

2015 DEVELOPMENT COOPERATION FORUM

Draft Concept Note

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The primary purpose of this concept note is to outline a brief background regarding the changing international development cooperation landscape as an attempt to ask how South Africa could respond in the post-2015 and beyond.

The Changing Global landscape for Development Cooperation: What will it mean for South Africa Post 2015?

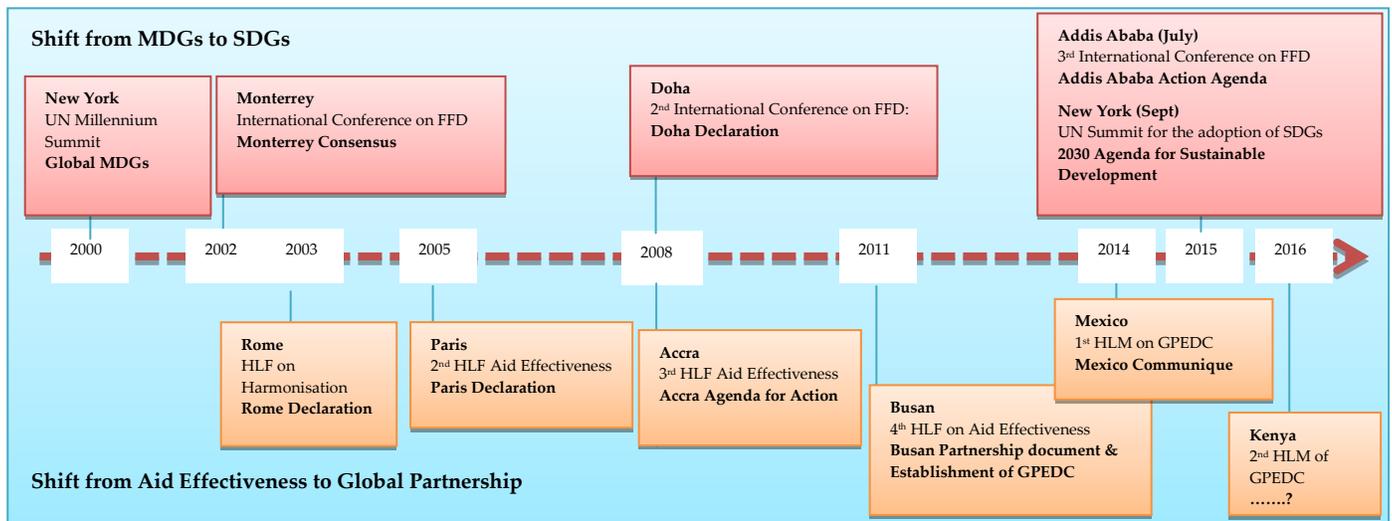
Context

Amid a changing global economic and geo-political landscape the international development cooperation architecture has evolved dramatically. Although notable changes occurred since the dawn of 21st century (see figure 1 below) it is evident that the old-aid regime is being replaced by a more complex and diverse landscape of development cooperation which is characterised by *new or emerging actors*,¹ *new approaches/models*,² and *universal global development framework*³ which is not 'purely developmental'. This has ushered new opportunities/ options and new challenges/ risks for both developed nations and developing countries. Hence, South Africa as an Upper-Middle-Income country remains not immune to the ongoing global development cooperation paradigm shift.

Development resources post 2015

The sources of finance for development have also evolved. Although Official Development Assistance (ODA) remains important resources for development it has become relatively small relative to other resources required in financing global development compact beyond 2015.⁴ Therefore, the importance of ODA as a source of development finance is shrinking.⁵ Since the post-World War II there has been a notion that aid represents a short-term transfer from the "haves" to the "have nots"; once the poor "catch up" with the rich, development aid will no longer be needed. How relevant is this notion for today's realities, also taking into account of the fact that emerging and developing

Figure 1: The development cooperation landscape is shifting from Aid effectiveness to Global partnerships.



economies are currently driving global economic growth? Nonetheless, Addis Abba Action Agenda, 2015 resolution urges donors to fulfil the agreed 0.7% ODA/GNI target, and at the same time recognising the increased importance of South-South cooperation, and rapid growth of philanthropic giving.

According to the OECD-DAC, net-ODA flows to SA averaged US\$ 859 million (+/- R8.3 billion)⁶ per annum between 1993 and 2013. Of this amount about R2 billion has been accounted for as actual grant received by South Africa Government, hence this ascertains that almost more than half is channelled directly through the civil society sector. In addition, the Oxfam Domestic Resource Mobilisation Tax Study (2012)⁷ found that High-Net-Worth Individuals (HNWIs)⁸ – more than 9300 individuals in South Africa are not properly captured by SARS and therefore not properly taxed, resulting to an estimated R48 billion loss in potential revenue which could be channelled to the development of the country. It is worth noting that the market size of HNWIs in South Africa remains underestimated.⁹ According to the Nedbank Private Wealth, “*The Giving Report II*”¹⁰ South African HNWIs donated roughly R8 billion in cash in 2012. Similarly, the civil society sector was the primary recipient of this funding. Therefore, domestic resources mobilisation remains a potential area of resourcing for development cooperation post 2015.

Leveraging partnerships and resourcing for Development cooperation

Above evidence suggests that the non-state actors as ‘agents of change’ have become increasingly important partners in development cooperation. Philanthropic foundations have become large players in resource provision and cooperation, although sometimes surrounded by concerns over legitimacy, transparency and accountability.¹¹ On the other hand, the role of Civil Society Organisations (CSOs) has also transformed, currently demonstrating their value as facilitators, conveners and innovators as well as service providers

and advocates, therefore civil society can be seen as the glue that binds public and private activity together in such a way as to strengthen the common good.¹²

Does this reflect in part, the rise in “neoliberal” theory which emphasized an enhanced role for the private sector and a reduced role for the state in society?

