DEVELOPMENT COOPERATION
in
TIMES OF CRISIS

EDITED BY
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and José Antonio Ocampo

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The Initiative for Policy Dialogue at Columbia offers a series of books on development. Together, these works provide a comprehensive view of the challenges and opportunities facing developing countries today. This book delves into the intellectual and policy dimensions of development, offering insights and strategies for overcoming the current crisis.
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CHAPTER 6

The New Face of Development Cooperation
The Role of South-South Cooperation and Corporate Social Responsibility

Francisco Sagasti and Fernando Prada
(with the collaboration of Mario Bazán, Jorge Chávez Granadino, and Gonzalo Alcalde)

This chapter is an overview of international development finance and its future prospects and emphasizes two aspects that have emerged during the last decade. With this aim, the authors examine here the motivations of donors and providers of grants and other forms of financing, the capacity of recipient countries to mobilize domestic and external resources, and the financial instruments that connect donors and providers with recipients of financial resources. These elements provide a context in which to examine (1) South-South cooperation (SSC), which has acquired a new dimension as a number of developing countries have improved their living standards and strengthened their links with relatively less developed nations; and (2) the role of the new actors in international cooperation, in particular, that of the private sector through corporate social responsibility (CSR) initiatives and various types of associations with multilateral and bilateral actors.

In the coming years the evolution of the system of international cooperation and the role of new actors will depend on the interaction of three factors. The first factor is the balance between the domestic stimulus programs and international cooperation programs in developed countries, particularly because a reduction in aid flows appears probable, despite the fact that presidents and prime ministers of the donor countries of the Organization for Economic Cooperation and Development (OECD) have committed themselves to maintaining aid levels to ease the impact of the crisis on developing countries. The question is whether these resources will be available in the near future, as pre to strengthen domestic financial systems begin to stress government budgets. The second factor is the effect of the probable increase to zero, as part of the programs to set in this context, the relative weight of government assistance (ODA) continues to decline. The need for developing countries, new opportunities for financing and cooperation, in which and could, at least partially, replace development financing.

The second factor refers to the capital markets and the capital markets that have emerged. Various emerging and developing countries are using instruments particularly in infrastructure and the public-private partnerships, guarantees, and other financial instruments to ensure that emerging and emerging and international capital markets. However, the real potential and limits of international development financing, as well as the capacity of different types of development external resources.

The third factor is the growing in the architecture of development finance initiatives to reform development finance efforts have been aimed at increasing efficiency. Less progress has been made to increase effectiveness, although most of the emerging countries in decisions and international agreements. Initiatives not for development and to design to take into account the roles that new increasing diversity of options to mix that are available to developing count
be available in the near future, as pressure persists in developed countries to strengthen domestic financial systems, and as national assistance programs begin to stress government budgets. Also to be taken into account is the effect of the probable increase in interest rates, which remain close to zero, as part of the programs to strengthen internal capital markets. In this context, as the relative weight of conventional official development assistance (ODA) continues to decline as a percentage of financial flows to developing countries, new opportunities emerge to explore other forms of financing and cooperation, in which new actors become more prominent and could, at least partially, replace official aid flows in specific areas of development financing.

The second factor refers to the capacity for innovation in the financial sector and the capital markets that are geared toward financing development. Various emerging and developing countries have been capable of mobilizing resources using instruments to reduce private investment risk, particularly in infrastructure and the development of capital markets (public-private partnerships, guarantees, derivatives, and instruments for strengthening the domestic capital markets, among others). Following the financial crisis, both bilateral and multilateral donors have made available contingency lines of credit, liquidity, and countercyclical funds, as well as instruments to ensure that emerging countries have access to the international capital markets. However, the financial crisis requires a review of the real potential and limits of international financial markets as a source of development financing, as well as a more careful appreciation of the capacity of different types of developing countries, to mobilize internal and external resources.

The third factor is the growing interest regarding institutional reforms in the architecture of development finance. The financial crisis has encouraged initiatives to reform development finance institutions, but so far the main efforts have been aimed at increasing the capital base of multilateral institutions. Less progress has been made on issues of governance and development effectiveness, although modest steps have been taken to include emerging countries in the decision-making process on global issues and international agreements. Initiatives to reform the international architecture for development and to design adequate governance systems should take into account the roles that new actors are now playing, as well as the increasing diversity of options to mobilize and utilize financial resources that are available to developing countries.
Finally, it is important to note that what may be called the “international development finance system” was experiencing limitations in its ability to channel resources effectively, even before the 2007–2009 crisis. The financial crisis and global recession have deepened these limitations, but at the same time they have generated responses from various actors and have opened up opportunities for establishing innovative and effective cooperation schemes. These initiatives could help the process of designing and implementing the institutional reforms needed to improve the performance of the international system of development finance. In addition, the presence of new actors offers an opportunity to innovate in the modalities of cooperation and in the capacity to mobilize resources for development. However, these actors are still not completely integrated into the international system of development finance and have not developed their full potential as sources of finance and generators of ideas to complement those of the traditional actors. The concluding section of this chapter suggests some options for advancing in this direction.

Changes in the International Development Finance System

Main Trends in International Cooperation Flows in the Context of the Financial Crisis

The financial crisis and economic recession have reversed some of the trends in financing flows to developing countries that had gained ground in the last three decades (Sagasti et al., 2003). These trends can be summed up as growth in net private flows, particularly in the form of foreign and portfolio equity investment, and, to a lesser extent, as debt, mainly in the corporate sector; steady growth in workers’ remittances; and a reduction of net official debt flows, which became negative in the first decade of the 2000s due to prepayments to multilateral institutions and debt relief operations of bilateral and multilateral creditors—despite the fact that official grants grew over the decade. The data up to 2008 clearly show the reversal of these trends (Table 6.1).

The most evident trend has been the reversal of private flows in a greater magnitude than in previous crises, such as during the “lost decade” of the 1980s and the Asian crisis at the end of the 1990s. Developing countries received US$752.3 billion in net private flows in 2008, US$470 billion less than the US$1,200 billion in 2007, a fall of around 33 percent of global GDP (World Bank, 2009a). Although foreign direct investment (FDI) has been as strong as on short-term flows (term credit lines), the latter effect short-term credit lines provide liquidity for the operations and allow for the refinancing our credit lines, which issues short and meet its obligations. The risk of months of the crisis was the result of which significantly reduced liquidity.

First, between January and September, average monthly US$4.5 billion was corporate issuance. There were through the end of 2008, and although their size and composition changed, average monthly issuance was only sovereign bond issues. Although the issuance in 2010, this is the most recent. Between 2003 and 2007 the 4 countries issued close to US$1.2 billion
what may be called the “international financial crisis experienced in the late 1990s, but which by 2000 had deepened these limitations, particularly in developing countries. The new wave of responses from various actors has included the establishment of innovative and effective development banks and funds, which could help the process of development finance. In this context, there is an opportunity to innovate in the area of development finance, which is still not completely integrated into the mainstream institutions and debt relief and creditors—despite the fact that the data up to 2008 clearly show the reversals of private flows in a greater way during the “lost decade” of the 1990s. Developing countries had experienced net capital inflows in 2008, US$470 billion less than in 2007, or around 33 percent of global GDP (World Bank, 2009a). Although the effect of the financial crisis on long-term investment flows (foreign direct investment [FDI] and commercial lending) has not been as strong as on short-term flows (investment in securities and short-term credit lines), the latter effect should not be underestimated: short-term credit lines provide liquidity for the corporate sector and foreign trade operations and allow for the refinancing of debts. This situation is similar for the public sector, which issues short-term securities to obtain liquidity and meet its obligations. The risk of an end to payments in the first few months of the crisis was the result of movements in these short-term flows, which significantly reduced liquidity.

