a pragmatic approach towards international cooperation at the same time. We cannot afford a purely value-based approach because we need to cooperate with countries with different value systems such as China and Russia. And we can no longer base this cooperation on the illusion that the richer China gets, the more liberal it will be and that by some miracle it will suddenly turn into a democracy. If you imagine democratic elections now in China, what would be the effect? Who and what types of programme would the Chinese electorate vote for? After decades without free public debate, without a free media, how would this large and heterogenous society achieve consensus on how to solve the challenges of the 21st century? What role would they like to see their country play on the global arena? The need for renewed and energetic international cooperation is large and immediate which means that you have to look out for new partners and maintain old ones. It is new territory we are walking on. In that sense, depending on the objectives, we will have to look for a flexible geometry in international cooperation with variable alliances, and at the same time reform existing alliances. This is true as much for negotiations within the G20 as within the UN at large, within conventions (e.g. on climate) as well as within the G7, and at regional level.

Elizabeth Sidiropoulos: To pick up on the question of international versus development cooperation: in terms of development cooperation, I see it has become much more mercantilist, much more interest-driven. In terms of international cooperation, if we think about it in the bigger context of the global public

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goods, it is going to be a bit of a hybrid, and I suppose development cooperation will be as well. It is not that everybody has turned their back on recognising the importance of the SDGs or that there is not a need to cooperate to tackle today's challenges, whether we are talking about climate change or trade. I do not think that this is going to become what Ian Bremmer says in his book, 'every nation for itself', notwithstanding what is happening in the US. The problem is that the US acts almost as a lightning rod to which people or countries respond. When it takes on this highly nationalistic insular approach, other countries tend to respond accordingly, and that is critical. At the same time, at some levels there is international cooperation, there is political will. And I do not think that is going to be taken away.

But we need to let go of the belief that we are going to develop an entirely harmonised, universal approach to international cooperation, more importantly to measuring international cooperation or progress, etc. That is the bit about pragmatism that Imme was talking about. For me, the big challenge in the discussions around the SDGs is that we are coming in with different approaches to how to measure development and who is responsible. Imme used the example of the 0.7 per cent. If we are going in with certain red lines in this current milieu, we are not going to get results; we are not going to create opportunities to move beyond the deadlocks.

I fully agree. Let us look into the group of countries heading for ODA graduation. Do you think that the label of being eligible for ODA or being a high-income country affects the policy of their governments? How is ODA graduation affecting these countries internally?
Imme Scholz: Looking at the 2030 Agenda, the metrics for saying "international cooperation is needed to achieve those goals" is not the per capita income because it is a universal agenda which needs active participation by all countries. The metrics for graduating, 12,000 US dollars income per capita for three years in a row, are extremely simplistic. They are also part of the old narrative because we all know that a certain level of income per capita does not say anything about real income distribution, and it does not say much about the quality of public services. The need for cooperation and knowledge sharing and, to a certain extent, resource-sharing to solve urgent and major problems do not disappear when you reach this level of 12,000 US dollars income per capita for three years in a row. So, that is a mismatch in criteria.

In Europe today's variations of social security systems, workers' rights and collective rights and democratic institutions emerged in the 19th and 20th century. After two world wars the West found a way to achieve what Karl Polanyi[38]

38 Polanyi 1957.

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described as the "great transformation" of capitalist economies into societies with social regulation and inclusive political institutions. Today, we know that this is not sufficient, and that the relationship between economies, societies and nature also needs to be transformed, as described in the flagship report of the WBGU in 2011.[39] History usually does not repeat itself and developing countries are going through their own historical processes of conflict and learning. In the aid system, we did not find an answer yet to how to really promote or support the change in regulating systems to improve both the distribution of income and the provision of public services. A recent blog from the Centre for Global Development[40] focuses on the impacts of graduation on the financing of public health services and universal health coverage. They looked at the experiences of several African countries with the Global Fund against AIDS, Tuberculosis and Malaria (GFATM) and specifically the dialogue instruments the Global Fund uses for reducing donor dependency and supporting partners in defining own priorities in health policy and practice. But its engagement in dialogue remained, as they called it, 'theatre' played with the donors – donor-driven processes could not solve the fundamental problems of giving political priority to health issues and mobilise sufficient domestic financial resources which GFATM funding would have complemented in specific areas.

This is the difficulty we are facing. There were many efforts to solve the dependency problems aid creates, including the Accra Agenda on aid effectiveness, with weak results. At the same time, we see continuous need for investing in international cooperation for tackling common and global problems and have to become more effective jointly. The costs of failure will have a global dimension.

Elizabeth Sidiropoulos: I cannot speak for what the debate in many of these graduating countries may be, whether it is a debate happening at a very closed elite level, whether it matters or not. But you are looking at significant variations; countries in transition may have very different societies and public systems in place. Per capita income is an arbitrary figure and one that absolutely does not tackle the problem. In my own country, South Africa, we have the highest Gini coefficient in the world[41]. We are a middle-income country, but 20 minutes outside my office we have the poverty of any low-income country. The ODA categorisation by income per capita is a metric that maybe makes sense for economists, but it is increasingly being contested. Lorenzo Fioramonti from the University of Pretoria tackled many of these issues in a book called 'GDP'

39 WBGU 2011.

40 Sabino et al. 2020.

41 The Gini index measures the extent to which the distribution of income among individuals or households within an economy deviates from a perfectly equal distribution.

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in 2013. GDP referred to 'gross domestic problem' rather than the 'gross domestic product'[42].

As regards the effect of graduation on actual policies, particularly if we look at countries in Africa, we are talking about states and governments that have begun, for example, to tackle some of the issues around domestic revenue generation in terms of taxation. But a lot of that is still, certainly if you are looking at lower-middle-income countries, coming from the commodity sector and from extractives. That link between a government's accountability to citizens as a result of taxation is still not there; that social contract is often missing. And that is part of addressing the issues around aid and dependency, which has not been overcome. Some of the discussions we have had here in southern Africa underline that you cannot take that metric at face value. But you also need to think about specific targeted engagements that are critical for development that ODA would have been able to help, even in countries that have reached a particular level of income. Health is one, issues around the justice system are another, or education and so on. And I am now looking at the South African case, which is often *sui generis* in the continent. Some of the development cooperation that is still coming in is highly targeted through government agencies to address these very significant structural problems. Graduation does not address the structural problems, whether they are economic or social. I think the criteria need to factor that in.

Allow me a very brief side question. If you look at the list of the 29, in a number of these countries people have called the entire set-up of their society into question in recent months. For instance, in Chile, a country that graduated in 2018, the people went onto the streets and said: we do not accept this system, we do not accept this government and we do not accept the way our society is structured any longer. I find this extremely interesting and I ask myself: should it give us hope that pressure changes things and that these countries will speed up on their route of development or is it a symbol of the danger that they are all caught in the middle-income trap?

Imme Scholz: The specific process of transformation and of changing the economy, the rules, the institutions and the capacities for having a more just society and a society which is more capable of change will be a specific story in each country. In Chile, of course, the story is very much linked to the dictatorship and how the transition from dictatorship to democracy was structured by the new constitution put in place under Pinochet. This constitution made it very difficult to revise the deregulation and privatisation decisions made in the 1970s and 1980s. That is what people are demonstrating against, and it is not clear

42 Fioramonti 2013.

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what the result of the constitutional reform process will be. I was asked by Chilean friends what German cooperation can do to help Chileans to understand and actively shape the process of the new constitutional assembly they will have. I contacted several NGOs, and apparently the political party foundations have most liberty to act in this case. The large NGOs which receive funding from the official development budget cannot act because the country is no longer ODA-eligible. In that sense, the graduation process means we are kicking the instruments we have for funding international cooperation out of our hands. I think it will come to the question of what the incentive can be for countries like Germany to continue investing in international cooperation, even if it does not factor into the 0.7% target.

But you were asking: Will we see positive changes in these countries? I think that we will see popular protests, but it is extremely unclear how they will be translated into political decisions and whether they will trigger a change for the better. The 2030 Agenda is innovative because it reminds us of the connections between altruism and realism. The 2030 Agenda is built on the conviction that in the 21st century, most challenges that countries and societies are facing are of a global nature – either because they are caused by many and have an impact on all, or because they are common challenges shared by most. International cooperation helps to address both kinds of challenges, especially those which are of a systemic nature and too large for national problem-solving. Local failure will not only be felt locally. Therefore, it is both a matter of supporting fellow human societies and in our own social, economic and political interest to cooperate. With regards to Chile or other countries with social protest movements: If we are interested in keeping a peaceful order and in keeping the law of the jungle under control, we need to support the processes which help such protests have a productive outcome.

Elizabeth Sidiropoulos: Absolutely. There have been popular protests in many parts of the African continent as well in recent times. We saw some of them in the Arab Spring. South Africa, over the last six or seven years, experienced a mushrooming of popular protests, many of which are not even documented; some were only at local government level. The challenge that we have seen on the continent is to take the mobilisation of people on the streets into the corridors of power. There needs to be leadership and there needs to be a path to convert the popular protest into something tangible. You are not going to have anything concrete in the short term. Particularly where you have a military, a deep state – Egypt and probably Zimbabwe are interesting examples in that regard – you have people pushing for this change, but actually there is no change. Instead, it is simply the elite wearing a different outfit and re-entrenching itself. We also see that to some extent in South Africa. I do not think we have a deep state yet; we have state capture, but I think there is a recognition

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among some in the political elite of the need for change. But that change is coming very slowly. And it is going to be very different in different countries, given their different historical contexts.

In terms of the rationale for international cooperation, it is absolutely about the law of the jungle not being allowed to take over. And what does that mean? We have also been thinking about this in the conversations around a project on what South Africa's international relations should look like in the 2020s. And, maybe with the exception of the US and China, I think the rest of the world really does benefit from a system where the rule of law exists. It may not always be applied, we know that, but at least there are rules – it is not about "might is right" but about rules and regulations and norms.

Imme Scholz: And accountability.

Elizabeth Sidiropoulos: Yes. Especially in the Europe-Africa context, there should be a convergence of interests in international cooperation from northern as well as emerging countries because we have common interests. We also have certain common values; they might not be entirely the same, but we recognise that, for instance, if we do not tackle climate change effectively, we are all going to suffer. Similarly, having rules regulating trade ensures you do not have a sort of gunboat diplomacy (when Major Perry arrived with his gunboats in Japan in the 1860s and said: "Open up your market.") We do not want that kind of thing. We should all be working together: like-minded countries who are small, who are middle powers, who are regional powers, because it is in our interest to ensure that the unilateral G-Zero, the 'everybody for himself' kind of world is not in our interest; not at a time when some of the biggest challenges we are facing are transnational.

Going forward, if we are having a conversation about international cooperation, that is also about how we are engaging and cooperating at a domestic level with the said graduating countries because they can be important drivers in their region, and also about how we can make sure that there is a balance between domestic and global cooperation, on issues like climate change, specifically.

We have been talking already about the value-based approach and briefly touched upon the role of a country like Germany. What role should it assume vis-à-vis the countries moving towards graduation? What should Germany change in its international approach and in its international cooperation?

Imme Scholz: From the perspective of a universal agenda for change, the cooperation system should transit towards a goal-based system and not a country-grouping-based system. At the same time, we know that geographic location makes a big difference, and everybody agrees that it is Europe which should invest especially in cooperation with Africa and with the Mediterranean and

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Near or Middle East. On the other hand, the ties Germany has with China are completely independent from it being on a graduation list or not. In that sense, Germany as a country needs a nuanced approach, both geographically, what we call the neighbourhood and the broader neighbourhood around the EU, and with respect to policy areas. It should also look at what the importance of German engagement is in comparison with other powers. What is the EU doing, what is Germany doing and what are other strong actors doing? In that sense, it is great that we have the 2030 Agenda and the SDGs because they are relevant domestically and internationally across ministries, and we have seen that very clearly in Germany. The Agenda is not embraced only or most strongly by the Ministry for Economic Cooperation and Development, BMZ. We have the Ministry of the Environment, we have the Ministry of Health, but then we do not see concomitant increases in funding for international cooperation across these ministries. That is clearly lagging behind. But it will be a mixture of policy-area-oriented goals like climate and also geographical targeting.

In that sense, you have to think of the broader picture, beyond how it always was – Europe and Africa, or North America and South America. For Latin Americans, their relationship with Europe has always been important as a counterweight to North America. But the signs are not looking so good for the broader picture because our capacities are absorbed between China, the US, the Middle East and Africa. From the perspective of maintaining and defending the multilateral cooperation system, that is not satisfactory.

I think that Germany needs to step up its capacities for international cooperation, knowledge-wise but also policy-wise. We have underdeveloped capacities for that across the board and in the ministries. They have sector capacities but not country capacities and, typically for a large economy, we look inwardly too much and not sufficiently outwards.

Elizabeth, you are from South Africa. What do you recommend Germany to do regarding our international policy on countries moving up the income ladder and eventually approaching graduation?

Elizabeth Sidiropoulos: First, it is important to note that Germany, probably unlike many other European countries, is viewed fairly positively on the African continent. That is important in terms of cooperation. Notwithstanding Namibia perhaps, Germany is viewed differently from, for example, France, and that is important to recognise – also in the context of two key issues that dominate the discussion between Africa and Europe: migration and violent extremism. The two are interrelated and have an impact on how European and bilateral cooperation plays itself out in Africa, particularly around development support. A lot of the assistance is being securitised and linked to migration. A lot of the support to countries in East Africa, in North Africa and to the Sahel is based on that linkage. And that also addresses the issue of what values Europe and

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Germany are advancing, and it is not necessarily seen through the prism of human rights or good governance or democracy. Moreover, just to mention it briefly, talking about international cooperation, Europe as a whole needs to think about the fact that European taxation systems actually enable some of the theft and growing inequality in certain countries.

I think there are a number of areas where Germany is really well positioned to take advantage of the upcoming graduation of countries, in terms of cooperation. Technology cooperation, science and innovation cooperation play an important role and could be linked again to climate, to specific SDGs. This kind of cooperation, both at a research level and at a technical level in agencies, could be extremely useful, and could also help to create sectoral opportunities in those countries for investment, because, ultimately, that is also key for many of these countries. Some of them might be graduating, but they need to also build up their economic sectors in terms of services and manufacturing at the same time. This requires a highly nuanced approach.

I think the point is about looking at this through a different lens: it is not just about whether a particular country has reached a particular level in terms of income, but about which of the big challenges, as reflected in the SDGs, are acutely felt in particular countries and regions – some of the issues around energy, water, climate change and resources on land. It makes sense to look at the broader ramifications for the region and develop international cooperation that takes those issues into account. It is important to look at these challenges regionally because that also includes graduating countries which can act as motors, and you can probably get 'more bang for your buck' than if you think about it only in one particular country.

We have already discussed that multilateralism is not in a very good state right now and my question is: Will the changes in the international system and a number of countries moving towards ODA graduation be helpful or detrimental to the multilateral system? You mentioned that emerging countries want to leave their individual imprint and may become less willing to be bound by existing international law. Do we have to fear that a higher number of countries reaching high-income status might mean a death blow to multilateralism?
Imme Scholz: Well, if we take Turkey, we are talking about Erdogan Turkey and if we are talking about Brazil, we are talking about Bolsonaro Brazil. But two years ago, it was not Bolsonaro Brazil. That is why I said we need to step up our knowledge capacities. We need to understand those countries much better. I do not think it is automatic that countries move to a higher income status and then suddenly become unilateralists or apply 'my country first' approaches. Even Bolsonaro has seen that Trump does not do many things in his favour.

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So, I think in a way we are confronted with our own legacy, because we in the West thought that we could just pretend that the multilateral and rule-based system would go on as it was although it did not work well for all countries across the globe. We did not have war between rich countries, but we had a lot of wars in developing countries, and it is this kind of blindness and double standards which are now falling back down onto us. And they are falling onto the multilateral system. It will not help us to defend multilateralism if we deny that part, the dark side of the history, of the last few decades, and how development cooperation was also a part of that. That is what I like about Macron's approach. I think it was in 2018 when he claimed in a speech before the UN general assembly: We need to change the multilateral system.[43] And changing it also means accepting that our role in it and our weight will be diminished. As Elizabeth said, there are two large countries which can try to impose their will, but the rest of us are small.

Elizabeth Sidiropoulos: I think the first point is that multilateralism is a very important principle that all African countries subscribe to. Having said that, I believe it is also important for Europe and others to recognise that the current institutions of multilateralism must change. If I just look at my country, South Africa is a committed multilateralist. But it does not always agree with the way in which things have been run, or who calls the shots, or the informal rules of multilateralism, and believes these need to change. There is a big challenge for Europe and for the US worth discussing today. At some point, some of the countries that are committed multilateralists will just give up trying to reform the present system, if the present system does not change markedly and quickly enough. If it takes you eight years to agree on whether you are going to give up five percentage points of voting rights in the IMF or whatever it is, that is a problem. Because at some point someone will say: to hell with you, I am going to set up my own structures. Of course, South Africa cannot do that on its own, Egypt cannot do it on its own and Brazil cannot do it on its own, but they can hitch their wagon, as I said, to other countries that are perhaps less committed multilateralists. The first big challenge and the urgency is for key countries that have power in the multilateral institutions, and it is not just the US, to really drive a reform agenda together with developing countries, with key developing countries. It is about relinquishing power, and perhaps the best example happened in my country with Frederik Willem de Klerk in 1990. Nobody thought on 2 February 1990 that he would start a process whereby the National Party would actually relinquish power. But it happened and it happened peacefully. If the West keeps on holding onto power and giving as little as it possibly can, the polarisation within the multilateral system is going to grow.

43 France Diplomatie 2018.

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On the role of graduating countries: in many ways, their development can enrich the multilateral system, but it will also make it much more difficult. If you are looking at countries that are now moving up the income chain, these countries are also developing more agency. And if you develop more agency, you will also feel more empowered to come in with your own positions and articulate them, whereas in the past you may have had a position, but you were a little unsure of yourself and did not want to play that role. That means that it is going to become messier, if it was not already messy enough, in terms of global negotiations or any agreement on metrics or how you evaluate this or how you move forward on that. But that does not necessarily have to be bad for multilateralism, provided we are all moving in the same direction. Some of my colleagues and South Africans have been very keen on the arrival of the multipolar world. But the arrival of the multipolar world does not necessarily mean that it is going to be easily more multilateral.

As a last question, or closing statement, what aspect do you think has been missing? What would you like to add about ODA graduation in times of changing global relations and partnerships?

Imme Scholz: Maybe we should look into the incentives or how to motivate other ministries to invest more in international cooperation and, at the same time, learn from what did work in the aid world and what not. Let me give another example: I am part of the Global Health Hub Germany[44], a multi-stakeholder platform created around the German Ministry of Health's approach to embracing a global health policy and for enabling all types of actors to cooperate in global health. This is a very laudable initiative and badly needed in a globalized world where health systems are weak in many countries with large or growing populations. The platform was welcomed by many scientists, NGOs and health professionals. It is, however, unclear how the voluntary engagement of these stakeholders in identifying new areas of cooperation in global health will be linked to the health ministry's own activities in this area or whether there will be additional funding for non-state activities. If things are kept separate that way, the Hub will work below its potential. There is clearly room for more engagement and innovation to strengthen multilateral international cooperation under new framework conditions.

Elizabeth Sidiropoulos: To look at that from the opposite point of view, it is also important from the side of graduating countries to engage and develop

44 The Global Health Hub Germany is a platform funded by the Federal Ministry of Health. It aims to connect people and organisations who are "committed for a [sic] better health for all people all over the world" and enable them to work together for interactive and interdisciplinary solutions. For more information, see https://www.globalhealthhub.de/en (15.04.2020).

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domestic constructions and frameworks for international cooperation. Some emerging donors and powers are establishing their own agencies and systems to carry out international cooperation. And this could also be about exploring the opportunities of how international actors like GIZ might engage to encourage that, also in graduating countries, and about linking it back to some of their national development objectives as well as the SDGs.

In the end, this is a changing world and we have been discussing here about a framework that has been in existence from before this time, from before the huge seismic shifts of the last four to five years. We need a bit of a paradigm shift in that as well. This discussion, I think, is part of that. But we really need to be moving some of the big international institutions into a new sphere of thinking about ODA.

Imme Scholz: I have been thinking about the processes which Polanyi describes in "The Great Transformation". He paints a very stark picture of how long the wealthy and the powerful could not see how they could spare a pound or a mark for the redistribution of incomes and social systems. They could not see it. And I think this is exactly our blindness now. We cannot see how important it is to invest in this international cooperation. We prefer to go on with our spending routines within Germany, and we do not see the need to invest more and differently in international cooperation. That is the blindness we have now.

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Dialogue 2: Implications, challenges and opportunities of ODA graduation for countries in transition

According to current DAC rules, countries graduate from being eligible to receive ODA when they have been classified as high-income countries for three consecutive years by the World Bank. However, the group of countries projected to reach this stage by 2030 is highly diverse: it includes countries with small populations but stable economic conditions, like Botswana, Gabon or Costa Rica, medium-sized growing economies like Colombia and Malaysia, regional powers and G20 members such as Brazil and Turkey, and also the global superpower China. Therefore, the implications of ODA graduation for these countries differ widely, depending on the country's size and economic strength, its internal challenges and geopolitical importance.

Contrasting the perceptions of Uruguay, which graduated from ODA in 2018, Mexico and China, both of which have been projected to graduate by 2030[45], we explore particular views on the topic. How have these countries experienced the process of graduation or how are they preparing for it? What are their needs and expectations, in the process as such and towards international partners? What are the challenges and opportunities surrounding ODA graduation? Highlighting each country's individual perspective, we want to discuss the transition towards becoming a provider, a potential shift in their identities and positioning in the system of international development cooperation, and their vision for a post-ODA world.

The discussion was held between *Noel González Segura*, Deputy Head of the Mission of Mexico to the European Union, Belgium and Luxembourg, *Xiaojing Mao*, Senior Research Fellow at the Chinese Academy of International Trade and Economic Cooperation, and *Karen van Rompaey*, Knowledge Manager at the Uruguayan Agency for International Cooperation. It was facilitated by *Carolina de la Lastra*, a Chile-based development consultant, and *Juliane Kolsdorf*, editor of this publication.[46]

Let us begin by talking about how you would interpret the graduation process from the different perspectives of your countries. We all know the technical explanation of the OECD and the per-capita-income criterion. Karen, as a

45 OECD 2014.

46 For better distinction from the discussants, the inputs and questions by the facilitators are displayed in italic without naming the respective person.

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pioneer in graduation, how was the process? How were you prepared and what consequences have you experienced since graduation?
Karen van Rompaey: I consider that the process of "graduation" lacked clarity and formality. We learned that Uruguay was in the process of being graduated from ODA through our regional partner Chile[47], because Chile is a full member of the OECD and they had been filled in with this information. The process at this stage was that every time the Development Assistant Committee revised the list of countries eligible for ODA, they would put an asterisk in the list, and, in very small print, they would put the names of the countries that were in the process of graduation. This was a rule that we were not aware of. So, if we had not had our close relations with Chile, we would not even have been properly informed until who knows when. Of course, as Uruguay had been classified as a high-income country by the World Bank, we were aware that this would entail some changes, but we did not know how fast these changes were going to happen and we were not aware of the rules of the DAC since they are a closed group. And it was not only the Uruguayan government that was not aware of that rule, but also our cooperation partners on the ground. It was something they were maybe predicting for the future, but the future was coming faster than we all thought. So, early in 2016 there was no explicit exit from ODA strategy on the part of the government, but there was also no strategy from the DAC donors to support Uruguay during the graduation process.

When we realised that we were going to be graduated from ODA, we started to ask ourselves: What does this imply? What are the consequences of being graduated from ODA? What are the wider implications? Are we going to be perceived as a 'developed' country now? Are we going to have to give 0.7 per cent of our GDP to others? We started to seek documents or studies, but there were none. In consequence, we thought this was something that really needed to be studied further. Some people researching at universities were starting to look into this matter and we formed alliances with them so that they could provide us with thoughts and information on the wider consequences of being graduated as a basis for informing our policymakers. Was it good news? Was it bad news? What was behind the title of being 'graduated from ODA'? From that moment on, we defined a two-fold strategy: advocacy at the international level and a white paper ("Política de Cooperación Internacional de Uruguay para el Desarrollo Sostenible al 2030") together with our national stakeholders and in dialogue with those DAC donors on the ground who acknowledged that Uruguay still needed to strengthen capacities to transition towards sustainable development.

47 Chile graduated at the same time as Uruguay in 2018.

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From my perspective, the process was somewhat frustrating because it was automatised and unilateral. We wanted to have a conversation with the donors' community on this. And we thought that by sending a letter, a formal note to the president of the DAC, we were going to have an opportunity to explain our concerns and discuss this matter. It was going to be the first graduation of countries since the 2030 Agenda on Sustainable Development had been adopted. And that Agenda also changed the way the international community perceives development. There is a consensus now that sustainable development is not about economic growth, but that the perspective needed to be widened and that sustainable development is multidimensional and global in nature. The momentum was ideal to have that conversation, but we were not able to have this conversation. Chile was allowed to participate in the DAC meetings, and they were able to make the case, but there was no room for a real conversation and the process was fast; we were graduated the following year. Antigua and Barbuda, which were also on the asterisk list with us, did not graduate because of the hurricane which devastated the islands, showing us that some countries are, despite their per capita income, very fragile and vulnerable to these external shocks and that GDP per capita is not a good indicator of the development level of a country.

In my view, graduation has been rather untimely. It is true that Uruguay had been growing steadily for the previous ten years but at the time we were graduated, the country had started to slow down its economic growth in 2017 and to stagnate. In a sense, we were cut off from ODA when we started needing it again. Of course, Uruguay has never been dependent on aid. Aid was never about how much money donors gave to the country. Aid for us has always had a strategic value that is beyond its economic worth. It is about agenda setting; it is about putting all the people/stakeholders together that can design the best policy to solve a problem. It is about providing for public goods overall and strengthening capacities for sustainable development; it is not about the money that it brings in, but the knowledge and the facilitation role that comes with it. If that is taken away, important topics like, for instance, the environment and human rights, are most probably going to be neglected in the overall budgetary struggle, and the most vulnerable groups of the population are going to be left behind. With the support of international cooperation, we had made sure that these topics were talked about, capacities were strengthened and some of the most pressing issues were addressed with the facilitation of international aid.

In addition, the decision to graduate Uruguay and Chile was also decontextualised because it was not the same as when Eastern European countries graduated from ODA. They received structural funds from the EU afterwards or they even had transition funds for a few years too. We graduated in a region where we do not have alternative support mechanisms. We had MERCOSUR,

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which has a structural fund, but MERCOSUR´s structural fund is now in difficult circumstances. The context of a country has to be taken into account and, in our case, it was not.

Finally, graduation seems incoherent and unfit for purpose if you look at the bigger picture. We have agreed, all of us, to achieve 17 global sustainable development goals by 2030, and no one can be left behind in the process. Of course, the ones that have the lesser capacities and greater needs, need to have the most support, but that does not mean that others should have the strategic support they were given taken away. In my view, this does not correspond to the purpose we all agreed on, that is, to make a transition towards global sustainable development, which is a really urgent matter.

Noel, how is the process now going in Mexico? Do you already feel a withdrawal effect? How are you managing this process? And have you been able to learn from what happened to Uruguay?

Noel González: Indeed, I think that we have learned. We have been having this discussion for a while now; the first debate that I can recall on this issue started in 2007/2008 in some ministerial meetings on the issue of middle-income countries that took place in both San Salvador and Madrid. The idea of transition comes from this graduation from low-income to middle-income and then from middle-income to high-income status. I can understand the discussion, even from an ethical perspective, because I think that in many donor countries, within these countries in their constituencies, they request that they concentrate on those countries that are most in need of international support.

However, I think that the discussion is being misunderstood from this perspective. Some of the ideas and experiences that Karen just shared were very telling. There is not a very clear road map for graduation. We do not really know how to cope with that. Mexico will, in fact, 'graduate' even without reaching the income level status that is required for graduation because we have already been told that our bilateral programmes are ending. But we have not become a high-income country yet. So, why should we have to receive fewer resources if we have not actually changed our development status? Even our income status is the same as it was before; it has not evolved in any significant manner. There are a lot of contradictions in this concept of graduation, which we think is more related to a political concern than to a real technical concern. I personally do not think it is based on facts; I think it is based on a misunderstanding of development on the part of some countries. There are countries that are more 'purist' in the sense that they would like to concentrate 100 per cent of their development cooperation on low-income countries or least developed countries. But the discussion is very easy to understand when you put it next to some of the discussions that you have within the countries which are providers of development cooperation. For instance, if you have that discussion in the UK

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or in the US and you give so many million dollars or pounds to a country abroad, why do you not give them to those in need within your own country? And then, the answer is very simple: If we spread the resources that we give to other countries, the benefits to our national population will be marginal. Basically, it would be, let us say, an increase of one dollar per student or one dollar per person, which is not bad if these people are in need of help; it is one dollar more but then, if you see it as development impact across the world, it is basically not significant. So, this idea comes from a difficult misunderstanding of the technicalities of development cooperation.

But we have been having these discussions for a few years due to, again, mostly political misperceptions; we are moving in the direction of graduation and we are preparing for that. And basically, we are trying to see how we can shift from, for instance, bilateral to bi-regional development cooperation programmes. We are moving towards different mechanisms of cooperating with donor countries. For instance, we are looking at co-financing certain programmes; we are looking at triangular cooperation; we are looking at horizontal programmes. We are also looking at regionalising within Mexico itself, taking a look at regional, sub-regional or subnational programmes, trying to focus on those regions which are most in need within our own country, like the states in the south-west of Mexico, Oaxaca or Chiapas. We are also trying to work on the narrative of development cooperation; for instance, I am sure that you have heard about the effort Mexico is undertaking in Central America to address the issue of forced migration from Central America to Mexico and then on to the United States. We are trying to convince our international partners that we need to work together in a more structured manner in order to create better conditions for countries nationally before we have to deal with very delicate issues like forced migration that have political but also humanitarian implications, implications for all the administrations that are affected.

So basically, after this long answer, the short answer is: We know that it is coming. We think that this is happening for the wrong reasons. We feel a certain frustration because we have not been able to communicate or our partners have not been open to having this discussion, notwithstanding the efforts that we have been undertaking. And we are adjusting our strategies to make the most out of the situation that we know will come.

Xiaojing, China has also been changing a lot. How has China been experiencing the process of moving towards graduation? Have some of the forms of cooperation changed in this context?

Xiaojing Mao: China, as an upper-middle-income country, is still on the DAC list of countries eligible for ODA. Several years ago, especially after China had hosted the Olympic Games in 2008, a lot of donors witnessed the development of China, so they began to stop providing new assistance to China. So, even

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though China has not yet graduated from the DAC recipient list, ODA to China has already been reduced. I think the net disbursement of ODA to China is already negative because most of ODA is provided in the form of concessional loans instead of grants. If I remember correctly, around 80-90 per cent of all the aid to China are loans, and China is already now repaying more loans than it is receiving aid from the international community.

That is the status quo of China in receiving aid. Many Chinese institutions which used to receive aid from the international world were also somewhat surprised when the donors suddenly stopped their aid to China. China used to receive quite a constant and comparatively large amount of ODA, which was channelled to these institutions. In my more recent interviews with them, they were a bit surprised about aid not coming in anymore, especially for those ministries working on specific sectors like agriculture, health or disaster preparedness. It was not a good situation for them without either financial support or technical support coming in.

When the traditional donors stopped their aid to China, they turned to seeking trilateral cooperation with China. The UK had some trilateral cooperation projects with China, but those funds cannot be used *for* China. They cooperate with Chinese institutions, but for the benefits of other developing countries. I participated in a mid-term review of UK trilateral cooperation projects with the Ministry of Civil Affairs of China and, to begin with, they did not understand the concept. They thought the money was intended for the Ministry of Civil Affairs, that it could be used in China. They only understood when the UK explained that this is not traditional aid anymore and that it must be used in third partner countries. It took some time for the Chinese institutions to understand that China had already been taken off the recipient lists of many donors.

As a researcher, and you also asked about the concept of graduation, I reflect on the purpose of graduation. Probably the DAC wants to encourage its members to focus more on low-income countries which they think may need aid more. But there have also always been debates in the international community about whether ODA should focus more on poor countries or poor people. According to the UN's criteria, China still has a large poor population, just like India, with the second largest population in the world. Many donors are phasing out their aid to India, but India still has a large poor population and is, in fact, a lower-middle-income country, just like some other emerging economies. So, when we are thinking of graduation from ODA and its main purpose, how should we address the poor populations in those graduating countries? You also mentioned small island countries, which remain very vulnerable to natural disasters, even if they graduate or reach a high-income status, and then they may relapse into an upper-middle-income country or even a middle-income country. How should their needs be addressed by the international community?

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From my point of view, the topic of graduation needs more discussion, also for traditional donors. After they all phased out their aid to China, they engaged in trilateral cooperation with China as a donor, but I am not sure what kinds of cooperation other countries, like Uruguay or Botswana, can maintain in development areas. There are a lot of concerns in this respect.

Karen outlined that the problem in graduation for Uruguay is not the loss of financial resources, but losing access to policy dialogue, to knowledge exchange, etc. In the case of China, you mentioned the actual transition – regardless of its official graduation – since 2008. What were the factors that were missed by the Chinese when donors withdrew from the country? I can also imagine that – with China being China – there is great interest among former donors to come back and strengthen international cooperation ties in different ways. How is China going into these new forms of cooperation?

Xiaojing Mao: We are currently working on a research project on EU-China trilateral cooperation, where we conducted interviews with Chinese ministries and with the institutions in charge of international cooperation in their sectors. For those phased out of ODA, like Karen mentioned, aid not only meant financial support but much more. They valued the technical exchange, the sharing of experience, learning and management skills development, which came through the aid from traditional donors. Even in the 1990s, when China was the largest recipient country, ODA only accounted for a small proportion of China's either GDP or even total national budget. The value for the Chinese institutions was much more in the incoming knowledge and management skills.

In many Chinese ministries, there were also institutions established to manage the incoming aid. After all that had been phased out, they needed to find new tasks and many of these institutions are now active in applying for the implementation of China's own aid projects. This way, they hope to support other developing countries by using the knowledge they gained through the incoming aid. From my point of view, this is also an area where China can continue its collaboration with traditional donors, through trilateral or diversified kinds of cooperation. There is still a lot of potential in this.

We have heard about different forms of cooperation and institutional changes. What should international relationships and international cooperation systems look like in a post-ODA world? How do you see it? How should it be from the side of your countries and also from the traditional donors' side?

