

## **UNIVERSITY OF BIRMINGHAM**

# **How does the Existence of IATI shape the Dynamics of Emerging Donors under South-South Cooperation?**

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## 1. Background

### **Research Question 3 How does the existence of IATI categorisation shape the dynamics of emerging donors under S-S cooperation?**

This section attempts to explore how the existence of IATI categorisation shapes the dynamics of emerging donors under S-S cooperation. However before answering this question, it's important to revisit why southern donor's aid data are not captured at the same time what are the issues faced by southern donor and global institutions involved in such aid data capture.

## 2. Why southern donor's aid data is not captured?

Lack of southern donor's aid data capture can be analysed at two levels –

<b>At the Donor Level</b>	<b>At the Global Institutional Level</b>
<ul style="list-style-type: none"> <li>a. Capacity issues as in some cases, the data had never been gathered and in some cases it had been gathered, but not published.</li> <li>b. not interested in being seen as a donor by other donors and/ or by their own constituents</li> <li>c. unwilling or unable to cooperate</li> <li>d. some data is available on donor websites in the form of annual report However the real time disclosure remains the issue for Non DAC donors as 'some of these databases are not up to date' and could be attributed to lack of 'data transparency'</li> </ul>	<ul style="list-style-type: none"> <li>a. no incentive to report to any global institution,</li> <li>b. as there is no formal place in the aid architecture thus they do not report their activities according to standards of DAC donors,</li> <li>c. technical and institutional problems of data definitions and collection</li> <li>d. collecting and evaluating this data from emerging economies is especially challenging, as there is no standardised reporting</li> </ul>

### **Box 1 A successful example of involving Non DAC donor in AidData**

'In Israel, project-level data did not exist, but it could be created from budgets and reports, so AidData helped assemble project-level data for the first time' (AidData). The need of this institutional hand holding was recognised by Betancourt and Schulz (2009, 21) and they acknowledged that 'the systematization of practice and learning is still pending' for South-South cooperation and suggested 'to invest in better information systems, statistics, reporting and monitoring and evaluation systems'.

Source: Andrade, 2009; Aid Data Email Response, 2011; Paulo and Reisen, 2010; Kharas, 2007; Johnson et al, 2008 & One's Data Report, 2010

To explore whether the existence of IATI standards respond to the difficulties faced by southern donors at the donor and global institutional level (as mentioned above), following section will bring the findings of 1<sup>st</sup> and 2<sup>nd</sup> research question to inform the analysis.

### **3. Technical and institutional problems of data definitions and collection**

As shown earlier that out of 33 IATI categories, 27 categories are fully compatible with the S-S Cooperation definition proposed by UNDCF background study. Only two categories are not compatible and four categories are almost compatible however it needs some minor modifications or addendum.

#### **3.1. Default Flow Type –**

One of the categories that is not compatible with south-south cooperation definition is the default flow type. As the IATI identifier shows the classification of the flow/ activity on the basis of OECD DAC's category i.e. Official Development Assistance (ODA), or Other Official Flows (OOF) [non-concessional but developmental] and excludes export credits, following could be the possible policy responses -