First, between January and September 2008, developing countries issued an average monthly USD4.5 billion in bonds, of which 80 percent was corporate issuance. There were no additional issues from September through the end of 2008, and although they recovered modestly in 2009, their size and composition changed. Between January and July 2009, the average monthly issuance was only USD2.1 billion, but 70 percent were sovereign bond issues. Although the corporate sector increased the rate of issuance in 2010, this is the most risky area of finance in the medium term. Between 2003 and 2007 the corporate sector based in developing countries issued close to USD1.2 billion via syndicated loans and bond

<table>
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<tr>
<th>Table 6.1 Net Capital Flows to Developing Countries, 1980–2008 (Annual Average, US$ Billion)</th>
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Memorandum Items

| Official Grants | 13.25 | 28.81 | 61.47 | 76.0 | 86.2 |
| Workers’ Remittances | 20.36 | 53.29 | 164.56 | 281.8 | 326.7 |

Notes: 1. Debt to private creditors + net FDI and portfolio equity investments; 2. Official grants + debt to official creditors; 3. Official grants include those from official sources, and a smaller proportion channelled through NGOs and private banks.

issues (World Bank, 2009b:39). This debt has to be constantly refinanced, although not in such favorable conditions as those that the private companies had in 2007.3

Second, long-term investment flows and workers' remittances were more resilient, but their rate of growth has varied. FDI has fallen at a slower rate than short-term flows and corporate debt issuance, but it recuperated in 2010. However, net transfers to countries where parent companies are resident have increased, although this process can be expected as the investments made in past decades reach maturity. In addition, remittances have slowed their growth rate and may fall if unemployment continues to increase in developed countries.4 Remittances fell by between 7.3 and 10.1 percent in 2009, while they grew at an annual rate of 15 percent in the period 2000–2008 (World Bank, 2009c).

Third, with the aim of mitigating the effects of the international crisis, net official flows have become positive again, particularly for low-income countries. However, most developing countries are using domestic resources to deal with the crisis.5 Middle-income countries made use of temporary credit lines to mitigate the fall in private flows (multilateral banks and the International Monetary Fund [IMF]), but a major part of the resources used to strengthen their internal markets came from domestic savings, such as international reserves, public budgets and, in some emerging countries, sovereign wealth funds.

In general, official sources have shown limitations when it comes to tackling a financial crisis of this magnitude. For example, the IMF intervened relatively swiftly—its net flows became positive from negative US$2.1 billion in 2007 to US$80.8 billion in 2008—but it lacks the resources to meet all demand should more countries require finance (Eswar, 2009). Similarly, multilateral banks have responded swiftly, but they are reaching the limits imposed by their capital allowances, thus they have opted in some cases to request capital increases from their member countries (which we discuss later).

The reversal of private flows will not be fully compensated by public finance flows. To reduce the financing gaps in developing countries over the coming years will require a combination of higher domestic resource mobilization (higher domestic savings and better access to credit and capital markets) and enhanced mechanisms for accessing external resources, both private and official.

CHANGES IN THE INSTITUTION

The international crisis came at a time when finance system was undergoing a phasing-in of results and development effects regarding the effectiveness of aid, and in some countries to promote reforms of the This has led to a number of initiatives for the effectiveness of international co operation and the Accra Agenda for Action, at the Monterrey Conference, and the D A tives at both the regional and subregional levels.

However, these agreements are part have not included the growing diversification of international development cooperation agreements confront the challenge of a tutorial development architecture, an mediator in the reform of financial issues, including the war against terrorism, drug trafficking, and the monitoring of capital crime, among others. These new challenges aspects that have reduced the effectiveness of cooperation including the following:

- Volatility of cooperation flows. Flows are five times more volatile than GDP growth for each aid recipient, generating negative impacts. Using an analysis that measures the basis of the capital asset pricing model, priced be 15–20 percent of the total of the dollar of ODA, depending on the donor.

- Fragmentation of cooperation and only 8 percent of recipient countries receive more than 20 percent of all donor funds, while of fewer than ten OECD/Development Co-op countries. By 1990 some 80 percent of recipient countries received over 20 percent of their funds. (Bourguignon, 2007). Currently the situation is different, eight from the European Union.
CHANGES IN THE INSTITUTIONAL COOPERATION CONTEXT

The international crisis came at a time when the international development finance system was undergoing a series of reforms. The recent emphasis on results and development effectiveness has its origin in criticisms regarding the effectiveness of aid, and also in the interest of some emerging countries to promote reforms of the development cooperation system. This has led to a number of initiatives being launched to improve the effectiveness of international cooperation. These include the Paris Declaration and the Accra Agenda for Action, the Millennium Development Goals, the Monterrey Conference, and the Doha Round, as well as other initiatives at both the regional and subregional levels.

However, these agreements are partial in nature, in the sense that they have not included the growing diversity of actors who participate in the international development cooperation system. In addition, some of these agreements confront the challenge of adapting to the changes in the institutional development architecture, such as the G-20's participation as a mediator in the reform of financial institutions, and the rise of urgent issues, including the war against terrorism, global warming, the fight against drug traffic, and the monitoring of capital flows to counter corruption and crime, among others. These new challenges are in addition to a number of aspects that have reduced the effectiveness of international cooperation, including the following:

- **Volatility of cooperation flows.** Flows of ODA have, on average, been five times more volatile than GDP growth, and three times that of exports for each aid recipient, generating negative shocks in some poor countries. Using an analysis that measures the cost of the volatility of the aid on the basis of the capital assets pricing model (CAPM), the deadweight loss may be 15–20 percent of the total of the aid and between 7 and 28 cents per dollar of ODA, depending on the donor (Kharas, 2008).

- **Fragmentation of cooperation and proliferation of donors.** In the 1960s only 8 percent of recipient countries received cooperation funds from twenty or more donor countries, while 40 percent of these had the support of fewer than ten OECD/Development Assistance Committee (DAC) funds. By 1990 some 80 percent of recipient countries received cooperation from twenty or more donors, and the situation has not differed since 2000 (Bourguignon, 2007). Currently the system has twenty-two OECD donors, eight from the European Union that are not members of the DAC.
(non-DAC), eight OECD non-DAC, and eighteen non-DAC. There are also 236 cooperation institutions, including international organizations, regional and subregional multilateral banks, multidonor programs, public-private associations, and global nongovernmental organizations (NGOs) (World Bank, 2008).

- **Low predictability of cooperation flows.** The OECD carried out a study to estimate the percentage of country programmable aid with a horizon of more than three years. It showed that only 51 percent of aid was programmed, ranging from 30 percent in France to 75 percent in the European Union (OECD, 2007).

The Paris Declaration and the Accra Agenda are core agreements in this context because they emphasize the effectiveness of cooperation. But the assessments made have concluded that progress is still limited (Wood et al., 2008). Because of this, Birdsell and Vileorny (2008) have proposed a six-point agenda, emphasizing measures that may be implemented quickly and that depend on a political decision (rather than changes in larger administrative budget processes), making them highly cost-effective.  

The renewed importance of public sources of international cooperation makes institutional reforms of bilateral and multilateral institutions increasingly urgent. Multilateral institutions have responded more swiftly, but their financial contributions would not be sufficient without the support of bilateral agencies and agreements to increase their resources and especially their concessional windows. In this context a new approach to the reform of cooperation has become increasingly critical. A systemic vision is now required to take into account the presence of new actors, the changing emphasis in motivations for development cooperation, and the new financial instruments that are available.

### NEW ACTORS AND MODALITIES IN DEVELOPMENT COOPERATION

The institutional reforms to increase the effectiveness of international cooperation have emphasized changes in the financial architecture largely due to the growing influence of "emerging donors" or "new donors." The concept of "new donors" is generally diffuse, as it includes a variety of institutions and actors whose previous contribution tended to be marginal within the framework of the international system for development cooperation. However, in the last decade, some new donors have increased their influence in the design of altering the structure of financial aid.