Noel González: The world is already moving in a direction where you have a more horizontal setting in international relations. In the past, we were living in a world where mostly those so-called 'liberal democracies' would set the pace, establish institutions and set the standards. But we are moving away from that world. By moving towards a more horizontal approach to development

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cooperation, we are moving towards a more horizontal world overall. I do not think that is particularly bad; on the contrary, we as developing countries have been requesting to play a more meaningful part in the setting of international rules and standards for a while. That is perhaps what we are moving towards, but I also hope that we move towards a world where, while being more horizontal, we continue to cooperate, continue to exchange and continue to find ways to support each other's development efforts. Technological exchanges, scientific exchanges, student exchanges and so forth are beneficial for everybody. We have many issues to tackle as humanity; for instance, climate change is clearly one concept that we need to work on together because otherwise, we will simply not be very effective. So, if we establish more protectionist rules or if we establish mechanisms in which we must each solve our problems alone, then that, in my view, is not conducive towards being better off as humanity overall. We still need to make significant steps towards achieving the SDGs in 2030, and that requires efforts in international development cooperation. So, from my point of view, we are moving towards a more multipolar, more horizontal world. My hope is that this will not entail fewer cooperative international arenas; on the contrary, I think that we need to work more on the basis of cooperation and exchanges to achieve our common goals.

Could you illustrate the institutional changes to us? You already mentioned the bilateral funds that you were establishing with other countries. What is changing in the institutional world in Mexico regarding ODA?

Noel González: Mexico is a country that has been working on international development cooperation for decades, our first institutional arrangements on technical cooperation go back to the seventies. We established the Mexican Agency for International Development Cooperation (AMEXCID) in 2011 and we have been working on the basis of the national law on international development cooperation, which gives a lot of strength and solidity to the work that we undertake. We have a certain autonomy in terms of budget. In my view, lately we have been moving away from being more of a coordinating actor in Mexico. We have been organising, for instance, the bilateral commissions that were responsible for establishing the bilateral development programmes with our partners, both developed and developing countries, in line with more traditional schemes of cooperation but also South-South cooperation towards other Latin American countries. We have been moving away from that role, without forsaking that role, towards more of an implementation role. By doing so, we are becoming more active on the ground. Notably, we have been working on the implementation of programmes in Central America. We have been planning for a year and are now starting the implementation of some programmes which are being directly implemented by AMEXCID on the ground. That means working with the local authorities in order to establish the goals, the rules of cooperation

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and then the implementation of the programmes. Normally, what you would do in the past would be to rely on an international organisation, for instance the United Nations or an NGO that would be our implementation partner, but now Mexico is undertaking this work as well.

We are becoming more of an implementation agency, but at the same time we are not losing grasp of political discussions – with the establishment of the bi-regional programmes, for instance with the European Union, establishing the way that we are going to cooperate, with Germany, with France, with Spain or with other main development partners, on the ground. We continue to work with them in order to establish priorities and bilateral development programmes. These programmes are going to change in nature and scope, as we were discussing before. Instead of having big umbrella programmes under which we would establish projects within Mexico, we will be working in a more specific and targeted manner, for instance, working on issues like sustainability or water management. We are going to have to work in a more coordinated manner with all actors, not only the federal administration in Mexico, but more with local authorities in order to achieve more specific goals.

In my view, those are the most notable changes that are going to be operationalised in the coming years: moving away from being a coordination agency towards becoming an implementation agency, and working in a more focused, more results-based way on the ground with, for instance, subnational authorities.

Karen, looking into post-ODA relationships, a more horizontal setting and a continuation of cooperation, what is your perspective? What has happened in the case of Uruguay, which is a small country and may experience a different situation than Mexico and China?

Karen van Rompaey: If you want to understand this post-ODA world, there are some conceptual issues around 'graduation' that need to be further addressed. The concept of 'graduation' is based on a misunderstanding of what the nature of development is. The DAC graduation is based on the idea that a country magically develops when it surpasses for three consecutive years an arbitrary threshold put forward by the World Bank in the eighties, through a methodology that has never been sufficiently explained, nor adequately updated. Martin Ravaillon, who used to be the World Bank's head of research, has been very critical of the bank´s income classification because of its lack of clarity, rigor, and transparency. The World Bank sought to establish in the 1980s a country classification by "finding a stable relationship between a summary measure of well-being and economic variables and the annual availability of Bank's resources", as per stated by the Bank itself. However, there is no documentation on the World Bank's site about this "stable relationship" and how it has changed

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over time. According to Ravaillon[48], it is also unclear what a "stable relationship" means and why the Bank's resources (in the 1980s) are relevant to defining whether a country is a LIC, MIC, or HIC, either in the 1980s or now. Moreover, he has criticized the bank's use of the outdated Atlas method instead of purchasing power parity exchange rates for currency conversion. Moreover, a research paper by Fantom and Serajuddin from the World Bank Group argued in 2016 that the World Bank's methodology for keeping the per capita thresholds 'fixed' in real terms does not fully reflect inflation experienced by low and middle income countries, resulting in thresholds that are too low and may have pushed countries into higher income groups prematurely.[49] But unfortunately, this income classification of countries has been very influential for operational and analytical purposes and is the sole criterion that informs the process of ODA graduation.

In the case of Uruguay, the good news is that the country has been steadily growing with sound macroeconomic and social policies that improved the quality of life of many people in Uruguay. That is the good news. But, having graduated from ODA, and the knowledge and the facilitation role it brings with it, only because of our income level, is an extreme measure. We do not see ourselves as a graduated country; we identify ourselves as a country in transition towards sustainable development and we see ourselves as a country with a dual role in international cooperation. Uruguay has been strengthening its capacities and has started to play a more pro-active role in South-South cooperation and triangular cooperation, but even in South-South cooperation, Uruguay has a dual role. We also receive cooperation from other southern countries, even from other countries that could be considered to have a lower development level than Uruguay. But all countries learn lessons and make progress in different policy arenas and seek to solve common problems together. This is what we share through South-South cooperation, and this is the ethos that the 2030 Agenda requires.

Coming back to the post-ODA international relationship question, Uruguay is a small country, has high human development indicators and has been progressing in the closing of some of its most pressing structural gaps, but it also has great challenges ahead if we really want to transition towards a more sustainable model of development. Our economy is still heavily organised in terms of intensive exploitation of natural resources, which really needs to change. Sustainability needs to be embedded in the way we produce and consume, otherwise it is going to jeopardise not only Uruguay's development but also the achievement of sustainable development regionally and globally. For instance,

48 Ravaillon 2013.
49 Fantom/Serajuddin 2016.

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most of our technical experts on the environment are still funded by international cooperation projects and through the Global Environmental Facility (GEF). In Uruguay, the state does not yet have this capacity itself. It is all provided by international cooperation, and this needs to go on for a few more years until we really find the ways to embed this within our own domestic resources. Gender violence, for instance, was declared a national emergency last year and we still do not have the adequate institutional capacity and resources to tackle this problem and make the necessary cultural shift to address this very big issue. And yet, we are no longer eligible for the UN Trust Fund to End Violence against Women (UN Women) because only ODA eligible countries can apply to this fund.

We lack both the connection to international knowledge and the access to financing, because for instance as far as the environment, climate change adaptation and mitigation, and natural resources management, conservation or restauration are concerned, we do not have the funds so far. The economy needs to grow to provide more resources, and the country also needs to become more conscious that these areas need to have a higher priority level in the budgetary struggle. We need funds for the environment and climate change, for global public goods in general. Still, technical cooperation is also needed, and in that respect funds and technical cooperation often come hand in hand. They are never purely funds and purely technical cooperation. They come entangled, in most cases.

What else do you think has changed, for instance in terms of communicating, of negotiating? Because Mexico is a regionally very strong country, China is a superpower and many countries are striving to have contact with China. What is the case for a small country like Uruguay? Do you think something has changed in your general relations in this post-ODA world?

Karen van Rompaey: Well, it has only been a year since we were graduated but, yes, we were going to be excluded from the regional cooperation of the European Union because the EU's international development instrument was linked to the ODA list of eligible countries. Our then President Vázquez wrote a letter to Jean-Claude Juncker, then President of the European Commission, saying that we did not want to be graduated from the regional cooperation of the European Union, because we did not want to be excluded from a set of strategic dialogues that the EU is promoting through regional cooperation, surrounding climate change and security – like for instance the COPOLAD programme, which is about fighting transnational organised crime – , migration and all the social cohesion topics that the EUROSOCIAL programme is addressing in the region.

There is something else, which is not directly related to ODA but has an indirect impact: Uruguay is no longer a middle-income country. Where does it

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stand in all the political negotiations in the UN, for instance? Where do we align ourselves? Are we a developing country? Are we a developed country? Are we part of the G77? Are we part of the group of middle-income countries? Our graduation from ODA has also led to us living slightly in limbo. So, we are also trying to make sense of these political implications of graduation from ODA, but it is a bit too soon to grasp all the effects of graduation.

After the graduation, we managed to negotiate with the European Union and we are back in regional cooperation; they have also maintained the funds for our civil society, and we are negotiating a bilateral co-fund to address Uruguay`s transition priorities and to keep the political dialogue vibrant. We have also managed to negotiate with Japan to keep the funds and cooperation schemes that they had with Uruguay, including triangular cooperation. Scholarships and scientific cooperation are also highly critical for us because Uruguay is a small country and has no critical mass in all the cutting-edge disciplines. This is why we need to be part of this cooperation schemes, to strengthen our human capital abroad and to make use of these new knowledge in our country. So, this is how we can close our knowledge gaps and boost innovation to make this transition towards sustainable development.

Xiaojing, we were talking about the new relationships, the post-ODA relationships and the possibility of having a more horizontal setting, continuing to cooperate. We were also speaking about being included or excluded from important spheres of knowledge management. But what in China's case, which might be very special, does the post-ODA world and the cooperation system look like?

Xiaojing Mao: China, even though it is already the second largest economy in the world, still faces a lot of challenges. But most donors have already left China. So, what can we do? As a researcher, I also think about what Karen has said: after graduation, when you are a high-income country, how do you position yourself? This is also a question for China. China always said: we are the largest developing country in the world. So, after we have reached high-income status, how should we position ourselves? Also, rethinking China's foreign assistance and its role as a southern partner: would it still be South-South cooperation? There are a lot of questions on this, already now and especially after you have graduated from the ODA list. As a researcher, I am also reflecting on these questions and I agree with Karen: we need to develop a more comprehensive methodology for measuring development because just using GNI per capita is a too simple way to measure a country's development situation. There will be more and more countries graduating from that list over the years to come. That means there will be fewer and fewer ODA recipient countries. But on the other hand, we also see that more and more emerging economies have started

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to provide aid, like Indonesia, which has established a fund to provide assistance to its neighbouring countries, and also Mongolia. The main resource is still South-South cooperation, but there are more and more aid providers in the international community, while there are fewer recipient countries, if they take the DAC criterion for ODA-eligibility as a basis. So, how would this international aid landscape change and how should we deal with this situation? What other innovative cooperation models are needed? As for aid itself, I think it is aiming to end itself.

Another issue is that we are facing more emerging development challenges like climate change and epidemic diseases; you will all know that China is currently suffering from the new coronavirus. And despite China's rapid development over the past few decades, we are still facing a lot of challenges related to climate change, the spread of epidemic diseases and also other environmental issues. So, there is still a lot of room and there are important areas where China can collaborate with the international community, including developed countries but also other developing countries. I totally agree with what Karen said: that every country has knowledge to share and this holds true for emerging economies especially because they may face similar situations and similar challenges. Therefore, peer learning is extremely valuable for all those countries.

Certainly, China is a large economy and there are high expectations from the international community. China is actively involved in a lot of global platforms, including development fora like the UN Development Cooperation Forum and a lot of sub-sectoral fora. We think that those multilateral platforms can play a good role in bringing all South-South cooperation providers and also traditional donors together, and in allowing views on international topics, including global public goods, to be exchanged. I think this is still very important, and even though we are facing some retreats in global cooperation, from my point of view most countries still consider multilateralism to be extremely valuable to the international community. So, global and regional platforms can play a very important role in strengthening those dialogues among different economies. In China, even though many countries have already stopped providing aid to the country, they still continue dialogues with us, like the UK, Germany, the US and a lot of other countries. There are a lot of bilateral dialogue mechanisms, but development only plays a small role in them. They focus more on critical economic issues. But more and more, especially on the part of traditional donors, they hope that they can include developmental issues in this mechanism. So, I believe that also after graduation, there will remain a lot of ways and channels for China to continue its collaboration with former donor countries.

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Noel, what would be the risks and the opportunities of graduation in your view?
Noel González: Let me start with the risks. There are risks for developing countries having their development efforts not supported appropriately by international partners. They will be basically left alone or not properly accompanied, which is not very conducive to achieving the 2030 Sustainable Development Agenda, as set by the UN in 2015, and not compatible with building the global partnership for sustainable development that we agreed to establish in, again, the 2030 Agenda and the Addis Ababa Action Agenda. The first risk is that we will not achieve our goals with a lack of support due to a misconception on development that comes from political and domestic, but not from technical considerations by donor countries.

The second risk would be less support in tackling common problems. Also, for donor countries themselves: if you do not deal with the global and regional public goods as you need to, you are going to be less able to achieve goals like tackling climate change or achieving more managed and sustainable migration flows. So basically, if you simply leave countries on their own, then you are not going to be able to achieve the goals that you need to achieve. And we need to understand that they are not problems of developing countries or graduating countries or countries of the South, but problems that affect all humanity and we need to solve them together.

The third risk I see is that some of the donor countries that are withdrawing their international support are going to become less relevant as bilateral partners. When we have a broad understanding and a broad partnership on issues like development, then we can move together; we can increase the political dialogue with our partners. But if you cut off a very significant part of this partnership, then you are jeopardising the partnership as whole. So basically, if any given country simply stops providing development cooperation, then, not as a retaliatory measure but simply as a natural consequence, political dialogue is also going to be affected. This is not to be taken as a menace, it is simply a natural consequence of 'us' feeling that we are losing importance in our partners' agendas, so our partners cannot expect to have the same importance that they would have if they continued cooperating with us from a broader perspective. Therefore, these countries will lose relevance as international actors and this can have political consequences – because if we need to build new partnerships, then we are going to build them with whomever wants to support our national efforts. That is the fact of the matter; we are going to move towards this more multipolar world where we are going to build new partnerships. And then, the former role of certain actors, notably traditional donors, as standard setters and leaders in the world, is not going to be perceived in the same manner as it might have been before that. These are the risks.

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In terms of the opportunities, I think that there are opportunities. There are opportunities again to build a more horizontal world and build on the concept of co-responsibility, with more countries playing a bigger role in norm- and standard-setting in the world. In my view, that is positive for democracy: more different approaches that are going to have to come to the table.

There are certainly opportunities to increase South-South cooperation, a mechanism of development cooperation that has arisen since the 2000s. Triangular cooperation is also becoming more and more utilised by countries because we can potentiate everybody's assets and advantages. This has to be properly understood: it does not mean that southern providers have the knowledge, traditional donors have the resources and a third country is the beneficiary, from a more vertical perspective. Instead, the concept of co-creation in triangular and South-South cooperation is very important, combining both technical expertise and resources, human and financial resources, in order for us to find or create innovative and effective development solutions together. Therefore, triangular and South-South cooperation should also be strengthened in this coming era for international development cooperation.

Unfortunately, I fear that through this misconception on the role of development cooperation which we have been talking about, many of these potential benefits might be jeopardised by insufficient involvement or political will. And that will happen, again, for reasons that we do not think are technically sound or sufficiently thought-through, but more because of misperceptions that come from domestic political concerns.

Karen, what are the risks and the opportunities in your view? Maybe they also have to do with China?

Karen van Rompaey: We have just finished our last analysis of who our main cooperation partners are, looking at the data from 2018, and our main cooperation partner after ODA graduation is China. For us, international cooperation is a means to internationally distribute wealth and knowledge, but it is also a form of soft power and a means for mutual trust-building and to address regional and common global challenges. This is something that the donor community should take into account if they really want to leave countries completely on their own and lose that area of policy dialogue and of strengthening multilateralism, and the common ground to work on all the structural and systemic changes that are needed to really enable development at a global level.

In the end, I see one big opportunity that this graduation offers us. Perhaps it is a bit late for Uruguay, but I am glad that our graduation has led to us having a conversation at the global level on the issues that matter most: what do we understand as sustainable development, what needs do countries have relating to sustainable development, what are the capabilities and how can we build an international cooperation system that is based on those needs and the

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capabilities of countries in terms of sustainable development goals that we have jointly agreed to? In my view, this is an opportunity for the ODA graduation criteria to be revised and updated in the light of the 2030 Sustainable Development Agenda. In your introduction, you named that 2014 paper by the DAC committee. I remember reading this paper and the two scenarios it depicts in terms of what could happen if the DAC lowered the threshold for graduation to the World Bank's IDA eligibility level (that was not 12,000 but 7,000 dollars). So, I am really glad that we are having a conversation now, six years onwards, on how we can revisit the ODA criteria so that we do not leave countries behind but engage with those countries that are in transition towards sustainable development.

As regards post-ODA relations, Noel has mentioned all the instruments that we are developing. We really need to be open-minded, considering that new challenges are always arising, for which we will always need international cooperation. What is going to happen with the graduated countries that do not have the capacity to tackle these new challenges? Are they going to be left alone? This is something that I do not have an answer for, but we must also look into more innovative instruments. For instance, Uruguay has been giving the Netherlands cooperation on how to regulate cannabis production. So, this is South-North cooperation, something that was unthinkable a few years ago. Perhaps we do not have the funds to set up a big scale cooperation project, but we do have the knowledge/experience, so there should be funds that make it possible for Uruguayan knowledge or experience to be transferred to a northern country, a more developed country. We must be very creative in this big global challenge of transitioning together to a sustainable development model. We all have knowledge and experience that can be useful and fruitful for other countries, but we need a system designed in such a way that we can all contribute in an equitable and integral way, and so that we can all be part of this conversation and cooperation scheme to achieve sustainable development.

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Spotlight iii: China – the developed developing nation

Thorsten Giehler, GIZ

China has already been the focus of an emotional debate about its developing country status for more than a decade. This applies both to its ODA eligibility and to the developing country status it has enjoyed in the World Trade Organization (WTO) since its accession in 2001. At the WTO, this status affords China "special and differential treatment". It enables China to provide subsidies in agriculture and set higher barriers to market entry than more developed economies. The WTO, in contrast to the OECD, does not apply clear criteria for the assessment of a developing country. The discussions on China's status are therefore complicated and mainly of a political and economic nature. For instance, in 2019 the United States of America proposed a couple of possible WTO criteria for excluding countries from the status of a developing country, mainly with the aim of taking China off the list[50].

The discussion on China's status is based on objective criteria such as GNI per capita, but it also entails a lot of subjective and debatable issues. Let's start with the objective criteria: With 9,460 USD GNI per capita in 2018[51], China is by DAC definition a developing country and eligible to receive ODA. Depending on its growth rate, it may take another decade until it joins the high-income group. Moreover, it is well-known that there are big interpersonal inequalities as well as asymmetries between China's regions and provinces, as in many other countries. However, the 19th National Congress of the Communist Party set the goal of eradicating poverty in China by the end of 2020.

This leads us to the emotional and subjective part of the discussion. Since China is already the second largest economy in the world, a top exporter, an innovator in digitalisation, an international donor, a G-20 member and an important investor, governments and taxpayers in DAC member countries question its ODA status for good reasons. The discussion started around 2005 and gained momentum after the Beijing Olympics, when the degree of China's development became visible to every TV viewer. With its success in alleviating poverty and with the modernisation and innovation taking place, China is one of the few countries where even persisting inequalities may not be a good excuse to continue ODA.

50 United States Fed. Reg. 2019.
51 World Bank 2020.

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As a consequence, many donor countries have reacted and began phasing out their development cooperation projects from 2008 onwards. Germany was one of the first countries to cease new public commitments on financial cooperation in 2008 and on technical cooperation in 2009. The fact that the decision about the "end of ODA with China", made by the then Minister for Economic Cooperation and Development, Dirk Niebel, had been communicated to the yellow press[52] without any prior consultation with the Chinese, included a clear statement: Committing ODA to the second biggest economy was no longer justifiable to the taxpayer.

Today, most donors have left China – bilaterals first, EU DEVCO and UNDP rather late, multilateral development banks not yet, but soon[53]. This leads to a somehow unique situation that China's forthcoming ODA graduation will probably neither affect it in any way nor its relations to DAC members. China will become a high-income country – so what? Just another step on its way to the top of the list of all countries even in absolute GDP terms. Just another step towards overcoming the 'lost' two centuries after 1800 AD.

Still, after more than a decade of donors phasing their aid out, the discussion on project-based international cooperation with China is still ongoing. Why? Many donor countries realised that, after the development cooperation projects ended, they had lost important communication and cooperation channels with the Chinese government – and this was not in their own interest at all. These channels were, for example, those with G20 peers, such as the Chinese Ministry of Finance and the People's Bank of China, or those with trading partners such as the Ministry of Commerce and those to the Ministry of Ecology and Environment, which is in charge of climate negotiations. And those channels used in the past for designing development programmes could have also been used for advocacy – important towards a country with worldwide relevance not only to achieve the SDGs or climate goals but also to shape global governance.

These days, we observe the contradiction that while China is becoming ever more crucial in global terms or in bilateral economic relations, the formats of exchange are becoming fewer. Without joint projects, only diplomacy is left. However, this is not always the most effective instrument with which to design relations. Was it a good idea that many donor countries cut the dialogue on climate change because it was funded with ODA money? If it is still worth talking, debating, showcasing one's own experiences and advocating one's own

52 Interview with the German newspaper 'Bild'. See Pinzler 2009.

53 See e.g. the World Bank's new Country Partnership framework for China 2020–2025.

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principles, why not do so in an intergovernmentally agreed and funded project? If yes, how could a country come back without irritating taxpayers? This is the background to a discussion on a smart intervention into Chinese politics. To what extent is it possible to use the mutual framework development cooperation created – intergovernmental negotiations and intergovernmental projects – for policy areas beyond aid, such as foreign trade or climate policy? Finally, project-based approaches, in the form of trilateral cooperation, could also be used for interaction on the principles of China's outbound activities along the Belt and Road Initiative or on its development cooperation with Africa.

Germany – being one of the first to phase out traditional development cooperation with China – has also been one of China's first bilateral partners to test new forms of project-based approaches beyond ODA, mainly activities funded by the German Ministry of Economic Affairs and the Ministry of the Environment. The Ministry for Economic Cooperation and Development has paved the way for this handover. Germany still uses the development cooperation agreement of 1982 to officialise new bilateral projects in areas which are beyond the initial framework: for projects on economic or climate policy or on exchange on law and justice. Important fields in the Sino-German intergovernmental cooperation are Industry 4.0, cybersecurity, mobility, emission trading, energy transition and trilateral development cooperation.

Joint bilateral projects create the basis for a positive agenda with which to design common principles, norms and standards. And at the same time, they can serve to confront China with alternative ways of doing things or to promote countries' own (vested) interests. These projects now cover issues of mutual concern, but in many cases with different objectives. This might be one of the crucial differences between development cooperation and cooperation in other policy areas. Whereas development cooperation is meant to assist on a basis of joint objectives, new forms of international cooperation do not necessarily share the same interests. One partner might want to get insights into alternative governing rules, the other might aim to advocate their own principles or a level playing field. Another essential difference to the former development cooperation projects is the constant real-time conceptual – not only financial – monitoring and steering of their impact by the respective ministries funding these new project-based approaches. There is no standard indicator for these rather sensitive and political projects which is comparable to the Aid Effectiveness Agenda or the SDGs.

Besides Germany, the UK Prosperity Fund and the EU Partnership Instrument follow the same approach. This mode of working requires a clear strategy on China. In addition, it requires the preparedness to engage in a debate with the general public, including the media, which may not always be able to

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understand the differences between aid and advocacy projects. Using the former development cooperation shell is a smart way of engaging countries which have graduated or, like in the case of China, are a developed developing nation – a category of its own.

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Spotlight iv: Civil society and ODA graduation – impacts, roles and opportunities

Rachel Hayman, INTRAC

Civil society[54] has a critical role to play in addressing pressing global issues, whether it be striving to achieve the Sustainable Development Goals (SDGs), tackling climate change, or championing fundamental human rights and freedoms through a wide range of advocacy, monitoring, research and service provision activities.

In countries transitioning or graduating from aid, it is now well documented that civil society organisations (CSOs) can be adversely affected. The point raised in the *Moving Away from Aid* summary report[55] about CSOs being the first to feel the effects reflects a significant body of evidence that has built up over the past decade.[56] Falling flows of funding from bilateral and multilateral donors early in the transition process, and limited support from governments, both financial and legislative, to ease the impact, are felt most by CSOs that have received support from the traditional aid sector (recognising that many CSOs operate without any funding from ODA). As grants available to international non-governmental organisations (INGOs) to work in countries that are transitioning or graduating decline, there is a knock-on effect for local organisations and implementing partners.

The consequences are surprisingly similar across very different contexts. One is the increased 'projectisation' of funds that are available from public and private sources, including through corporate social responsibility schemes or philanthropy. These funds are often focused on social development initiatives or are aimed at the provision of services on behalf of the state. Generally, such projects do not provide funding to cover the costs of the core functions of CSOs. Hence, a second consequence is an impact on organisational sustainability and

54 CIVICUS, the global alliance of civil society organisations and activists, takes a broad definition of civil society, incorporating non-governmental organisations, activists, civil society coalitions and networks, protest and social movements, voluntary bodies, campaigning organisations, charities, faith-based groups, trade unions and philanthropic foundations. https://www.civicus.org/index.php/who-we-are/about-civicus (11.02.2020).

55 Calleja/Prizzon 2019a: 31.

56 Hayman 2016; Appe/Pallas 2018.

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institutional stability. A further consequence is the rise in competition for funding between local CSOs, but also between local CSOs and INGOs or private sector service provision organisations. These effects are particularly well captured in a 2019 report from Innpactia and CIVICUS, which analysed funding opportunities for CSOs in Latin America.[57] It highlights the limited funding opportunities that are targeted explicitly at local CSOs, and the competition CSOs face not only from international actors, but also from the private sector and state entities.

Of particular concern to civil society actors is that the evidence consistently points to a decline in support for civil society-led activities in the fields of advocacy, human rights, minority rights, democracy and coalition building. Such activities were often funded almost exclusively by external actors, which added a layer of moral support and protection to CSOs working on topics that were considered either controversial or at odds with government policy or national political agendas. Reduced funding for such work affects the ability of civil society to maintain pressure on public and private sector actors to tackle trends in countries transitioning and graduating from ODA in relation to growing income inequalities, ongoing challenges in human development (including health, education, youth opportunities and employment), vulnerabilities to climate change, weakening of public institutions and the deterioration of democratic rights and freedoms.

International actors need to be particularly mindful of this latter point. The CIVICUS Monitor,[58] which tracks civic space, warns of a deepening civic space crisis globally, with only 3% of the world's population now living in countries that CIVICUS considers to have open civic space. Although hostility to civil society actors working on political issues is widespread across countries with very different income levels, CSOs in numerous countries going through economic transition have faced an increase in both legal and extra-legal restrictions on their operations, such as censorship, crackdowns on protest movements, surveillance and harassment.[59] This includes India, Nigeria, Chile, Ecuador, Argentina, Kenya, Turkmenistan, Bolivia, Venezuela, the Dominican Republic and Cameroon.

Nevertheless, some international and local CSOs are stepping up their roles as watchdogs of these trends, which can adversely affect the poorest and the most vulnerable. The CIVICUS Monitor project is one such initiative, producing real-time analysis of civic space everywhere. The Spotlight on Sustainable

57 Innpactia/CIVICUS 2019.
58 CIVICUS 2019: 5.
59 Kumi/Hayman 2019; ICAI 2016; ICAI 2018.

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Development initiative from Social Watch is another.[60] Both of these initiatives involve and rely on data and analysis provided by national and local civil society actors on the ground. A final example is the group of international NGOs that is maintaining pressure on bilateral and multilateral donors to ensure that health gains are not lost when countries graduate from instruments such as the Global Fund.[61] Such initiatives ensure that public authorities and the private sector in countries that are transitioning from aid are held to account for upholding their domestic and international obligations.[62]

On the positive side, in response to the changing environment, national and local CSOs are adapting and finding ways to mobilise more diverse and potentially sustainable sources of funding and non-financial support. This includes community-level fundraising and income-generation activities, fundraising from diaspora groups, membership fees, volunteering, mobilising in-kind material and infrastructure support, setting up social enterprises and community foundations, local philanthropy and corporate social responsibility schemes.[63] There are a growing number of initiatives in place to support resource diversification, as well as many examples of good practice from countries transitioning from ODA.[64] Additional benefits from the mobilisation of resources from local and national sources are that it can help CSOs to reduce dependency on external actors, increase their autonomy and legitimacy to promote local agendas, and change – and sometimes improve – relationships with local authorities. These dynamics are also giving momentum to demands to decolonise development and rebalance power between international actors and local CSOs,[65] requiring international NGOs and development funders to rethink their roles and behaviour in a global context, where poverty, inequality, repression of human rights, the democratic deficit and accountability failures are becoming universal.

At the same time, alternative sources of funding can come with their own risks, including potential mission drift towards the priorities of new funders, co-optation by state actors and the prioritisation of service provision activities (which are more easily funded) over advocacy goals. Moreover, within the context of the squeeze on civic space mentioned above, international actors cannot

60 Social Watch: http://www.socialwatch.org/report2019 (15.04.2020).
61 Northcote 2017; Sabino et al. 2020.
62 Kumi/Hayman 2019.
63 Kumi/Hayman 2019; Appe/Pallas 2018; Arhin et al. 2018; Bayalieva-Jailobaeva 2018; Guttentag et al. 2018; Van Dyck 2017.
64 See, for example, the programmes of the Change the Game Academy https://www.changethegameacademy.org/. Also, Martins 2020; Guttentag et al. 2018.
65 Hodgson et al. 2019.

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make assumptions that CSOs will have the space and resources to remain resilient and effective as ODA is reduced.

It is therefore important that all those involved in international cooperation, as well as public and private actors in countries in transition, take three interrelated steps. Firstly, they need to work with civil society to assess thoroughly the potential impacts of transition and graduation on CSOs and the wider civil society ecosystem, exploring which civil society activities and functions are likely to be most affected. They should consider the regulatory framework and governance practices that affect the ability of CSOs to operate, raise resources locally and campaign on issues that might be considered controversial. Secondly, they should make use of the growing body of evidence and practical advice for funders, international actors and CSOs around exit strategies and doing transition well,[66] in order to avoid the poor practices that have undermined the sustainability of CSOs in the past. Finally, they should explore how to support civil society in more diverse and creative ways to enable CSOs in societies that are transitioning to continue to tackle global and local rights and development-related issues. This might include finding ways of providing funding and non-financial support to CSOs through non-ODA channels, offering support for international monitoring projects, solidarity exchanges and global forums that bring the voices of civil society activists from transitioning countries to the fore, and maintaining pressure on governments to open up civic space in order to allow civil society to thrive.[67]

66 Martins 2020. See also Hayman/Lewis 2018; Guttentag et al. 2018; Appe/Pallas 2018.

67 Suggestions for further reading:
Social Watch produces regular monitoring reports written by civil society actors on country progress related to the Sustainable Development Goals: http://www.socialwatch.org/report2019 (27.03.2020).
The Stopping As Success project has produced a large number of case studies, reports, blogs, tools and guidelines on transition and exit planning. See Martins 2020.

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Dialogue 3: Implications, challenges and opportunities of ODA graduation for DAC donors

ODA graduation does not only affect the transitioning countries themselves, but also has consequences for international partners or 'traditional' providers of international development cooperation, in both practical and strategic terms.

Most of the so-called traditional donors are or have been engaged in middle-income countries that are on their way to ODA graduation. Governments and implementation agencies are therefore confronted with the practical considerations of accompanying and cooperating with partners in that process. Here, we aim to exchange concrete examples of managing transition, based on the participants' experiences in practice and research.

We also want to analyse the strategic and political implications of ODA graduation. Working in global partnerships is not only essential to implementing the 2030 Agenda, therefore embodied in SDG 17, but has also been the modus operandi with many countries envisioned to graduate from ODA in the upcoming years. How can long-term relationships be secured when development actors withdraw? And what does a shift in the range of development countries mean for the actors involved, the systemic set-up of the policy area and the way that implementing institutions work?

In addition to the specific situation of partner countries graduating from ODA, the discussants shared general experiences from restructuring or phasing down development cooperation as a result of policy decisions.

The discussion was held between *Corinna Küsel*, Director of the Regional Division South Asia at GIZ, *Annalisa Prizzon*, Senior Research Fellow at the Overseas Development Institute (ODI), and *Anna Rahm*, Head of Unit for Effective Aid Delivery at the Swedish International Development Cooperation Agency, Sida. It was facilitated by *David Nguyen-Thanh*, Head of Division for Corporate Policy, Strategy and Risk Management at GIZ, and *Juliane Kolsdorf*, editor of this publication. For logistical reasons, the experiences of the Swiss State Secretariat for Economic Affairs (SECO) were added in a separate interview with *Ivan Pavletic* (Head of Section Policy and Services) and *Markus Schrader* (Head of Section Countries and Global Portfolio) and subsequently merged into the dialogue.[68]

68 For better distinction from the discussants, the inputs and questions by the facilitators are displayed in italic without naming the respective person.

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As a starting point, could you each briefly share the context or situation in which you have been involved with ODA graduation issues? How has it affected your work in recent years, and even today? Corinna, what does this mean for you and for GIZ these days?

Corinna Küsel: I would like to focus initially more on a perspective 'beyond ODA' before I come to a 'post-ODA' view because I think there are big differences in how relevant this is in general, and also for us in GIZ. By 'beyond ODA', we define everything beyond classical development cooperation. 'Beyond ODA' is already very much a normality and part of our daily life in GIZ, particularly in our cooperation with Asia and Latin America. In both regions, we implement various projects which go beyond a classical development cooperation approach, both for the Federal Ministry for Economic Cooperation and Development (BMZ) and for other German ministries and other donors. One example would be the Ministry for the Environment, with projects related to environmental and climate issues, i.e. on global public goods, such as climate change and biodiversity. We work for the Foreign Office on security issues, for instance in cooperation with regional partners like ASEAN, and also for other German ministries. The focus of these projects is strongly related to the relationship between Germany and our partner countries with a view to building partnerships, also in Germany's interests. These forms and areas of cooperation are generally much more related to German or European interests on the one hand and to global interests and global public goods on the other, and less focused on a classical aid perspective. This is the case for German ministries, but also for projects which are partly co-funded by other development partners. One example is the 'NAMA Facility', a multi-donor initiative supporting partner countries to implement climate-related projects – 'Nationally Appropriate Mitigation Actions' – which is co-funded by different European donors.[69]

For GIZ, this has always been part of our diversification strategy, of our strategy to change from development cooperation to a broader concept of international cooperation. This was also reflected in the changing of our name in 2011. However, at the same time, a large part of this work is still funded by ODA funds. I mentioned the other German ministries, but BMZ also supports various projects which go beyond traditional development cooperation: they are related to aims and goals on global public goods, but also to strengthening partner countries in their transition process. Examples are trilateral cooperation projects or advice to our partners in strengthening their own development cooperation agencies. For example, from my experience in Mexico, we had and still have a project to enhance the capacities of the Mexican Development

69 https://www.nama-facility.org/ (15.04.2020).