According to Charlotte Petri-Gornitzka “*Partnerships between Sida and the private sector have win-win objectives, both for corporate good as well as for development impacts*”.¹³ How South Africa could engage better with both the philanthropy and CSOs taking into account potential resources available and inclusive partnership for development?

Shifting motives and policy objectives for international development cooperation - from MICs to LICs

In the globalised world the motives and objectives for international development cooperation are also shifting, exemplified by a focus of post-2015 policy goals on the integration of the *economic, social and environmental* dimensions of sustainable development. Nevertheless, donor countries have different national ideologies and objectives, and they also have different historical and cultural relations with partner countries. Thus, the motives and objectives may well not be the same from country to country. Among others, aftermath of the Global Financial Crisis various traditional donors¹⁴ have started revising their development cooperation policies and strategies, pronouncing a clear indicative shift in focus from MICs to LICs and fragile states.

Evidently, donors are currently facing competing foreign policy imperatives in deciding on limited aid budgets. Value for money, differentiation, innovation, results and maximum impact, and aid for trade/economic growth are tailing donor’s current foreign policies. Most importantly, this fortifies a closer relationship between international trade and development cooperation, which signals a revival of Aid for trade-growth-development policy nexus,

particularly for MICs – including South Africa. In reality, however, the main motives of providing aid can be explained from *political, diplomatic, economic and humanitarian* perspectives.¹⁵ How SA leverages development resources such as Technical Cooperation will be very important going forward.

Accountability, Knowledge base frameworks and Development cooperation

Over the last decade the OECD has been leading international efforts to monitor the effectiveness of development cooperation. In the post-2015 era it will be very crucial to demonstrate results and impact of development cooperation. This will invariably depend on the quality of availability of development resources; recipient country's ownership and institutional capabilities; monitoring and evaluation systems that will be able to generate quality and reliable data and information. Thus, strengthening transparency, accountability, and evidenced-based decision making is important. To promote data and information sharing, and effective learning from best practices, there is also the need to have reliable Knowledge Management (KM) systems at a country level. At the same time, proper planning and effective coordination at both inter-ministerial and sectoral level will be crucial for inclusive and harmonised development cooperation. Towards this end, the National Treasury IDC is finalising an integrated M&E Framework and guidelines for development cooperation underpinned by the Government Wide M&E System. In addition, there has

been pronounced progress in the integration and implementation of KM strategy within development cooperation in South Africa.

Possible Implications for South Africa

Amid above developments evidence suggests that we “*need to do more with little resources*” and this calls for domestic resource mobilization, a renewed global partnership for effective development and the need for non-state actors' involvement. At the same premise, South Africa's National Development Plan – Vision 2030 calls for an “*integrated approach*” in dealing with development challenges in a socially cohesive environment. The new reality of aid architecture indicates that the internal and external context shaping global development cooperation has changed significantly and therefore warrants a revision, if not a change, in policy approach by both donors and recipients. Notably, South Africa remains a strategic development player in the Africa continent and the global South.¹⁶ With shrinking ODA flow to South Africa, there is a need to leverage new forms of cooperation and resources for development such as South-south cooperation including BRICS; Technical cooperation; concessionary and non-concessionary loan finance; philanthropy both domestic and international; etc. Lastly, not only do MICs including South Africa need aid; the global development community needs MICs and/or emerging economies to succeed if global development goals are to be achieved.

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Reference

¹ Non-DAC sovereign (such as BRICS) and Multilateral donors; philanthropy and foundations; Private sector; non-Governmental organisations (NGOs) etc.

² Triangular (North-south-south) and South-South cooperation; Blended Finance & Hybrid Finance Mechanisms; Climate and Green funds; Impact Financing; Global Public good; Public-Private Partnership;

³ Shift from Millennium Development Goals (MDGs) towards Sustainable Development Goals (SDGs).

⁴ Relative to other flows (such as FDI and remittances) the value of official development assistance (ODA) is decreasing.

⁵ According to OECD-DAC, total ODA flows to developing countries decreased by 6% between 2010 and 2012 following the global financial crisis. This was the largest drop since 1997.

[†] Disclaimer: The views and any conclusions expressed in this concept paper are the responsibility of the individual author and do not necessarily represent the views of the National Treasury.

⁶ At an annual average Exchange rate of 9.65

⁷ http://www.i4bb.org/reports/Oxfam_Domestic-Resource-Mobilisation-Tax-Study-2012.pdf

⁸ SARS defines HNWI as individuals who earn more than R7 million per annum or have assets of more than R75 million

⁹ According to the TMS Research the estimated size of the South African HNW market is approximately 300 000 individuals.

¹⁰ https://www.nedbankprivatewealth.co.za/nedbank_wealth/action/media/downloadFile?media_fileid=1333

¹¹ UN Task Team (2012): http://www.un.org/en/development/desa/policy/untaskteam_undf/global_partnerships.pdf

¹² WEF (2013) http://www3.weforum.org/docs/WEF_FutureRoleCivilSociety_Report_2013.pdf

¹³ Charlotte Petri-Gornitzka is the Director General, Swedish International Development Cooperation Agency.

http://www.sida.se/contentassets/f3eedd679dba41d4b810ad122fef59a2/collaboration-with-the-private-sector_3468.pdf

¹⁴ Including the European Commission, UK-DFID, Belgium,

¹⁵ Korea's Official Development Assistance White Paper (2014)

¹⁶ South Africa has played a leading role in developing NEPAD and its various sectoral strategies, mobilising African and international support for NEPAD, and supporting the structures and processes of NEPAD.