These new actors and modalities strengthen the role of foundations, sovereign wealth funds, private and public-private arrangements for mobilizing resources, arrangements for South-South initiatives of emerging countries. A key role for these new actors is to stabilize the flow of funding and to focus on the coordination of fragmented initiatives, reducing conflicts of interests, enhancing economies of scale, and increasing aid effectiveness.  

In general, the new actors are taking on the development financing and infrastructure roles of the newly emergent states (such as China, India, Brazil, and South Africa) and emerging donors (such as China, India, Brazil, and South Africa), thereby complementing the traditional multilateral institutions (Villar, 2008). The more active role played by individuals (Hudson Institute, 2008) is also implied by the growing number of emerging donors.

From the point of view of development cooperation, the new actors strengthen the role of international cooperation in the situation of financial crisis, which means a greater diversification of options and a greater use of resources, according to the conditions (see CEPAL, 2009a, for the case of Latin America). This also implies that the new donors could become a new source of community pressure on environmental protection, and the situation, this multiplicity of actors and the problems for some of the poorest co-
and eighteen non-DAC. There are flourishing international organizations, banks, multodonor programs, public-governamental organizations (NGOs) and more. The OECD carried out a study programmable aid with a horizon of at only 31 percent of aid was procurement to 75 percent in the European Agenda are core agreements in the effectiveness of cooperation. But that progress is still limited (Wood and Vyborny, 2008) have proposed a different approach: that may be implemented quickly and rather than changes in larger adoptions, high cost-effective. Sources of international cooperation, bilateral and multilateral institutions and agreements have responded more swiftly, but not be sufficient without the support of new actors to increase their resources and influence. In this context a new approach to the increasing critical. A systemic and influential presence of new actors, the development cooperation, and the idea of modalities in cooperation.

MODALITIES IN COOPERATION

The effectiveness of international cooperation is largely dependent on the financial architecture largely driven by "old donors" or "new donors." The use of "new donors" as it includes a variety of contributions tended to be marginal. In some countries, some new donors have increased their influence in the design of development policies, and they are also altering the structure of financial and technical cooperation.

These new actors and modalities of cooperation include large private foundations, sovereign wealth funds, international NGOs, private corporate donors, schemes for mobilizing resources from individuals and consumers, arrangements for South-South and triangular cooperation, and initiatives of emerging countries. Although several of these have been operating for some time, their resource mobilization capacities and their interest in exercising greater influence in global and regional issues have now become increasingly visible. The dynamism of these actors brings about competition and innovation, together with new perspectives, methodologies, instruments, and forms of intervention, as well as additional sources for financing development. At the same time it poses challenges with regard to the coordination of efforts and the need to avoid greater fragmentation, conflicts of interest, increased administrative costs, and, in general, a reduction in aid effectiveness.

In general, the new actors are taking up an increasingly important role on the development financing and international cooperation stage. This is because of the presence of new bilateral donors such as China and Venezuela (whose role in South-South cooperation is analyzed later); growing direct investments from emerging countries (from China, India, Brazil, South Africa, Mexico, and Chile, among others) in other developing countries, associated with the growth of their capital markets (Saxena and Villar, 2008); the more active role played by subregional multilateral banks (Sagasti and Prada, 2006); and the activation of agreements on regional monetary issues (Ocampo, 2006); and the mobilization of resources provided by individuals (Hudson Institute, 2009).

From the point of view of developing countries, a more diverse environment provides greater sources of finance and more options for strategic management of international cooperation, something we will discuss later. In a situation of financial crisis, this means that some countries benefit from a greater diversity of options and financial instruments that they can make use of, according to the conditions, approaches, or facilities offered by each (see CEPAL, 2009a, for the case of Latin America). However, this diversity also implies that the new donors could erode the efforts of the International community to exercise pressure on policies and questions of human rights, environmental protection, and the sustainability of foreign debt. In addition, this multiplicity of actors and their additional resources could generate problems for some of the poorest economies, which will not be capable of...
absorbing greater flows of official aid without a probable deterioration of their macroeconomic and competitiveness indicators (Gupta et al., 2006).

China has been replacing Western countries as the main trading partner and donor in sub-Saharan Africa (Van Dijk, 2009; Reality of Aid, 2010), and India is also taking its position as an important actor (Feigenbaum, 2010) in this region, which has been a priority for traditional donors during the last two decades. These examples represent a new trend in the growth of quantities mobilized, and in levels of influence by the new regional powers. Although there are significant difficulties in calculating the payments made by these new bilateral actors, in 2008 South-South transfers had reached US$13.9 billion, or nearly 15 percent of the ODA of OECD-DAC countries (Reality of Aid, 2010). To this amount we must add around US$800 million from Russia (not normally considered part of the South or developing world) in 2009, compared to only US$220 million in 2008 (Anishuyuk, 2010). In some cases there is a significant amount of aid from countries that are not emerging economies or members of the OECD-DAC. This is true for Arab oil countries, such as Saudi Arabia, Kuwait, and the United Arab Emirates, whose payments amounted to US$5.9 billion in 2008; in addition, amounts from Venezuela were estimated at between US$1.1 and US$2.5 billion for the same year (Reality of Aid, 2010).

New actors within the group are emerging donors whose motivations have become global in scope and that exercise significant influence, meanwhile maintaining high levels of financial independence due to their capacity to mobilize domestic resources. For example, the sovereign wealth funds of emerging economies such as China, South Korea, and the Arab countries, which have ample resources, were key in providing liquidity to commercial banks during the start of the financial crisis, acting as stabilizing agents in the global economy. Thus the China Investment Corporation acquired assets from Morgan Stanley for US$5.3 billion, the Korean Investment Corporation, together with the Korean Investment Corporation, invested US$5.4 billion in Merrill Lynch, and the Abu Dhabi Investment Authority acquired US$5.7 billion of stock in Citigroup (Singh, 2008).8

Nongovernmental actors are also gaining ground within the international system of development finance, moving significant resources and developing links with traditional bilateral and multilateral actors. For example, the total amount of aid from all private U.S. funds, including religious organizations, private foundations, and individual donations, was estimated at US$33.5 billion in 2005. Private foundations allocate around 30 percent of their grants to programs outside the United States (Sulla, 2006); if this percentage is applied to they could be mobilizing US$10 billion American bilateral ODA in 2005. Never would not necessarily correspond to be considered the upper limit of private grants projects (Reality of Aid Management C

The relationship between these new, particularly bilateral and multilateral agents, anthropic foundations play an increasing finance. This is the case with the Bill and Melinda Gates Foundation, which mobilizes around US$500 million. Influence of new actors is growing in size, not subject to the same scrutiny and as they are not conditioned by politics or donors, nor are their sector support strongly global agendas such as the Millennium (Chervilier and Zimlet, 2006).

It is also important to highlight the needs through NGOs and complement society, individual donors, and country-focused ODA resources. In 2005 and 2008, total ODA resources of countries reached an unprecedented level (more than 10 percent of total ODA). However, in Japan it was 17 percent in 2003,tribute up to 60 percent of their ODA. World Bank has also provided a great deal of money in the 1980s. However, there are opinions both governmental actors and their effective, the one hand, as these actors are closer to the system, they can be more effective in their actions. However, Nunnenkamp and Bénabou greater effectiveness, and Nunnenkamp of greater capacity for focusing on policy (Gauri, 2003) found evidence of strategic interests with regard to assigning the...
without a probable deterioration of health indicators (Gupta et al., 2006).

countries as the main trading partners (Van Dijk, 2009; Reality of Aid, 2010; as an important actor (Feigenbaum, 2008). These examples represent a new trend in aid in levels of influence by the new significant difficulties in calculating the aid. Significant aliquot of the ODA of South-South (or nearly 15 percent of the ODA of South-South, 2010). To this amount we must add Asia (not normally considered part of South-South), compared to only US$220 million in Europe, there is a significant amount of aid to economies or members of the multilateral systems, such as Saudi Arabia, Kuwait, and other emirates, with an estimated amount of US$5.9 billion in the GCC region was estimated at between US$220 million and US$300 million per year (Reality of Aid, 2010).