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Cooperation Agency AMEXCID, which has been highly valued as a contribution to strengthening Mexico in its role as an international and regional player.
As a brief follow-up question: To what extent has this GIZ role been shaped by commissions or desires by BMZ to look into these issues? In other words: Has this very much been a GIZ-driven interest to position ourselves beyond ODA?
Corinna Küsel: For BMZ, it has always been part of its strategy to cooperate with 'global partners' and to strengthen them in their global role. Their strategy was very clear that working with these countries should not be traditional development cooperation but should focus on climate and biodiversity issues, on strengthening their development cooperation agencies and on enhancing their cooperation with the private sector as a third pillar. At the same time, it has been the German government's decisions to amplify the role of GIZ as an agency that also works for other German ministries as well as other European and international donors. But of course, GIZ has also actively pursued this diversification path.
Anna, we are most curious to hear about the Sida perspective: What is the relevance of ODA graduation to your organisation?
Anna Rahm: We have not really developed a strategic policy for graduation so far. It is not that this issue has been unnoticed by Sida or that we have not exited from several countries, but I would say that, at present, it is not a discussion that is actively ongoing at Sida.

When it comes to the steering selection of countries, it is, of course, a political decision which lies with the Ministry for Foreign Affairs. We can see that there has been a stronger focus in the past ten years or so on conflict-affected countries. We still aim to reach the poorest and most vulnerable, which means that we have rather broadened our portfolio of countries that are not moving in the direction of becoming middle-income countries. Therefore, we also have a much stronger focus on countries which are still very much dependent on aid.[70]

Our strategies generally reflect the needs as expressed in national development plans, and we strive to focus on the most important sectors and impact areas from the perspective of poverty reduction and vulnerability. So, in general, we have untied aid, and the Swedish interests of, for instance, trade investment have a very limited impact on the choices in development cooperation. We have other agencies in Sweden that we collaborate with and that work more in this grey zone of development and trade and investment. However, there are examples and ongoing activities in several countries, where we work on how to link trade and development cooperation in a more explicit way. We did phase

70 While many of Sida's partner countries are on their way to reach lower-middle or middle-income status, they continue to receive relevant amounts of aid and therefore remain dependent on ODA in various sectors.

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out our collaboration in India, Indonesia, China, Vietnam, Botswana, Namibia and South Africa between 2008 and 2013. The process that we carried out in the phasing-out of those countries was what we called partner-driven or actor-driven cooperation. This means we tried to use the remaining years of development cooperation to reach out to other groups in society and broaden our way of looking at development so that we could leave a basis for sustainable development with more actors than the government and some civil society organisations. For example, we had more collaboration with trade unions and private companies. The reason for our withdrawal from these countries was mainly that we did not see that they were in as much need and we were entering into more conflicted-affected areas.

This reflects a broader shift among many development partners, donors, over the past few years. Interestingly, your phase-out happened up to 2013, which is prior to the 2030 Agenda. Has there been any rethinking since 2015 in terms of some of these middle-income countries becoming more interesting to Sweden again?

Anna Rahm: Well, to my knowledge, there are no real indications of that. Rather, there has been a discussion that more countries might be phased out in the coming years. For several years, whenever our strategies have been extended, there has been a discussion on these countries: Is this going to be the last strategy and what will that mean in terms of our focus in those countries? It is an interesting question, but these decisions are taken by the Ministry for Foreign Affairs.

Markus and Ivan, in which contexts or situations has the topic of ODA graduation and also cooperation beyond aid affected SECO's work in recent years and what relevance is given to the topic from your perspective?

Ivan Pavletic / Markus Schrader: The contexts are various and somewhat different. SECO underwent a strategic shift in 2008 when we decided to focus on middle-income countries. This was motivated by a clearer division of labour between us and the Swiss Agency for Development and Cooperation (SDC)[71], which manages the bigger share of Swiss ODA. SDC focuses on least developed, low-income and fragile countries. The leverage and impact of SECO's economic development cooperation is higher in middle-income countries. As a medium-sized donor SECO needs to make a good case for its engagement in middle-income countries, also towards the partner governments. It is important to identify those niches where SECO can add value. This is a continuous effort. We are trying to focus on activities that add value, are complementary to SDC, and differentiate us from other donors.

71 The SDC is the agency for international cooperation of the Federal Department of Foreign Affairs.

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Moreover, we have to explain to the public why we are engaged in middle-income countries; the rationale behind our engagement is important. We include this in the strategic frameworks that we submit to our parliament, saying that those countries play an important role in their regional context both from an economic and a political perspective, but also regarding their contribution to global challenges. This has been well received and understood by the public because, at the end of the day, there is also something in it for us. In addition to genuine Swiss long-term interest, it also offers economic expertise to overcome the so-called middle-income trap. Assistance to Least Developed Countries is very valuable and nobody disputes these countries' great need for ODA. But does this mean that should we neglect middle-income countries – which are on the verge of graduating but have not yet done so; or is there not also a genuine interest among the broader global community to support these countries? They are our partners in trilateral cooperation or cooperation beyond aid and are key or in assisting neighbouring, less developed countries, like Poland with Ukraine, or Colombia with Venezuela. With a relatively small investment, we can have a big impact.

In a way, we are close to 'beyond aid' with the way we work and the very nature of what we do. The countries we are active in are Indonesia, Vietnam, South Africa, Ghana, Peru, Colombia and, since the Arab Spring, increasingly Tunisia and Egypt[72]. None of them is under immediate 'threat' of being removed from the list of recipients of the OECD DAC but, at the same time, they are at different stages in their development as middle-income countries. Some are even G20 countries. Another example is when a government uses the 'beyond aid' narrative by itself, like Ghana. We highly welcome this in our cooperation, because that is the direction we would like our partner countries to go.

Yet, Swiss economic development cooperation in those countries is not primarily appreciated due to the amount of funding – the amounts are different compared to partners with higher ODA volumes – but because we bring specific experience and expertise, which countries can use to leverage other initiatives. One is: we can help you to spend your own money better. That is already closer to 'beyond aid' than general budget support. On the other hand, we invest a certain kind of risk capital. Partner countries may be hesitant to invest in – presumably helpful – development initiatives because their impact is still uncertain, and it would be hard for them to justify such spending to their taxpayers. However, if the initial investment is covered by Swiss funding, with a proven effect they can happily take over and finance it with their own means.

72 In addition, but with a slightly different reasoning, SECO is engaged in transition cooperation with Tajikistan, Kyrgyzstan, Ukraine, Albania and Serbia.

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Annalisa, could you put what has been said into the broader context of your research? Maybe you can add some particular insights from the various exchanges you had with development partners over the past few months. What is your perspective?

Annalisa Prizzon: We started working on this about four years ago. Back then, transition from aid and graduation from ODA were, to a certain extent, a taboo, the former often being a political decision. However, in order to avoid jeopardizing development results achieved, we need to translate the transition from aid into principles and approaches, even though it may not necessarily be a priority within a government or an agency.

First of all, while the transition from aid might be a relatively new concept, we should not overlook the other side of the coin: the criteria for aid allocation. Many bilateral agencies have aid allocation policies and criteria, with indicators surrounding needs, for instance on poverty or other dimensions of human development. And when these indicators improve, the envelope allocated to certain countries tends to fall. So, we should not think about transition from aid as a new concept. De facto, that was happening when different criteria were applied to the allocation of aid across countries.

However, there are a few elements that actually changed the narrative when it comes to the debates on exit from bilateral programmes. In recent years, many bilateral donors faced budget cuts or the reallocation of resources to other government departments. But it is also about increasing scrutiny on budgets for development cooperation. For instance, in the UK, about ten years ago, the rational for assistance to middle-income countries was put to the test.

But we should also acknowledge some progress. The number of low-income countries was about 60 ten years ago, and now if fell by almost half. While income per capita is not necessarily the best proxy to measure access to international capital markets, it is usually a good benchmark. All in all, governments' access to international capital markets has improved, expanding the volume of finance and shifting towards less concessional (and more expensive) financing instruments and modalities than traditional aid.

Three or four years ago, hardly any donor had a strategy on transition in place – probably the only one was the European Commission with the Agenda for Change in 2011, with a nuanced approach for the Development Cooperation Instrument. Nowadays I could name a few more development partners that have defined or are about to define principles for transition or exit from bilateral programmes. For example, USAID has now a strategy called "A journey to self-reliance", whose name is quite eloquent. In the end, country partnership strategies have the ultimate, albeit implicit, objective to support countries to develop and move away from aid. In the case of USAID, there are specific indicators that measure such process and define how USAID can best support those

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efforts. It is not necessarily about defining a strategy to cut aid flows. DFID is another example. In the UK, the Independent Commission for Aid Impact runs regular reviews of how DFID operates. One of them was on transition and exit from bilateral programmes.[73] The analysis of DFID's approach prompted a request to specify the principles of transition. The system of Swiss Development Cooperation is developing a similar approach as well.

So, three, four years ago, probably only the multilateral development banks, the vertical health funds and the European Union may have had transition and graduation criteria and policies in place. Nowadays, we can see many more bilateral donors that are considering the implications of transition and exit from bilateral programmes in the definition of their country programmes and in their overall strategy, as well as they are defining principles on how to operationalise transition and exit from bilateral programmes.

With a number of bilateral and multilateral donors out there who have given themselves such a strategy, what are the lessons learned from their experience? For those donors who are yet to define their own strategy, what are recommendations in terms of what they should look at? What should they consider when cooperating with countries that are in the transition phase of graduating from ODA?

Annalisa Prizzon: These are often internal discussions. But if I were to summarise the two main elements, the first one is about planning, and the second one is communication. On planning, I could name a few positive examples. One of them was Sida, but also DFID and SECO, all of them in Vietnam as well as Denmark in India. Two of the key elements of the success in terms of transition from aid across these samples was first the ability to hand programmes over to other development partners or to the government without disruption and second the long-term planning. By long-term, I mean three to five years. In the case of Sida in Vietnam, the long-term approach meant mapping what other development partners were doing and the needs of the country, but also planning the medium-term request from the government and identifying who was going to take the partnership over. This could be done by other parts of the governments, like the climate or environmental ministry, or the trade ministry, but also civil society or, in a few examples, a multilateral development bank or a multilateral donor within the parameters that I mentioned earlier on.

About communication: there was a very interesting point that emerged in the case studies that we conducted in 2019 in the "Moving from aid" report[74]. Yes, the decision to leave and phase out the country was communicated to the

73 ICAI 2016.
74 Calleja/Prizzon 2019a.

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government. But when we were talking with the government, some actors acknowledge that, at that time, they were not aware of it. So, the communication should be two-way and verified. We know that each government is a big entity and we should be concrete. Usually, we are talking about the Director of the DG Cooperation within a Foreign Affairs ministry. Line agencies should be informed too about a programme being phased out. I can give you an interesting example from Chile which is outlined in the case study. Many donors communicated that they would phase out their programmes, for instance BMZ (but also DFID with cooperation moving to the FCO), but the government did not necessarily consider the long-term implications of programmes being phased out at that time. The alarm bells only began ringing when the European Union announced that they would phase out the Development Cooperation Instrument. That was the moment when the government started trying to get the European Union back on board and also to challenge the criteria for ODA graduation within the OECD Development Assistance Committee.

This is quite an excellent assessment, Anna, of Sida's performance back then in Vietnam. Do you want to add to that or share another example of how you managed the phase-out? What were the key issues that guided your work in moving out and phasing down your portfolio in these countries?

Anna Rahm: One thing that we started to experiment with and learn more about in those countries is something that we have picked up and started to do in other countries as well: it is to take on a role as facilitator, which means that we both facilitate partnerships between actors – we may create platforms for actors to meet – and ensure a broader view on who should be involved in discussions about how specific development problems could be solved or how development could take place. In Vietnam, but even in other countries, we started to take on such a role a few years ago.

This includes making sure that private funding is involved in achieving development objectives, for example by sharing risks, but also by creating win-win opportunities. In 2007 / 2008, we developed some 'tools', and I know that GIZ and other agencies have also experimented with these. These are the public-private development partnerships, challenge funds, guarantees and different types of business development funds. These have been a way for us to make it interesting for the private sector to be involved and invest in areas where they would not have been involved otherwise, but also to look into new business models at times. We have sometimes been mediators in making sure that the private actors and the government discuss, that the government involves the private sector and invites them to be part of policymaking and discussions about industrial policy, for example. Sida has not done this alone; it was in partnership with many other bilateral actors, but it was a shift in these countries that we started to think about this role – not necessarily just in the phased-out countries.

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In Zambia, where I worked for a few years, we were trying to identify links between the trade section and the development sections of the embassy, so we arranged breakfast meetings with various actors from the society to talk about development problems. Today, in our new vision for Sida, it has been highlighted that we should have this facilitative role more often and try to understand how we can be that actor.

You obviously did not choose to abruptly discontinue work and move out, but, as you said, get involved in these facilitation platforms, etc. Although for those countries that until then had received substantial funds from Sida, it may be hard to adjust to a situation where you 'only' facilitate. How was that shift received by these countries?

Anna Rahm: There are certainly different situations, but most serious discussions were with the governments in these countries, because in many countries we had general budget support or at least sector budget support; we supported the governments in various ways. We worked a lot on capacity-building with sector ministries or large departments, so that has been a source of secured funding for many of these agencies for a long time. There was a big debate on how we can make sure that the funding that we withdraw will be covered from other sources quickly enough. In some countries, for example on tax reform, we have been collaborating with other bilateral actors engaged in that matter and trying to work on developing the capacity of governments to set up a firm taxation system that can generate enough income to at least maintain the basic structures of governments. But I think the discussions with the governments have probably been the most serious ones – although many of the civil society organisations that we work with suffered a big blow from not getting funding anymore as they may not have other sources of funding to draw on[75].

Ivan and Markus, Annalisa just mentioned that SECO is working right now on principles of transition. Could you elaborate a bit on this process?

Ivan Pavletic / Markus Schrader: We have certain basic principles of how and when we engage with countries and we will put these forwards as a proposal for criteria to enter but also to leave a country with our ODA means. The first criterion is the country's needs. The second one is: do we as Switzerland bring an added value? Why does it have to be Switzerland? How do we make a difference, given our nature and the instruments we have at hand? And the third one, which has been in place since 2006: How will it benefit Swiss interests? We have a strong middle- or long-term interest in working with these countries because with a stable, well-functioning country like Ghana, we also create markets and we can also trade with these countries. In today's globalised world,

75 For an extended analysis of this matter, see Rachel Hayman's contribution on the role of civil society in transition in this publication.

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any country's 'failure' will have global repercussions, and we will all be better off, including Switzerland, if countries around the globe develop well in an economic sense.

Apart from that, we developed two further criteria for cooperation. The first is that the country needs to figure on the OECD DAC recipients list. Otherwise it does not qualify for ODA and would not be in our mandate. That is a crystal clear one. And second, we prefer to work with countries where certain minimum standards exist in terms of economic governance, human rights, and the willingness and potential to reform. These criteria are rather minimal, but we cannot work in countries at war or where it is highly difficult to be active as a development partner. There also needs to be a certain reform willingness in the area of work that we are in. If the country does not want us or if there is an interest but no willingness to reform on a political level, why should we be there? We are not desperate to just stay and hang on with that country. There are many more countries which show this willingness, and we should work with champions and those eager to cooperate with us and to incorporate the joint lessons learned. The last one, apart from the reform willingness, is the potential for reform, which is yet a different aspect.

We try to provide a few clear-cut criteria and, within them, to understand what our priorities are and develop a certain subset of criteria, which makes it possible for us to evaluate the remaining countries.

The process of transition does not happen overnight, and many of us operate in contexts where partner countries grow into middle- or high-income status but still qualify for ODA. Corinna, in addition to your initial input: What does this mean for us? What are GIZ's modes of cooperation in these contexts? Do they change? For countries that are about to graduate in the next five, six, seven years, does GIZ work any differently compared to low-income or least developed countries?

Corinna Küsel: Cooperation with these countries definitely does change. I already mentioned that our focus is more on topics related to global but equally German or European interests. But also, the modes of cooperation change: our focus is much more on building capacities, advising on policies or processes. These countries are very demanding in relation to the expertise we provide, both technically and related to process management. Policy dialogues between Germany and its partner countries or building networks between these countries also play an important role. At the same time, funding as part of our cooperation becomes far less important as these countries often contribute funds from their own resources. Even in those countries which are not official partner countries of German development cooperation anymore, cooperation has been continued through regional or global approaches and funds.

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Following up on that, one of the findings in the ODI case studies was that the respective graduating countries all voiced their concern about possibly losing access to specific technical cooperation, knowledge exchange and policy dialogue. There was a strong interest in continuing cooperation in that sense. In your views, how can donors and implementing organisations address that very clear demand? How can technical cooperation still happen in circumstances where a country is yet or just about to graduate?

Corinna Küsel: We do have some experience with these modes. For various German ministries, we are already implementing projects to facilitate the dialogue between the respective partner country and the relevant German ministries and agencies. This is a different mode of operation in comparison to how we have worked in most countries in the past, but we use these forms of platforms and dialogue approaches.

Anna Rahm: In most countries where we have ongoing development cooperation, we have also had a parallel collaboration with other Swedish government agencies, such as the tax agency, statistics office, police and so on. They are not part of our strategy and we do not fund them directly, though sometimes indirectly. It is part of the government's agenda to broaden the number of actors that work with development, and also to include technical cooperation. Many of these types or means of collaboration continue even after development cooperation is phased out. In some of these countries, we still have ongoing partnerships in areas where we have a comparative advantage, and this is not limited to development cooperation.

Ivan Pavletic / Markus Schrader: We do not yet have very refined instruments, but a similar discussion. The question for us is: if we want to make a statement of 'mission accomplished' when exiting from a country, how can we make sure that this is not received as a loss in our partner country? We will probably do extensive mapping in our partner countries in order to understand better what other Swiss interests there are in this country. Obviously, our goal is still the economic development of the partner country, whereas the goal, for instance, of an export promotion agency is exploring new markets for Swiss SMEs. But it might be an interesting means for us to work with Swiss SMEs, which would be happy to export and to understand how we match supply and demand between the given country and the Swiss exporter. Another example are our projects on research and innovation on the one hand and academic cooperation on the other. If we clearly differentiate that our means are others' objectives and others' means are our objectives, we can find a potential win-win situation. So, how do we bring these countries to that level and how do we walk the last mile together in order to make this a fruitful form of cooperation and mutually reinforce what we do in order to bring about change? On the other hand, a danger in that undertaking may be to fall back into patterns of tied aid or into industrial

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policy questions where it is not so clear whether what you do is ODA or in the purely economic short-term interests of your own country. That is why I highlighted the differentiation between objectives and means and understanding how win-win works if you do it right. And that is currently where our mapping is at, so we cannot provide you with an answer yet.

Finally, we are exploring potential linkages between our technical assistance and the Swiss Investment Fund for Emerging Markets, working on an understanding of what would be a good way to go beyond grants. In addition, it is also very important to strengthen the links within SECO. For example, with the unit in charge of setting up free-trade agreements, we try to focus more on sustainability issues. Those are win-win situations where we can promote economic interests, free trade and make sure that international labour, and social and environmental standards are being implemented – as this is in the core interest of our partner countries. Through our projects, we then try to help stakeholders implement them on the ground. Going even further, the Department for Foreign Affairs is currently setting up a process to discuss regional strategies or strategies for priority countries. They invited several departments and units on a strategic level to see what their interests and added values are, setting up a government's approach in its entirety. This is very valuable because you see where the complementarities are and how each and every unit can contribute.

In the end, it also calls for the question of – and this is by no means an official Swiss position – if the ODA concept is still relevant. And if there are no other, better ways to measure donors' contributions to global challenges, especially also because the SDG 2030 framework is much broader than what the ODA concept would allow as a measure.

We have already started to touch on the strategic and political implications of ODA graduation for providers of development cooperation. Annalisa, could you share your perspective on how donors can continue to live up to the long-term, value-based relationships that have often emerged over many years of development cooperation. Obviously with ODA graduation, this is going to be disrupted in some way. How can some form of continuance be secured in a post-ODA setting, including the possibility of strategic partnering with graduated countries on global public goods?

Annalisa Prizzon: This is a very interesting question because we are somehow stuck in the old aid paradigm. There are many opportunities for policy dialogue, also within other government departments than the development units, but the funding attached to it creates incentives, the urgency and the opportunity to do that. Some of the modalities have already been mentioned, for instance regional cooperation approaches and, to a certain extent, triangular cooperation.

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Regional cooperation does not necessarily directly benefit the graduated country. But with regional cooperation projects you are working with neighbouring countries, cross-border projects that can indirectly benefit the country that has already graduated. That was a good way, for instance, in Chile to keep the policy dialogue with development partners open. Regional cooperation is also a learning opportunity for countries that graduated to become development partners themselves if they wish to do so, and in many cases, this is part of their own strategy.

Triangular cooperation was also mentioned earlier on. This was a modality, for instance, that Mexico development cooperation tapped into more frequently when the volume of ODA started falling. It was also one of the options in the case of Chile. There are challenges for the implementation of triangular cooperation programmes though. The first are very high the transaction costs. Another point is about the (lack of) visibility of some development partners involved. In the case of the Republic of Korea, which graduated from the list of ODA eligible countries 20 years ago,[76] triangular cooperation became less important over the years because of the lack of visibility they had in this arrangement for development cooperation.

In addition, one of the key players in a post-ODA setting focusing on global public goods are the multilateral development banks. This is the case for many reasons. MDBs often had country offices and they stay on despite being small, so they have country presence. Paradoxically in the case of Chile, incidentally when the country was about to graduate from ODA, the World Bank and the Chilean Ministry of Finance set up an office as a research-oriented hub, which also meant the World Bank had a local presence. Multilateral development banks have different criteria for graduation. Of course, the terms and conditions of financing are not such that their flows can be counted as ODA, but that is still official finance and, in many cases, terms and conditions far better than what countries can get in international capital markets. The partnership of bilateral donors with multilateral development banks in a post-ODA setting is of paramount importance.

Given that multilateralism has come under attack in some way, including the fact that many multilateral development banks have in some way been questioned in recent years: to what extent do you think are they ready and fit for purpose given the expectation that you just outlined? Are they currently in a position to live up to what you said?

Annalisa Prizzon: In a short answer: yes, because they offer a combination of financing and, to a certain extent, also assistance to upper-middle-income countries. I am oversimplifying, but this can also help to subsidise the concessional

76 Calleja/Prizzon 2019e.

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window, that is, the assistance to the poorest countries. So, from a financial perspective, MDBs are fit for purpose, and from a technical perspective, their staff have a set of skills, capabilities and, in many cases, world-class knowledge across a large number of countries. They are often stronger than bilateral donors when it comes to technical assistance. MDBs have a relatively strong convening power, especially the World Bank. We also need to think about a fourth dimension. Earlier on I mentioned that graduating countries were not particularly concerned about financial resources. Their main concern was about the technical assistance that comes with financial assistance. For example, some countries could also tap into technical assistance from MDBs through reimbursable assistance services, meaning that country governments can purchase directly a certain kind of advisory services. Even if there are these challenges to the multilateral system, I believe that recipient countries still highly value the assistance and the terms of conditions they can get from MDBs, and also the policy dialogue they offer.

Ivan Pavletic / Markus Schrader: I can confirm that, for us, partnerships with multilateral development banks are very important and something that we will continue to strengthen over the coming years. Switzerland is represented in the executive boards of Multilateral Development Banks, such as the World Bank, and the regional development banks. We understand and support their agenda to bring about change and support economic development in their member countries, sometimes in a multilateral set-up, sometimes with additional bilateral support.

Anna, what does this look like from a bilateral perspective? I am sure that it is also important for Sweden to contribute and be part of the answer to address global challenges. How do you work on these issues, for instance with a country that has just graduated or is about to graduate, and what does this mean for your organisation?

Anna Rahm: I would like to echo that we work on a lot of the global public goods on several levels: global, regional and bilateral, and we try to often convene and work through multilaterals and joint networks of actors. When we work with climate funds, for example, the type of projects requires a large number of actors to be involved.

If I talk about it from a different angle, two of the general cornerstones of Swedish development cooperation are that we develop very strong ownership and that we work on capacity. Capacity is, of course, a broad concept, but our focus is particularly on strengthening the ownership of the most relevant issues, rather than trying to solve them ourselves with short-term fixes. For instance, we work a lot on strengthening the capacity of governments to be able to handle increased funds that can support aspects that include global public goods. However, we rarely work on these aspects only from a bilateral perspective. It is

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rather part of our regional portfolios and, almost without exception, with multilateral partners.

Corinna, you already talked about the work GIZ has been involved in with respect to global public goods, climate change, etc. for many years. Given that experience, what are the implications for GIZ's way of working and do you see a change in how we address these issues compared to 10 or 20 years ago?

Corinna Küsel: Yes, I think there has been a change. First of all, the Ministry of the Environment only started to strongly focus on international climate funds ten or twelve years ago and, in addition, has increasingly given assignments to GIZ and other implementors. They also have a different perspective on how they expect us to work and, on the outcomes, they expect us to generate. At BMZ, there was always a much stronger relationship between climate-related objectives and development-related objectives. And when we work for other agencies, there is also quite a different frame of objectives and goals and a strong expectation that we adjust to it. If you look back 10, 15 years, this has changed quite a bit.

One final question: if you look at the development cooperation system as we know it, what is the main opportunity and also the main risk or challenge that you see when it comes to the dimension of ODA graduation?

Corinna Küsel: From a corporate perspective, what would it mean for an organisation like GIZ if more and more countries graduated? For now, we have concluded that there are very few or limited perspectives for GIZ in countries that have graduated from ODA. Our experience is that in all countries in which we work, even if they are already on their path towards high income, BMZ usually continues to play a very significant role. As mentioned before, even where BMZ has officially phased out its bilateral cooperation, development work has continued through different funds, for example with regional or global projects. Therefore, we still see a significant share of BMZ funding in these countries. From a corporate view, it has been this combination of funds, some from BMZ, some from other clients, that has enabled GIZ to continue our cooperation in the respective countries. One of GIZ's key assets is our presence in these countries; we have a very strong implementation base. Our local office structures enable us to build new partnerships, to identify new donors and to cooperate with other agencies. A lot of the co-funding which we receive, for instance from Sida, the European Union or other bilateral or multilateral donors, is based on our presence in these countries. However, if BMZ was to pull out completely from these countries – due to them graduating from ODA, for instance – without investing in regional or global funds anymore, it could have serious implications for our mode of operation on the ground.

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In summary, at least for now, our analysis would be that there is a substantial risk. That may change if we talk about the graduation of big players like China or Brazil or Mexico, as in this case, Governments might consider new modalities and funds for cooperation, where GIZ might have a role in implementation. However, for now, I think ODA graduation is an area where we as an implementor see very limited prospects of us continuing cooperation in the respective countries.

Markus Schrader: I will take one step back and look at what motivated us to work in the middle-income countries, and it is very similar to the anchor country concept which BMZ developed at that time[77]. As long as middle-income countries are still eligible for ODA, we have a case to support these countries, which hopefully leads to economic stimulus for an entire region, with spillover effects into neighbouring countries and into regional stability. We strengthen relationships in contexts where, and here I see opportunities and probably some threats, regional economic federations are increasingly appearing. ASEAN would be one, the African Continental Free Trade Area would be another one, also MERCOSUR. So, we have different fora that already go beyond aid with an economic interest to see to it that we do not lose our importance and that we bring cooperation to another level. At the same time, we are currently discussing trilateral cooperation, in which we have not had so much experience so far: how do we leverage what we have achieved in these countries and their experience for activities in third countries? The approach which we have chosen so far is to strengthen institutions in the countries we are working with that are still ODA eligible. Just to name one example from South Africa: the National Treasury and the Revenue Service were overwhelmed by other African countries asking 'how do you go about public financial management and about broadening the revenue management, in the sense that their officers couldn't do their proper work anymore because they were so involved with providing technical assistance to neighbouring countries. So, they created spin-offs as international organisations which we supported as development partners to make the know-how from South Africa available to other countries in the region. Through that, we still have them onboard as a partner. Another way of doing so, also with German co-financing, are the regional technical assistance centres of the IMF, which obviously not only ODA-eligible countries are part of. There are different forms of exchange and potential for peer learning, so we do not necessarily have to lose our impact and we do not necessarily have to hamper our relations with these countries if we are not able to spend ODA means any more in that country.

77 The concept was introduced in 2004; for BMZ definition see: https://www.bmz.de/en/service/glossary/A/anchor_countries.html (15.04.2020)

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In my view, the biggest threat and the biggest opportunity is the establishment of the SDGs and my question is: will we still have an ODA discussion, as we are having today, in 2025? It is not as clear-cut any more where to start and stop with ODA, but I presume that discussions will rather go into a format known from the World Bank – like who is IDA-eligible[78] and who is not anymore, who receives loans, who has to repay how much – and that we will have a kind of 'solvency scale'.

Anna Rahm: This is a big question. We have talked about this on various occasions, and it comes up a lot when we talk about development effectiveness or aid effectiveness. That agenda used to be very strong. And now, if I start from the risk point of view, I see that there is increased fragmentation and that comes with the good thing of more actors being involved. We have new actors coming in that are not traditional donors and new streams of funding for development goals, so it poses a challenge that these new actors and new types of actors do not work in a similar way to traditional donors. And even the traditional donors have fragmented more. There were pros and cons in the traditional setting, but on the pro side we had the same rules of the game, and we tried at least to harmonise, to focus very much on ownership, to have a balanced view on results-based management and so on. So, in this respect it poses a risk that we now have a much more fragmented system.

Ivan Pavletic: I also think there is a risk in graduating countries not taking over the whole package we have built over the last 30-40 years with all the insights and lessons learned in the industry of international cooperation. It is important for the graduates to assume their responsibilities in the international community. We still have some issues there. If we are honest, the whole Busan-Accra-Paris Agenda is dead, and we have not replaced it with a framework that has a shared legitimacy among traditional with emerging donors. This is a challenge we need to address. And with this comes the question of coordination. We do not want or have to do what other donors are doing and, certainly, some competition is good for the industry, to challenge ourselves and learn about best practices. Yet, I think there needs to be some balance between competition and coordination. And from my perspective, we have not found this balance yet. We need, also within fora like DAC and others, to find such mechanisms because, while those questions have been discussed in the last few years, I do not think we have come to a good solution as of now.

78 The International Development Association (IDA) is the part of the World Bank that provides credits on concessional terms, i.e. with a zero or very low interest charge. Repayments are stretched over 30 to 38 years. Eligibility for IDA support depends primarily on a country's relative poverty, defined as GNI per capita below an established threshold and updated annually (1,175 US-dollar in fiscal year 2020). For more information, see: http://ida.worldbank.org/about (15.04.2020).

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Anna Rahm: We do have the SDGs that are leading us in the right direction, and it is very good to have the Addis Agenda on financing for development. And linking back to the opportunity, as bilateral actors, we have about 60 years of experience, of knowing what works and what leaves you with long-term effects and long-term results. So, because we do not necessarily have our own agenda, we could play a role of trying to assist actors to make the most of the funds and to leverage other funds. We also see a strong interest from private actors in collaborating with us on various issues because we have a lot of experience and knowledge. The leverage role of development or ODA could be utilised better. We could choose to have this broad agenda of working with everybody in all sectors and just try to facilitate, or we could decide to focus on our comparative advantage and just focus on the poorest and most vulnerable and try to fund the issues that no one else funds. It seems like many bilaterals, just like us, have not really decided which leg to stand on here, so we are doing a little bit of both. That could be our role as well, to really make sure that not leaving anyone behind is our part of the playing field.

You perfectly described the strategic challenge that many donors face and both themes are part of the 2030 Agenda, to leave no one behind but to also address global public goods through global partnerships. Annalisa, you have the final word and I think it is perfect to let the researcher speak from a broader perspective: Is there anything essential we have left out?
Annalisa Prizzon: I would like to reiterate the point that Anna just made. Rethinking or redefining what we mean by development or international cooperation would be of paramount importance. As Anna put it very clearly, there is a tension between aid in the old paradigm, that is, the poorest, the neediest countries in a grant financing format, vis-á-vis broader agenda for policy dialogues and pursuit of donors' national interest in wealthier recipient aid countries.

We should also go back to what we mean by ODA graduation because it is a binding constraint for many donors. The fact that assistance cannot be counted as ODA any more in certain countries is a clear disincentive for DFID, BMZ and French development cooperation. We do not have to elaborate why income per capita is a very limited measure to assess development, but this is still the criterion that the DAC uses to trigger and assess graduation from the list of ODA eligible countries. And we have seen, even in this project, how weak this measure can be. Countries can face shocks and see their income per capita falling, and this happened with some of the small island developing countries. In the case of Chile, the fact that graduation was defined on the basis of income per capita masked the large inequalities within the country. There may have been certain areas of Chile that could still have benefitted from development cooperation. I am aware there might not be a window to influence and change

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the criteria for ODA graduation. But based on the evidence of the limitations of the income per capita measure as a proxy for development as well as the vulnerability of many countries to shocks, I think there may be scope to rethink the criteria for the graduation from the list of ODA eligible countries.

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Dialogue 4: ODA and the international (development) cooperation system – global goals and strategic partnerships

ODA graduation processes change the relations between former donor and recipient countries, scrape on old structures of development assistance and transform existing forms of cooperation into a new mode beyond a donor-recipient logic, beyond the development policy sector and beyond ODA. Thereby, they may contribute more generally to shaping the future of the international cooperation system in the SDG era.

In order to explore what this future may look like, it is necessary to first analyse the current landscape of international (development) cooperation, identifying persisting patterns and recent trends, and situating the role of ODA and ODA graduation in this landscape. Thereupon, we can begin to rethink this system: What are today's main challenges, and do we have the right tools to address them? What is the best role for ODA in line with the 2030 Agenda and its principle of universality? What forms of cooperation are needed to realise the SDGs in and through graduating countries? Finally, we discuss the outlook for the decade to come and what could be a suitable and realistic vision to achieve our global goals.

The discussion was held between *Joseph D'Cruz*, Senior Advisor for Strategy and Planning at UNDP, *Stephan Klingebiel*, Director of the UNDP Seoul Policy Centre, *Yuefen Li*, Senior Advisor on South-South Cooperation and Development Finance at the South Centre and *Philani Mthembu*, Executive Director at the Institute for Global Dialogue. It was facilitated by *Luiz Ramalho*, former senior manager at GIZ and independent development consultant, and *Juliane Kolsdorf*, editor of this publication[79].

Stephan, based on your research and practical experience in bilateral and multilateral cooperation, could you provide an overview of the current situation: the current landscape of national development cooperation, the structures that we have; the strengths, pressures and drivers of change? What does ODA graduation mean in this context? What are the consequences? Are we going to have a different ODA universe in the future?