- a) Southern donors could take the China example. China through its white paper on foreign aid has established a foreign aid policy that serves its larger south-south cooperation goals. The foreign aid policy in place doesn't include its EXIM lines of credit as foreign aid as these are market based lending tool. The concessional loan product from Exim bank falls under its foreign aid policy and termed as a foreign aid instrument. However Indian lines of credit falls under S-S Cooperation and India does not have its foreign aid policy in place. So whether having a foreign aid policy contributing towards larger south-south cooperation is a possibility for the southern providers?
- b) To explore the possibility to include export credit as an S-S cooperation tool but follow IATI standard to not disclose export credits as it's not applicable to DAC donors. Or southern providers disclose their export credits and ask IATI to extend its coverage to DAC donors export credit as well. Can the scope of DAC's definition of ODA be widened by acknowledging that export credits can be extended for economic development of developing countries and facilitate disclosure of export credit flows? However given the existing IATI classification that excludes export credit, will it be viable for export credits flows under South - South Cooperation to publish planned disbursement on the export credit activity in each of the next three financial years?
- c) ODA and OOF is determined on the basis of purpose and concessionality (Sinha, 2010). Purpose i.e. 'for the promotion of the economic development and welfare of developing countries as its main objective' and Concessionality i.e. (a grant element of at least 25% calculated at a discount rate of 10 per cent). Lending by export credit agencies – with the pure purpose of export promotion – is excluded from the category of ODA. So, how to determine the concessionality and purpose of export credits? Isn't export credits under S-S cooperation are extended for economic development of developing countries? And what if export credits are concessional in nature (ref: India) and commercial in nature (ref: China). Unless consensus is reached, export credits can be confused that it's 'ODA'. And since export credits are tied with creditor country export of goods and services, it can be confused as tied aid.
- d) What's the arrangement on tied aid within DAC donor group with reference to export credits that might be helpful to inform S-S cooperation the required policy choices? To confirm this, it might be helpful to enter into dialogue and explore whether the S-S

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cooperation providers are willing to consider establishing arrangements on export credit similar to DAC donors or not?

e) Validating and reaching a consensus towards defining the s-s cooperation.

### **3.2. Policy or thematic markers –**

On the issue of policy or thematic markers, do the southern providers agree that they provide their assistance as per these markers or do they work on any dedicated key south-south development key policy issue that can be identified and tracked?

After reaching to a consensus to the above two categories, the IATI will be fully compatible with the S-S Cooperation definition proposed by UNDCF background study. It will significantly reduce the challenge of collecting and evaluating aid data from emerging economies due to an agreed standardised IATI reporting. If the UNDCF is successful in reaching an agreed definition of south-south cooperation and determining its various flow types and together with ensuring southern providers participation in the IATI steering committee, there will be a formal place for southern provider in the existing aid architecture.

It's expected that the southern donor's capacity issues around data collection and publication will be significantly addressed by their agreeing to the IATI standards. As the need of this institutional hand holding was recognised by Betancourt and Schulz (2009, 21) and as they acknowledged that 'the systematization of practice and learning is still pending' for South-South cooperation and suggested 'to invest in better information systems, statistics, reporting and monitoring and evaluation systems', the IATI standards could be the first step towards aid data transparency. However UNDCF's/ Task Team on South-South Cooperation's role needs to be explored as whether they will be interested to spearhead this task along with the IATI secretariat.

## **4. Challenges to the IATI and existing DAC donor's architecture**

The participation of southern donors in IATI throws the following challenges to IATI and existing DAC donor's architecture:

- a) Since the access to data on other official flows and official export credit is restricted or confidential in nature and made available only in aggregate form, will the same yardstick be applied for 'non ODA' flows of south-south cooperation providers?
- b) What if southern providers disclose their export credits and ask IATI to extend its coverage to DAC donors export credit as well?
- c) Should the scope of DAC's definition of ODA be widened by acknowledging that concessional export credits can be extended for economic development of developing countries, and to facilitate disclosure of export credit flows?

## **5. Conclusion**

It's important to acknowledge the constraints as to why Non DAC donor's aid data is not captured yet and what are the technical and institutional problems of data definitions and collection. As shown earlier that out of 33 IATI categories, 27 categories are fully compatible with the S-S Cooperation definition proposed by UNDCF background study. Only two categories are not compatible and four categories are almost compatible, however they need some minor modifications or addenda.

The consultation on two categories i.e. Default Flow Type and Policy or thematic markers needs to be done in order to create consensus and importantly what constitutes South-South Cooperation. However, on the basis of research findings above, we argue that the IATI standard should have the potential of 'coordination and cooperation' between the diverse sets of DAC as well as non DAC donors because of its ability to create 'similarity and homogeneity' among these different actors. The IATI standards could be the first step towards Non DAC donors' aid data transparency, and the role of UNDCF's/ Task Team on South-South Cooperation's needs to be explored as to whether they will be interested to spearhead this task along with the IATI secretariat.

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