Emerging donors whose motivations are essentially to promote significant influence, especially in the Arab world, the Arab countries key in providing liquidity to combat crises, acting as stabilizing the China Investment Corporation, the US$2.1 billion, the Korean Investment Corporation, the Chinese, and the Abu Dhabi Investment Fund in Citigroup (Singh, 2008).8

Gaining ground within the international system, moving significant resources and funds from donor countries to development assistance, and individual donations, was a key theme in the 1980s. Private foundations allocate around 20% of their funds directly outside the United States (Sulla, 2006); if this percentage is applied to total private donations in America, they could be mobilizing US$10 billion—compared to US$27.8 billion of American bilateral ODA in 2005. Nevertheless, this US$10 billion figure would not necessarily correspond to development projects and could be considered the upper limit of private grants to international development projects (Reality of Aid Management Committee, 2008; OECD, 2010).

The relationship between these new actors and traditional actors, particularly bilateral and multilateral agents, is rather complex. Private philanthropic foundations play an increasingly important role in development finance. This is the case with the Bill and Melinda Gates Foundation, which mobilizes greater resources for health than most bilateral actors. Even foundations with a longer history, such as the Ford or Kellogg Foundation, contribute hundreds of millions of dollars per year (US$530 million in 2006 for the Ford Foundation), while CARE and Catholic Relief Servicesiping mobilize around US$100 million per year, on average. Although the influence of new actors is growing in some of these areas, their activities are not subject to the same scrutiny and assessment as traditional actors, since they are not conditionally by politics or alignments that govern the OECD donors, nor are their sector support strategies determined significantly by global agendas such as the Millennium Development Goals, for example (Chervaller and Zimett, 2006).

It is also important to highlight the significant amount of ODA channeled through NGOs and complemented with the resources that NGOs collect from civil society, individual donations, and other sources. Between 2005 and 2008, total ODA resources channeled through NGOs by OECD countries reached an unprecedented level of nearly US$15 billion per year (more than 10 percent of total ODA). This size varied widely between countries: in Japan it was 7.7 percent in 2007, but some European countries distribute up to 60 percent of their ODA through these organizations. The World Bank has also provided a great deal of funds for NGOs since the 1980s. However, there are opinions both for and against the growth of non-governmental actors and their effectiveness in supporting development. On the one hand, as these actors are closer to the beneficiaries and have greater autonomy, they can be more effective when they come to making decisions. However, Nussenkamp and Ohlmer (2009) did not find evidence of greater effectiveness, and Nussenkamp et al. (2008) found no indications of greater capacity for focusing on poorer countries. In fact, Fruttero and Gauri (2005) found evidence of strategic use and the presence of private interests with regard to assigning the aid provided through NGOs.
Two of these new actors and modalities of aid are worthy of particular attention because of their potential impact on the mobilization of financial resources, transfer of knowledge, and influence to initiate reforms that improve the effectiveness of development cooperation. First, South-South cooperation can help create a more horizontal relationship between donor countries and recipients on the basis of common interests and solidarity, respect for sovereignty in domestic affairs, and, in many cases, efficiency, due to lower cooperation costs between developing countries. Second, corporate social responsibility initiatives could enable activities, programs, and resources financed by the private sector to be integrated into development cooperation programs and projects (which we discuss later in this chapter).

**DEVELOPMENT FINANCING AND COOPERATION: THE SPACE FOR NEW ACTORS**

In order to recognize and integrate the new actors within the larger group of activities related to development financing, this section examines three aspects: (1) the motivations of actors participating in the system of international development cooperation, whether as donors, recipients, or both; (2) the array of financial instruments and cooperation modalities available to developing countries; and (3) the capacity of different types of developing countries to mobilize external and domestic resources, and how this capacity relates to the use of instruments and cooperation modalities.

**MOTIVATIONS OF THE ACTORS INVOLVED IN THE INTERNATIONAL DEVELOPMENT COOPERATION SYSTEM**

"Developing finance" responds to the needs of financial resources of developing countries. However, decisions to both provide and access finance go beyond strictly financial considerations, taking other factors into account. Donor motivations include strengthening diplomatic links, expanding areas of economic influence, guaranteeing access to natural resources, and increasing trade, as well as matters related to ideological compatibility, cultural and linguistic affinities, and historical relations. For their part, recipient countries have a variety of motivations for making use of international financing and cooperation, such as compensating for the scarcity of resources and low tax revenues, employing resources with greater flexibility than is allowed by domestic budget regulations, using more effective and transparent management processes, acquiring knowledge, securing access to productive and maintaining local initiatives with experience countries.

The core question is whether the which have been studied mainly for donors, corresponds to the broadest international development cooperation and how they relate to schools of thought.

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**Table 6.2. Motivations for Engaging in Development**

<table>
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<tr>
<th>General Orientation of Motivations</th>
<th>Specific Donor Motivations</th>
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<tr>
<td>Tend More toward Aidism (concern for recipient’s interests and objectives)</td>
<td>• Attention to recipient development objectives (subnational, national, or international plans)</td>
</tr>
<tr>
<td></td>
<td>• Reward institutional, political, social, and economic performance</td>
</tr>
<tr>
<td></td>
<td>• Provide humanitarian aid and respond to emergencies</td>
</tr>
</tbody>
</table>

**Outlook for International Relations**

- Political idealism (essentially altruistic and pacific nature of the actors and of their relations)
curing access to productive and management technologies, and complementing local initiatives with experience and knowledge available in other countries.

The core question is whether the range of conventional motivations, which have been studied mainly for cases of official aid and OECD/DAC donors, corresponds to the broadest set of current actors operating in international development cooperation. Table 6.2 lists donor motivations and how they relate to schools of thought in international relations.

Table 6.2 Motivations for Engaging in Development Cooperation Initiatives

<table>
<thead>
<tr>
<th>General Orientation of Motivations</th>
<th>Tend More toward Altruism (concern for recipient's interests and objectives)</th>
<th>Shared or Mixed Interest (or the bilateral, regional, or global level)</th>
<th>Tend More toward Self-Interest (strategic donor interests and objectives)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific Donor Motivations</td>
<td>• Attention to recipient development objectives (subnational, national, or international plans)</td>
<td>• Strengthen economic interdependence</td>
<td>• Promote strategic and security interests</td>
</tr>
<tr>
<td></td>
<td>• Reward institutional, political, social, and economic performance</td>
<td>• Promote processes of integration (economic, commercial, political)</td>
<td>• Obtain support for political agendas</td>
</tr>
<tr>
<td></td>
<td>• Provide humanitarian aid and respond to emergencies</td>
<td>• Respond to problems of a global nature</td>
<td>• Promote donor economic and commercial interests</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Promote the stability of international systems</td>
<td>• Religious proselyzing</td>
</tr>
<tr>
<td>Outlook for International Relations Explaining This Orientation</td>
<td>• Political idealism (essentially altruistic and pacific nature of the actors and of their relations)</td>
<td>• Liberalism (possibility of working together and shared values; importance of institutions/complex interdependence (takes into account non-state actors))</td>
<td>• Realism (emphasis on managing conflict, drive to increase power and security)/neorealism (pays attention to actors beyond the system of states)</td>
</tr>
</tbody>
</table>
However, some considerations that guide the analysis of donor and recipient motivations need to be reexamined in light of recent changes in the context of development cooperation. In particular:

- The dichotomy between altruism and self-interest, which has helped simplify the analysis of motivations of official aid (considering primarily the point of view of donor countries), fails to encapsulate the diversity of current motivations, for at least two reasons. First, this dichotomy has functioned within the framework of bilateral relations between sovereign states. However, it loses precision when extended to other actors. For example, an increasingly large proportion of bilateral aid is channeled through NGOs, which have their own agendas that are not necessarily in line with those of the donor agencies. Second, examples exist where altruistic objectives and self-interest motivations combine, converge, and crisscross. This is the case of CSR and socially responsible investment, which combine commercial and economic interests with altruistic and social benefit criteria. Strategic motivations of donor countries in a "global world" may even contain positive externalities that could be considered altruistic, as with the provision of certain global and regional public goods (financial stability, mitigation of climate change, and regional integration processes, among others).