79 For better distinction from the discussants, the inputs and questions by the facilitators are displayed in italic without naming the respective person.

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Stephan Klingebiel: Let me share with you four comments from a personal perspective.[80] First, I think what we are seeing right now has, to a large extent, to do with fundamental changes *outside* the aid system; so many things we are currently experiencing are consequences of changes in the broader context of development cooperation. I will give you a few examples. First, we are living in, what Amitav Acharya calls, a multiplex world.[81] You might know his publications about it, a quite fascinating debate about the rise of countries and the increasing complexity of issues and challenges. This is, of course, not just related to development cooperation but refers to a much broader scope. As a second point, we have a number of megatrends which frame our debate. Just look at the issue of migration and refugees, how important this debate is and has been for the last couple of years from a European but also North American perspective. Frontier technologies, digitalisation and other megatrends are equally important. Every one of those megatrends is complex, but we all understand this has a very strong impact on development. My last point when it comes to changes outside the aid system is that we have an increasing need for cooperation, for collaboration, but it does not go hand in hand with a readiness among main actors or countries to cooperate. But what we are seeing is shrinking multilateralism. So, against the background of populism and nationalism in a number of northern but also southern countries, you have nowadays less readiness for collective action. It is really a much more complicated situation than a few years ago.

My second comment is that we are also experiencing a number of changes *inside* the aid system. Many of those changes are related to the global context, just to mention a few of them: South-South Cooperation as a competing approach to traditional ODA, which has to do with the rise of a number of southern countries. This is changing the setting in partner countries and contributing to reflections on norms and standards for development cooperation. Just think about the whole debate about TOSSD, Total Official Support for Sustainable Development. In my view, this is, to a large extent, related to new alternatives in South-South cooperation, reflecting the rise of some middle-income countries. I want to highlight another aspect which is often overlooked in that context: traditionally, the allocation of development cooperation or ODA comes from a country-based system; we allocate resources for countries A, B and C. This is still to some extent reality, but over the last couple of years, what we have increasingly seen is a thematic allocation of resources. So, instead of attributing an amount to one region or country, the allocation is going to address

80 This section is based on analytical work that Stephan Klingebiel did at the German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) until mid-June 2019.

81 Acharya 2017.

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climate change. Or migration: look at the European Trust Fund for Africa. There is a huge amount of money going to African countries for migration, but that allocation does not focus on countries but on thematic priorities. There are many bilateral but also multilateral institutions where this kind of shift has taken place over the last couple of years. Germany is only one example. Finally, there is the mutual interest approach, applied by a number of donor countries as a consequence of what I discussed at the beginning. For instance, when I was writing a paper together with a colleague last year[82], it was important for us to see that we have an increasing disconnect between the narrative, the *why* of development cooperation, the modalities, the *how,* and the operational activities, the *what*.

My third comment, more specifically on graduation: I am really convinced that this topic is highly relevant, and for some reason donors have shied away from really working on it for the last few years. It was always there, but not to the extent needed. I think this topic is important from a system perspective, as it is related to the entire system of development cooperation and, of course, there are a number of more specific dimensions related to it as well. Let me again just touch upon a couple of them. First of all, when you are having informal discussions with experts from practice, within the system but also from academia, you quite often find the reflection that the aid system is a "dying system"[83]. We have a shrinking market because of this middle-income transit: Some of the most important receiving countries are no longer in need of concessional resources, and this is reflected ultimately in their graduation. Therefore, over the next couple of years, the system will 'run out of business'. In addition, what has been present for some years in the development debate but not clearly responded to is the whole question of how to collaborate with countries close to graduation: upper-middle income countries mostly, just looking at China, for example. A number of development partners, or donors, do not have a clear strategy on how to deal with this kind of situation where graduation is taking place, and in fact donors are quite unsure how to behave. Moreover, how should the handover be organised? When we were doing our study 2018/19[84], we talked to a number of donors about how they organised the phasing-out process with regard to Uruguay and Chile, for example. You could assume that donors might be interested in handing over what they are doing to other actors, but in reality, you find out that things are really being phased out, even if partners are convinced that they could continue. In addition, if assumed that cooperation is needed in countries that are no longer ODA eligible, in reality, actors

82 Gonsior/Klingebiel 2019.
83 Ibid.
84 Ibid.

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from other policy areas are not taking over those activities. A number of developing countries are also very interested in the experiences of countries which have recently undergone this kind of graduation experience, like Korea, but also in those of countries that have not yet graduated, like China. And even a country like Rwanda, which is still a least developed country, is starting to share its own experiences with other developing countries because it is much more convincing to share *recent* experiences.[85] And finally in this respect, we should not only think about graduation from the ODA system, but also consider a number of other important graduation challenges. Just think about the least developed country list and great studies done, for example, by Debapriya Bhattacharya on the case of Bangladesh[86] and the incentive system about graduation from the list of least developed countries, and also from a low-income to a middle-income country, etc. The IDA graduation debate is also quite relevant in this regard because this takes place even before countries exit the recipient list of the OECD DAC.

This brings me to my last point. Graduation should be regarded, and I think you are doing exactly this, as part of a broader debate on the rationale of the developing cooperation system. My perspective would be very much in line with new research on transnational rather than international cooperation in support of Agenda 2030.[87] This would be a different narrative from the existing, rather traditional ODA narrative – but it would be important, and if we had such a perspective, the graduation debate would take place in a quite different context.

*Stephan was talking about putting the graduation discussion in a broader context. Phila*ni, based on your research on international relations, on powershifts in international communities and also on country coalitions like BRICS, what is your perspective on this discussion?

Philani Mthembu: I see there are some more conceptual elements and also more practical elements to this discussion.

In my view, there is – at least amongst countries in the South – the perception that countries in the north are trying to find ways to take less responsibility when it comes to their historical commitments in the area of development cooperation. Certainly, we have the idea of universality in the 2030 Agenda and there is an understanding that the development challenges are not only focused towards developing countries anymore. You may look at a country like the United States and some refer to it as a "rich poor country". But at the same time,

85 See Klingebiel 2019.
86 Bhattacharya 2019.
87 See, for example, Klingebiel et al. 2016.

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it is important to not lose sight of the varied responsibilities. In that sense, we should admit that developed countries in the OECD DAC basically take on *less* responsibility just because there is this idea of universality. So, the idea of common but different responsibilities is still very applicable.

This is interesting because we do have that perception, but at the same time, when you look at the historical principles around South-South cooperation, they always advocated that developing countries should not be perpetually dependent on official development assistance for their own development goals. Within the Global South itself, right from the time that countries were gaining independence, they did not want to be dependent on developed countries. You look at their principles of self-reliance and they speak exactly to that. Now, the countries needed to find ways to live out this self-reliance. That has been there for many years already and it does not come from the OECD, but it is the developing countries themselves that are saying those things.

However, while you want to move away from a donor-recipient relationship, the question for the countries that are graduating is: what follows graduation? Nowadays, there is more diversity of development finance that is available for countries, so they have more choice. That is no longer just coming from the OECD DAC members but also from southern actors, and there are increasingly new development finance mechanisms, whether it is the BRICS New Development Bank or the Asian Infrastructure Investment Bank. But even in that respect, development cooperation from the OECD DAC members is still an important source of cheap finance for quite a number of countries, particularly within Africa.

In that sense, it is important to say: yes, there is the universal 2030 Agenda on Sustainable Development; yes, there are countries that are graduating, but it is important that there are programmes or at least programmatic or systematic thinking about what follows graduation. It could happen that suddenly those countries do not have access to certain financing that they had access to before, or that the terms of the finances change in a way that might not lead to the further development of those particular countries. That is why this project is important: long before actual graduation, it is important that those discussions amongst the development partners take place to understand what the expectations, for instance, from a country like Botswana are, and what the expectations from its partners are. South Africa was involved in an interesting discussion in the early nineties in terms of its relationship with the European Union. The discussion was about where South Africa fits in within the Lomé Agreement and then, later, within the Cotonou Agreement. In the end, South Africa was given a special status within the agreement. It was a member, but it was seen as more developed than other African countries. And depending on who you speak to in South Africa, which departments of government, some were not very happy

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with that. They still believed that South Africa's challenges in fact persist, that the country still faces massive poverty and inequality, that you still have vast areas with poor infrastructure and that you still needed that sustained support from the EU. I always found that interesting in terms of how South African policymakers saw themselves, whereas sometimes people outside South Africa viewed the country as having a different status or development level compared to its counterparts on the continent. Those external views were not always aligned with how those in government actually saw the challenges within South Africa.

Also, in that sense, it is really important to have prolonged conversations and planning on the implications of graduation. In the introduction, you mentioned the three consecutive years in which these countries are categorised as high-income countries before graduating from ODA eligibility. But we also do not want countries falling back after that period of graduation. We do have a willingness to graduate, we have always had a willingness to graduate away from official development assistance (ODA), but the fact that we are having the discussion on graduation will always spark conversations on who defines development, and why they define it in this way and not another way. That conversation will always be there.

I wanted to add two short impressions from the case studies that the Overseas Development Institute conducted.[88] *For instance, in Botswana, there was the overall feeling that the country was being punished for its good performance, in the sense that its development partners withdrew, and they felt that they had lost access to dialogue and exchange. And in Chile, a country that in fact graduated recently, an official mentioned that basically it was not Chile that graduated but only Santiago. This touches on the huge persisting challenge of inequality, both social and regional.*

Joseph, from your knowledge of the United Nations system, especially the UN development system: It was already mentioned that there is a different approach underlying the 2030 Agenda on the one hand, and the ODA system on the other, mainly because of the universality of the SDGs. Is there a contradiction between the two concepts or can they come together? What does ODA mean in the age of universality, how would it be useful for the 2030 Agenda and what should be its specific role? What do we need in order to move forward – and in that respect, what are the key driving factors behind the UN reform process and how are they being addressed?

Joseph D'Cruz: Let me focus on the context of the specific issue that you asked about in terms of the 2030 Agenda and what I can see from my personal

88 Calleja/Prizzon 2019b; Calleja/Prizzon 2019c.

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perspective about what the role of international development cooperation might be today. Let me start with some observations in terms of the shift – or perhaps the decline – in the role of ODA as a factor in development for many developing countries, especially regarding the context in developing countries over the last few decades. Two very simple observations: ODA in its traditional form was a vehicle to convey two sets of resources: finance and expertise. If you look at the world over the last 20 years, at least from the perspective of developing countries, in both these areas, access to what is required outside the ODA system has become remarkably easier.

Firstly, finance. Not only has access to finance become cheaper because of historically low interest rates, but the developments of the global financial system have led to most countries having access to a much more diverse set of financing options than they had in the past. And as an underlying driver for developing countries' approaches and attitudes towards ODA, this is quite critical. We are in a situation right now where pretty much any country in the world can access financing in the global financial system, no matter how small you are or in what part of the world; with one or two minor exceptions.

Secondly, on expertise. In a similar vein, globalisation over the last 20 years has made access to knowledge and information, and to some extent access to expertise, much more available to developing countries than it has ever been, both at the national government level as well as subnational local levels. Within UNDP, we openly talk about the fact that in terms of being a traditional provider of technical assistance, one of our biggest competitors in the world today is Google, or the internet. And if the role of ODA is simply to provide technical assistance and expertise in the traditional mode, then it is becoming an increasingly challenged or in some respects marginal industry. However, there are two countervailing perspectives on this which I think are important to bring to bear. First of all, while there is access to a tremendous amount of information, knowledge and expertise in the world, it has become increasingly clear that the real value of communication and sharing within the international development sector has been in the sharing of experience rather than expertise, because most of the true knowledge that development practitioners learn on the ground is highly subjective, contextualised and in some respects subtle. So, what we are seeing more and more with policymakers and development practitioners on the ground is a hunger to be able to share experience, to share insights rather than to ask for carefully packaged and designed pieces of expertise in a traditional mode.

Now, in this context, what is the role of an international development system? I believe first and foremost that the necessity of a system that allows the sharing of experience as well as expertise and knowledge, and the necessity of a system that allows collective action on issues that are transnational or

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transboundary is now more acute than ever. And one of the key roles for member states, nation states and organisations that support the international development system is in maintaining and in strengthening the systems that provide this ability to share knowledge and expertise. This is in one limited sense technical or financial, in maintaining the infrastructures or the networks needed for expertise to be shared. But it is also very critically political in reinforcing the need for a multilateral system that allows the sharing of knowledge and expertise amongst countries and communities. Both at a nation state level as well as at the subnational and individual level.

Now, all of this leads me to the question you asked about the 2030 Agenda and the shifts in the international development system, particularly the UN system. First and foremost, as you rightly pointed out, the 2030 Agenda is universal. It recognises that the aspirations and challenges of development are as relevant in the most developed countries from a traditional ODA point of view as they are in the most undeveloped. And it also recognises that many of the challenges we need to deal with today are truly not just transnational but global in scope. This includes, for instance, the climate emergency, this includes the rapid spread of diseases, shocks and other stresses to the systems, and the impacts of national disasters. The 2030 Agenda has started to trigger a shift in our perception of development as being a binary conversation between the developed and the developing, to being a multipolar conversation about how we share knowledge, lessons and resources, and also how we come together in coalitions, in networks, in structures to be able to address the global, regional and transnational issues that are a key part of development.

Within this context, the UN reform process is pushing the United Nations system firstly to work together more effectively. Many of the challenges that our member states face today are complex and multidimensional and therefore do not lend themselves to the traditional specialist silos that most agencies within the system have traditionally occupied. Secondly, it has pushed us to become a lot more agile and efficient on the ground because the scope and scale of resources that are available for development assistance are certainly a lot more limited than they were. The push for efficiency, the push for collaboration is very much driven by these incentives.

Yuefen, the South Centre was created in the nineties to promote unity within the Global South. My first question is: Is there a common position on these issues from countries of the South? Secondly, Stephan mentioned the lack of readiness to cooperate – we have the weakening of multilateralism, we have protectionism, we have a tendency to adopt nationalistic inward-oriented policies. What could be the role of South-South cooperation? And thirdly, connected to this

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one: what would be the role of southern providers in these changes to the development cooperation system?
Yuefen Li: First of all, from my observations in the negotiations for BAPA+40 and also the current negotiations about the outcome document for the UNCTAD ministerial conference in October this year: all in all, people think that ODA continues to be important. If you look at the list of the countries still receiving ODA, the first group is LDCs. Over 50 years, only five countries graduated from the category of LDCs and some of them are still debating about the implications of graduation. For instance, Bangladesh was already mentioned; they are now asking whether they could still benefit from certain trade-related international support measures after graduation from the LDC category. Because LDC countries, in addition to ODA, also enjoy trade support and other kinds of concessional lending from the multilateral financial institutions. Challenges for countries of different income levels to 'going beyond aid' are not the same and for poor countries it is not that easy. If you look at the studies by ODI, you can see that for the countries that graduated from ODA, countries with a per capita GNI (gross national income) of $ 12,235 for three consecutive years, there is no longer aid dependence for most of such countries. For them the amounts of ODA are generally small and with declining trend over the years, so they mainly rely on taxation revenue and on external borrowing. Of course, they have gone through the transitional period through globalisation, joining the international production chain, benefitting from the commodity boom or inflow of different kinds of financial resources.

Countries like LDCs will continue to need ODA for their development. About ten or eleven per cent of African countries still have a situation in which ODA occupies an important part of their general fiscal budget. So, there has been no 'going beyond ODA' up to now; it will take quite some years for them to graduate from the ODA recipient status. For the countries which have already graduated from ODA, the very important thing is not to have any economic reversal. In this context, international cooperation in taxation and support on how to stop or minimise illicit financial flows and also how to avoid overborrowing is very important. Also, for these countries, a supporting international environment with no special shocks is essential. Moreover, it will be important for these economies to build buffers like increasing their foreign exchange reserves and, if possible, to set up special-purpose sink funds in order to avoid any kind of special needs. And, of course, it will be important for them to avoid the middle-income trap.[89] There is one thing that I would like to highlight:

89 The term usually refers to countries that have experienced rapid growth and thus quickly reached middle-income status, but then failed to overcome that income range to further catch up to the developed countries. See Glawe/Wagner 2016.

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among the countries graduating from ODA recipient status, it is necessary to pay attention and follow and monitor the development of small island developing countries owing to their special vulnerabilities. These countries have a lack of scale of economy and their resilience to external shocks is not that strong. So, it would be important for them to build a mechanism to avoid returning to the ODA recipient status.

With regard to South-South cooperation and triangular cooperation, I think it will be important for the countries that graduated from the ODA status to share their experiences with the rest of the countries and also encourage them to engage in South-South cooperation. I do not see that South-South cooperation is a competing factor towards ODA. The BAPA+40 conference as well as the UNGA resolutions stated very clearly that South-South cooperation is a complement to North-South cooperation, so it does not compete with or substitute ODA. The exchanges in different fields among the developing countries are very encouraging. As Philani mentioned, the developing countries do not really want to depend on ODA. There is still the slogan that they would rather have trade than aid. They would like to make themselves independent and not rely on ODA, even though ODA is important for them. However, the current situation is that multilateralism is under attack and unilateralism is on the rise. The tariffs and non-tariff barriers have been increasing in recent years and unilateralism is really an onslaught on international trade. The decline of international trade, however, is a very negative factor for developing countries. I still hope the international community can address these matters as they will certainly have a negative impact on the implementation of the SDGs. On South-South and triangular cooperation, the countries are now discussing how to strengthen it. For instance, the Islamic Development Bank and the South Centre have pushed the idea about strengthening institutional frameworks for South-South and triangular cooperation. We also published a paper on the national ecosystems that promoted South-South and triangular cooperation.[90] In the future, this will be even more important, especially with more countries graduating from the ODA recipient status.

There is one question which I am curious to ask: For instance, for international trade, you have the trade diversion impact. But with countries graduating from the ODA status, I do not know whether there is data which shows that the rest of the countries, especially the LDC countries, are receiving *more* ODA. Supposing the ODA 'pie' remains the same size and with more countries exiting from the pie, it would mean that the countries left behind should have a greater share of ODA. Is this happening or not? I read somewhere that some countries have even received more support after graduation. I am wondering,

90 Islamic Development Bank/South Centre 2019.

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out of curiosity, is it because of the economic, geopolitical importance of the countries that the funding continues to flow, or for other reasons?
What do the others think? If more countries are graduating, are the LDCs getting more assistance, more financial support, more expertise?
Stephan Klingebiel: I am not aware that this is the case. Spontaneously, just from data from the last Development Cooperation Report, I think we have a small increase for LDCs, but I think this is not really related to others graduating. But I would not expect this kind of direct link to the graduation of other countries. ODA data is a very complex thing. For example, a lot of resources are going to UMIC countries and this is related to economic interest. Some actors are in a position to bring on resources from the capital market and so forth. Therefore, I would not see this as a direct, positive consequence that more resources go to least developed countries if more advanced countries graduate.
Yuefen Li: Should we be concerned by this?
I think it is not only a question of economic interest and financial flows, but also a question of institutionality, governance and other issues. But on one point you are quite right. Just to give you an example, Germany's development cooperation with Mexico has greatly increased in the last few years. Of course, other issues are getting more important, like cooperation in climate and environmental matters. In the case of Mexico, a large share of German ODA comes from the Ministry of the Environment and others, not only from the Ministry of Development. There is still an increase in ODA flows to countries that are at upper-middle-income level and the question is what will happen when they graduate.

Let us talk about the outlook, the future of ODA, but also the future of partnerships beyond ODA. Looking ahead over about a ten-year period – 2030 – and we do not only have the SDG agenda, but also the prospect of more than twenty countries graduating. What consequences are you expecting for the ODA system and for the development cooperation system as a whole? What would be the setting beyond ODA or beyond what we know now as a system of development cooperation?
Joseph D'Cruz: Again, a purely personal perspective here and one that is rooted more in my sense of the future rather than in any strong evidence base. In the short to medium term, we are clearly seeing a situation where the premise and the need for international cooperation is being deeply challenged. I think this is evident. However, in the longer term, it will become clearer and clearer that there are a significant number of societal, geophysical and environmental challenges that we are facing which absolutely require better forms of international cooperation. And that push will force us to rethink how we define and how we

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deliver international cooperation in a way that better meets the needs of these global challenges.

A moment ago, you talked about the case in Mexico and you pointed to the fact that there is still a significant increase in ODA from Germany because of environmental issues; funding channelled through the environmental ministry rather than the development cooperation ministry. This is one strong trend we have seen around the world in the last ten years or so, because of the urge and necessity to deal with issues like climate change. I imagine that we will start to see greater recognition that other social and economic challenges as well as environmental challenges will require international cooperation on the same scale. For instance, the scale of climate emergency impacts, natural disasters and shocks is going to push us to develop a much more systematic way to monitor, predict and respond to them, not as crises after they happen but as early-stage emergencies when they occur. The reactive structure we have right now, disaster assistance, is not sustainable in the long term. And there will be growing international recognition that we need forms and structures to share the risk and the burden of these impacts in a very different way.

So, I do see that the need and the impetus for international cooperation in this form will grow. But I am less certain about whether it will be framed in the traditional context of the ODA donor-recipient relationship or even specifically bilateral rather than multilateral or in network cooperations.

Yuefen Li: For the relationship between ODA and the SDGs, I hope that donors would have certain priorities regarding ODA. The priorities to my mind should be on poverty alleviation, climate change and debt problems. Because, as Joseph mentioned about climate change emergencies, poverty alleviation is still a big challenge – the low-hanging fruits have already been harvested, and now we have the hard core of poverty, which really requires ODA. Also, with the current situation of ample liquidity and low interest rates, developing countries and even a number of LDCs have access to the international capital market and some of these countries are borrowing a great deal more than in the past, not on concessional terms but on commercial terms. This is becoming a problem and carrying the risk of a debt crisis. We know that some countries are already in debt distress and some are at high risk of debt distress. So, I hope that the 'ODA world' has certain priorities when it comes to the attainment of SDGs.

Philani Mthembu: For me, the future looks much more diverse than what we have been accustomed to. I think it was the time when Richard Manning was heading the OECD DAC and, at that time, the DAC members were responsible for more than 80 per cent, even close to 90 per cent, of official development cooperation. Since the year 2000, that picture has been consistently changing and that picture will continue to change.

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I think we will have many more actors but also a much more diverse set of actors. We have just come from BAPA+40 and some of us are still in a state of 'hangover' where you realise that – in the absence of common definitions about what constitutes, for instance, development cooperation from the South – you have a lot more actors that are actually forming their own development organisations or their own modes of development cooperation. They will come up with different modalities to share with other countries. So, the picture of the development landscape becomes much more complex. Take a look at a country like South Africa, which for over ten years has been talking about the establishment of the South African Development Partnership Agency. And as that is happening, other countries in the South have actually gone ahead and formed their own development agencies. Some are working with OECD countries for support and others are not. That is going to create more complexity within the field.

We are also going to have more triangular cooperation, with northern and southern actors working together in other countries. Particularly some of the countries that are graduating might find that other countries in that situation are increasingly interested in sharing their experiences through development cooperation. Triangular cooperation may then present an opportunity for them to continually engage with their traditional partners.

So, the future may be this changing landscape: more actors, more modalities and no common agreement on what constitutes development cooperation amongst these actors that are establishing new institutions for international cooperation. In addition, how to include the role of the private sector in international cooperation is going to be important. I also see that we will get more ownership at regional levels and at sub-regional levels. Not necessarily the OECD; we have been accustomed to the important role that the OECD has traditionally played. But subregions, for instance the Southern African Development Community or the East African Community, will increasingly attain their own ideas of how the international development landscape should evolve. I believe they will want their voices to be heard and to be taken seriously around forms of international cooperation.

In that sense, the landscape between now and 2030 will become far more complex than it was when we were accustomed to the OECD DAC being responsible for 80 per cent and more of international development cooperation. And I think such a landscape tells us that we should be cooperating more and coordinating more. Because if we do not, then we are constantly going to be into the disagreements about what other actors are doing and maybe seeing it as a threat to various modes of cooperation. Especially in a landscape where multilateralism and dialogue are drifting away, this calls for more cooperation.

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Stephan Klingebiel: My personal assumption is that we may see a more pronounced system in that we have two main categories of cooperation: one for bilateral donors as a strategic approach in economic and, to some extent, security terms. This means that donor A wants to collaborate with a country because of economic or trade interests, and development cooperation might be one of the instruments applied. We are seeing this already now, and this might become more pronounced. The second type might be centred more around thematic areas or global public goods, with more and more funds, from bilateral but also multilateral institutions, devoted to a specific topic. It might be climate change; it might be diseases. Just look at what we are seeing right now in China, in Wuhan, and what we already saw with Ebola a couple of years ago. My assumption would be that those thematic approaches will be much more pronounced in the future.

In this regard, graduation might not really play such an important role because, if you want to do something about climate change, this kind of collaboration might be relevant even if a country has graduated. The conditions might depend on the income level of a country, but if I want to collaborate with a country based on the rationale of diseases, because of climate change or because of migration, this graduation approach might not be really that relevant.

For your closing remarks, drawing on what has been discussed so far, what do you feel is still missing in the dialogue?

Yuefen Li: I would like to emphasise that there is no conflict between ODA and the SDGs. These two go hand in hand. Most countries are not yet upper-middle-income countries. To reach 12,000 dollars per capita for graduating from ODA is quite a remote target for many developing countries. Therefore, it will be really important to emphasise the continued importance of ODA in general and to alleviate the worry and concern from LDCs or other developing countries that the donor communities want to give away their responsibility or commitment. It will also be important to differentiate between the degrees of transition. Based on the analysis from ODI, we can see that graduation from ODA for the upper-middle-income countries is not as painful as for countries graduating from the LDC status. For upper-middle-income countries, this transition seems to be relatively natural and relatively painless.

Joseph D'Cruz: I also believe that the conversation would benefit from being framed slightly more broadly – away from ODA as the term of definition – to being how the trends in development cooperation would affect countries that are on the cusp of development changes, like LDC graduation.

Philani Mthembu: I agree with the differentiation in terms of graduation, but it is important to include the various forms of cooperation as well, also amongst countries from the South, and to understand that it is not just about state to state

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but about multiple tracks of diplomacy, essentially, by bringing more players into the implementation of development projects. However, we need to start shifting the narrative away from the idea that there are certain countries that have the knowledge and the know-how; shift away from this donor-recipient view to understanding that in the current age a country like Rwanda has lessons for a country like South Africa or Ethiopia. One interesting example in that regard: South Africa is working on how to run state-owned enterprises, and increasingly people are saying 'look at what Ethiopian Airlines has been doing' – and not saying, 'look what Lufthansa has attained or British Airways'. The examples and the opportunities to share experiences have broadened beyond the OECD DAC, and I think it is about supporting both particular processes, so that the developing countries amongst each other also have the opportunities to learn from their own activities.

Stephan Klingebiel: To add another small aspect, one trend – at least for some main bilateral donors with specialised development actors, like BMZ in Germany or DFID in the UK – is that those specialised government actors are playing an increasingly less important role because ODA resources are being split up amongst a group of different ministries, different departments, etc. For me, this is an indication that the whole rationale – how governments, countries and parliaments are organising themselves and how they want to use ODA, what they expect to grow out of it – is changing. This is a long-term trend and we might also see consequences of how donors look at graduation, what is their interest and so forth.

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Dialogue 5: Financing for development in transition and beyond ODA

Official Development Assistance is first and foremost the financial basis for providing development cooperation from one country to another; either directly in the form of financial cooperation, or as an indirect investment in the form of technical cooperation. Even if countries graduating from ODA have concerns that go beyond financial support, the topic of ODA graduation is deeply interwoven with various questions relating to financing for development (FfD). Processes of graduation and transition must be embedded in international and domestic economic and financial systems, including capital markets and global governance structures. In this regard, the Addis Ababa Action Agenda[91] (AAAA) provides a framework for financing sustainable development and serves as a central reference point. Its key elements include mobilising more and "better" domestic resources in developing countries, promoting foreign direct investment for sustainable economic growth, stabilising international trade as a driver of development, increasing funds for development cooperation, and reforming global debt financing and the international financial architecture. The AAAA confirms the complementary and catalytic role played by ODA and calls for better coordination with and alignment to developing countries' own strategies.

In that respect, both the Addis Agenda and the debate on transition and graduation[92] try to look beyond ODA and emphasise new sources of financing and modalities of support: official and private, national and international, financial and non-financial. In our discussion, we try to link these two dots. While the graduation process raises questions on adequate measurement and categories of development, the FfD debate discusses reforms needed to lead the world to more stable economic and financial systems that foster development and are resilient to crisis. These issues are highly interrelated – in the end, both sides

91 The AAAA is the outcome of the Third International Conference on Financing for Development, held in Addis Ababa in July 2015, and a follow-up to the 2002 Monterrey Consensus and the 2008 Doha Declaration. As one critical foundation of the implementation of the 2030 Agenda and its Sustainable Development Goals (SDGs), it provided a new global framework for financing sustainable development by aligning all financing flows and policies with economic, social and environmental priorities.

92 See also the contribution on Transition Finance by Cecilia Piemonte and Olivier Cattaneo (OECD) in this publication.

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want to make sure that every country has access to the funds and means needed to make its way to a more sustainable development path – but the connection between them has not been sufficiently explored so far. We ask: what are the current trends and challenges in financing for development that are directly related to graduation and transition processes? Which financing tools are needed for the implementation of SDGs to succeed and what is the role of ODA in that? Specifically, what needs to be done regarding the increasing debt problem? Which systemic issues arise in a 'beyond ODA' setting and how does the system of financing international cooperation for sustainable development need to change? In particular, what is the role of multilateral, regional and national development banks?

The discussion was held between *Fanwell Bokosi*, Executive Director of the African Forum and Network on Debt and Development (AFRODAD), and *Shari Spiegel*, Chief of the Policy Analysis and Development Branch in the Financing for Sustainable Development Office of the UN's Department of Economic and Social Affairs (UN-DESA). It was facilitated by *Ana Kemlein*, a policy advisor on Financing for Development at GIZ's Department for Sectoral and Global Programmes, and *Juliane Kolsdorf*, editor of this publication.[93]

As regards the implementation efforts of the Addis Agenda on the ground, we are witnessing vibrant moments within the history of FfD. Nevertheless, the last Financing for Sustainable Development Report (FSDR)[94] was a clear and desperate call for action: it seems that, on the global level, there is very limited progress related to critical and systemic issues of the agenda. Let us begin with the national level. Fanwell, what do countries need to finance their development goals and succeed in implementing the SDGs? Which tools and what kind of support? How should this support and these tools be governed? And, connecting it with the other dot, what is the role of ODA in this?

Fanwell Bokosi: If you look at the African Union's Agenda 2063, the African blueprint for development, and then at the UN's 2030 Agenda, you see that there are many similarities. While I will focus more on Agenda 2063, of course taking the bias that I am African, I conclude that some of these things are relevant for both agendas. First of all, one of the key issues that was identified in Africa in terms of spurring development is infrastructure development in order to connect people from one place to the other. If you look at these huge programmes for infrastructure development in Africa, you will see that aid does

93 For better distinction from the discussants, the inputs and questions by the facilitators are displayed in italic without naming the respective person.

94 The Financing for Sustainable Development Report was produced by the Interagency Task Force on Financing for Development. See United Nations 2019.

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not form much part of that. Countries have been looking beyond aid to find other means of financing infrastructure.

The second thing regarding development finance beyond aid is that, over the last five years, a lot of African countries have issued bonds on the international market, therefore in foreign currencies. They have used this to develop their finances in order to fund development. This has implications, and some of these countries have got into difficulty when the bonds reach maturity: they do not have enough funds to pay and then they go and borrow again. And every time they borrow again, or they default on payments, the interest rates get higher. So, African countries have resorted to the bond market, which is an actual increase in debt, but they are also still borrowing from the international market. The debt levels on the continent are getting close to what they were before the HIPC and MDRI initiatives[95].

When you look at the debt statistics in terms of where Africans are getting their money for development from, first you will notice that concessional loans are becoming a smaller proportion of the total external debt stock of African countries. Most of the debt today comes from private sources and the interest rates are much higher. Second, the proportion of private traders or private creditors is increasing. Third, many African countries are getting a large share of loans to finance their development from non-traditional donors, especially China. I mention this because the way you handle these loans, including transparency and accountability, are different from, for example, the OECD DAC and the Paris Club, and that has become a very important issue.

In addition, many African countries are trying to enhance their domestic resource mobilisation. Their tax levels have increased, even though they have not gone to the level that you would want for development. However, because of the nature of African economies in terms of the composition of the labour market as regards informal vs. formal and unemployed vs. employed, they have tended to use taxation instruments that are characterised by 'easier to collect' rather than 'more valuable'. VAT is popular in that regard because it is easier to collect than taxing the companies. That means that a lot of big companies still have the advantage that governments are not aiming at them and, moreover, they are able to negotiate tax incentives in order to not pay enough taxes. I do

95 The Heavily Indebted Poor Countries (HIPC) Initiative and the related Multilateral Debt Relief Initiative (MDRI) are structured programmes run by the IMF and the World Bank to ensure that the poorest countries in the world are not overwhelmed by unmanageable or unsustainable debt burdens. To date, 36 countries – 30 of them in Africa – have received the full amount of debt relief for which they were eligible through the HIPC and MDRI.
See: https://www.worldbank.org/en/topic/debt/brief/hipc (15.04.2020).

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not like the word 'fair share' because 'fair' is very subjective, but in these cases, you can ask if companies should not take more responsibility.

Finally, it is important to notice that corruption is also an issue that we have to worry about when considering the financing of sustainable development in Africa. There still is a high degree of illicit financial flows getting out of the continent. So, to conclude, you see that there are several big issues that we have to look at in an environment in which ODA is getting reduced.

With regard to the reduction of ODA, we should also take into account that we are facing an environment where a lot of European countries are now linking aid to capping migration. That could be a very big problem in the sense that some of the smaller countries that really need aid – like Lesotho for example – are not at the forefront of capping immigration to Europe. We see that aid is being diverted to countries like Morocco or Libya, where migrants are closer to getting into Europe. This link is important. On top, under ODA regulations donors can count aid that is spent on in-country activities for refugees. That will inflate their ODA numbers, but fewer amounts of money will be transferred to support actual development for the people on the continent. So, that requires us to look beyond aid to see how we can actually best develop the continent.

Shari, could you complete this picture with some remarks related to ODA and transition processes, and connect it with current developments on the future of development finance, also within the FfD process?

Shari Spiegel: The underlying premise of the Addis Ababa Action Agenda is that financing development is not just about finance or money. It is about growth and the developmental process in countries, about national and international policies and policy frameworks.

Different strands of finance are meant to be used where they are most appropriate on the country level. For instance, public finance and private finance have very different roles. There are sometimes discussions on comparing ODA with private financing. People claim that there is an enormous gap that ODA cannot fill, and therefore we need private financing. Coming from within the FfD discourse, we tend to look at it very differently: ODA was never meant to fill some infrastructure gaps, such as investment in energy infrastructure. That is not its role. Private finance is most appropriate in certain circumstances when there are financial returns associated with investments. It is important to better understand the role of different financing flows in the process.

What does that mean in the context of transition? In this year's FSD Report, we look very closely at some of the graduation issues, and we differentiate between three different contexts: one is graduation from LDC status, another is graduation from low income to middle income, and the third is at the top, graduation from middle income to high income, which implies the loss of ODA

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eligibility. We find that there is a question of a 'missing middle'. That means that countries, as they move up from one context to another, lose access to certain sources of financing. We find that in about half the countries that move from low income to middle income there is a financing gap. This is not necessarily because ODA is falling. ODA generally increases when countries' per capita income rises above the low-income threshold, and only falls when countries reach upper-middle-income or high-income country levels. Nonetheless, ODA falls as a percentage of GDP as countries' incomes grow. Even though tax revenues rise in per capita terms, total public finance as a percentage of GDP declines so that it is unable to compensate for growing financing needs.

The implication of that is, as Fanwell said, some countries then go to the capital markets to cover their financial gap. The result is that the cost of financing goes up and the maturity of financing goes down. This is one of the reasons why there is this link to debt sustainability issues: it is based on both the size of the debt and the type of debt that is financing the gap. Therefore, the debt issue is one of the really big issues that we are discussing in the context of financing for development, including the question of whether we have the appropriate instruments to help countries in need.

One of the risks of borrowing on capital markets is that the debt is in foreign currency. If you have to repay debt in a foreign currency when most of your revenues are in your domestic currency, a currency devaluation can lead to serious debt problems. This risk can also apply to concessional loans and ODA when the loans are in foreign currencies. In the long run it is important to build local capital markets to be able to finance investment in local currencies. However, it is not so easy to balance these long-term planning processes with short-term needs for investment.

We also need to look at the roles of development banks. Non-concessional long-term affordable finance can help countries fill financing gaps. There is the question of what concessionality means. Even non-concessional international public debt is still concessional compared to market debt as it is generally significantly cheaper than market debt and longer in duration.

The second set of questions being discussed is about what the role of ODA should be in terms of leveraging private finance. ODA has always played an important role in catalysing private and other sources of finance, including raising taxation through capacity development and incentivizing private investment by creating the enabling environment for private investment. More recently, there has been a greater focus on how ODA can directly leverage private finance, and in what situations such blended finance would be the most appropriate, effective sustainable financing source, without overcompensating the private sector.

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Finally, country ownership is important. There is the question of how to link foreign support, including for blended finance, with the priorities of the country. There is the new effort of developing 'integrated national financing frameworks'. The idea is that countries have a strategic plan that integrates all their financing flows and their financing priorities to support the implementation of their sustainable development goals. That could be a tool with which they can articulate their priorities better to their donors so that ODA can be better aligned with country priorities.

Let us dive further into some of your points. Fanwell, you underlined the different kinds of financial flows that are crucial on the national level for sustainable development, and ODA did not seem to be very important in that regard. What is it that makes ODA still effective? If it has any role, what is it?
Fanwell Bokosi: From my experience on the continent, speaking to a number of activists and government representatives, ODA is still important. Maybe that is why every time you go to a meeting of African finance ministers, they still insist on ODA and the 0.7 per cent of GNI as a commitment. This is the realisation that despite negative experiences in most African countries, ODA has played a number of positive roles, especially in the provision of public goods that do not have an outright or immediate market return. I will give an example: If you want to build a university and you do not have enough money, it is very difficult to entice the private sector to invest in such an undertaking in some African countries. So, ODA can be effective if it is put into areas that are catalytic, where it can serve as an investment. If you invest in education and health, thereby in the human capital of the country, and then if that human capital increases, if the health of the people increases, it sparks private activities. As Shari said, we need to understand what type of development requires what type of funding. This is why a lot of people are talking about GDP and about catalysing the private sector. We need to understand which types of projects can entice the private sector to invest, where they have a return even though they provide a public good. This is extremely important so that you do not end up with a scenario where the private sector comes in, makes all the profit and then leaves, while the people bear the risk. So, to conclude, there are different types of activities that need different types of financing.

In addition, ODA, as has been said, can play an important role in setting the fundamentals right. It is like you are setting the foundations to spring from for development. So, if most of the ODA is not used to actually solve problems, like if ODA is used for humanitarian projects which do not solve a problem, that does not spark other things. It might not be the best way to use it. I am not saying humanitarian aid is not important. I am saying that if we have to move away from aid, then ODA should be used in those public sector areas where the

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private sector cannot or does not go but which are still very important for the productive capacities of those countries to go forward.

Could you go more deeply into the specific needs of countries moving from middle income to high income, the challenges they are facing and also the role that ODA can play in that context? Also, to both of you: what could be the role for multilateral development banks in that specific setting, given for instance that their graduation criteria are different from that of ODA? Moreover, if we are moving beyond aid: how does the system of international cooperation and financing for development need to change in that respect? What do we need to do better regarding ODA?

Fanwell Bokosi: Indeed, looking at the African countries that are not classified, such as LDCs like Botswana and South Africa, or even Ghana and Zambia, that are moving towards the lower-middle-income category, their problems are slightly different. For example, in Botswana, you are not talking about the bare minimum level of income for people, but rather about the gaps in opportunity. First, the problems are more about income and inequalities rather than about absolute poverty, and it is also about the effect of these inequalities. The second thing is just the sheer numbers because you talk about the average. The average income for graduation is 12,000 US dollars. But when you look at the inequality issue, you might think about the people that are pulling that average up to 12,000 US dollars, and these are only the top ten per cent, whereas the absolute numbers of people in poverty are much higher, and their income is actually far, far below that threshold.

As these problems are slightly different, ODA in those countries will have to be crafted in a way that supports that particular context, which may be completely different from LDCs and other countries. So, it is important to look both at the absolute numbers in society and at the gaps between those that have and those that do not have, because, as Shari said, the pursuit of economic growth has come with increasing gaps in income and opportunities.

Shari Spiegel: First of all, I agree that inequality is an important issue. As we know, the largest number of poor people live in middle-income countries. In addition, every country has unique challenges, which means that policy responses will vary across countries. When resources are limited, understanding where the greatest bottlenecks are can help countries prioritise where financing would be most useful – what investments give the most bang for your buck, and have the largest impact.

Second, capacity development is very important. For example, in cases where the biggest challenge is in raising domestic resource mobilisation, capacity development in tax issues can be very important. The same applies to capacity-building in debt management. One of the issues that we have been

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surprised by is that, a large portion of the recent increase in borrowing has been in floating rate debt. Yet, with interest rates so low, it does not make sense for countries to be borrowing at floating rates that are likely to rise in the future. We are still in need of debt management capacity development.

A third issue that we have not yet discussed is how technology and digitalisation is changing the developmental model, what this means for countries, and if countries, both developed and developing, are ready for that transition. And again, it is really important to incorporate technology into planning and thinking forward, and capacity development.

And finally, we need to look into institution-building. The question should be: Where are the institutions weakest and what institutions need to be strengthened so that countries can be better prepared when they graduate, for example, to be able to build local financial and capital markets? The type of support may change before a country's transition so that the country's own institutions and its own internal structures are able to better support development after graduation. Part of that means, again, that there needs to be better and smarter planning in order to think about these complicated issues – especially given the uncertainty that comes with digitalisation changing the world, where nobody really knows what the impact is going to be.

As regards the role of multilateral development banks, MDBs, such as the World Bank and the regional development banks as well as some of the national development banks, including banks like KfW and others that operate across borders: MDBs can play an important role in direct investment, in catalysing private investment and in long-term lending to countries. The question of how to best leverage private investment and where it is most relevant is particularly complex in LDCs, though it can also be challenging in middle-income countries and in countries in transition. There are a lot of lessons to learn from past experiences, and we all need to be thinking about how to do that properly; and how to do that in ways which are both efficient and cost-effective and do not disturb private markets.

We could go into that in more depth, but before that, I would like to come to how the international system and cooperation needs to change and is already changing. We need to think more about vulnerabilities. Right now, graduation from ODA is based on income levels, but vulnerabilities are equally important and can push countries backwards. The question is: how does one bring vulnerabilities into the decision-making process, for instance vulnerability to climate but also to other external shocks? ODA is not the main or the only tool with which to address these problems; the international system, and particularly the IMF, aim to support countries that suffer from external shocks. Nevertheless, it is important to take vulnerabilities into account when it comes to understanding ODA graduation.

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You both criticised the measurement of the ODA category, both with respect to vulnerability issues and to absolute numbers versus average calculations. There are different measurements of development and of access to development finance. Where do you see the shortfalls and where do you see the need for changes in that respect?

Fanwell Bokosi: I think this is quite important. Coming from the African continent, we always said that these issues also affect European countries, but they did not want to listen. So, while Europe was developing and growing and everybody was talking about economic growth, no one thought that inequality could become an issue that would actually threaten the system. But if you look at the protests in Europe, the protests in the US and the far-right movements, it is all about frustration with the current economic system, which rewards only a few and leaves the majority behind, even though the average values are much higher. And I think that leads to a question about having to rethink the global model of development that we have. The advantage we have is that we are not talking about communism or central planning; we are talking about how to make sure that growth is not pursued for the interest of growth itself. And I think that is extremely important for countries that find themselves stepping up the ladder. I always give the example of a country like Zambia. If you went to Zambia a couple of years ago, everybody was celebrating the fact that Zambia had become a lower-middle income country, and everything was okay. Two years of drought followed this moment, then electricity problems and blackouts (because they did not have enough resources), then two years of inadequate rain, an energy crisis, and so on – and some of Zambia's gains were completely wiped out. This is one type of vulnerability, and of course there is climatic vulnerability. But it is not only that. Look at the example of Angola: a couple of years ago, we would never have talked about Angola being in financial crisis, but then oil prices went down. And because of a country's dependency on a few commodity prices and fluctuations in the commodity markets, you find it being vulnerable to these shifts. So, we need to look at the system and see how we pursue growth in a way that does not take growth as an end in itself but as a means to lifting up the majority of the people, as a means to human development. I think that is where we need to start tweaking the system. And when I hear the IMF and the World Bank talk about inequality these days, this is where I punch the air and say: Now we are talking! Because in the past, they kept saying that "trickling down happens very easily; do not worry, economic growth is going to increase and somehow the system is going to compensate the people at the bottom, and everybody is going to be better off." We are now realising that this did not exactly happen. I do not have a solution to how to

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tweak that, but I think we really need to think about new concepts when looking at the global economic system.

Shari Spiegel: I completely agree with that. I think that there are two elements that will come up: one is inequalities and the other are shocks. We are more focused on shocks because of the visibility of climate-related shocks. But there have actually always been shocks, and there have always been vulnerabilities that countries have faced. They are not only climate-related, but climate-related shocks bring our attention more to the questions of how to strengthen countries' systems, including their financial systems, and the importance of addressing vulnerabilities.

Talking about inequality, I think that neo-classical economists always believed this would not be a critical issue – you just redistribute; you maximise and then redistribute. In my view, there is now a much deeper understanding that, first, there is not always the political will to redistribute, and second, there are economic implications from inequality that go beyond simple redistribution. Today, these issues are being understood much better. While there has been enormous progress in analysis, inequality is still growing faster than the solutions.

Prior to the FfD conference in 2015 in Addis, the United Nations Intergovernmental Committee of Experts on Financing for Sustainable Development launched a report that was meant support the 2015 financing for development process. This report addressed the importance of including not just income, but also vulnerabilities and social needs in reflections on income graduation and the needs of countries. The idea was that by the time countries graduate in different processes, one area would have to compensate for the others. For instance, countries that are more vulnerable will have to be stronger in the other two areas to compensate for their vulnerabilities. For me, that is certainly something that must be thought of more broadly.

Today, the phenomenon of shocks is most noticed in relation to the small island developing countries and climate issues. Nevertheless, confronting the issue of vulnerability needs to go more deeply than that. We have already seen countries that graduate from one category into another and then backslide again. And we need to ask: What are possible solutions to this, particularly in terms of how to prepare better for shocks, and what types of instruments would be helpful in this respect? For instance, we looked at debt instruments. Some have been issued with hurricane clauses. More debt instruments should include clauses that allow for countries to delay debt payments during periods of shocks. In other words, risks are shared between the creditor and the debtor, as opposed to the debtor taking on all those risks. And especially when it is public debt, in the end, the creditors take these risks anyway due to the high risk of default during shocks. These types of structures would help make the process

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smoother when such events happen. We could also think more about incorporating other state contingencies into public debt. We know that there have been discussions about GDP-linked bonds in the private sector that have not taken off but if the public sector takes the lead, this could be a way to make these types of instruments more utilised. Insurance mechanisms can also help manage risks and be part of the solution, though it is important to understand their limitations. For insurance to work properly, you need diversification across countries, sectors and regions. The public sector can help enhance these sorts of mechanisms. There is a lot of space for thinking and ideas to help countries when shocks happen, as well as the implications of shocks on graduation.

We talked about 'what' needs to be done and you already started to talk about the 'how', sharing some solutions, for example regarding the debt challenge. Before we go more deeply into the development cooperation system, I would like to go back to the roots of the debt problem, dive a bit more into it and ask: What could be a better role for development cooperation in this debt challenge?
Fanwell Bokosi: One of the things that we struggle with on the African continent is that we do not have an international debt resolution mechanism. A debt crisis is basically left between the creditor and the debtor. If the creditors are in a group like the Paris Club, then they can agree on solutions, because although the Paris Club is not a formal body, it does work together, and it actually helps. The problem is, as I said at the beginning, that more and more the Paris Club's importance – in terms of the volume and proportion of the aid that it has given to African countries – is getting smaller. As a result, it was much easier to deal with the MDRI and the HIPC processes, because most of that debt was owed to multilateral institutions and bilateral creditors, and either way, it was basically bilateral. It was also easier because this was public money; most of those bilateral donors lent money from their own taxpayers to African and Asian countries. That is why the Jubilee Movement[96] was so successful, because the governments were able to forgive that debt based on their budgets. Compare that to the current scenario where most of the debt is private bonds: if a country issues a bond on the international market, the buyers are individuals who are buying into syndicates out of their savings. You are not going to go to the individuals and say: forgive the debts of the African countries because this could be their pensions, this could be their investment. As it stands now, we do not seem to have an international mechanism that can resolve that. And that might lead to a problem: if one creditor holds out, then the others cannot move; they cannot do

96 The Jubilee Movement (or Jubilee 2000) was an international coalition movement in over 40 countries that called for major debt relief for poor countries by the year 2000.

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anything else. So, I really think that we need some form of international mechanism to resolve debt.

The other thing is debt transparency. The problem with resolving this in the current international system is that we do not know who owes whom. Take the example of Germany and Zimbabwe. Germany was the largest bilateral creditor to Zimbabwe until China overtook it. Now, the German ambassador says: I do not know what Zimbabwe owes China. My problem is if I go to my government in Berlin and ask them to forgive the German debt of Zimbabwe, what if they ask me "are we just transferring resources so that Zimbabwe will be in a better position to repay Chinese debt?" In other words, even if I am willing to commit, I am just giving Zimbabwe fiscal space to repay another creditor. And if there is no transparency and if the Chinese are not talking to the Germans, then it is going to be difficult to resolve a future debt crisis.

Shari Spiegel: When we think about debt, there are three different areas. The first is that, even before they get to a debt crisis, highly indebted countries do not have the finances to be able to invest in the SDGs, despite the enormous financing gap in sustainable development. What can donor governments do to help those countries? One option could be debt swaps, and again, both the creditor and the debtor need to want to do this. In a debt swap, the borrowing countries shift from repaying the creditor to investing the money in the SDGs. Often people think about debt swaps in a crisis situation, but we should consider them more generally for countries that are heavily indebted. ECLAC has made a proposal for the Latin American region to do this through the Green Climate Fund. But whatever the mechanism, the first question would be: Are there cases where creditors agree to help heavily indebted countries swap some of their debt payment into SDG investments? There have been successful examples of debt swaps, sometimes with philanthropy buying commercial debt at discounted values and swapping it for investments.

A second area is to strengthen responsible borrowing and lending by both borrowers and creditors. This subject also relates to the Addis Agenda, which clearly states that debt is the responsibility of both the creditors and the borrowers. When creditors lend money, they make a decision. Interestingly, in private markets, creditors get paid an extra premium, a credit spread, for taking on higher credit risks. In the end, creditors are supposed to do credit screenings, so that if they lend to high-risk countries, they demand a higher return to compensate for the additional risk. If the country is unable to repay its debt and defaults on payments, creditors have to work with the debtor to restructure the debt. There have been many discussions about the principles of responsible borrowing and lending. Principles already exist, for example agreed by the G20, and others formulated by UNCTAD, but some of them have become controversial over time. The Addis Agenda calls on countries to devise a new set of principles

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for responsible borrowing and lending, to be agreed on a global basis, building on existing measures. Those principles would include issues of transparency, on both sides. However, it remains a question of whether the international community wants to pursue this at this point, or not.

The final area is debt resolution. As Fanwell said, we do not have a global system for sovereign debt resolution. In corporate debt, every country has its own bankruptcy regime, with clear legal rules that address the question of seniority – who is paid first when a company defaults. In sovereign debt, we do not have anything like that. It often happens that whoever has payments due first gets paid and whoever comes after that does not get paid. If someone has collateralised the debt, then they are going to be paid back and the other ones will not. Sovereign debt resolutions have recently become much more complicated as the creditor landscape has changed, and it is not clear if the methods used in the past (with various degrees of success) are going to work go forward. I am convinced that there is more willingness to approach these issues now from both creditors and from debtors, because there is a bigger realisation of how difficult resolutions are becoming.

If we look at the financial systems in a beyond-ODA context, the question about responsibility is crucial and needs to be debated a lot more. Who is in charge and who needs to take responsibility? This leads to the question of how the development cooperation system needs to change, and we have already touched on this matter. There is not much time left until 2030, we have a debt crisis on the horizon, and we are still working on long-term investment. We have different tools, but everything seems to still be in an initial phase where we are not really seeing an impact or success. So, what do we need to do urgently and how can we do it? Again, what is the role of ODA in this? What is the role of multilateral and national development banks, and if they should work together as a system, how may their governance have to change?

Shari Spiegel: There are several elements of the question. One issue on debt is how to differentiate how the funds being borrowing are used. When the investment associated with borrowing generates financial returns or leads to economic growth, the investment can help repay the debt. Yet, the impact of this type of borrowing is not always monitored, in part because governments don't have 'balance sheets' that account for both liabilities (i.e. the debt) and the assets (i.e. the investments). It is very challenging to incorporate this into the Debt Sustainability Analysis of the international financing institutions. That is where the development bank system can come into play. When regional and multilateral development banks lend for specific projects – as opposed to general sovereign lending – it is clear where the money is going.

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The second pillar is the national bank system: if a country has a strong national development bank that is financially sustainable, it can borrow against its own balance sheet. Such a development bank may not be as profitable as a commercial bank, nor should it be because it has a developmental mandate, but it should have sufficient returns to be financially sustainable. There are examples of very successful national development banks, such as KfW, though there are also examples failures. So, it's important for national banking systems to be well governed. For instance, there is a group in Africa that has come up with a set of principles, rules and guidelines on what good governance in national development banks should look like. I think that a lot more work could be done in that area, including questions on developing risk reporting for national development banks that takes into account their unique mandates. The International Development Finance Club (IDFC), the group of national development banks, brings some of the largest NDBs together, and can lead on some of these issues. In sum, we have to ask: How does the system enable countries to have more productive investments that can help generate growth and revenues to repay debt, and which do not hurt sustainability, but instead help that sustainability? Because right now, our system does not do this very well.

The second issue, in terms of development cooperation itself, is about loans, both concessional and non-concessional, and what their terms should be. Can there be changes today in the structure of loans, in government to government lending and in development cooperation lending? What would they look like? As we discussed, there are examples of state contingent debts. In the past, these loans have been structured in such a way that the borrowing country had to pay a bit more up in interest payments to get a guarantee for a future crisis. As a result, some borrowing countries are not interested in these types of loans, even though they might an efficient way to manage risks and help resolve crises. There needs to be more discussion between partners to see if there can be agreement on sharing this risk and how it can be done. As discussed, debt swaps are another mechanism to share risks. In the end, it comes down to one question: Are partners willing to work together to help countries that are heavily indebted today and need to invest in the SDGs, by finding some mechanism for them to be able to invest more?

In that respect, we also need to look into the modernisation of ODA. How debt relief is calculated in ODA has changed, and there may be a risk that this disincentivises debt relief in the future.

Fanwell Bokosi: One of the issues that already came up is: Why were we not worried about debt management? We did not worry about debt management because of the fundability of the debt. In other words, if these debts are coming from multilateral institutions or regional development banks, they are 'projectised'. You have a project, you get it approved, and there is some element of

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monitoring from the project provider. That is not the same with a bond. With a bond you raise the prospectus. But the prospectus is not binding. Once the money comes, you can use it for any reason that you want. And sometimes, for example in the case of Zambia, they wanted to raise a certain amount of money, so they issued a bond and it was over-subscribed. Suddenly, they had extra money that was not actually budgeted for, and you cannot really know how it was used. So, one way to deal with this issue is to start thinking about how ODA can empower citizens to hold their governments accountable in some of these highly technical areas. A lot of civil society organisations get involved in debt issues, but maybe ODA can help to improve that accountability, even in cases where the government gets money that is not 'projectised', like in bond markets. There is certainly a lot of corruption, a lot of actual theft of that money, because it is difficult to track. I would like to add a point about infrastructure. A lot of money is being given for infrastructure, but the question is: what type of infrastructure? I always give the example of Chinese aid. In a couple of African countries, we now have probably three more new football stadiums, each of which is empty all the time – well, the football teams are there, but most spectators cannot afford to go to the stadiums. Was that the right type of infrastructure to borrow money for? Who makes those decisions? So again, it is about accountability.

We have been talking a lot about financing for national development. Coming to the close of this interview, let us look a bit into the factor of global public goods. Many of the countries that are predicted to reach high-income status are important contributors in this respect. What do we need in terms of financing to ensure proper provision and protection of global public goods in a post- or beyond-ODA setting?

Fanwell Bokosi: This is why, for me, international development cooperation is extremely important, because no one country can actually deal with global public goods on its own. The issues of climate, the issues of other risks: you really need to have a mechanism that deals with all of those. The FfD forum is the place where you can discuss this; it is a place where you can start leading on these things and this is why we support the annual reviews (FSD reports, see above) produced by the FfD forum. As civil society organisations, we have always said that while we know that the technical expertise in some of these areas is at the OECD, it does not have the mandate and the legitimacy that the UN has. We know that the IMF has technical knowledge on some of these issues, but our aim is that the United Nations should continue to coordinate because, irrespective of the flaws of the UN system, it is the only place where people have equal power on most of the issues: one country, one vote. The other mechanisms of global development cooperation are not even close to that. We know

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that people talk about the ineffectiveness of the UN, and my argument is it is only ineffective because the big guys do not want to play by the rules. Because if everybody else agrees on the rules and only you as a country say no, then you undermine the system, you make it ineffective in order to blame it for not fulfilling its role.

Thus, I think that in terms of international cooperation, we need to support a rule-based system under the United Nations. I see movement in that direction towards a multipolar, a global governance system, and maybe that will help to begin to move the parts of the puzzle. Global goods can never be financed, can never be provided if we do not have proper international development cooperation, which, from my point of view, must be coordinated under some form of the UN system. They might not have the technical expertise, but they have specialised agencies; UNCTAD could be part of that coordinating role to move things forward.

Shari Spiegel: Even if this may be a pitch for ourselves: I completely agree that the UN has an important role and that the FfD forum is an important place to discuss these issues. Let me just add that, from my point of view, we have actually developed a lot of expertise in the UN on financing issues. In addition to that, the Inter-Agency Task Force on Financing for Development, led by the UN's Department of Economic and Social Affairs (UN-DESA), brings together more than 60 UN and non-UN agencies, with a leading role for the IMF, the World Bank, WTO, UNCTAD and UNDP. In the FSDR, we bring together all this thinking and all the expertise from across the system on financing issues, including the OECD Secretariat, the Financial Stability Board and other financial standard-setting bodies. So, I do think that we have been building expertise, including learning lessons from across the international institutions over the past five years, on issues of financing for development.

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Spotlight v: Transition finance – financing the journey towards sustainable development

Olivier Cattaneo & Cecilia Piemonte, OECD

To support the implementation of the Addis Ababa Action Agenda (AAAA), in its communiqué issued at its 2017 High Level Meeting, the Development Assistance Committee (DAC) set an objective "to better understand the broad catalytic effect of official support and other resources by understanding the interlinkages among official development assistance (ODA), partner countries' domestic resources, private investment, remittances, philanthropy, trade finance and export credits, and other sources of finance", and to "continue to collaborate with other experts within the OECD and beyond in order to have a global overview and outlook on financing for development"[97].

The work on transition finance responds to this call, exploring the availability and interactions of the different sources of financing for sustainable development (public and private, external and domestic) as countries develop and reach higher levels of income. Indeed, the intention of the OECD's work on transition finance is to help DAC members manage transition in partner countries better and, as ODA is progressively phased out, enhance the resilience of their efforts by avoiding financing gaps or socio-economic setbacks. As part of the work stream, seven pilot studies[98] on countries illustrative of different transition phases, challenges and geographies have been produced[99]. These form the basis of the following analysis[100].

97 OECD Development Assistance Committee 2017: para. 15.

98 Cabo Verde, Chile, Lebanon, Solomon Islands, Uganda, Vietnam, Zambia.

99 In addition, a working paper that outlines the analytical basis of this framework, various fact sheets and an online dashboard have been developed. All products will be published within the Transition Finance Compendium (OECD, forthcoming).

100 The methodological approach for the case studies followed an 'ABC framework' for transition finance diagnostics, which involves: Assessing the transition context in the country; Benchmarking the substitution effects between public, private, domestic and international resources; and Counselling on how development partners can help phase out ODA and secure the progressive growth of other sources of finance.

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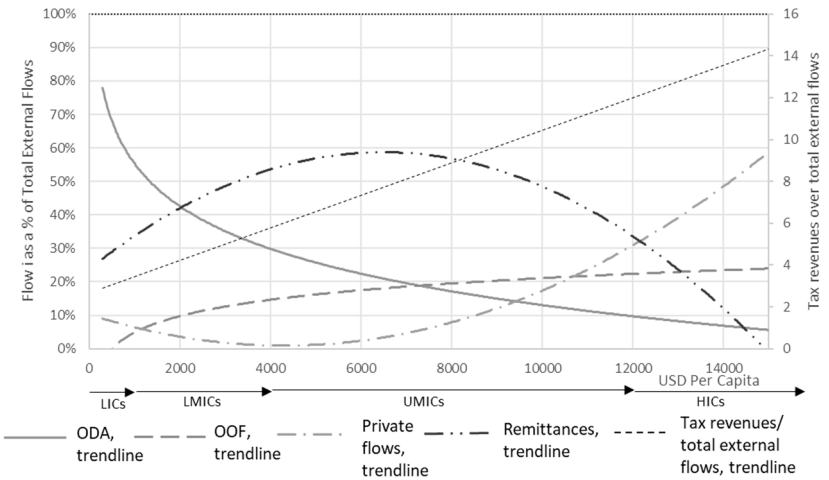
As showcased in Figure 2, as countries transition (with the rise in their GNI per capita) they lose access to certain types of financing, but gain access to a broader variety of actors, tools and instruments.

Figure 2: DAC, non-DAC OECD members and multilateral agencies' outflows, 2013-2017 net disbursements, 2017 prices



Source: Authors' calculations[101]

This illustrates two main trends:
(i) There is a relative substitution of external with domestic resources (the latter becoming more and more important in relation to the former). From the onset, domestic resources are the largest source of finance for the economy – with a 4 to 1 ratio of tax revenues/external flows. This ratio keeps increasing, however, with tax revenues representing more than 12 times the value of external flows as the country reaches high-income status. Domestic resource mobilisation is therefore a key component of sustainable national financing strategies, and should remain a primary objective of ODA;
(ii) There is a relative substitution of external public with external private resources. Highly dependent on public external support (mainly ODA) in early

101 Calculations based on OECD (2018d 'Creditor Reporting System' database) for ODA, OOF flows, and private flows, World Bank (2018 'migration and remittances data'), UNUWIDER (2018, 'tax revenues' database) and IMF (2017, 'Balance of Payments' database) for FDI, portfolio investments, and long-term and short-term debt.

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stages of transition (lower levels of GNI per capita), countries progressively move towards private financing of their economy. Public financing itself evolves, with a progressive substitution of ODA with OOF; then private flows (foreign direct investments and remittances) take the leading financial role.

Graduation from ODA eligibility

One of the pilot studies in the work stream explored the specific ODA graduation milestone by looking at the case of Chile[102]. The experience of Chile is particularly interesting from a transition finance perspective as most of the recent ODA graduates are either SIDS, oil-exporting countries or countries in the EU neighbourhood. After decades of continuous economic growth, Chile reached HIC status in 2011, a year after it joined the OECD, and continued to be eligible for ODA until 2017[103].

First, the study showed that ODA flows to Chile had remained relatively low from the early 1970s onwards and until its ODA graduation in 2017: the last projects were not concessional and targeted renewable energy. Second, the study found that technical cooperation, even if low (25 million USD on average per year in 2010-2017), was considered important to the country. Nonetheless, most projects were discontinued and not replaced by domestic equivalents in the absence of allocation in the national budget. Finally, the study observed considerable disparities between economic and social growth and inequalities, which prompted the recent massive street protests throughout Chile, and questioned the prioritisation of DAC interventions prior to Chile's graduation.

In sum, insufficient efforts were made to strengthen the resilience of ODA[104], in particular with regard to domestic resource mobilisation (e.g. to address inequalities), the continuity of technical assistance programmes through budgeting or other forms of financing (e.g. through regional programmes), or the sustainability of private financing. More efforts could also be dedicated to tapping the strong potential of Chile in triangular cooperation and as a provider of development cooperation.

Indeed, the results of the seven case studies led to the overall conclusion[105] that each transition milestone needs to be equally prepared. There is no single milestone, whether legal or income-based, that is more important than others.

102 Cattaneo et al. 2020.

103 The DAC graduation rules stipulate that a country is removed from its list of ODA recipients when it exceeds the high-income threshold (as measured by GNI per capita) for three consecutive years at the time of the committee's review, which itself takes place every three years.

104 The concept "resilience of ODA" refers to the best alternative use of ODA resources in order to perennialise its effects.

105 OECD forthcoming.

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Moreover, efforts to strengthen the resilience of ODA should be increased all along the development continuum.

What could the DAC do to manage graduation from ODA eligibility better?

Specific mechanisms and tools could be developed to support ODA graduation: these could include better defined and targeted technical assistance, as well as transition loans or grants. While the DAC could maintain the GNI per capita criterion for ODA graduation[106], other warning indicators could be highlighted to apprehend the countries' situation better with regard to specific vulnerabilities, such as climate or inequalities, and guide ODA efforts close to graduation. Additionally, the DAC could usefully create a mechanism for preparing graduation better as well as promoting continuous dialogue and peer-learning after graduation from ODA. Such a 'Graduates' Club' would allow for monitoring of socio-economic progress after graduation, tracking non-ODA flows, discussing experiences and advising recent or future graduates, developing new relations with DAC donors beyond ODA, assisting access to other types of finance and technical assistance, and enhancing a country's capacity to become a donor. Finally, the DAC should develop new channels for sharing expertise and technology as well as for peer-to-peer learning. These could include: (i) better use of multilateral (including global funds) and regional financing and support mechanisms (including deep trade agreements) to sustain inclusive growth; (ii) the identification of new institutional partners for preserving budgetary allocations in favour of jointly identified priorities (e.g. climate change); and (iii) the reform of former channels of cooperation to harness new tasks, such as triangular cooperation.[107]

106 So far, this criterion has not been called into question by the DAC because of its simplicity of use and utility with respect to universality, comparability and other practical reasons, e.g. availability of data in developing countries.

107 All key products of the OECD work stream on transition finance, including the detailed results and summaries of the seven country studies and an online tool for conducting additional transition finance analyses, are available online at: www.oecd.org/dac/transition-finance-toolkit. Forthcoming products will also be published here.

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Dialogue 6: Modes, ideas and innovations for cooperation beyond ODA

To create a new system of international cooperation which is stable, efficient and consistent with the shifts in world politics, it is necessary to establish new visions and perspectives, as well as new modalities and instruments of cooperation to fill the emerging new structures with life. We would like to explore ideas, tools and innovations which could contribute to achieving sustainable development in a setting beyond or post-ODA. How do conventional approaches have to change and be adapted, and which alternative modes of cooperation can be developed? What are the roles of different actors, such as the private sector, regional development banks and civil society? What might be innovative instruments for sharing knowledge on and solutions to development challenges and how can we join forces to secure and provide important public goods?

The discussion was held between *Citlali Ayala Martínez*, Research Professor at Instituto Mora, *Semih Boyaci*, Co-Founder of Impact Hub Istanbul, *Riad Ragueb Ahmed*, Manager 'Reverse Linkages' at the Islamic Development Bank (IsDB), and *Ulrich Wehnert*, Head of Section Governance and Human Rights, Division for Global Affairs at GIZ. It was facilitated by both editors of this publication: *Ulrich Müller*, Senior Advisor to GIZ's projects on knowledge sharing, networks, southern development cooperation agencies and trilateral cooperation, and *Juliane Kolsdorf*, Senior Policy Advisor at GIZ's Corporate Development unit.[108]

Citlali, having worked for several years as a researcher at Instituto Mora and being a member of global and regional think tank networks, you have been investigating new forms of cooperation, the role of Mexico as a southern provider, triangular cooperation, networks and funds, as well as knowledge sharing. What are your most outstanding findings in that research?
Citlali Ayala: At the Network of Southern Think Tanks (NeST)[109], we are currently working on strengthening our regional chapter in Latin America in order

108 For better distinction from the discussants, the inputs and questions by the facilitators are displayed in italic without naming the respective person.

109 NeST was established on the sidelines of the first high-level meeting of the Global Partnership for Effective Development Cooperation (GPEDC) in Mexico in April

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to further research what is happening with South-South and triangular cooperation, and what think tanks can contribute to this discussion. We are aware of the current situation, moving away from ODA and no longer being full recipients, and the challenges of becoming a southern provider. As a southern think tank, Instituto Mora has participated in specific studies like the 'Decalogue' for improving South-South and triangular cooperation in the Meso-American region[110] through a workshop on inter-agency coordination. There are other opportunities besides traditional development cooperation, for example working on intra-institutional coordination and improving the mobilisation of technical and financial resources. There, we could see that the private sector is playing an important role and is becoming a stronger partner, for instance through public-private partnerships for development, with initiatives like the Mexico-Germany Alliance for Sustainability or the Mexican Alliance for Haiti. The above initiatives include projects where convergence between technical cooperation, financial cooperation and capacity building has been encouraged, as well as processes of gradual partner ownership. Research has also shown that, at least in the Meso-American region and in Central America, development cooperation can be beneficial not only for development but also for regional integration. Finally, given the sensitive matter of migration, we can see today that governance and security issues rank highly on the current agenda for development cooperation.