- It is becoming more evident that strategy and self-interest considerations also exist in the motivations of aid recipients. For example, Argentina and Ecuador prepaid their debts to the IMF to avoid the associated conditionalities and to strengthen their internal political discourse against multilateral financial institutions, even at the cost of more expensive sources of funding, such as issuing bonds in their domestic capital markets, or with a high opportunity cost, as in resorting to the use of international reserves. Middle-income countries now have access to a broad range of donors and financial instruments, allowing them to act more strategically in managing their international cooperation relations. However, countries with lower levels of development, such as least-developed countries, fragile states, or those in a situation of humanitarian disaster or post-conflict, experience greater restrictions in terms of the range of options available (UNCTAD, 2009).

- Countries in transition from recipient to donor status present conceptual challenges for categorizing their motivations. Brazil, Russia, India, and China (the BRIC countries) aspire to a varying extent to act as global powers, and their cooperation programs as donors reflect this attitude. But this is also the case with countries wi- nesia, Turkey, South Africa, Mexico, the BRIC countries, aim for greater pational cooperation, both through So multilateral initiatives (subregional degration mechanisms).

- Some private-sector actors are client programs, and their experience exclusively funded by official resources of private-sector actors will start development agenda. For example, t actor through its bilateral programs Foundation, based in the United States, billion for health programs than the U.S. government in some f cooperation. It has its own agenda, with that of the U.S. government. In and CSR programs have found it dis complement, their countries' official.

As a result of the financial crisis, the effects of that could configure new tr ing variety of actors in the system, been able to show their growing in issues, as well as their capacity to me developed countries and to consol ond, the crisis has challenged the p capable of replacing official aid. A and altruistic motivations will be rel nerable countries that have suffered crisis, the effects of climate change, a pressure on public budgets in devel for them to increase resources for cially when some of the temporary in the 2000s are likely to dwindle in for the reconstruction of Iraq and bilateral creditors).
that guide the analysis of donor and recipient behavior in light of recent changes in the donor landscape. In particular:

- A strategy and self-interest, which has helped drive official aid (considering primarily humanitarian), fails to encapsulate the diversity of motivations. First, this dichotomy has been useful in explaining the bilateral relations between sovereign states and other actor types. For example, bilateral aid is channeled through countries that are not necessarily in line with the objectives of the donor. There are examples where altruistic objectives combine, converge, and crisscross. This has opened the door to new partnerships with partners who consider their own interests. In a "global world" may even be possible for countries to cooperate for the benefit of all parties involved.

- The crisis of resource allocation and self-interest considered the need to fund aid recipients. For example, Argentina to the IMF to avoid the associated consequences of internal political discourse against the cost of more expensive sources of finance for their domestic capital markets, or with the US$1.22 billion for health programs in 2007, is possibly more influential than the US$2.6 billion in some fields related to health and international cooperation. It has its own agenda, which does not necessarily coincide with that of the U.S. government. In particular, some private foundations and CSR programs have found it difficult to align themselves with, or to complement, countries' official aid programs.

As a result of the financial crisis, it is possible to anticipate three kinds of effects that could configure new trends in the motivations of the growing variety of actors in the system. First, the emerging economies have been able to show their growing influence on development cooperation issues, as well as their capacity to mobilize resources to help relatively less developed countries and to consolidate South-South cooperation. Second, the crisis has challenged the paradigm that private financing might be capable of replacing official aid. As a result, it is possible that solidarity and altruistic motivations will be reinforced, particularly in the most vulnerable countries that have suffered a triple impact from the financial crisis, the effects of climate change, and the increase in food prices. Third, pressure on public budgets in developed countries will make it difficult for them to increase resources for official development assistance, especially when some of the temporary flows that contributed to increased aid in the 2000s are likely to dwindle in the medium term (including support for the reconstruction of Iraq and Afghanistan, and debt relief with bilateral creditors).
RECIPIENT COUNTRIES AND THEIR CAPACITY TO MOBILIZE DOMESTIC AND EXTERNAL RESOURCES

Bilateral aid agencies and multilateral development banks generally use average national income per capita as the main criterion for allocating their different types of financial resources to recipient countries. For example, grants and concessional loans are targeted at low-income countries; middle-income countries have access to a variety of combinations of grants, soft loans, and regular loans; and regular loans and private investment guarantees are channeled to middle-income countries.

However, this classification does not take into account the actual diversity of countries that have similar per capita incomes. In particular, developing countries are becoming increasingly differentiated according to their capacities to mobilize domestic and external resources. This can be seen, for example, by comparing the situation of some lower-middle-income countries according to World Bank criteria, that is, those whose gross national income (GNI) per capita was between US$986 and US$3,855 in 2008. This group includes the following: China, with a GNI per capita of US$2,980, which received US$1.47 billion in FDI and has a level of domestic savings close to 56 percent of GDP; Jordan, with a GNI per capita of US$3,130, which received FDI of US$1.9 billion and has levels of domestic savings of 13 percent of GDP; and Côte d’Ivoire, with a GNI per capita of US$5980, which received US$430 million in FDI and has a rate of domestic savings of 14 percent of GDP. In other words, countries with similar incomes present very different features in terms of their capacity for domestic saving and investment, export levels, FDI, and net international reserves, among other indicators of resource mobilization.

This suggests the need to develop indicators based on the capacity to mobilize domestic and external resources, with the aim of better adapting the range of financial instruments used in aid and international financing to the needs of the different recipient countries. This section presents an updated and extended version of the “index of resource mobilization capacity,” based on the work of Sagasti et al. (2009). This index helps identify various categories of recipient countries according to their ability to access external resources and generate domestic resources (see Appendix 2). To do this, we have used the statistical method of principal components, which allows information from a variety of indicators to be integrated in order to identify the factors that best explain their combined variation. In this way it is possible to “compact” the information from various indica-
development banks generally use the main criterion for allocating resources to recipient countries. For example, targeted at low-income countries; a variety of combinations of grants,ollar loans and private investment in some countries. ntake into account the actual differ per capita incomes. In particular, increasing differentiated according to internal and external resources. This can be seen in the situation of some lower-middle-income countries in FDI and has a level of domestic credit to the private sector, and domestic savings (as a proportion of GDP) for the index of internal resource mobilization; and (2) levels of foreign direct investment, volume of exports of goods and services, and net international reserves, all expressed in logarithms to reduce dispersion, for the index of external resource mobilization. The figures used for each indicator correspond to the average for the period 2006–2008.

The principal component analysis allowed identification of four main groups of countries according to their resource mobilization capacities (Figure 6.1). The scale has been normalized (to a [0,1] scale), and China is the upper limit due to its relatively high capacity to mobilize external and domestic resources. In addition, the combination of a 0.5 cutoff point in each index defines four quadrants for illustrative purposes. This division allows us to identify four categories of countries:

- **Type A countries**, with a **high capacity for domestic and external resource mobilization** (both indexes with values greater than 0.5). These are economies that are integrated in the international markets and receive high levels of FDI. In addition, they have well-developed domestic capital markets to finance the private sector and enough public resources to cover the majority of their current expenditures and investment needs. Emerging economies such as China, South Africa, Russia, Brazil, Mexico, and Chile belong to this category.