Riad, the Reverse Linkages Programme[111] is quite outstanding for multilateral banks. As far as I know, it is the only one that focuses on triangular cooperation, on knowledge sharing. From this practice and your observations, what is your vision for the future?

Riad Ragueb Ahmed: When you see what is going on now, such as the trade tensions between US and China, the spread of coronavirus, and other global trends, the vision for the future is blurred. However, based on my experience working with 57 countries from the Global South at different levels of

2014, and as a follow-up to the Conference of Southern Providers held in Delhi in April 2013. Its purpose is to provide a global platform for southern think tanks to collaboratively generate, systematise, consolidate and share knowledge on South-South cooperation approaches in international development. For more information, see: http://southernthinktanks.org/index.html (15.04.2020).

110 Decálogo de Cooperación Sur-Sur y Triangular en Mesoamérica, see: https://www.mx.undp.org/content/dam/mexico/docs/Publicaciones/PublicacionesGobernabilidadDemocratica/Decalogo_Digital_2019.pdf (15.04.2020).

111 Reverse Linkage is a technical cooperation mechanism introduced by the IsDB to facilitate South-South and Triangular Cooperation and knowledge exchange amongst IsDB member countries.

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development, I would like to highlight three points that need to be kept in mind when we think 'beyond ODA'.

First, the dual role of each country. I believe that all countries in the South can be recipients and providers of knowledge and solutions. I prefer to use the term of 'solution' rather than 'knowledge' because it is more inclusive and comprehensive than knowledge. And here I will be provocative – the North should also accept having this dual role, particularly in being a recipient and not only a provider of solutions. The North needs to have a paradigm shift and accept receiving solutions coming from the South or to partner with the South in providing to others collaboratively. So, all countries in the world should embrace this dual role. Of course, the degree and magnitude of a country's role as a recipient and provider may vary. Some countries may be more active as recipients, others more providers. But this paradigm shift in the mindset of all countries and governments to take on that dual role is important. We should not assume that developmental solutions or knowledge are only a privilege of a group of countries. They can be available in all countries at various levels in different degrees.

Point number two: Nowadays, the divide between the North and South needs to be transcended. Many emerging countries from the South will be among the largest economies of the world within the next few years. We have to elevate and strengthen the North-South / South-South cooperation by enhancing triangular cooperation, where each partner brings something to the table. It is a partnership among equals. All the partners – the financier, the recipient and the knowledge provider – should be considered as equals, and the approach of imposing conditionalities because one side has the resources and the other side has the need should be abandoned.

And my last point which I consider as a crucial element while talking about ODA and beyond, is the necessity of having adequate institutional arrangements. To play an effective role in development cooperation and fully benefit from it, each country needs to take the lead at the national level and put in place relevant institutional arrangements or a national ecosystem. We did a study that was published in September 2019 in the margin of the UN General Assembly[112]. This study identified a set of pillars that can be considered by the countries for their institutional arrangements related to development cooperation. We are currently advocating for and encouraging each country to enhance its national capacity to manage South-South and triangular cooperation and ODA.

112 Islamic Development Bank/South Centre 2019.

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Ulrich, you have vast experience on global projects and global networks, which is an important and interesting point of view when we look at the issue of going beyond ODA. What are your ideas and comments on our topic?
Ulrich Wehnert: If we really move beyond ODA, we should leave development behind us, this connotation of development, this concept of development. For me, moving beyond ODA entails us beginning a new game: new actors, new principles and a new attitude. I very much agree with Riad when he said that we should all be providers and recipients. That is right and even our minister for development says Germany is a developing country to underline the universal approach of the 2030 Agenda.

Still then, thinking in terms of providers and recipients is an old concept of development, and moving beyond ODA, in my view, would mean that each country is a provider. There are no recipients. We all provide to something, and it is not development, it is sustainability. That would be my hope, at least. I do not know what this new system could look like, but if we really would like to meet on an equal footing, we need an exchange that goes beyond just dialogue to knowledge sharing, to co-creation. I think you can only co-create if all actors involved provide something. If you have a provider-recipient relationship, you are not on an equal footing. These are my 20 years of experience, and I am really frustrated about this. You can also try to work around this and find new methods and approaches to overcome the provider-recipient dogma; but, in the end, in a new world beyond ODA, I do hope that we are all providers, providing ideas and co-creating approaches to global sustainability.

Semih, you probably represent the most exceptional organisation in our discussion. With the Impact Hubs, a new type of organisation is arising. If we take up what Ulrich has said, that we need to initiate a new game, do you have models for that game? What should we take care of? What should we keep in mind when discussing going beyond ODA?
Semih Boyaci: First of all, I will briefly explain what we do as Impact Hubs[113]. We are a global network of social innovators and social entrepreneurs, which is now active in 102 locations around the world. Each Impact Hub is a co-working space for social innovators and social entrepreneurs, impacting on individuals and on organisations. But it is much more than a space. All these people coming together as a global community are creating positive impact on society via their projects or start-ups. And we, as Impact Hub teams, organise and support programmes to empower these people to have a further impact. In addition

113 For further details, see Semih's contribution on the Impact Hub network in this publication.

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to having spaces around the world and organising events, we develop a lot of content that empowers social leaders.

On your question, I would like to start with the SDG Agenda. In order to achieve the goals that we have for 2030, making existing models better is not enough at all. It is required, but we also need new models; and social entrepreneurs do exactly that: they create new models that can use existing resources in a more sustainable way. For example, consider that we have one-third of all the food wasted globally, and yet we have so much hunger in the world. Social entrepreneurs create models that use food waste to create more nourishment. What they do is particularly inspirational, and it is already showing that each country is a provider. Today, Turkey is considered a developing country and it has not graduated yet. But this social venture was developed here. It takes the food waste from producers and retailers to food banks, so that they help a lot of people in need. Now, they are establishing the same system in Germany and Italy.

This shows that South-North cooperation is already happening at the grassroots level. But it needs to be transferred to existing systems so that more resources can flow into innovation and new models. The problem is that resources are not moving as fast here because it is considered risky. But even if only one out of ten social entrepreneurs is successful, this creates a huge impact because they find that critical gap in the system and develop a model based on this. We should also have capacity for supporting new impact-driven models, as we do for developing existing models. And these should go hand in hand. There are many inspiring examples of social ventures that are creating significant impact globally, especially from developing countries. As Impact Hub, we support these people and accelerate their ventures, so that they exponentially increase their impact. A good example of this is 'Accelerate2030', a global Impact Acceleration Programme where we select impact ventures that contribute to the SDGs and help them scale globally, particularly in developing countries. I had personally been enrolled in the Turkey chapter of this programme three years ago and one start-up in that programme cohort (Whole Surplus) was selected as the best social venture in Europe by the European Investment Bank last year. There is great potential and there is no difference between North and South at the grassroots level, in my opinion.

Based on your inputs, I would like to propose four topics and one question for our dialogue. First, the dual role of countries and the partnership among equals; second, the linkage and relationships between development and other policy areas like security or migration; third, the flow of resources; and fourth, the role of the private sector. Finally, if we leave traditional development cooperation behind us and begin a new game, what would that be?

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Let us start with the terminology. We heard that all countries should have a dual role. We need partnership among equals, go beyond this divide between North and South and everyone should be a provider. At the same time, we live in a world where everybody is programmed to broadcast her or his views but only few are really listening. So, I wonder if it is good to have only providers. Isn't there also a need to have those who are ready to receive, in a sense of listening and learning, and to understand 'recipient' as an active role? Not in an attitude of demand and gratitude, like "Please do that for me and I will not take up the responsibility". Should we not rethink what it means to be a recipient? What do you think?

Riad Ragueb Ahmed: Sometimes, the energy and effort that we lose in terminology take us far from the action on the ground. We have to keep in mind that five years have already passed since the adoption of the SDGs. And we are still debating about how we can finance the SDGs. In the meantime, climate change and other issues are not awaiting.

For me, the most important focus is the previously highlighted dual role with the fundamental principle of partnership among equals. This also implies that we respect the demand, needs and context of each country. We listen to each other while doing business in development. All of us, as equal partners, North and South, should look for solutions. The nature of the solutions and how they fit the context of each country will vary depending on each situation, but we should join our efforts. We should reconsider on how to deal with that, how to work together hand in hand. It may be idealistic but accepting this dual role for all countries in the world would, for me, be a first step. I also like Ulrich's point on sustainability a lot. Yes, we must join our efforts for sustainable solutions.

Citlali Ayala: From a 'beyond ODA' point of view, I would like to add that ODA is official, and if you talk about the dual role of countries, countries are considered to be governments. But currently, we are discussing development in our countries with a participatory approach, with a multi-stakeholder approach and with multiple actors, plurality and inclusiveness. Possibly at this point it is possible to glimpse that official development aid will at some point become obsolete as we have known it for decades. Recent debates on development aid and the discussion of alternative terms such as the TOSSD show that it is not possible to conceive of official development aid without the new providers from the South, the private sector and remittances. Economic dynamics and sustainable development, in their broad understanding, require broader and more inclusive concepts that translate into equally inclusive financial instruments and cooperation policies. Current ODA discussions cannot exclude other actors anymore, like social or private actors. It is true that this is changing, but maybe too slowly.

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In the last few years, I have been thinking that instead of becoming complete donors, middle-income countries should advocate this duality, because we as middle-income countries can enhance and improve the capacity to receive development cooperation, which is not aid, and provide better development cooperation. So, as dual countries, we can sophisticate and improve the capacity to manage development cooperation. In specific initiatives, like the programme that the German government has on institutional strengthening with the Mexican development agency AMEXCID and the different projects within that initiative, I have the perception that the equality among partners is in political dialogue, sharing methodologies and sharing different approaches. So, as a Mexican, I think that we are listened to and we can build an equal development solution in different aspects for Germans, for example.

In terms of what Mexico is doing with Central America on issues like migration and others, this equal dialogue can be deepened further. Duality among North and South and South and South requires a horizontal dialogue. I repeat constantly to my students that this recipient-donor approach is obsolete and this North and South approach is used less. 'Development partners' can be a stronger term, and it has already been used by some countries, instead of talking of recipients. 'Recipient' has a passive connotation.

Riad Ragueb Ahmed: Just to build on that: when we talk about the dual role, particularly at the receiving end, we have to make sure that the relevant institutional arrangements to absorb the solution, and to adapt it to the local context exist. The right legal framework, supporting policies and regulations as well as adequate capacity should be put in place to allow each country to play this role effectively. Without these arrangements resources and funds will be wasted. It is of paramount importance to strengthen the human and institutional capacities in each country to play these dual roles.

Citlali Ayala: Maybe we can support the term 'beneficiary' instead of 'recipient'. That could be something to think about.

Related to the partnerships among equals: in the studies conducted by the Overseas Development Institute during the first stage of our project, regional or global programmes were quoted as a good way to continue partnerships, also in a post-ODA setting. How is the division of roles in these programmes? Is it any different from bilateral programmes? I was just wondering: if there are more players, are they also more equal?

Ulrich Wehnert: Definitely. In my experience, if you are meeting on a global issue, if you meet with countries from the global South and North, coming together in, let us say, Bangkok, you are on an equal footing. You invited the experts from the global community, and it does not matter if they come from Germany, Togo or Indonesia. You invited the experts with their expertise and

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that should be the standard. And that could be an approach for going beyond ODA.

ODA means Official Development Assistance. Germany has to live up to its promises and commitments and spend two or three billion each year to the South. This makes it very difficult to achieve true partnership ambition. If you give money as a donor, there will be a receiver. That is ODA; that is the system. All of us do not like it, but the logic of the system, in the end, finds its way into our mindsets. But the global cooperation dimension is: you meet, you come to a dialogue, you share knowledge, and you very often come to co-creation models. And I do hope that beyond ODA, we will have a partnership among equals. My hypothesis is that in a world beyond ODA, you will have countries that are mature, that have resources, and there will not be the question of who has the money. All countries will have the money and the resources to meet. And that, in my understanding, is the precondition for meeting on an equal footing. Everyone puts money on the table, not the same amount, but everyone contributes something. That is the difference to ODA.

Semih, how does that sound to you? Is it an old discussion which you are simply beyond?

Semih Boyaci: I do not have a background in the internal structures of development organisations, but I will comment based on general observations about South-North relationships. In every kind of environment, with all kinds of stakeholders I see locally and globally, one of the main things we lack is that we do not do much to bring different stakeholders together. We do not focus much on extracting the shared wisdom in those groups and investigating facilitation models. This is, in general, the problem I see when I go to big conferences and workshops. There are nice connections one-to-one, but overall, there is a lack of participatory models that bring together different agendas in co-creation settings.

With regard to your question, in the last few years we have started to see more funding being allocated to entrepreneurial activities that support North-South collaboration. And on this front, I think it is quite hopeful that development organisations will start to allocate funding to programmes like Accelerate2030. For instance, that programme has been developed by Impact Hub Geneva, together with UNDP. The funding reinforced new ideas and models, from particularly the emerging countries that have the potential to create an impact in both the South and North in all countries. UNDP saw the potential, with the Impact Hub global team, that innovations that can contribute to a more sustainable world could come particularly from emerging and developing countries. Considering the impact created by the ventures that joined that programme, this is a really good case to show the potential of countries that are normally perceived as recipients. These countries have the ability to create these models.

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That is where there is most potential, and hopefully we will have more initiatives like that in the future.

Let us move on to our next topic, the relation between policy areas. Ulrich, based on your experience with global projects: when we are discussing global networks, they often have a specific topic. Are other actors taking this seriously – the Ministry of Economic Affairs, the Ministry of Finance, the Ministry of Defence – when development actors are working on these issues? Or is there still a strong divide between the policy areas and do we remain in a niche? What is the change going on with regard to this kind of policy coherence, which may be needed to achieve the SDGs?

Ulrich Wehnert: My observation is that over the last five, maybe ten years our rhetoric has changed, and we do talk about linking those fields: development, peace and security, climate and foreign policy. All of this is stressed in daily speeches. However, in reality, many of us, be it state actors, be it implementing agencies, be it civil society, be it think tanks, are looking into their own silos. In the end, it is a fight about resources in various organisations concerning certain subjects. In this way, to my understanding, we have not yet achieved the 2030 Agenda, which has tasked us with finding a way to cross sectors and to link fields. We are still searching for ways to implement the complexity of the 2030 Agenda. To be positive, we are thinking about this much more than we did in the past. But again, we have not found a good approach yet.

Riad, how are you dealing with that in the Islamic Development Bank? For instance, you have so many member countries where security issues are a big topic. How far do you get into these policy areas with your work, with something like 'reverse linkages'?

Riad Ragueb Ahmed: I fully agree with what Ulrich said. In our case, we are 'mainstreaming' these cross-sectoral or thematic issues such as climate change, women empowerment, youth empowerment and building resilience in our operations. It is not an easy exercise because it is multidimensional. As a development bank, we have put in place policies on many of these issues, such as a climate change, woman empowerment, etc to properly guide every single intervention. When it comes to fragile states, it is even more complex because most of the time you do not even have fully-functioning governments in place. We are conscious of it. We are doing our best but there is no one single 'miracle' solution. The important point here is that there is now an awareness on a global level that those issues have to be mainstreamed and considered in every single action.

Citlali, do you have examples that could be inspiring in this process of change that we are heading for, but that apparently, we have not reached yet?

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Citlali Ayala: I will mention the Plan for Integral Development in Central America, which is supported by the United Nations Economic Commission for Latin America and the Caribbean (ECLAC). It is executed mostly by AMEXCID with national and international funds, it aims to reduce poverty and foster development, and also tries to diminish migration from Central America, i.e. undocumented immigrants from Central America going to the United States through Mexico. Personally, I find this Plan has really changed AMEXCID's recent way of working and it is its current priority. The news show officers from AMEXCID going to the southern border every week to implement specific actions of the programs that include the Integral Plan, register beneficiaries, offer jobs and send money through diplomatic channels. At the same time, the Mexican government is trying to replicate a brand-new national initiative called 'youth building the future' in the region. This initiative tries to create jobs in Central American countries and to provide the population in poverty with better conditions, so that they stop leaving their countries.

A possible constraint I see is that the original programme, the original initiative in Mexico, has had only one year of implementation. It has not been tested nor proved to be successful yet. In Mexico, the original programme follows an assistance approach; the government gave money directly to young people and they worked in a small enterprise on temporary jobs. I do not want to criticise the programme because it is brand new, but I was really concerned that it was replicated in Central America that soon. In addition, the programme will develop other initiatives in Central America with 30 million USD for each country, i.e. for Guatemala, for Honduras and for El Salvador. This means that it has been designed for the long term, but I still wonder if it will also be sustainable in the long term and where the money is going to come from. Alicia Barcena, the (Mexican) Executive Secretary of ECLAC, is very engaged and has already called for a donors' meeting in Mexico City. It is a different form of creating a regional fund for Central America.

Perhaps, Semih, in this initiative on 'youth building the future', Mexico should work with the Impact Hub?

Semih Boyaci: Yes, why not! I have a separate addition to this. As you know, migration is also a big issue in Turkey because of the war in Syria. There has been huge funding from the EU delegation, around 3 billion EUR, to developmental organisations working in Turkey. GIZ is one, but the World Bank, UNDP and other UN organisations, KfW and others are also disseminating this funding to the projects and partners they have here. There are around four million refugees in Turkey. It has been more than five years since this funding was distributed and at first it was more focused on aid but now, after a long time, it is moving more in the direction of livelihoods.

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And this is also an example of how things still work in silos and why there is a lack of innovation in the use of this funding. When this funding is being distributed, big organisations are almost the only ones eligible because there is a financial and organisational capacity issue. That is one of the problems that I see, because it means that mediocre projects get the big funding, and some of the projects implemented do not create results. They perhaps tick the checklists in the audit, but they do not create a real impact in the field. There are so many people implementing all these programmes, it has become a bit like an industry. For me, this is one of the major problems that I see in Turkey. New organisations that want to do new things cannot get access to these funds. We as Impact Hub can get them because we worked and invested a lot on this, and now we have more capacity. But a lot of organisations that are trying to do things in a really innovative way do not have access to such funds, even though they do good work and can present their portfolios. Sometimes the requirements are too high. That blocks the degree of innovation in using these funds.

Another point is that when these funds for livelihood projects first started, they did not involve the host communities much. This shows that co-design was not very successful; it created negative reactions in the host communities. Today, donor organisations are more careful about balancing the beneficiaries.

Let us shift to the topic of resources. On the issue of diversity, what I am observing is, and Semih made a comment in this direction already, for reasons of efficiency, we always try to organise big funds in a very standardised way. Does that correspond to the diversity that we find? Or how can we channel resources – which are obviously there and often not utilised in the best way – to the organisations that have the best solutions?

Riad Ragueb Ahmed: First, reiterating my earlier point on terminology: while financial resources are important, resources can be more wide ranging and go beyond financial matters. Intellectual property or technologies or knowledge/indigenous knowledge or in-kind contribution, etc are also resources that we often do not capture. Therefore, the term resources should be considered comprehensively. Second, when we talk about resources, we also have to keep in mind what can be mobilized from the private sector, from civil society, and from the public sector. We should not only think about government resources.

On your question, certainly flexibility is required. However, all institutions have policies and rules that govern their actions and sometimes do not allow for a lot of flexibility. We may come up with new mechanisms that will allow us to be more flexible in our way of managing resources.

Ulrich Wehnert: Actually, I am not so much concerned about resources, be it financial or in-kind, human resources, if we are moving into a mode beyond

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ODA. ODA, again, is a very strict, narrow system of channelling financial resources from the North to the South. That was the idea back in the 60s, after World War II. We should not make the mistake again of coming up with a second rigid system. In 'beyond ODA', we will have various channels: private, public and from various actors. I might be wrong, but I would like to hold the uncertainty and see if such a system can somehow be created.

The alternative to this could be to set up a global fund for global sustainability. Something where the UN and many other countries bring in huge amounts of financial resources, from which international cooperation for global sustainability could be financed. That would probably be a huge thing but could be worth reflecting on.

Riad Ragueb Ahmed: At BAPA+40 discussions, some concerns were raised regarding the North reducing its support and moving away from its responsibility of implementing the 2030 Agenda. When we talk about beyond-ODA, we must clarify that it does not translate into less funding, less resources going from the North to other countries, which can be interpreted as a sign of diminishing solidarity.

Ulrich Wehnert: It is my understanding that ODA will still be there for many years, but that maybe a second system, beyond-ODA, will somehow complement the current system as we know it. That would be my guess.

Citlali Ayala: I would like to add that financial resources still are an issue for many southern providers, and it will remain that way for many years, as long as we do not have a specific budget for development cooperation. On the other hand, we can recall the evolution and the discussion of the Total Official Support for Sustainable Development, where the private sector and remittances and different financial sources are included, and various other countries can participate beyond the DAC.

I would also support Riad's idea that knowledge, local knowledge or ancestral knowledge, human resources, technical resources and material resources, are all part of this umbrella of resources. It is not only about financial resources; instead when it comes to South-South and triangular cooperation, the strong part, at least in the Latin American approach, is knowledge and technical resources. We will scale up on this topic when we have a national budget for development cooperation, which we currently do not have. That remains our constraint. But on the other hand, different kinds of alliances, funds and networks can exchange different kinds of resources to propose development solutions. Some of these funds and networks still lack financial resources, but it is not a limitation to continuing with building development solutions.

Semih, in the Impact Hub, how much do you depend on ODA money? Do you already have this second pillar of funding that Ulrich was talking about?

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Semih Boyaci: It is actually a very low percentage in our case. We mobilise a lot of private sector resources for the Sustainable Development Goals, and this works a bit more like typical consulting: you make a good match between the areas of priorities and social needs, as well as what you can provide. For example, a private sector company funded the Accelerator2030 programme in Turkey, the local chapter of the programme I mentioned as an example before. Mobilising these resources is easier, but obviously they are much less in amount compared to the funding from development organisations. The process is quicker, but the amount is much lower. In addition to that, we also work with big foundations and generate resources from there. Overall, I would say ODA funding is not more than 10 per cent in our case.

We work like a typical social enterprise, in our own model. We want to make it less financially dependent because it is a very risky model. But we also try to establish links with this funding, in our way, to organisations in our own network. For example, the office I am in right now is rented by GIZ, within Impact Hub. GIZ has a team here and it was not easy for them to rent an office in a shared space. But they wanted to get out of the bubble and meet more innovative organisations here. In that respect, I'm very happy to have GIZ here.

My second comment is related to that. I think the issue of resources, on the one hand, is about the management of the resources and allocation of the resources, but, on the other hand, about interacting and explaining potential partners how this resource management works on the side of development organisations, because other people have no idea about how these systems work. There is no other form of exposure than finding out if such collaborations can occur. I was also very unaware of, for example, GIZ before Impact Hub and GIZ signed their global memorandum on working together on topics related to Sustainable Development Goals. That memorandum has now spread to all Impact Hubs worldwide. It is a very good move to disseminate social innovation and collaboration in all these countries. So, yes, exposure and establishing these links with other ecosystems, particularly northern ecosystems, is important.

To continue, Semih, what is your experience and maybe recommendation regarding the involvement of the private sector? How much does the language have to change? How are you doing it?

Semih Boyaci: There are a couple of things that have moved the private sector in this direction. I think by far the biggest one is the changing behaviour of customers and consumers. Obviously, depending on the country, sensitivities are different, but all these sensitivities are related to the SDGs. There is a great deal of pressure everywhere in moving in this direction and allocating resources for sustainable development. This is also an argument that we use in developing projects and it is always a good way to catch them, because they see this as a

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market in the end. They may not do all this for good purposes; the profit motive is still always number one. But, in addition to becoming more sensitive, the fear of losing customers is becoming a trigger for them. Another trigger is that they are quite concerned about retaining the Y and Z generations. People are looking for social impact in their work environments. Young people are looking for meaning in their social environments, and private companies struggle to retain people like they did before. That means that they have to invest – not like greenwashing, but in a sincere way – and this also mobilises a lot of resources.

From my point of view these are the two main motivators. We also explain to them that the world is shifting, and since they are living this reality, they understand it. Then they ask about how to proceed. Our approach in general is that we study the organisations, their products, their services and their priority areas in terms of the SDGs. We always try to make a link between the social impact and their core business. For instance, circular economy has to work for them because it does create social good, but it is also important for their resource management and cost-effectiveness, today and five years from now.

In sum, it is also a competitiveness issue. It is not just philanthropic. And they are becoming more and more aware of this. For them to become more circular, more sustainable, they must collaborate with organisations that create social innovation technologies, new green production methodologies, new ways to reduce carbon footprints, new forms of transportation. I mean, they have to do all these things. And if they do not create their systems in such a way that they correspond to these new demands, they will be much less competitive in the market ten years from now. That is basically the picture that we share with them.

Ulrich Wehnert: I would also see much more space for the private sector in the beyond-ODA world simply because it will also be a very digitalised world. People will get connected on a global dimension. The Impact Hub is a good example of where private actors move in, connecting people all over the world. This already shows that there is scope for the private sector to be more involved.

Riad Ragueb Ahmed: It goes without saying that the private sector is a very important stakeholder when it comes to development cooperation. Its involvement is crucial. It owns most of the technologies, licences, intellectual properties needed for development solutions. The private sector is also more results-oriented and will develop relatively quickly solutions, while governmental institutions may need more time due to heavier procedures and processes. The involvement with the private sector brings efficiency, results, flexibility and agility, which donors sometimes lack.

However, when it comes to the private sector, we have to distinguish between two elements: their corporate social responsibility (CSR) and their normal business. CSR could be easy to engage in development cooperation and we

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can quickly collaborate with the private sector, making sure that CSR is contributing to the 2030 Agenda. As for the business-as-usual, it is more complex to engage them in South-South and Triangular Cooperation. In this regard, we should particularly ensure that we are supporting the beneficiary country. The private sector aims to make profit which is normal. They have the power to influence, to sometimes impose their own solutions or their own view, especially in a small or fragile country. We, as development partners, should make sure that we assist the countries that receive funding under South-South and Triangular Cooperation from the private sector in a way that it is beneficial for them: beneficial for them in terms of employment creation, economic benefit partially maintained in the country, etc. It is quite challenging, but I think this must be ensured. We must encourage the private sector more and more to contribute and support the implementation of the 2030 Agenda by providing the right channels, incentives and mechanism for them to do so.

Citlali Ayala: I would like to add that the national legal frameworks are important when we talk about the participation of the private sector and mobilising private contributions. In the case of Mexico, we have some legal constraints when managing financial funds. For example, the Mexico-Chile Fund for Development Corporation, this bilateral fund, is administrated by the Chilean government, not by Mexico, because here we have some legal constraints regarding the administration of that money. But that has not been an obstacle to replicating this kind of funding. For example, we have a similar fund with Uruguay and Spain, and the bilateral fund agreed with Germany. So, it is kind of a funny situation because we do not have a federal budget for development cooperation, but we have bilateral funds with southern partners and with northern partners that are successful as soon as they are managed outside our country. It is like a paradox. On the other hand, we have all those successful experiences, like the Mexican Alliance for Haiti, in which the private sector, universities and AMEXCID participated. Maybe due to the context, coordination was the most difficult part.

I agree with Ulrich that the beyond-ODA world will be a more digitalised world. And in that regard, we need to think in terms of a future 'ODA' that supports more innovation, science and technology and inter-agency coordination. Security and climate change are obviously priorities in the agenda of cooperation, but digitalisation and development are a future priority and a future strategy for our countries.

For your final statement: if we leave development behind us and begin a new game, what would that be? What I hear is: the future is emerging. There are many good examples. We are on the way, but we are not yet there. This is what I have understood from you.

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Semih Boyaci: To achieve the 2030 Agenda, one of the most important things is for all sides to act more like an ecosystem, moving together in one direction. We talked about the disadvantages of thinking in silos. Shifting from "ego-system" to ecosystem would be, for each actor, a key determinant of this transition. As a person active in the social innovation and social entrepreneurship ecosystems, another suggestion would be that the ecosystems of the development sector especially, the private sector and also the public sector more widely, should come closer with social innovation ecosystems. The examples and success stories we see show the potential of this and this should be scaled up.
Ulrich Wehnert: Going beyond ODA would mean finally realising true partnerships and heading towards, preparing the way to achieve global sustainability.
Riad Ragueb Ahmed: Time is not in our favour. If we look at climate change and what is going on around the world, we must be very concerned. As development partners, we have to come together with every means we have got. It is important to complement ODA and play a dual role, all of us, in mutually responsible and equitable partnerships.
Citlali Ayala: The future fields, in my view, are in innovation, science and technology, applied to education, health and economic development. It is also important to 'cross over' development cooperation and to mainstream it in public policies and to social actors. ODA will remain being ODA. But as soon as it is inclusive and participatory and open, and if we have new forms of participation regarding diversity and legal and budgetary conditions, we can strengthen capacities and find new ways to work better – according to each case but trying to build a common ground and a common vision of everyone working as equal partners. Sustainable development has three spheres, and we can look for some progress in that respect in order to achieve the 2030 Agenda.

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Spotlight vi: The role of global networks in settings beyond ODA – the example of the Global Alliances for Social Protection

Nora Sieverding, GIZ

Eradicating poverty in all its forms and dimensions remains one of humankind's greatest challenges. According to the latest Multidimensional Poverty Index (MPI), 1.3 billion people across 101 countries are considered multidimensionally poor, two-thirds of whom live in middle-income countries. Based on this, one of the most pressing issues for both lower and upper-middle-income countries seems to be combating inequality.[114] At the same time, climate change poses a serious risk to poverty reduction and threatens to undo the progress made during the past few decades.

Against this background, social protection systems play a crucial role, since they aim to protect the population against social, economic and natural risks. In addition, effective social protection systems promote the active participation of all population groups in economic growth processes, contribute to the reduction of inequalities and thus support sustainable and inclusive social development. Numerous countries have therefore incorporated the establishment and expansion of integrated social protection systems into their national development strategies and plans. Middle-income countries such as Brazil, China, India, Indonesia, Mexico and South Africa but also Chile, Peru and Argentina are playing a leading role in expanding national policies and social protection systems. Most of these are expected to pass the threshold for high-income countries within the next decade and thereby graduate from the list of countries eligible for ODA. They have clearly stated their interest in further cooperating internationally on the topic in order to overcome specific technical challenges and knowledge gaps – even though bilateral development cooperation with these countries is either declining or has, in some cases, already stopped.

114 OPHI/UNDP 2019. South Africa, for instance, is ranked by the World Bank as an UMIC and still has one of the highest inequality rates in the world, with a consumption expenditure Gini coefficient of 0.63 in 2015 (https://www.worldbank.org/en/country/southafrica/overview). Chile, even ranked as a HIC, is the most unequal OECD country according to its Gini coefficient of 0.47 in 2017 and appeared in 2013 among the 10 most unequal countries in world, next to Brazil, Mexico and South Africa (See World Bank, 2016).

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In 2013, the global GIZ project "Global Alliances for Social Protection" was created as a response to these demands. It is funded by the German Ministry for Economic Cooperation and Development (BMZ) with resources specifically designed to pioneer new forms of international cooperation. The programme aims at fostering opportunities and structures for dialogue and technical exchange on social protection amongst interested partner countries (as listed above), regional organisations[115] as well as international partners[116] and Germany[117].

The focus of the programme on middle-income and even upper-middle and high-income countries as main partners is a deliberate choice: the countries involved in the programme have gained valuable experience in the field of social protection and are eager to share them through dialogue with others. Their experiences are made accessible and usable, so that other countries – even those that are not amongst the direct partner countries in the programme – can benefit from good practices and lessons learned, and feed them appropriately into their own country's context.

The programme itself works through regional hubs (Indonesia, Mexico, Chile, South Africa and Germany) and acts as a facilitator using appropriate and innovative learning formats, including special events, peer-to-peer learning, workshops and large-scale learning forums to promote networking and knowledge sharing. Its decentralised structure allows the programme to react directly and flexibly to the interests and learning needs of the partner countries and it therefore works on a wide range of topics, including productive inclusion, universal health coverage, financing and payment models for primary healthcare, single window service approaches, adaptive social protection, social protection and early childhood development, and beneficiary identification and registration, among others.

By bringing together partner countries at different levels of development (LMICs, UMICs and HICs), the programme fosters South-South learning on the key issues of social protection and creates new formats for international cooperation that go beyond the classical modalities of bilateral development cooperation. As a global programme without any funds to implement measures

115 Such as the United Nations Economic Commission for Latin America and the Caribbean (ECLAC) and the African Union (AU).

116 In its current phase, the programme collaborates with the World Bank Group's Global Practice on Social Protection and Jobs and the International Policy Centre for Inclusive Growth (IPC-IG).

117 Though the programme focuses mainly on the exchange between the partner countries and regional and international development partners, the German Federal Ministry of Labour and Social Affairs has always been strongly involved in learning formats organised in Germany and has been a valuable knowledge provider in the context of these technical exchanges.

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on a national level, strict partner orientation is key to its success: It allows the partner countries to identify specific knowledge gaps and needs for technical assistance with regard to clearly defined technical questions, which might then be attended to with follow-up programmes – funded with ODA or non-ODA means, e.g. from other partners or through national resources.

The Global Alliances for Social Protection may serve as one example of how countries can maintain access to knowledge and international dialogue on specific development challenges in the stage of transition or even after graduation from ODA – which, generally, is one of the biggest concerns of the countries affected[118]. By moving cooperation from a bilateral to a regional or multilateral level, global networks and alliances can offer suitable knowledge sharing formats in order to fill the gaps that arise when development partners withdraw from countries in transition.

118 Calleja/Prizzon 2019a

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Spotlight vii: Building entrepreneurial communities and enabling innovation for sustainable development worldwide – the Impact Hub network

Semih Boyaci, Impact Hub Istanbul

To move towards the UN's Sustainable Development Goals (SDGs) by 2030, it is important to improve current business models and make them more sustainable. However, the complexity of today's social and environmental problems calls for the development and scaling of new and unconventional business models. As Impact Hub, we are one of the world's largest networks focused on building entrepreneurial communities for impact at scale – and home to the innovators and dreamers who are creating tangible solutions to the world's most pressing issues in more than 100 communities worldwide. We use the global SDGs as a lens through which to view our impact in the world. While we use ODA-based funding to catalyse certain projects, our work goes beyond it, both in terms of funding and the actors involved. Empowering social entrepreneurs and change-makers and helping them scale their innovative models are at the centre of our activities.

At Impact Hub Istanbul, we implement programmes in partnership with the private sector, international development organisations and public institutions. These include large corporations as well as umbrella organisations and networks such as Global Compact; governmental bodies such as regional development agencies, municipalities in Turkey as well as consulates of other countries in Turkey; and organisations such as UNDP, World Bank and GIZ. With the latter, our projects in general focus on improving the livelihoods of vulnerable groups via entrepreneurship, or on empowering social entrepreneurs that contribute to the SDGs.