- **Type B countries**, with a **high capacity for external resource mobilization and a lower capacity for internal resource mobilization**. In general, these are countries at the intermediate level of development, with small domestic
countries of sub-Saharan Africa and and Cameroon, among others.

The financial crisis may have changed classification schemes according to the but no consolidated data for 2009 are possible to appreciate some of the risks. First, economies with a high capitalization that depend on external flows of securities in international capital markets, may have difficulties if the international community does not finance its investments by issuing debt, they mature. It is estimated that the economies had to refinance debt for over $200 billion. This could lead to serious financial problems, international capital market operation, or the liquidity of international bonds.

In addition, the impact of the financial crisis on large economies that are open to international trade and foreign investment. Among them are exporters of commodities that can attract external financing, but whose capacity for domestic mobilization is constrained by their relatively low levels of savings and investment. This category includes Peru, Angola, Indonesia, Pakistan, and India.

- Type C countries, with a low capacity for external resource mobilization and a greater capacity for internal resource mobilization. This is generally the case of small economies in which the public sector is an important actor and where the small economies have high levels of domestic savings but have not been capable of attracting external investment or trade flows to the extent that emerging economies have. This is the case for countries such as Nicaragua and Armenia and for smaller economies such as Grenada and Dominica.

- Type D countries with a low capacity for internal and external resource mobilization (both indexes with values lower than 0.5). These are poorer countries with a relatively low level of development, whose links with international markets have not yet been developed and are dependent on bilateral and multilateral cooperation flows. This category includes the economies that are open to international trade and foreign investment. They are among the poorest in the world, and their capacity for domestic mobilization is constrained by their relatively low levels of savings and investment. This category includes countries such as Grenada and Dominica.

The classification based on the indices allows for establishing a link between different instruments and modalities of cooperation. This information allows for identifying the supply and use of financial resources, responding to changes in the context of financial innovation and the growth of new actors, providing countries, private firms, foundations, and other institutions, in the different types of recipient countries focused on providing grants and technical cooperation to countries with the lowest capacity to mobilize domestic resources. The financial crisis may have changed classification schemes according to the but no consolidated data for 2009 are possible to appreciate some of the risks. First, economies with a high capitalization that depend on external flows of securities in international capital markets, may have difficulties if the international community does not finance its investments by issuing debt, they mature. It is estimated that the economies had to refinance debt for over $200 billion. This could lead to serious financial problems, international capital market operation, or the liquidity of international bonds.

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countries of sub-Saharan Africa and Paraguay, Bolivia, Ecuador, Haiti, and Cameroon, among others.

The financial crisis may have changed some countries' positions in the classification scheme according to their resource mobilization capacities, but no consolidated data for 2009 are yet available. However, even so, it is possible to appreciate some of the risks associated with the effects of the crisis. First, economies with a high capacity for external resource mobilization that depend on external flows to finance the private sector, through securities in international capital markets or credit lines from commercial banks, may have difficulties if the international economic conditions deteriorate in the medium term. The corporate sector in these economies has financed its investments by issuing debt and has to refinance its loans as they mature. It is estimated that the corporate sector of the emerging economies had to refinance debt for over US$1 trillion in 2010 (World Bank, 2009b). This could lead to serious financial problems if interest rates rise sharply, international capital markets reduce their levels of intermediation, or the liquidity of international commercial banks is restricted.

In addition, the impact of the financial crisis on poorer countries has led to the expansion of concessional windows of multilateral banks, including regional and subregional institutions (UNCTAD, 2009). Even though most international cooperation institutions committed their support to low-income economies, in practice these countries did not receive resources according to their financing needs. In contrast, middle-income countries had available several financial options to cope with the financial crisis (Ocampo et al., 2010).

The classification based on the capacity for resource mobilization allows for establishing a link between the use of certain kinds of financial instruments and modalities of cooperation and the country categories. This information allows for identification of some of the following trends:

- The supply and use of financial instruments tend to diversify over time, responding to changes in the environment, economic progress, and the introduction of financial innovations. This trend can be clearly appreciated in the group of new actors providing international cooperation (emerging countries, private firms, foundations, public-private associations) and in the different types of recipient countries. Initially some new donors focused on providing grants and technical cooperation to those recipient countries with the lowest capacity to mobilize resources, whether external,
internal, or both. However, over time, it is possible to appreciate the use of
a broader range of financing and cooperation instruments, both by provid-
ers and recipients. For example, some emerging donors are using instru-
ments to finance trade exchanges, guarantees for private investments, con-
cessional loans, and turnkey projects, among others, to finance initiatives
in countries with a lower resource mobilization capacity, and particularly
from external sources. Other donors are exploring instruments that com-
bine the power of innovation of capital markets, such as securitization of
future aid flows, to channel resources toward countries with a lower capa-
city for domestic and external resource mobilization. Meanwhile, donors in
the private sector are using new mechanisms to mobilize additional re-
ources, including guarantees, risk mitigation insurance, corporate social
responsibility initiatives, support of government social projects, support for
reconstruction and assistance in humanitarian disasters, and “public works
for taxes” schemes, particularly in countries with a higher capacity for ex-
ternal resource mobilization.

- As capacity to mobilize resources increases, access to sources of fi-
nancing diversifies and expands. For example, emerging economies have
strengthened their domestic capital markets, issued bonds on international
markets, increased their FDI inflows, and obtained access to instruments
that mitigate investment risks. At the same time, they can access resources
provided by the trust funds of international cooperation institutions for
specific purposes, such as those designed to address the impact of and ad-
aptation to climate change, and the financing of health programs. In con-
trast, economies with a reduced capacity for mobilizing external and in-
ternal resources are more dependent on ODA and have access mainly to
concessional resources, budget support, and donations from public and pri-
ate sources.

- Various countries with a greater capacity for financial resource mobi-
lization are making the transition from recipients to donors and becom-
ing increasingly involved in South-South cooperation initiatives. This is
the case of the BRIC countries and other emerging economies, which have
begun to expand their influence at the regional and subregional levels. These
countries have “graduated” from some modalities of financing such as con-
cessional resources and donations from multilateral bodies and the United
Nations. However, it is more a case of graduation than graduation, as these
countries continue to use resources from bilateral and multilateral sources
with strategic aims, in accordance with their interests, although to a more
limited extent. For example, some have strengthened their capital markets
with the support of multilateral banks to reduce the costs of issuing local-
has allowed them to increase their 3
and extend banking penetration. Such
and multilateral sources are used for pre-investment studies, and also to
incure, for example, to promote
environmental conservation.

- The external and domestic re-
better describe the diversity of deve-
the use of average per capita inco-
countries is illustrative. Despite f
show major differences in their re-
their capacity to access different
countries. Many of these contri-
distribution of income, and a signif-
poverty, but at the same time some
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diversity of financial sources. The
America and Southeast Asia, which
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the United Nations agencies, the pro-
cessional sources. This diversity is n
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- The categorization of develop-
mobilize resources allows the identi-
and modalities of cooperation, takin-
As well as using instruments to mi-
ate domestic sector and foreign
capacity for mobilizing internal at
various combinations of instrument
CSR and private foundation res our-
periments with new approaches, p
are most successful can then be re-
resources from bilateral or multi-
the international capital markets.
source mobilization capacity and a
is essential to promote the mobiliz-
It is possible to appreciate the use of mobilization instruments, both by providing emerging donors are using instruments for private investments, among others, to finance initiatives in mobilization capacity, and particularly for exploring instruments that connect markets, such as securitization of bond countries with a lower capacity for mobilization. Meanwhile, donors in environments to mobilize additional reinsurance, corporate social government projects, support for humanitarian disasters, and “public works” projects with a higher capacity for expansion.

As access increases, access to sources of financial, for example, emerging economies have not issued bonds on international markets and obtained access to instruments at the same time, they can access resources mobilization cooperation institutions for aid to address the impact of and advancing of health programs. In contrast, for mobilizing external and internal ODA and have access mainly to grants, and donations from public and private sectors.

Capacity for financial resource mobilization, recipients to donors and becoming with cooperation initiatives. This is true for emerging economies, which have regional and subregional levels. These modalities of financing such as contributions to multilateral bodies and the United Nations are recognized as an integral part of graduation, as these resources from bilateral and multilateral sources have strengthened their capital markets

with the support of multilateral banks and by making use of instruments to reduce the costs of issuing local-currency-denominated securities. This has allowed them to increase their domestic credit, develop microfinance, and extend banking penetration. Similarly, some instruments of bilateral and multilateral sources are used flexibly to finance pilot projects and pre-investment studies, and also to cover additional costs that companies incur, for example, to make progress in the use of clean technologies and environmental conservation.

- The external and domestic resource mobilization capacity indexes better the diversity of development financing patterns than does the use of average per capita income. Here the case of middle-income countries is illustrative. Despite falling within the same category, these show major differences in their resource mobilization capacities and their capacity to access different sources of finance and modalities of cooperation. Many of these countries have a high level of inequality in the distribution of income, and a significant percentage of their population in poverty, but at the same time some of their economic sectors are very integrated in the international markets and able to mobilize resources from a diversity of financial sources. This is true for various countries in Latin America and Southeast Asia, which resort to regular loans from bilateral and bilateral sources and even have access to international capital markets. Other lower-middle-income countries also make use of resources from the United Nations agencies, the private non-profit sector, and even concessional sources. This diversity is not expressed when countries are classified using an indicator such as average income per capita.

- The categorization of developing countries based on their capacity to mobilize resources allows the identification of more adequate instruments and modalities of cooperation, taking their specific situations into account. As well as using instruments to mitigate investment risks (both the private domestic sector and foreign companies), countries with a greater capacity for mobilizing internal and external resources are able to access various combinations of instruments and sources of finance. For example, CSR and private foundation resources can be assigned to small-scale experiments with new approaches, procedures, and initiatives. Those that are most successful can then be repeated or extended in scale by using resources from bilateral or multilateral loans, or by issuing securities on the international capital markets. In countries with a low domestic resource mobilization capacity and a high external mobilization capacity, it is essential to promote the mobilization of additional domestic resources.
South-South cooperation initiatives, exchange of experience and technical assistance programs, and triangular cooperation schemes can all play a key role in the creation of the capacity to mobilize domestic resources in these countries. In countries with a high domestic resource mobilization capacity and a low external resource mobilization capacity, the main challenge is how to increase direct private investment flows. Risk mitigation instruments for foreign investment are key in this case, and the experience of multilateral banks and other developing countries can contribute significantly in this respect. Finally, countries with low external and domestic resource mobilization capacities require a combination of instruments that channel financing at low cost (loans at concessional conditions and donations) but at the same time contribute to the creation of internal resource mobilization capacity.

The classification of developing countries according to the income base per capita does not allow a focus on the types of instruments and modalities of cooperation that countries could use and have access to. It also conceals profound differences among countries within similar income categories. Thus we should explore the possibility of transcending the use of income per capita as a criterion for classifying countries receiving international financing and cooperation and move toward indicators that better reflect their capacity to mobilize resources.

**Financial Instruments and Mechanisms for Channeling International Cooperation to Developing Countries**

A variety of financial mechanisms and modalities provide the means that give form to cooperation initiatives between donors and recipients. Each of these instruments has explicit or implicit rules of application, such as criteria for eligibility and access, conditionality, payment modalities, governance mechanisms, thematic areas, availability of resources, capacity to mobilize additional funds (leveraging), and the complexity and requirements of administrative capacities. Table 6.3 lists these instruments grouped according to the type of instrument and actors employing them. An overview of these instruments allows the identification of some of the trends worth highlighting.

First, although the size of the resources mobilized is different, the modalities of cooperation between DAC countries and bilateral emerging
### Table 6.3 Types of Financial Instruments for International Cooperation

<table>
<thead>
<tr>
<th>Type</th>
<th>Bilateral DAC</th>
<th>Other Donors</th>
<th>United Nations</th>
<th>World Bank, RDBs</th>
<th>IMF/Regional</th>
<th>SRDBs</th>
<th>Private Sector</th>
<th>For-Profit</th>
<th>Non-Profit/Individual</th>
<th>Capital Markets</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<td>X</td>
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<tr>
<td>Grants</td>
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<tr>
<td>Bonds</td>
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<tr>
<td>Foreign Direct Investment</td>
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<tr>
<td>Remittances</td>
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<tr>
<td>Market Creation/Support</td>
<td>X</td>
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<td>X</td>
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<tr>
<td>Specific Purpose Funds/ Facilities</td>
<td>X</td>
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<tr>
<td>Taxes and Fees</td>
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<tr>
<td>Payments for Services</td>
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<tr>
<td>Combined Value Instruments</td>
<td>X</td>
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<tr>
<td>Public-Private Partnerships</td>
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<tr>
<td>Risk Mitigation/Management</td>
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<tr>
<td>Management/Reduction of Debt</td>
<td>X</td>
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<td></td>
<td>X</td>
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</tbody>
</table>

Notes: Bilateral DAC donors represent the traditional official aid donors, in contrast to emerging donors in the category "Other Donors," which also include South-South cooperation activities. In the case of multilateral actors, a division has been made between the MDBs (the World Bank and regional development banks, or RDBs) and the subregional development banks (SRDBs), as the latter are examples of South-South cooperation. Finally, the global category implies a broad set of actors of various categories, such as multilayer programs in the case of specific-purpose funds or facilities, and consumers in the global market in the case of international taxes.
donors are very similar. For example, China and Venezuela have established concessional loan programs through their development agencies and public companies. At the same time, following the financial crisis, some emerging donors have established contingency credit lines to support the finance of foreign trade, and others have supported South-South investments through guarantee and finance schemes similar to those of the Overseas Private Investment Corporation of the U.S. government or the export credit facilities of the United Kingdom. In addition, countries such as Brazil have expressed their support for instruments to reduce carbon emissions and deforestation. However, the new bilateral donors and those that participate in South-South cooperation have continued to use mainly the channels of technical cooperation, transfer of experts, and provision of study and training fellowships.

Second, multilateral institutions have been more dynamic in terms of innovation in financial mechanisms (Girishankar, 2009). To a large extent this is a result of their privileged position in the international system of development financing, where they function as a mediator between private-sector initiatives, capital markets, official donors, and governments in developing countries (Sagasti and Prada, 2004). For example, their contribution to the range of instruments for mitigating and managing private investment risk in developing countries, above all for the provision of infrastructure, has been quite important. Public-private associations have mobilized the resources of private investors through concessions, structured finance, and the use of derivatives and risk mitigation guarantees (political, foreign exchange, interest rate, and systemic). In addition, the support of these institutions has been key in strengthening domestic capital markets, for example, through the issue of local-currency bonds and the provision of technical assistance to regulatory bodies.

Third, the entry of new actors, particularly from the non-profit private sector (comprising mostly foundations and organizations that channel individual donations), has benefited some sectors and thematic areas. For example, the Bill and Melinda Gates Foundation has helped mobilize additional resources from multilateral banks, United Nations organizations, bilateral institutions, and other donors to establish specific-purpose funds in the health sector (Lane and Glassman, 2009). Over a decade and a half, this has led to a quadrupling of resources targeted for this sector, which approached US$22 billion in 2007 (OECD, 2009a). At the same time, financial innovation has been fostered through the design of mechanisms such as the purchase of medicines and patents to create or strengthen mar-

kets that have problems of asymmetry (AccessRH, PG4Health, NetGuanity for Malaria programs). Sometimes, such as the Moore Foundation, are providing financial resources to for environmental conservation projects.