Fundraising from our partners works in very different ways as each of them has different priorities, needs and targets. With the private sector, the key component is the degree to which the proposed projects match the SDGs with the actors' overall business strategy and objectives. One of the biggest challenges for all our projects is that the funding cycles last, in general, for one year, rarely longer. This makes it hard to make long-term plans and also risks the sustainability of the projects when the priorities of funders change. Another challenge is that development organisations especially tend to work with partners with whom they have a long track record of cooperation. This restricts the room for

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experimentation with new actors. Both the development and private sectors should take more risks in working with younger organisations and social enterprises that bring in a unique approach and develop innovative models that are needed in the transition to a more sustainable and just society.

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Dialogue 7: The role of South-South and triangular cooperation in contexts beyond ODA

Cooperation beyond ODA overcomes traditional role concepts in development politics. The conventional ascriptions of the North providing and the South receiving assistance are being contested and increasingly replaced by new modalities that enable countries to engage with each other on a more equal footing. The Second UN High-level Conference on South-South Cooperation (BAPA +40), held in March 2019 in Buenos Aires, empowered the Global South and consolidated South-South cooperation as a key element of the 2030 Agenda. At the same time, triangular cooperation between northern and southern countries is gaining momentum and starting to trigger ministries and implementing agencies to rethink the role of former donors in a setting beyond ODA.

With our discussants we debate the current prospects and challenges for South-South and triangular cooperation and set them in relation to ODA graduation. Are these modes suitable alternatives for graduating countries, especially regarding their demand for technical cooperation and knowledge exchange? How can South-South and triangular cooperation be further promoted, more recognised and improved?

The discussion was held between *Orria Goni Delzangles*, Team Leader for South-South Cooperation and Finance for Development at the UNDP Africa Finance Sector Hub, *Nadine Piefer-Söyler*, Policy Analyst for triangular cooperation and cooperation with Latin American and Caribbean countries at the OECD's Development Cooperation Directorate, *Martín Rivero Illa*:, Coordinator of South-South Cooperation at the Ibero-American General Secretariat, SEGIB[119], and *Rita Walraf*, desk officer for emerging countries and triangular cooperation at the Federal Ministry for Economic Cooperation and Development, BMZ. It was facilitated by *Christof Kersting*, director of the Regional Fund for Triangular Cooperation in Latin America and the Caribbean at GIZ, and *Juliane Kolsdorf*, editor of this publication.[120]

119 SEGIB is an international support organisation for the Ibero-American community, covering the 19 Spanish- and Portuguese-speaking countries in Latin America and those of the Iberian Peninsula, Spain, Portugal and Andorra.

120 For better distinction from the discussants, the inputs and questions by the facilitators are displayed in italic without naming the respective person.

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Martín, you bring in not only your experience from SEGIB, but also from your previous job as head of the Uruguayan development cooperation agency. What is your opinion about the current prospects and the challenges for South-South and triangular cooperation?

Martín Rivero: First, I would like to differentiate between South-South and triangular cooperation. They are related but they are not the same and this is a point that we consider quite important. There is a lot of noise nowadays about the potential of triangular cooperation. A lot of things are happening, but it is not clear if it is a type of cooperation that will grow constantly in the near future. It seems that it will happen, but it is not yet very clear.

The figures related to triangular cooperation in our region are quite stable in absolute terms, around 120, 130 projects every year. But it is changing in its characteristics; it is changing regarding the countries that are involved. To begin with, mainly the countries that were being phased out of traditional ODA from the beginning of this century were participating in triangular cooperation. Chile is a clear example of that. These countries started to develop strategies regarding triangular cooperation in order to maintain their presence in the business of cooperation in the region, and they were quite active about that. Other countries, like Argentina or Mexico and later Uruguay, also started to grow in these terms. They pursued the strategy of being active in the context of development cooperation, but not only for that reason; there is a mix of strategies in each country. Another change regarding triangular cooperation are the areas of engagement. To begin with, those areas were mostly generated by the North, by the traditional donor partner in the relationship, but then this started to change. Health, agriculture or the environment are areas that are more active nowadays in projects of triangular cooperation. The third change is that, in addition to a long history of actors, particularly Germany and Japan, being active in the region, other countries have started increasing their projects of triangular cooperation, like Spain or the United States in Central America in the last seven or eight years, or countries like Luxembourg in the last two to four years. The last change is that while the number of projects has remained relatively stable, the projects are growing in size. At first, there were many small projects or activities, and now there has been a growing number of bigger projects or programmes.

So, the process of triangular cooperation is changing inside, for many different reasons. These reasons have to do with the international context, with national strategies and also with a learning process among the countries from the North or the traditional donors, or the global cooperation institutions that are starting to see the capacities and the potential of triangular cooperation.

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Orria, could you confirm this process of change from an African viewpoint? What are your views on the prospects and challenges of trilateral and South-South cooperation?

Orria Goni: In broader terms, that is the trend. But, before looking into the SDGs and South-South Cooperation, we need to look into the Addis Ababa Action Agenda; more precisely the implications of the 3rd Financing for Development Agenda which looks at the practical means of how to achieve the SDGs. We need to see how these means of implementation have impacted on the way countries are starting to look into their own domestic resource mobilisation agenda, tapping into the public and private financing, internally and externally, with its different layers and chapters.

This is also influencing how African countries are looking into their foreign affairs agendas to boost South-South and triangular partnerships that support their national development priorities. In this regard, there has been increased ownership in the south-south partnership building, including a self-empowering approach, where African countries have realized that they are not only receiving technical support, but that they can be active South-South sharing countries, as they have a wide range of development solutions ready to share. Graduating MIC countries like Botswana or Cabo Verde realise that they have a lot to sell and to export as good practices and are setting up their own development agencies to do so. But also, least developed countries like Rwanda, which envision graduating from ODA by 2030 or 2050, are currently boosting and setting up their national architecture for SSC. This is the 'decade of action', and I believe this is the African decade, where African countries are empowering themselves and getting ready to have a leading role in the global development agenda.

In UNDP's renewed strategy we want to focus on prioritizing "African money for African development". As such, we are providing support to countries in assessing what countries are doing well, what good practices they have and what can be shared through SSC with our peers. This Pan-African approach on SSC aims at transforming the development cooperation in Africa and widening the vision of what SSC is. It means suggesting that SSC is beyond the cooperation support provided by key African partners, such as China, India and Brazil. In this regard, it is positive to note that such partnership agreements are being formalized at the continental level through the Africa Union (AU) – as the case of the FOCAC[121] with China, for example – with the intention to foster broader alignment with continental priorities, including the AU's Agenda 2063.

In the case of Africa, engagements between countries have been very much limited to South-South cooperation. I have still not seen a triangular cooperation agenda; in fact, I am looking forward to partnering with all of you to see

121 Forum on China-Africa Cooperation.

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that happen. This should be a coherent continental set-up, with the AU's Agenda 2063 and the SDGs, including the AU Development Agency, AUDA-NEPAD, having the greatest influence. A potential triangular cooperation partner is Japan, where the Tokyo International Conference of African Development (TICAD) could serve as a good means of reinforcing TrC in Africa.

Nadine, within the OECD, you work more on a macro level. What do you think are the prospects and challenges for South-South and triangular cooperation?

Nadine Piefer-Söyler: At the OECD, we see an increased interest in the topic of triangular cooperation and, of course, BAPA+40 was very instrumental in that. I would say it was really a milestone event, also from the perspective of the Development Assistance Committee (DAC). In the beginning, when we at the OECD Secretariat started putting the topic of preparing for BAPA+40 and triangular cooperation on the agenda for official DAC meetings, it was not very prominent. Then BAPA+40 happened and there was good participation, also from the DAC, in the meeting and afterwards. The DAC members are more aware of the importance of triangular cooperation, of the discussions that are happening, and they are looking for ways of using the modality more.

Discussing triangular cooperation in the context of ODA graduation as a milestone of transition is very good, but only one way of using the modality and only in a certain context. We are trying to really mainstream triangular cooperation into the normal toolkit or set of instruments of all development partners, so that when you start thinking about a cooperation project, you automatically think about the option of doing it trilaterally or at least including a triangular component.

We also set ourselves the mission of pulling triangular cooperation out of its perceived niche of just being an instrument for Latin America and the Caribbean (LAC) or for middle-income countries. There are a couple of myths going around, and this is one of them. Everyone agrees that triangular cooperation is one of the cooperation modalities in LAC, but it is not yet mainstreamed in Africa or Asia. Several countries have agencies or other institutional structures in place to engage in South-South and triangular co-operation and they have a large network of partners in their regions and beyond.

I think, from a longer-term view, we can see different regional prospects on triangular cooperation. There are different stages of how well the instrument is developed and included in normal cooperation methodologies. For example, we see training approaches in partnership with institutions from Asia, the MENA region and Africa. To give an example, Japan is working with organisations that have specific expertise in a certain area, such as rice production. Through previous bilateral cooperation these organisations or institutions are strengthened and they can become pivotal partners to train participants from other countries in Africa and Asia. We also see that approach in Latin America and the

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Caribbean, but there, like Martin was saying, most triangular initiatives have developed more into a partnership-oriented approach over the years.

And that is where we see huge potential. We need to work more in partnerships to achieve the 2030 Agenda and to move beyond the binary donor-recipient model – I really see triangular cooperation as a good way to forge those partnerships.

The challenge here is that we need a mindset shift for that to happen. And it is not only the mindset that is important, but also the internal institutional regulations, the way we engage in cooperation. Whenever we talk about triangular cooperation, we often hear that the transaction costs are so high, that it is more complicated to engage in triangular initiatives. But that comes with us being geared towards the default option of working bilaterally or in regional cooperation. The latter usually means to work with a regional organisation that then coordinates among countries in that region. As the call for more multi-stakeholder partnerships with different actors beyond governments gets louder, I see this as the big opportunity for triangular cooperation and other innovative partnership-oriented modalities to shape the future of development cooperation. We will need to change the way we work to be able to better engage in these types of horizontal partnerships and also accept that everyone learns and provides resources at the same time – thus, enshrining mutual learning as a key element of development partnerships.

Rita, what do you think about the current prospects and challenges, reflecting your involvement with South-South and triangular cooperation from the side of German development policy? Maybe you can also share some insights from the recent evaluation of triangular cooperation conducted by the German Institute for Development Evaluation, DEval?

Rita Walraf: First of all, I would like to focus on the challenges that we face within German development cooperation in terms of triangular cooperation. Although Germany figures among the most active bilateral DAC donors in that area, to many of my colleagues, triangular cooperation seems to be a tiny modality and is often not supposed to be really useful for broad, big and effective development cooperation. I think this is due to several reasons that have already been mentioned by Nadine and others. First, people always put the issue of high transaction costs onto the agenda. They say it is too complicated to start such a modality; it requires too much investment in terms of coordination, talking and dealing with at least three partners at the same time. Then, many tell me that it is just a modality that works in Latin America and the Caribbean but nowhere else. The underlying reason has also been one of the findings of the

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aforementioned DEval evaluation[122]: There is not enough knowledge about the instrument itself within our institutions. That is why all these myths remain present in people's minds.

I think one of the biggest bottlenecks is the fact that we do not invest sufficiently. We do not have enough resources for the modality in terms of funds because, as Nadine has just mentioned, most of the time, the German funds invested in triangular cooperation also come from the bilateral development cooperation. This means that people have to decide whether to put funds into bilateral projects which they know very well or try to invest them in triangular programmes.

The other bottleneck has to do with staff. If you do not have the experts, especially working in the field, who really know the modality and how to handle it, things are, in fact, difficult to realise. The time factor is also quite important. Most of our triangular projects have got a very short duration, maybe one year only, and if you think about all the time needed to initiate a project, this does not add up in the end and makes it very difficult. Most of the time, the project volume is very tiny, too. So, talking about efficiency or high transaction costs: with a small project volume, efficiency cannot be very good because the budget does not allow you to work for three years or more, which would be needed to have a bigger impact.

With regard to our perspectives, I would agree with what we have just heard: BAPA+40 is a big milestone for us. The DEval evaluation also gives us advice and recommendations on how to push forward the agenda on the modality. Of course, within the OECD and other international organisations, there are many interesting publications and the definition of triangular cooperation has been updated. I also think, as Orria has said, that we should look at the broader picture. If you only see South-South and triangular cooperation as an isolated issue and you do not consider the broader perspective of financing for development, of the graduation discussion, of the transition finance discussion, you cannot mainstream the modality. The strategic documents we have nowadays can really allow us to continue and consolidate the instrument in a broader picture.

Let us continue with a 'beyond-ODA' perspective. Are South-South and triangular cooperation suitable instruments for countries on their way towards or past graduation, even suitable alternatives to technical cooperation and knowledge-exchange with countries from the North? This is also interesting from another perspective, as things are changing in bilateral cooperation. Germany, for example, is currently discussing reducing the number of its partner

122 Soon to be published in English and Spanish, see https://deval.org/en/evaluation-of-the-dc-modality-triangular-cooperation.html (15.04.2020).

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countries in development cooperation. Similar things are happening in other countries like Australia, the United Kingdom and the United States. The number of direct bilateral partners is shrinking, and, at the same time, there is a process of graduating from ODA for a range of countries.

Nadine Piefer-Söyler: I would say yes and no. Yes, it is suitable for thinking about ODA graduation. And no, it is not an alternative. The one word I would really take out of this question is "alternative" because I think it is not either/or; all modalities are complementary. However, triangular cooperation is more than just about maintaining relations with countries that are graduating.

I will come back to your question again but allow me to make some comments on graduation from the OECD perspective, referring to what you said in the introduction that in 2014, 29 countries were projected to graduate.[123] In 2014 and in the following consecutive years, the OECD came up with projections of countries that are likely to graduate until the year 2030. In these projections, 29 countries were considered, but that is by no means an indication that those 29 countries will in fact graduate**.** The DAC revises the list every three years (last in 2017 with the new revision taking place in 2020). Countries that have exceeded the high-income threshold, meaning that their GNI per capita remains at high-income level (above USD 12,375), for three consecutive years at the time of the review are removed. The countries that have graduated since that 2014-projection, and until March 2020, are Chile, Uruguay, the Seychelles and Cook Islands. Cook Islands was decided on during a special review that took place in July 2019, because of doubts about the reliability of the data delivered through the national statistical system. Antigua and Barbuda did not graduate, not because they were not on the high-income path for three years, but because Hurricane Irma almost completely destroyed the island of Barbuda. The heavy impact of Hurricane Irma on the Caribbean and the case of Antigua and Barbuda triggered another discussion in the DAC on re-insertion of countries to the DAC List. With that, the discussion on ODA graduation became broader and more global, moving beyond the Latin American and Caribbean region.

Coming back to South-South and triangular cooperation as an instrument in that stage of transition: as a reaction to the graduation process, we have seen that countries, especially in Latin America and the Caribbean, are already engaging more in triangular cooperation. At the same time, some DAC members are using triangular cooperation as a way of continuing to work with countries that have been taken off the list of countries eligible for ODA. Giving an example of a DAC member that is a champion on triangular cooperation, the EU, of

123 Nadine refers to the oral introduction to the group dialogue in which the projection by the OECD was mentioned. See introduction of this book.

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course, comes in as a big player. It has set up a facility for Development in Transition as well as the EU-LAC Facility for Triangular Cooperation (ADELANTE). The first phase of ADELANTE has just been concluded; the second phase is being planned and is agreed by the European Commission.

There are opportunities for DAC members to use triangular cooperation as a modality to partner with key development providers like China, India, Brazil, South Africa, and DAC members are doing that. However, it is not about replacing ODA relations, but rather about building new ways to partner among providers of development cooperation. That is beneficial, because now triangular cooperation is being pulled out of the niche that Rita also described, and it is becoming more prominent and visible.

My concern would be to talk about triangular cooperation as an alternative or seeing it as something that is only for graduating countries. Of course, it is a good option and these countries are well-placed as partners: they have structures in place, and they have often already worked in triangular cooperation. If you look at Chile and Uruguay, both are countries with a very long tradition and a lot of experience, so, of course, it seems like the perfect match. But I would also say, let us not discuss it in that area only but go beyond that.

Martín Rivero: I will begin with a couple of points still related to the previous question on challenges. First, just for the recording, most of the Ibero-American countries do not accept that category of 'graduation'. We have been discussing this a lot with the EU, OECD and with the traditional donors and we still think that is not the best way to proceed in terms of cooperation. Graduation – and then what? This is a reality, obviously, but I just want to make the political point that as SEGIB we do not accept that category. Particularly, and I think that we have seen that very strongly, when you graduate a country, you lose political dialogue with that country. And there are at least three important global issues that, in order to move forward, this dialogue prove to be extremely important. One has to do with migration: you need to have a good geostrategic dialogue with certain countries for migration issues, and that generally has nothing to do with the income level of that country. Another is the environment, particularly related to prevention and respond to natural disasters: any regional cooperation policy about the environment should include countries that are at higher level of income than the graduation level. And the same applies to health as a regional or global public good, given the transnational spread of epidemic diseases in our globalised world, like currently the new coronavirus, policies related to health are obviously global.

Second, within South-South and triangular cooperation, there are still important challenges regarding on how to work with civil society as well as there is still not so much capacity, dialogue, knowledge and funds related to develop South-South cooperation among local governments, particularly big cities,

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which are an extremely important actor in the SDG agenda. So, this is still a weak area of South-South cooperation and that affects triangular cooperation as well.

The third challenge, and related to that, is the capacity of South-South cooperation to work with vulnerable populations. If you analyse the content of South-South cooperation, at least in the Latin American region, the proportion of projects focused on the black population, the indigenous population, the handicapped population, any type of population with high vulnerability levels, is an extremely low proportion. Less than one or two per cent of all SSC projects carried out in the region during the last decade (a huge amount of around 8.000 initiatives) are focused on these populations. So, these are challenges facing South-South cooperation, and if these elements are weak in South-South cooperation, they will be weak in triangular cooperation too. Evidence started to show an important proportion of the success stories in triangular cooperation are built on previous successful South-South cooperation projects.

Finally, about that, an important difference between triangular cooperation and South-South cooperation is that in South-South cooperation you are supposed to have a common definition between the actors involved (southern countries) about the type of cooperation you are going to engage in, the principles that rule the relationship and how you will report and collect data or figures. This has some weak areas, like everything, but it exists and is legitimate for all the southern partners. If we want to work harder and more strongly, with an increasing number of projects on triangular cooperation, both sides, the 'traditional North' and the 'traditional South', will have to build together a common definition of triangular cooperation. And that has not yet been completely accepted by all the parties. What is triangular cooperation for you, Germany, for you, Japan, and for me, Guatemala, Brazil or Colombia? How will we measure it? What are the principles that rule it? And this applies to both sides. Sometimes the South says: yes, let us engage in triangular cooperation, but with my rules. But if you really want to engage in horizontal triangular cooperation, horizontal means horizontal, equal; you are not more than me and I am not more than you, so I have to accept your necessities and we have to find our common rules. This still needs to be improved, to be built between the North and the South: the rules and principles and the way of measuring the triangular cooperation that we have.

How suitable is this type of cooperation in terms of technical cooperation and knowledge-exchange? I think that the SDG agenda is an excellent framework for all of that; Nadine and the rest have been talking about an improvement in the process since the BAPA+40 conference. As of now, we have said "this is our agenda, the SDGs, these are our procedures", and we have a lot of elements to generate our future agenda on South-South and triangular

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cooperation. There is still a lot of room for improvement in certain areas, but based on the evidence we have, we are very confident that triangular and South-South cooperation is quite suitable, useful and capable of finding powerful results in this 2030 Agenda. I think the answer to your question would be: yes, considering these weaknesses that we have to improve and these new political agreements that we have to achieve, it is a suitable instrument in a 'beyond-ODA' landscape.

This is quite interesting because you mentioned the relation between our topic, South-South or triangular cooperation, with Goal 17 on global partnerships within the SDGs. And this has both not to do and to do with graduation processes – it is the new way we are doing our work together. From our side, in the North, it is quite difficult: in my [Christof Kersting] previous job, I was in charge of a global programme on social protection. And the problem was we were excluded when we talked about South-South cooperation on social protection, because the North was not part of it, even though a lot of countries were interested in the German model. We therefore continued as a global alliance and that gave us the opportunity to include the German Ministry of Labour and Social Affairs as part of the dialogue.

Are there any additions to what has been said about the role of South-South and triangular cooperation for graduating countries? Let us also move on to discuss how these instruments can be further promoted, more recognised and improved. Orria, you already mentioned it is important for the African context to have more of these modalities within this internationally agreed new development agenda, and Rita is also trying to push the discussion forward within BMZ, to also promote what has been established and evaluated in Latin American countries for African and Asian contexts.

Orria Goni: I very much agree with Nadine – it is not an alternative, but an additional and complementary modality and we really need to think that way. In this precise same way of thinking, the financing for development agenda had seven pillars that we were looking into. This SSC/TrC agenda is about means of implementation, which brings us back to the SDG 17 – to strengthen the means of implementation and revitalize the global partnership for sustainable development. SSC and TrC are both complementary means to implement national development priorities that are aligned with the SDGs. We need to put this comprehensive perspective into the game.

Regarding the question about how SSC can be further promoted, my response here is linked to the current challenges we face in this agenda. In the case of the African continent – being either a middle-income country, a graduating country or a least-developed country – , and their means of implementation to achieve their own national development priorities: we have seen (and this is also a legacy of the development effectiveness agenda), that the starting

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point is both strong national ownership and leadership. This means strong ownership that promotes alignment with a country's national development priorities. And this is what we are currently helping with in UNDP, with Botswana and now Cabo Verde: to make sure that countries have longer-term goals when they design South-South cooperation agendas, through their own national SSC strategies. For example, Cabo Verde is now in the process of developing a national South-South strategy that is aligned with its national development strategy, and it is not just something ad hoc with no clear contribution to the SDG-oriented priorities. Secondly, at UNDP we believe that in order to further promote SSC and TrC, we need to reinforce that coordination and coherence on the SSC and TrC-related work and initiatives, by setting up coordination mechanisms – in the format of an SSC Unit, for example. This is, in the same way that countries are establishing an SDG coordination platform for monitoring and evaluation, connecting also how bilateral partners and other financing flows are contributing to national development priorities. A third element, connected to this national coordinating structure for SSC, is the idea of a system that can track those partnerships and that can tell us where this partnership is taking us in terms of the planned national targets, and that it is not an isolated project-driven or programme-driven only. This is a process where we have been providing support to countries like Uganda and Ethiopia, mapping out the SSC activities from the different ministers to ensure there is a tracking system of where they are leading the country to. From our understanding in UNDP, these aspects – the idea of a national strategy, the establishment of a SSC unit that coordinates the work and the idea of a system that tracks what happens in terms of south-south cooperation – are some key elements, very much aligned to what BAPA+40 indicated regarding institutional capacity and the whole set-up to make South-South cooperation happen at national level. All this lies in the intention to become an active South-South partner, but I can also become an active South-South host country, to ensure that there is alignment and that it does not come here and there, and I do not even know when it will happen or where it will happen.

One important additional element to consider for further promoting SSC, very much related to what Martin was saying, is the need to have inclusive multi-stakeholder partnerships that are developed in South-South national architecture settings. We know that trade unions are doing exchanges with other trade unions or universities with other universities, and we know that South-South exchanges are happening at a decentralised level. So, we need to make sure that they are all part of the national and regional dialogue, so that we can ensure proper coherence and coordination with the aim of boosting the results of SSC and TrC efforts. In my view, in the case of Africa and the AU's agenda, it is important to strengthen the regional systems and mechanisms that can

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contribute to creating coherence among different national, regional, inter-regional and global agendas. In Africa, the clear entry point should be through the AUDA-NEPAD.

So, let me just summarise by saying: in order to further promote SSC and TrC, particularly in Africa, there needs to be institutional capacity-building, at the planning level, at the monitoring level, but also system-wise. This means creating platforms and creating systems for national and regional dialogue around SSC for tracking and monitoring those partnerships.

The last point will be: if we want these horizontal partnerships to happen, if we want this knowledge transfer to happen, we need to create the space for them, and we need to start getting on board. It is not enough with one report prepared by the North on good practices, or a good development solution that these countries are preparing or are eager to share. Our colleagues from the Islamic Development Bank (IsDB) are doing an amazing job mapping all these resource centres so that countries can know what they have to share to other countries. I think there is a huge need for knowledge management, for the codification and the systematisation of those good practices. And we need to do that, because otherwise, we are not promoting those countries and we are not promoting those solutions. We do have the South-South Galaxy that the UN Office of South-South Cooperation has launched[124]. We need to feed into that, and we need to make use of that, so that people have access to that information, so that we can channel and encourage those technical exchanges.

Rita Walraf: Let me share some more ideas on how to promote the modality. I would also start by creating an enabling environment, like the recent publications by the OECD[125] and by the IsDB and the South Centre[126] have been confirming. I think this is key in terms of what you have just mentioned: capacity-building, not only for southern partners, for their incoming and outgoing aid, but also talking about the DAC members themselves. We need these elements in terms of awareness but also institutionally speaking to create such an enabling environment. Secondly, information campaigns may also be mainstreamed within partner and donor institutions, and we need to continue to share the evidence and good practices that have been produced, like the South-South Galaxy tool. For example, I have already mentioned the evaluation of the German DEval Institute on the instrument with 16 case studies, and we are working on a plan to disseminate the findings and recommendations. We are collecting good practice examples to share with the international community. And yes, we also need more resources, although this is not a popular demand.

124 See spotlight viii on the UN South-South Galaxy in this publication.
125 OECD 2019f.
126 Islamic Development Bank/South Centre 2019.

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Let us come to the last part of our discussion and go a bit more deeply into the role of new donors and their agendas. Moreover, in terms of final conclusions, let us come back to the key question of the future of international development cooperation – do you dare to offer an outlook and some recommendations on South-South and triangular cooperation in the short and medium terms?

Nadine Piefer-Söyler: Generally, we work with many providers of development cooperation beyond the DAC membership and we have forms and mechanisms of support. For example, together with the Islamic Development Bank, we focus on strengthening institutions or institutional capacities, making capacity assessments of countries that are interested in and also benefitting from the experience of DAC members. One point that I think is often neglected in global discussions is that the DAC itself is extremely heterogeneous. Many newer DAC members and participants have gone through very similar processes or faced the same challenges as some of the emerging partners in development cooperation.

The DAC went through a reform process in 2017: its vision is 'to influence and to be influenced'. And I think we need this openness on both sides to link the two communities. The internal discussion that we often hear on the DAC side is, of course, still: how do we uphold our standards? This is a very legitimate discussion, and that is what the DAC was created for and these standards and experiences can be insightful for partners beyond its membership. At the same time, experiences of providers of South-South cooperation could be inspiring for DAC members as well.

Nevertheless, we need to bear in mind discussions in the South-South cooperation community which, also of course justified through historical experience, would not necessarily want to include the North in discussions on South-South cooperation. To start breaking up the North-South and South-South divides, we would need to talk about international cooperation or international partnerships for development. But for that to happen, I think we need both sides to enter more into dialogue with each other. In any field of this kind of cooperation, there are a lot of myths, misperceptions and misunderstandings, so we need more dialogue to really understand where we all come from, and what our priorities for going forward and our commonalities are.

Orria Goni: We need to think of setting up new partnerships. We know that there are new providers, there are new donors, there are countries that want to become new donors, that want to become active South-South partners through different means, either by contributing to the UN but also by being an active OECD partner and, at the same time, by being active in other platforms as well. The future of development cooperation is here and is very different, completely

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different to the MDG days or even the Logical Framework Approach days[127], and we need to think of new financing instruments to make that happen. And when we talk about transaction costs, we need to think that we are going to deal with transaction costs anyway because that is what it takes when you form a partnership.

But what we need to underline is: let us make things bigger, lets scale up and let us bring more partners on board for greater impact. This will promote the principle of SSC to create horizontal partnerships, making it a win-win situation for everyone. But we should also be thinking of bringing in private actors. In this regard, we need to think of being ready and supporting our member countries to be ready to set up – and manage – an SDG oriented bond; we also need to think of how to establish guarantees, how to partner with multilateral development banks and how to create all the bankable projects that everybody is talking about. The OECD is preparing a lot of countries and is working in this direction, so blended finance is the way forward, but we see that technical cooperation needs to fit there, too. Knowledge transfer needs to fit there. It is not only about financing instruments but also bringing in other elements. And it is going to be extremely demanding, of course, to set up these partnerships, but this is the world we are living in, which justifies the need to scale up our efforts. We cannot have pilots in a community anymore – these need to be nationwide, attached to ministries and then we need to make things bigger. And the way we can make things bigger is by all of us coming together. Of course, it is going to be extremely complicated, but well, this is how and why we need to get ready.

So, the whole issue of an enabling environment and looking into the regulatory frameworks of the country as well as the managerial capacities of these new partnerships is a huge agenda, at the country level, at the regional level and at the global level. The conclusion is, at least in the case of Africa: let us all contribute to make African money work for African development.

Rita Walraf: I do not want to repeat the many good recommendations you have been giving, but just let me add some points concerning the need or not of having common definitions and standards. We have been talking about this topic for ages, about the North and South and standards and principles – and, of course, it is important to somehow have common standards, the feeling of what it means to set up a project in a horizontal manner or not and also ownership. But in my view, it would not promote the modality; it would not be very positive

127 The Logical Framework Approach was developed for USAID in 1969 as a methodology for designing, monitoring and evaluating international development projects.

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to go on with the debate and go into the nitty-gritty details because we cannot lose time.

For me, our starting point is SDG 17, global partnerships for the goals, and I think it would be counterproductive to go on with that very theoretical debate. In Buenos Aires, BAPA+40 has shown that there is a way forward between the North and South, and triangular cooperation stands exactly for building bridges between the North and South. We should keep the instrument as flexible as possible to make any contribution from any side possible to achieve the SDGs, so we should focus on learning by doing together without debating too much on theories instead.

Martín Rivero: Just some thoughts: First, I personally do not much like the idea of the 'new donors'. Definitely they are not new; and generally, these countries do not like to call themselves donors, so 'new donors' is a category that sometimes makes 'noise' so perhaps is not very good one.

Second, we are closer than ever before to achieve common ground in terms of thinking about these issues. I mean, as SEGIB we have accumulated the information of 22 countries for more than 10 years, if you add the accumulation of OECD and the recent work of UNDP in Africa we have encounters with more than 80-90 countries together, so that is a lot of countries on which to collect the evidence, the experiences and the knowledge of what has happened. Unfortunately, we still do not have the political consensus to decide all these countries together, but nowadays we are closer to having a better dialogue and this meeting is an example of that, so thank you, Juliane and Christof and everybody, for organising this type of discussion. So, in a certain way, I am positive about how we are moving forward to get together and to think bigger, as Orria was saying.

Third, we are in quite a strange political context. The development cooperation discussions inside the countries are not in the top priority and budgetary position, which is something that we must accept. Even in countries that have long experience of supporting development cooperation, for example in the country I am staying now, Spain, development cooperation is not set very high on the national agenda. This is a problem. And now, there is great uncertainty about the impact of Brexit. I really do not know what is going to happen, but Britain has been putting a lot of money into development cooperation, even when those budgets were going down in other countries. So, they will differentiate their strategy compared to the European Union and perhaps this moment of lack of clarity is an opportunity to think out of the box. I think this negative political context outside the development cooperation community is also pulling us closer together and I think we are closer to finding common ground that was much more difficult to find before. That said, I am confident that we can build together these new positions and that is why I congratulate you again on

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conducting this project. It is extremely important to continue generating the knowledge and evidence that helps us to find a common position on these issues.

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Spotlight viii: Scaling up South-South and triangular cooperation through digital technologies – the UN's South-South Galaxy as an example of knowledge sharing

Shams Banihani, UNOSSC

South-South and triangular cooperation have been recognised as effective means of achieving development and alleviating poverty in the South. In today's era, digital technologies are offering transformational opportunities for development cooperation and new tools for addressing persistent development challenges. By enhancing knowledge sharing and collaboration, and by opening new opportunities for business and entrepreneurial activity, digital technology is becoming a key driver of growth and development in the Global South and can further bolster South-South cooperation.

To build on this potential, the UN Office for South-South Cooperation (UNOSSC) launched the "South-South Galaxy"[128]– a global knowledge sharing and partnership brokering platform – together with its development partners in September 2019. It represents UNOSSC's recognition of the exceptional potential presented by new digital technologies and offers transformational cooperation opportunities for enhanced knowledge sharing and collaboration across borders, as well as a chance for businesses and social entrepreneurs to access overseas markets and engage in global e-value chains.

The platform complements, rather than substitutes or duplicates existing national and regional institutional arrangements. It acts both as a one-stop shop for all partners to communicate and share solutions in order to address common challenges, and as a matchmaker by connecting solution providers and seekers. Southern countries and interested development partners will be able to locate concrete cases, share their knowledge and initiatives, collaborate with potential partners digitally and explore funding opportunities. Through its research arm, the platform is connecting governments, experts and think tanks to ensure that southern perspectives and insights are included in mainstream policy dialogue.

The Galaxy platform makes South-South cooperation more of a reality by eliminating a significant barrier to entry through digital technology and ensuring that southern partners can easily access and navigate a wide range of

128 See here: https://www.southsouth-galaxy.org/ (15.04.2020).

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knowledge and information. Thereby, it will strengthen the integration of the sharing of southern knowledge, expertise and technologies into regional and national capacities. The Galaxy is all about placing the great range of experiences, practices and exchanges of South-South and triangular cooperation across the world in a single digital space. By building bridges and connections irrespective of distance and the development stages of partners, the South-South Galaxy has the potential to contribute to improving the quality of people's lives across the Global South.

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Conclusions and outlook

Ulrich Müller, Carolina de la Lastra and Juliane Kolsdorf

The transformation of international (development) cooperation is an open-ended process with still unclear results. A multifaceted discourse among practitioners, decision makers, researchers, social entrepreneurs and activists accompanies the transition. Graduation of countries from ODA is one element in this discourse and can only be fully understood if it is embedded in the broader picture of change. Other elements are, for instance, the emerging alternative cooperation modes, the changing roles of actors and the new requirements for cooperation ecosystems.

This publication captures at least part of this discourse with the intention of encouraging further exchange of ideas without judging different views, predicting future developments or necessarily preparing decisions. It was with impressive openness that all the contributors in the dialogues and spotlights shared their thoughts and perspectives, while moving on uncertain ground. This was combined with often deep and critical self-reflection on the current experiences of countries and groups of countries.

It is also remarkable how much the concepts articulated coincide, how the participants in the discussions and authors of the spotlights respond to each other, often without knowing what others had stated. Despite the many concerns and risks expressed, acknowledging that the path to the future has not been laid yet and that there is no guarantee that the global cooperation community will be able to overcome the existing challenges and deficiencies in the system, a great openness towards change prevails, together with a general optimism. This is based on a feeling of self-confidence that all have something to offer and something to learn – a genuine knowledge sharing attitude, also reflected in the 2030 Agenda's principle of universality.

The arguments developed in the dialogues and spotlights move from an overall view on the global system in transition and a screening of the traditional development cooperation system with ODA as a central feature to prospects beyond ODA and the challenges to and opportunities for change. These reflections result in a call for a global goals-oriented, knowledge sharing-based partnership of multiple open-minded actors in the future.

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The global system in transition

To understand the current changes in development cooperation and the role of ODA graduation within these changes, a view on the broader transitions in the global system is necessary. "What we are seeing right now has, to a large extent, to do with fundamental changes outside the aid system."[129]

"Some of the biggest challenges we are facing are transnational"[130] and even "global in scope"[131]. The "degree and plurality of environmental changes we are facing"[132] are mentioned by all participants in the dialogues, as well as "megatrends"[133] such as "the issue of migration and refugees"[134], "frontier technologies, digitalisation"[135] and others that need to be addressed jointly. These global challenges are reflected in global goals agreed by all countries, especially the 2030 Agenda for Sustainable Development.

Countries from the North are experiencing that it is no longer only them who can claim to be frontrunners in innovation. At the same time, they have become aware that they are affected by global issues and that "vulnerability [...] is not only a feature of developing countries or of extremely poor and vulnerable countries"[136], as has been seen, for instance, with the Australian forest fires and the impact of the coronavirus crisis. Moreover, it is recognised that "there are significant developmental challenges even in wealthy countries"[137], particularly with respect to social and economic inequalities. In consequence, "nowadays, the divide between the North and South needs to be transcended"[138]. In addition, the idea "that economic development goes along with a development of institutions and political regimes towards democracy, participation and human rights"[139] is questioned. "Today, we know […] that the relationship between economies, societies and nature also needs to be transformed."[140]

Emerging economies from the global South are climbing up the income ladder – which is reflected inter alia in the OECD's prognosis of countries soon to graduate from ODA[141] – and are demanding their share in global power politics.

129 Klingebiel: 92 in this book.
130 Sidiropoulos: 40 in this book.
131 D'Cruz: 98 in this book.
132 Scholz: 33 in this book.
133 Klingebiel: 92 in this book.
134 Ibid.
135 Ibid.
136 Scholz: 33 in this book.
137 Sidiropoulos: 32 in this book.
138 Ragueb Ahmed: 129 in this book.
139 Scholz: 33 in this book.
140 Scholz: 37 in this book.
141 See: OECD 2014 and Introduction

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They are "developing more agency"[142] and "feel more empowered to come in with […] own positions and articulate them"[143]. This may offer new opportunities, including alternatives in terms of with whom countries align. However, in the multipolar world, the "complexity of issues and challenges"[144] is increasing. Despite their economic progress, many challenges prevail in emerging countries. They still have a "large poor population"[145] and often high levels of economic, regional and social inequality[146], resulting in opportunity gaps between different parts of society. There is also no guarantee that the path of growth will continue. Examples of stagnation in some countries have coined the idea of a "middle-income trap"[147], which is important to avoid.

There are also repercussions on multilateralism. A multipolar world "does not necessarily mean that it is going to be easily more multilateral"[148]. Many observe a crisis of multilateralism. Over the last few decades, a lot of "blindness and double standards"[149] regarding the multilateral rule-based system has been in place. Nationalistic tendencies, the emergence of stakeholders with different values like China and Russia, and political divisions in formerly unanimous blocks have contributed to "the weakening of the multilateral system as we used to know it, its principles, its rules, its institutions, its procedures"[150]. This was aggravated by the fact that "the big guys do not want to play by the rules"[151]. Peace between rich countries was accompanied by a lot of wars in developing countries – the effects of that "are now falling back down onto us"[152] to the extent that "the current situation is that multilateralism is under attack and unilateralism is on the rise"[153].The new plurality also means that "we need to let go of the belief that we are going to develop an entirely harmonised, universal approach to international cooperation"[154].

142 Sidiropoulos: 44 in this book.
143 Ibid.
144 Klingebiel: 92 in this book.
145 Mao: 52 in this book.
146 See Bokosi/Spiegel: 113 in this book; see also, for example, ODI country study on Chile: Calleja/Prizzon 2019c: 29.
147 Li: 100 in this book; Pavletic/Schrader: 75 in this book. The term usually refers to countries that have experienced rapid growth and thus quickly reached middle-income status, but then failed to overcome that income range to further catch up to the developed countries. See Glawe/Wagner 2016.
148 Sidiropoulos: 44 in this book.
149 Scholz: 43 in this book.
150 Scholz: 33 in this book.
151 Bokosi: 122 in this book.
152 Scholz: 43 in this book.
153 Li: 100 in this book.
154 Sidiropoulos: 36 in this book.

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At the same time, many agree on the importance of the multilateral system. Preserving and strengthening the multilateral rule-based order requires the countries in the North to rethink their role in the world, including the current distribution of power, and gain a new openness to pressure for reform and to change and solutions brought in from elsewhere. It is nothing less than a "paradigm shift in the mindset of all countries and governments"[155], which includes to not assume that "developmental solutions or knowledge are only a privilege of a group of countries"[156] but to "believe that all countries in the South can be recipients and providers of knowledge and solution"[157]. Emerging countries from the South – increasingly so after reaching high-income status – may try to find new approaches to work within the current change within the current multilateral system. "We as developing countries have been requesting to play a more meaningful part in the setting of international rules and standards for a while."[158] However, if their demands are not responded to, they will search for and find alternatives. Thereby, patterns of "contested cooperation"[159] have emerged and a regional power such as South Africa works with "China or Russia, who it believes are able to push for change or to create alternative global institutions in parallel, maybe not to replace but to contest the traditional ones"[160].

These changes in international relations naturally have an impact on development cooperation systems. In response to global challenges, many donors are increasingly shifting from a country-based allocation of ODA to a "thematic allocation of resources"[161] and "a lot of the assistance is being securitised"[162]. Domestic problems are putting the governments of countries from the North under pressure for national resource allocation. "Altruistic justification"[163] has "always been part of the multilateral system of cooperation"[164]. But with multilateralism being weakened, "more and more countries adopt a short-term perspective or see their national interests as juxtaposed to international cooperation because they understand it as a zero-sum game"[165]. In many traditional donor countries "development cooperation is not set very high on the national

155 Ragueb Ahmed: 129 in this book.
156 Ibid.
157 Ibid.
158 González: 54 in this book.
159 Sidiropoulos: 34 in this book.
160 Ibid.
161 Klingebiel: 92 in this book.
162 Sidiropoulos: 42 in this book.
163 Scholz: 35 in this book.
164 Ibid.
165 Ibid.

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agenda"[166] and "it has become much more mercantilist, much more interest-driven"[167].

At the same time, there is an increasing demand "to 'cross over' development cooperation and to mainstream it in public policies and to social actors"[168]. "We do talk about linking those fields: development, peace and security, climate and foreign policy […]. However, in reality, many of us, be it state actors, be it implementing agencies, be it civil society, be it think tanks, are looking into their own silos. In the end, it is a fight about resources in various organisations concerning certain subjects."[169] On the other hand, it is an increasing reality that more and more sectoral ministries are engaging in development issues[170]. This presents new opportunities but at the same time also poses policy coherence challenges. Development cooperation steps out of the 'comfort zone' of a specific policy field into the competed space of national and global political priorities.

"Rethinking or redefining what we mean by development or international cooperation would be of paramount importance"[171] taking into account that "there is a tension between aid in the old paradigm, that is, the poorest, the neediest countries in a grant financing format, vis-á-vis a broader agenda for policy dialogues and pursuit of donors' national interest in wealthier recipient aid countries"[172].

A screening of the traditional development cooperation system

In this changing global order, development cooperation and ODA in particular are still considered relevant. "People think that ODA continues to be important […] to alleviate the worry and concern from LDCs or other developing countries."[173] Representatives of the South remind the North about their "responsibility when it comes to their historical commitments in the area of development cooperation"[174].

Nevertheless, the concept of ODA is under pressure for many reasons. While some argue that "the priorities […] should be on poverty alleviation, climate change and debt problems"[175] and that ODA is required to address "the

166 Rivero: 163 in this book.
167 Sidiropoulos: 35 in this book.
168 Ayala: 142 in this book.
169 Wehnert: 135 in this book.
170 Küsel: 72 in this book.
171 Prizzon: 88 in this book.
172 Ibid.
173 Li: 104 in this book.
174 Mthembu: 94 in this book.
175 Li: 102 in this book.

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hard core of poverty"[176], others state that "development challenges are not only focused towards developing countries anymore"[177] and ask for "conversations on who defines development, and why they define it in this way and not another way"[178]. "ODA in its traditional form was a vehicle to convey two sets of resources: finance and expertise"[179], but financing is increasingly available through different channels, particularly to upper middle-income countries, and "the real value of communication and sharing within the international development sector has been in the sharing of experience rather than expertise"[180] in a horizontal and collaborative approach. There is a demand from the South, and from the North as well, to "think 'beyond ODA'"[181], working "more in partnerships to achieve the 2030 Agenda and to move beyond the binary donor-recipient model"[182]. Therefore, ODA and graduation from it "should be regarded […] as part of a broader debate on the rationale of the developing cooperation system"[183].

However, there are obstacles to such a change. ODA "is a very strict, narrow system of channelling financial resources from the North to the South. That was the idea back in the 60s, after World War II"[184]. "This makes it very difficult to achieve true partnership ambition. If you give money as a donor, there will be a receiver. That is ODA; that is the system. All of us do not like it, but the logic of the system, in the end, finds its way into our mindsets."[185]. "We are somehow stuck in the old aid paradigm."[186]

ODA graduation is part of this strict system with its classification in one of the four stages of development – from least developed countries to low-income, to middle-income and finally to high-income countries – altering step by step the kind of aid received. While graduation from the LDC status entails a heavy loss of trade support and other kinds of concessional lending from multilateral financial institutions, "graduation from ODA for the upper-middle-income countries is not as painful"[187] since these countries no longer depend on aid in financial terms[188]. In this context, it should be kept in mind that graduation and

176 Ibid.
177 Mthembu: 94 in this book.
178 Mthembu: 96 in this book.
179 D'Cruz: 97 in this book.
180 Ibid.
181 Ragueb Ahmed: 128 in this book.
182 Piefer-Söyler: 153 in this book.
183 Klingebiel: 94 in this book.
184 Wehnert: 137 in this book.
185 Wehnert: 134 in this book.
186 Prizzon: 82 in this book.
187 Li: 104 in this book.
188 Li: 99 in this book.

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exit of donors from determined countries may have similar effects but are different in terms of their finality. The exit is the result of a political decision in a donor country that can be revised or even taken back, while graduation follows an automatism laid down in the rules for development cooperation that does not leave OECD-DAC donors room for choice. While partners can continue to cooperate regardless of graduation, this may mean a shift in the ministries in charge, and it would certainly not contribute to the 0.7% ODA target anymore.

Part of the criticism also refers to the graduation criterion itself: "the ODA categorisation by income per capita is a metric that maybe makes sense for economists, but it is increasingly being contested"[189]. "We need to develop a more comprehensive methodology for measuring development because just using GNI per capita is a too simple way to measure a country's development situation"[190]. "The metrics for graduating [...] are extremely simplistic. They are also part of the old narrative because we all know that a certain level of income per capita does not say anything about real income distribution, and it does not say much about the quality of public services. The need for cooperation and knowledge sharing and, to a certain extent, resource sharing to solve urgent and major problems do not disappear when you reach this level [...], that is a mismatch in criteria."[191] "The concept of 'graduation' is based on a misunderstanding of what the nature of development is. The DAC graduation is based on the idea that a country magically develops when it surpasses for three consecutive years an arbitrary threshold put forward by the World Bank in the eighties, through a methodology that has never been sufficiently explained, nor adequately updated."[192] Also, "the 0.7% target[193] […] could really be a disincentive for modernising this [international cooperation] system"[194]. As, globally, the highest number of poor people live in emerging countries, "there have also always been debates in the international community about whether ODA should focus more on poor countries or poor people."[195]

Many of the countries in transition "do not accept that category of 'graduation'"[196]. "There are a lot of contradictions in this concept of graduation, which we think is more related to a political concern than to a real technical

189 Sidiropoulos: 37f in this book.
190 Mao: 58 in this book.
191 Scholz: 36 in this book.
192 van Rompaey: 55 in this book.
193 Refers to the commitment stated by most DAC donors to achieve the target of spending 0.7 per cent of their GNI on ODA measures. For further information, see https://www.oecd.org/dac/stats/the07odagnitarget-ahistory.htm (15.04.2020).
194 Scholz: 34f in this book.
195 Mao: 52 in this book.
196 Rivero: 156 in this book with reference to "most of the Ibero-American countries".

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concern"[197]. When contesting ODA graduation, these countries are not so much concerned about funding, but about "both the connection to international knowledge and the access to financing"[198] to address global challenges. "The economy needs to grow to provide more resources, and the country also needs to become more conscious that these areas need to have a higher priority level in the budgetary struggle. We need funds for the environment and climate change, for global public goods in general. Still, technical cooperation is also needed, and in that respect funds and technical cooperation often come hand in hand."[199] Unlike Eastern European countries that have access to EU neighbourhood facilities, most countries in transition to high-income status in other regions "do not have alternative support mechanisms"[200] to close their development gaps.

While in general all those involved in the dialogues think that ODA and the SDGs "go hand in hand"[201], countries on the way to ODA graduation perceive the risk "that we will not achieve our goals with a lack of support"[202] and reflect on the fact that "our graduation has led to us having a conversation at the global level on the issues that matter most: what do we understand as sustainable development, what needs do countries have relating to sustainable development, what are the capabilities and how can we build an international cooperation system that is based on those needs and the capabilities of countries in terms of sustainable development goals that we have commonly agreed to? […] This is an opportunity for the ODA graduation criteria to be revised and updated in the light of the 2030 Sustainable Development Agenda."[203] This reflection leads to the question, raised by many of the discussants, of "if the ODA concept is still relevant. And if there are no other, better ways to measure donors' contributions to global challenges, especially also because the SDG 2030 framework is much broader than what the ODA concept would allow as a measure".[204]

Another criticism in ODA graduation relates to the potential loss of strategic partnerships for global goals. "The graduation process means we are kicking the instruments we have for funding international cooperation out of our hands"[205], breaking bridges of cooperation, which afterwards will be difficult

197 González: 50 in dialogue 2, p.4; see also the observation by Annalisa Prizzon that graduation from ODA is criticised for "often being a political decision" (Prizzon: 76 in this book).
198 van Rompaey: 57 in this book
199 Ibid.
200 van Rompaey: 49 in this book.
201 Li: 104 in this book.
202 González: 60 in this book.
203 van Rompaey: 62 in this book.
204 Pavletic/Schrader: 82 in this book.
205 Scholz: 39 in this book.

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to reconstruct, and affecting political dialogue. Thus, countries from the North "will lose relevance as international actors" and countries from the South will build new partnerships "with whomever wants to support our national efforts"[206]. "For us, international cooperation is a […] means for mutual trust-building and to address regional and common global challenges. This is something that the donor community should take into account if they really want to leave countries completely on their own and lose that area of policy dialogue and of strengthening multilateralism, and the common ground to work on all the structural and systemic changes that are needed to really enable development at a global level."[207]

The implications of graduation for the countries affected, as well as their position in the international and development systems afterwards, remain unclear. "After graduation, when you are a high-income country, how do you position yourself?"[208] "We started to ask ourselves: What are the consequences of being graduated from ODA? What are the wider implications? Are we going to be perceived as a 'developed' country now? Are we going to have to give 0.7 per cent of our GDP to others?"[209] In that respect, graduation opens questions of identity and alignment: "Uruguay is no longer a middle-income country. Where does it stand in all the political negotiations in the UN, for instance? Where do we align ourselves? Are we a developing country? Are we a developed country? Are we part of the G77? Are we part of the group of middle-income countries? Our graduation from ODA has also led to us living slightly in limbo."[210] "China always said: we are the largest developing country in the world. So, after we have reached high-income status, how should we position ourselves? Also, rethinking China's foreign assistance and its role as a southern partner: would it still be South-South cooperation? There are a lot of questions on this, already now and especially after you have graduated from the ODA list."[211]

Graduated and graduating countries also state there is a lack of clarity about the process itself. "There is not a very clear road map for graduation. We do not really know how to cope with that."[212] Graduation experiences in the past have been negative: "the process of 'graduation' lacked clarity and formality […and] if we had not had our close relations with Chile, we would not even have been

206 González: 60 in this book.
207 van Rompaey: 61 in this book.
208 Mao: 58 in this book.
209 van Rompaey: 48 in this book.
210 van Rompaey: 57f. in this book.
211 Mao: 58 in this book.
212 González: 50 in this book.

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properly informed until who knows when"[213]. This went hand in hand with the observation that "there was no explicit strategy on the exit from ODA on the part of the government, but there was also no strategy from the DAC donors to support Uruguay during the graduation process"[214]. The whole process has been perceived as "frustrating because it was automatised and unilateral"[215].

This is acknowledged by traditional donors, too: "three or four years ago, hardly any donor had a strategy on transition in place – probably the only one was the European Commission with the Agenda for Change in 2011"[216]. This is changing nowadays. In the process of putting an end to development aid, some donors are trying to foster the "ability to hand programmes over to other development partners or to the government without disruption"[217] through long-term planning and stakeholder communication. More and more countries are expected to graduate in the coming years. Forthrightly expressed, "the aid system is a 'dying system'. We have a shrinking market because of this middle-income transit: Some of the most important receiving countries are no longer in need of concessional resources, and this is reflected ultimately in their graduation. Therefore, over the next couple of years, the system will 'run out' of business"[218]. "ODA graduation is an area where we as an implementor see very limited prospects of us continuing cooperation in the respective countries."[219] "The fact that assistance cannot be counted as ODA any more in certain countries is a clear disincentive for DFID, BMZ and French development cooperation."[220] Most of the traditional donors' development policies formally follow the ODA criteria to define their aid's recipients. However, there are also progressive tendencies: "'Beyond ODA' is already very much a normality and part of our daily life […], particularly in our cooperation with Asia and Latin America [where] we implement various projects which go beyond a classical development cooperation approach."[221] [222]

213 van Rompaey: 48 in this book.
214 Ibid.
215 van Rompaey: 49 in this book.
216 Prizzon: 76 in this book.
217 Prizzon: 77 in this book.
218 Klingebiel: 93 in this book.
219 Küsel: 86 in this book.
220 Prizzon: 88 in this book.
221 Küsel: 72 in this book. Other organisations have had similar experiences: "South–North cooperation is already happening at the grassroots level." (Boyaci: 131 in this book).
222 It should be noted here that some interlocutors distinguish between post-ODA and beyond ODA, defining 'beyond ODA' as "everything beyond classical development cooperation" (Küsel: 72 in this book), while others use both terms synonymously.

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Going beyond ODA

Both donors and countries that will soon graduate or have already graduated have developed an emerging "diversification strategy […] to change from development cooperation to a broader concept of international cooperation"[223]. From some donors' perspectives, the "focus is much more on building capacities, advising on policies or processes. […] Policy dialogues […] or building networks between these countries also play an important role"[224]. "Projects to facilitate the dialogue between the respective partner country and the [donors'] relevant […] ministries and agencies"[225] are mentioned, too. "At the same time, funding as part of our cooperation becomes far less important".[226] Others state that it is part of their agenda to "broaden the number of actors that work with development, and also to include technical cooperation"[227], and that "many of these types or means of collaboration continue even after development cooperation is phased out"[228]. "We still have ongoing partnerships in areas where we have a comparative advantage, and this is not limited to development cooperation"[229] but increasingly also involves other, thematically focused public ministries and agencies. "Specialised government actors are playing an increasingly less important role because ODA resources are being split up amongst a group of different ministries, different departments."[230] "This is very valuable because you see where the complementarities are and how each and every unit can contribute"[231], but it also poses the challenge of capacity building to public institutions with little experience in the field of international cooperation. "Regional or global approaches and funds"[232] have a special significance, though they do "not necessarily directly benefit the graduated country. But [by] working with neighbouring countries, cross-border projects […] can indirectly benefit the country that has already graduated. That was a good way […] to keep the policy dialogue with development partners open. Regional cooperation is also a learning opportunity for countries that graduated to become development partners themselves if they wish to do so, and in many cases, this is part of their own

223 Küsel: 72 in this book.
224 Küsel: 80 in this book.
225 Küsel: 81 in this book.
226 Küsel: 80 in this book.
227 Rahm: 81 in this book.
228 Ibid.
229 Ibid.
230 Klingebiel: 105 in this book.
231 Pavletic/Schrader: 82 in this book.
232 Küsel: 80 in this book.

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strategy."[233] This is in line with the aim of many donors "to cooperate with 'global partners' and to strengthen them in their global role"[234]. These strategies are recognised as being linked to "genuine"[235] donor interests, trying to "find a potential win-win situation"[236], especially regarding trade and international relations. Donor countries emphasise that "the rationale behind our engagement is important"[237] and that cooperation, including funding, is appropriate even with higher income countries since "those countries play an important role in their regional context both from an economic and a political perspective, but also regarding their contribution to global challenges"[238].

The countries that have graduated and will soon graduate are also "adjusting [their] strategies to make the most out of the [forthcoming] situation"[239]. "We are trying to convince our international partners that we need to work together in a more structured manner."[240] "After the graduation, we managed to negotiate with the European Union and we are back in regional cooperation; they have also maintained the funds for our civil society, and we are negotiating a bilateral co-fund to address […] transition priorities."[241] "Basically, we are trying to see how we can shift from, for instance, bilateral to bi-regional development cooperation programmes. We are moving towards different mechanisms of cooperating with donor countries. For instance, we are looking at co-financing certain programmes; we are looking at triangular cooperation; we are looking at horizontal programmes. We are also looking at regionalising within Mexico itself, taking a look at regional, sub-regional or subnational programmes, trying to focus on those regions which are most in need within our own country."[242] This means a reorientation and strengthening of existing cooperation facilities. "We are becoming more of an implementation agency, but at the same time we are not losing grasp of political discussions."[243] "In many […] ministries, there were also institutions established to manage the incoming aid. After all that had been phased out, they needed to find new tasks and many of these institutions are now active in applying for the implementation of [their] own aid projects.

233 Prizzon: 83 in this book.
234 Küsel: 73 in this book.
235 Pavletic/Schrader: 75 in this book.
236 Pavletic/Schrader: 81 in this book.
237 Pavletic/Schrader: 75 in this book.
238 Ibid.
239 González: 51 in this book
240 Ibid.
241 van Rompaey: 58 in this book
242 González: 51 in this book.
243 González: 55 in this book.

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This way, they hope to support other developing countries by using the knowledge they gained through the incoming aid."[244]

As part of their diversification strategies, both traditional donors and former recipients are also broadening the scope of participating actors. Many are "enhancing their cooperation with the private sector as a third pillar"[245]. They also "reach out to other groups in society and broaden our way of looking at development so that we could leave a basis for sustainable development with more actors than the government and some civil society organisations. For example, we had more collaboration with trade unions and private companies."[246] Given the particularly severe and early impact of graduation on non-state actors, development partners are requested to "explore how to support civil society in more diverse and creative ways to enable [them] to continue to tackle global and local rights and development-related issues"[247].

In relation to many global public goods, donors work "on several levels: global, regional and bilateral, and we try to often convene and work through multilaterals and joint networks of actors"[248]. Particularly, "one of the key players in a post-ODA setting focusing on global public goods are the multilateral development banks"[249], whose partnership with bilateral donors "in a post-ODA setting is of paramount importance"[250] "and something that we will continue to strengthen over the coming years"[251].

Financial resources are an important issue to be considered in the 'beyond ODA' strategy. The Addis Ababa Action Agenda that accompanies the implementation of the SDGs incorporates a greater variety of sources of financing. Key issues in this respect are, for instance, domestic resource mobilisation through improved tax systems[252] and the attraction of private sector funding[253], transparency and corruption[254], but also innovative funding mechanisms[255]. Debt remains an issue that needs to be addressed. This includes "capacity-

244 Mao: 53 in this book.
245 Küsel: 73 in this book.
246 Prizzon: 74 in this book.
247 Hayman: 70 in this book.
248 Rahm: 84 in this book.
249 Prizzon: 83 in this book.
250 Ibid.
251 Pavletic/Schrader: 84 in this book.
252 "In cases where the biggest challenge is in raising domestic resource mobilisation, capacity development in tax issues can be very important" (Spiegel: 113 in this book).
253 For the involvement of the private sector, see Boyaci: 139 in this book.
254 Bokosi: 109 in this book.
255 Boyaci: 136 in this book.

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building in debt management"[256] as well as the demand for "an international mechanism to resolve debt"[257]. It should also be noted here that in spite of their strong orientation towards knowledge sharing approaches "financial resources still are an issue for many southern providers"[258]. This also relates to the capacities of the institutional settings for cooperation. However, the discussion on resources should not be limited to finance. Many other resources such as "knowledge, local knowledge or ancestral knowledge, human resources, technical resources and material resources, are all part of this umbrella of resources"[259].

In fact, what countries in transition most strongly demand is closely related to these other resources. "Aid was never about how much money donors gave to the country. Aid for us has a strategic value that is beyond its economic worth. It is about agenda setting, it is about putting all the people together that can design the best policy to solve a problem. It is about providing for the overall public goods, it is about strengthening capacities, it is not about the money that it brings in but the knowledge and the facilitation role that comes with it."[260] "For those phased out of ODA, […] aid not only meant financial support but much more. They valued the technical exchange, sharing of experience, learning and management skills development, which came through the aid from traditional donors."[261] So "we continue to cooperate, continue to exchange and continue to find ways to support each other's development efforts. Technological exchanges, scientific exchanges, student exchanges and so forth are beneficial for everybody. We have many issues to tackle as humanity."[262]

256 Spiegel: 113 in this book.
257 Bokosi: 118 in this book.
258 Ayala: 138 in this book.
259 Ayala: 138; in the same way, Ragueb Ahmed: 137 in this book.
260 van Rompaey: 49 in this book.
261 Mao: 53 in this book.
262 González: 54 in this book.

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Challenges and opportunities

The arguments collected so far make clear that practitioners, analysts, researchers, decision makers and other actors in the international (development) cooperation system are currently witnessing an ongoing and deep process of change. When stepping from a participatory to an observational position, as the discussants in the dialogues presented in this book do, they recognise the reality and dimension of this change: "The future of development cooperation is here and it is very different, completely different to the MDG days or even the Logical Framework Approach days."[263] However, this does not simply mean that international (development) cooperation is passing from one state to another. The future will rather be "much more diverse than what we have been accustomed to"[264].

This diversity is an answer to "a significant number of societal, geophysical and environmental challenges that we are facing which absolutely require better forms of international cooperation"[265]. Its framework is the 2030 Agenda for Sustainable Development, whose global principles and goals express various aspects that make up the new system. Firstly, there will be "many more actors but also a much more diverse set of actors"[266] that are "setting up new partnerships"[267] "with a participatory approach, with a multi-stakeholder approach and with multiple actors, plurality and inclusiveness"[268]. Secondly, a change of roles and relationships is taking place. The "recipient-donor approach is obsolete and […the] North and South approach is used less"[269]. Meanwhile, "all countries in the world should embrace […a] dual role"[270] in which they are "recipients and providers of knowledge and solutions"[271] at the same time. Thirdly, this requires new modes and forms of cooperation. Some of these have already emerged within the development cooperation system and have entered

263 Goni: 161 in this book.
264 Mthembu: 102 in this book.
265 D'Cruz: 101 in this book.
266 Mthembu: 103 in this book.
267 Goni: 161 in this book.
268 Ayala: 132 in this book.
269 Ayala: 133 in this book.
270 Ragueb Ahmed: 129 in this book.
271 Ragueb Ahmed: 129. In the same way, Mthembu: 104: "[…] shifting the narrative away from the idea that there are certain countries that have the knowledge and the know-how; shift away from this donor–recipient view", Piefer-Söyler: 161: "At the same time, experiences of providers of South-South cooperation could be inspiring for DAC members as well", and Wehnert: 130: "[…] in a new world beyond ODA, I do hope that we are all providers, providing ideas and co-creating approaches to global sustainability".

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the 2030 Agenda[272], for instance the aforementioned multi-stakeholder-partnerships or triangular cooperation that "stands exactly for building bridges between the North and South"[273]. Other new modes, moreover, have arisen in innovation settings, where "social entrepreneurs […] create new models"[274]. International (development) cooperation actors need the openness and capacity to recognise these approaches and the ability to incorporate them without spoiling their creative potential.

The increasing diversity provides a lot of opportunities. However, in order to fully unfold these opportunities, a number of requirements need to be met, which can also be seen as challenges to change.

A first requirement lies in the availability of resources for new partnerships, considering the desire to mainstream new modes of cooperation and "the broader perspective of financing for development, of the graduation discussion, of the transition finance discussion"[275]. Approaches to change need "to be transferred to existing systems so that more resources can flow into innovation and new models. The problem is that resources are not moving as fast here because it is considered risky."[276] In addition, with respect to triangular cooperation, "people always put the issue of high transaction costs on the agenda. They say it is too complicated to start such a modality; it requires too much investment in terms of coordination, talking and dealing with at least three partners at the same time"[277]. However, "when we talk about transaction costs, we need to think that we are going to deal with transaction costs anyway, because that is what it takes when you form a partnership"[278]. Beyond that, a more radical shift in the provision of resources and the reasons why they are provided is taking place. In a setting beyond ODA, the assessment of cooperation measures will focus less on a beneficiary country, including an exit strategy once local needs have been met, and more on both sides wanting to be part of a partnership, including the willingness to contribute one's own resources in participation. This is a challenge not only for countries from the South but also for countries in the North, where the use of resources has generally been justified according to the help provided to others but not to cover one's own costs. Such partnerships are sustainable when the partners remain involved for a long time and not when the structures created survive without their participation.

272 See especially goal 17 (means of implementation)
273 Walraf: 163 in this book. For more detail on triangular cooperation, see dialogue 7, which especially focuses on South-South and triangular cooperation.
274 Boyaci: 131 in this book.
275 Walraf: 154 in this book.
276 Boyaci: 131 in this book.
277 Walraf: 153 in this book.
278 Goni: 162 in this book.

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A second requirement is the establishment of a new language and a new narrative of development that reflects the changes. Both communities in the systems of North-South cooperation and South-South cooperation need "more dialogue to really understand where we all come from, and what our priorities going forward and our commonalities are"[279] in order to get to "broader and more inclusive concepts that translate into equally inclusive financial instruments and cooperation policies"[280]. It requires "a mindset shift for that to happen. And it is not only the mindset that is important, but also the internal institutional regulations, the way we engage in cooperation."[281]

This leads to a third requirement, the revision of structures and processes or ecosystems in South-South and triangular cooperation[282]. The issue is "to make sure that the relevant institutional arrangements to absorb the solution and to adapt it to the local context exist. The right legal framework, supporting policies and regulations as well as adequate capacity should be put in place to allow each country to play this role effectively. Without these arrangements, resources and funds will be wasted. It is of paramount importance to strengthen the human and institutional capacities in each country to play these dual roles."[283]

Towards a new partnership based on global goals and knowledge sharing

The reflections on transition in the global system, the past and present practice of development cooperation, and the challenges to and opportunities for change culminate in a vision shared by all the contributors to this publication – with some differences in detail. There is a consensus that the development system needs to go beyond ODA for countries approaching graduation or having graduated and a majority opinion about the characteristics this should have.

This vision has four elements. Content-wise it is oriented towards global goals, predominantly the 2030 Agenda for Sustainable Development. This orientation is based on the conviction that the challenges of the 21st century can hardly be resolved by any country alone, no matter how big and strong it is. In spite of the frequent criticism of the multilateral system, this represents a categorically multilateral vision. The primary practice through which the

279 Piefer-Söyler: 161 in this book.
280 Ayala: 132 in this book.
281 Piefer-Söyler: 153 in this book. The idea of the shift in the mindset is also mentioned by Riad Ragueb Ahmed: 129 in this book.
282 See Islamic Development Bank/ South Center 2019 Developing National Ecosystems for South-South and Triangular Cooperation to Achieve the Agenda 2030 for Sustainable Development
283 Ragueb Ahmed: 133 in this book.

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implementation of the global goals is expected to be fostered is knowledge sharing. While the protection and provision of global public goods particularly will need continued access to funds, knowledge sharing is the way partners, who all have something to contribute and something to learn, find the necessary innovative solutions. In this context, ODA still has its place in supporting those in need, especially low-income countries. Beyond ODA knowledge sharing also requires resources for each country to finance the participation of its own experts. This includes scientific cooperation, but also requires the involvement of policymakers and practitioners. A knowledge sharing-oriented partnership requires[284] an attitude of openness: in order to listen to the (unexpected) contributions of one's partner, to bring in one's own ideas (with the risk – or chance! – of them being denied or copied) and to accept not necessarily knowing the best solution oneself – to learn from the other[285]. This openness is asked especially from countries from the North.

This vision is not uncontested. Things will not develop in this direction on their own. As regards global goals, the need for collaboration contrasts with the emergence of a new sense of protection of the own group, of the citizens of the own country against all others. This trend has at least partly been nurtured by the fact that globalisation failed to bring about the promised bright future for all people. Therefore, countries from the North may feel tempted to withdraw their cooperation when their own challenges become more pressing. As far as knowledge sharing is concerned, it proves to be a demanding practice. Not everything framed as such really deserves the name due to hidden power relations. A partnership itself is fragile and needs to be re-established continuously, an effort that under conditions of limited resources may be considered too strenuous. Although inspiring and fascinating, openness may also create a fear of losing what has been considered an established right, of being overrun and overruled.

However, the shared vision of a partnership among equals that is geared towards global goals and based on the sharing of solutions and knowledge is not out of reach. Even today, many examples demonstrate how it works in practice.[286] Whilst the formal rules for official development assistance are clearly set and accepted by most traditional donors, the dynamic cooperation system and the need to confront global challenges have helped it to outgrow its own boundaries. The dialogues in this book show that donor, graduating and graduated countries are taking ground-breaking pathways towards a new *de facto* situation that invite the cooperation status quo to be amlified and diversified. The

284 Müller 2017.
285 Krewer/Uhlmann 2015.
286 See, for example, cases on triangular cooperation in GPI (2019) and the UN South-South Galaxy (spotlight viii in this book).

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stakeholders have already set their foot in the new reality of international (development) cooperation. The global ecosystem for this cooperation system is growing. It builds upon the principles of development effectiveness[287] and of South-South cooperation[288], the experience gained in means of implementation – as expressed in SDG 17 – and the new modes of working together. A new global cooperation ecosystem can transcend the graduation of countries from ODA to the graduation of the international development cooperation system from its existing limitations, leading it beyond ODA.

287 Busan Partnership for Effective Development Cooperation, see 4th High-Level Forum on Aid Effectiveness 2011.

288 'Bandung Conference', see Asian-African Conference 1955.

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