Two other sectors in which it is financial mechanisms for mobilizing and adaptation to climate change from natural events. In the first Kyoto Protocol, the Copenhagen Agreement these mechanisms have helped to mobilize, primarily by creating emission permits and help determine the market for emission reduction. Private investment in clean technology, established trust funds with the adaptation and mitigation activities in the case of aid for relief from natural response to recent tragedies such as the earthquakes in Haiti and Chile, and the solicitation of donations from different countries—by using information to peer contributions to common fun.

Fourth, there is a trend toward private-sector innovations in generating cooperation programs. In addition to the environment for opportunities to combine both economic and social, and are frequently complemented with social and environmental and social and equity investments for social equity, future financial flows to guarantee.

Some of these instruments could of cooperation programs and professional transfer programs, grants to and remittances benefit from the
China and Venezuela have established their development agencies early, following the financial crisis, with contingency credit lines to suppliers have supported South-South finance schemes similar to those of nations of the U.S. government or the Kingdom. In addition, countries are for instruments to reduce carbon, the new bilateral donors and cooperation have continued to use transfer of experts, and programs.

have been more dynamic in terms of innovation as a mediator between private-sector donors, and governments in developing countries. For example, their contribution in mitigating and managing private risks, above all for the provision of risk. Public-private associations have entered concessions, structures and risk mitigation guarantees (e., and systemic). In addition, the new dynamic in strengthening domestic capital of local-currency bonds and regulatory bodies.

Particularly from the non-profit private and organizations that channel into sectors and thematic areas. For example, the Asia Foundation has helped mobilize activities, United Nations organizations, to establish specific-purpose funds (CD, 2009). Over a decade and a half, projects targeted for this sector, which CD, 2009a). At the same time, through the design of mechanisms patents to create or strengthen markets that have problems of asymmetrical information (for example, the AccessRH, PG4Health, NetGuarantee, and Affordable Medicines Facility for Malaria programs). Something similar occurs with other foundations, such as the Moore Foundation and the World Wildlife Fund, which are providing financial resources to ensure a sustainable flow of resources for environmental conservation programs.

Two other sectors in which it is possible to detect the presence of new financial mechanisms for mobilizing additional sources are the mitigation of and adaptation to climate change and humanitarian assistance for relief from natural events. In the first case, and within the framework of the Kyoto Protocol, the Copenhagen Accord, and the Cancun Accord, the objective of these mechanisms has been to internalize the negative externalities associated with carbon emissions and to establish limits for these emissions, primarly by creating markets that facilitate trading in emission permits and help determine their price, as well as by strengthening the market for emission reduction certificates that provide incentives for private investment in clean technologies. In addition, various bodies have established trust funds with the specific aim of channeling funds for adaptation and mitigation activities (UN-DESA, 2009; Prada, 2009). In the case of aid for relief from natural events that turn into disasters, the response to recent tragedies such as the tsunami in Southeast Asia and the earthquakes in Haiti and Chile has allowed the channeling and consolidation of donations from various sources—official, private, and individual—by using information technologies, social networks, and volunteer contributions to common funds, among other mechanisms.

Fourth, there is a trend toward using financial market innovations (and private-sector innovations in general) to fund and implement international cooperation programs. In addition to the instruments for creating and supporting markets, and for mitigating and managing risks, there are those that combine both economic and social returns. For example, CSR initiatives are frequently complemented with schemes for socially responsible investment, which encompass the activities of investment funds that support firms that comply with environmental and social standards, that provide start-up funds and equity investments for social investment projects, and that securitize future financial flows to guarantee liquidity in cooperation projects.

Some of these instruments could channel resources to the beneficiaries of cooperation programs and projects at a lower cost. For example, conditional transfer programs, grants and donations, microfinance operations, and remittances benefit from the deepening of financial markets and
banking penetration in developing countries. The presence of bank branches in remote locations means that beneficiaries can be reached directly, for example, through the issue of credit and debit cards that do not generate additional costs of providing aid in kind and that also help consolidate local financial markets. Some innovations also allow donors to channel resources directly for certain purposes, as happens with "green" credit cards that set aside a small percentage of each transaction to support the development of clean technologies, and with Product Red, where the associated companies channel a percentage of sales to the Global Fund to Fight AIDS, Tuberculosis, and Malaria.

The financial crisis has affected these trends in the use of cooperation instruments and modalities in various ways. The first impact has been through the reduction in available resources from donors in both the private and public sectors. The pressure to reduce public spending, the opportunity cost for private companies, and the restrictions facing individual donors will particularly affect those instruments that depend on voluntary contributions, which will see a drop in the resources channeled in the immediate future. Second, during the financial crisis, various contingency credit lines and implicit and explicit public guarantees were made available for developing countries to sustain trading operations and the capital markets. In addition, there have been negotiations to increase the capital of multilateral institutions and to increase resources for trust funds with specific objectives. Although in the short and medium term this is important for mitigating the effects of the crisis, returning to a path of economic growth, and consolidating achievements in social issues, the experience of recent years indicates that public sources are important and more effective to the extent that they can act as catalysts for resources from a variety of sources, without relying solely or largely on public-sector sources. It is therefore important to maintain the capacity to innovate in the design and implementation of financial instruments, particularly those that involve private entities in development initiatives.

**SOUTH-SOUTH COOPERATION**

Since the Buenos Aires Action Plan was approved at the end of the 1970s, establishing the main lines for technical cooperation between developing countries, SSC has been defined by its capacity to transfer experiences and knowledge between countries in a "horizontal" fashion, in contrast to the "vertical" technical cooperation between developing and developed countries. SSC covers various dimensions, joint negotiations, and trade integrations in specific areas (transport, education, science, and various modalities (financing, exchanges, information on best practices, and innovation). Box 6.1 sums up a recent report that demonstrates that SSC involves a broad and sectors.

A group of countries in Africa and Latin America have established the Accra Agenda for Action is a major next step in the implementation of the Agenda for Action (paragraph 19 of the AAA): SSC aims at increasing aid to SSC; (2) enriching aid with a systematization of the experience where North-South cooperation is con to the activation of a variety of regions to avoid duplication of efforts. For example, the Economic Commission for Latin America and the Caribbean, the United Nations Development Programme, the World Bank, and the United Nations Development Program have established programs and initiatives in this area.

From this point of view, the concept of "SSC" has become a core idea in the international cooperation agenda. SSC has a broader range of motives.

In addition to strategic, political, and economic considerations, it also covers ideological and cultural affiliations referring to specific shared interests, such as river basins and the protection of the environment. Particular, an important motivation for negotiating powers of developing countries and in relation with developed countries.

Despite the obvious benefits of countries, it is necessary to move toward a more robust cooperation. In this context, cooperation has often been seen as a tool that can solve all problems. At first sight it would appear to suffer from the same challenges as other forms of cooperation. SSC has often been defined in ideal theoretical terms.
countries. The presence of bank credit and debit cards that do not require aid in kind and that also help consumers are innovations that allow donors to pursue purposes, as happens with “green” percentage of each transaction to support, and with Product Red, where percentage of sales to the Global Fund to fight Aids.

These trends in the use of cooperation in various ways. The first impact has been the resources from donors in both the pressure to reduce public spending, the necessity, and the restrictions facing indicators those instruments that depend on to see a drop in the resources channeled during the financial crisis, various conditions and explicit public guarantees were necessary to sustain trading operations and there have been negotiations to increase 23 and to increase resources for trust through the short and medium term. Impacts of the crisis, returning to a path of achieving achievements in social issues, that public sources are important and can act as catalysts for resources from largely or largely on public-sector sources. The capacity to innovate in the design of instruments, particularly those that that initiatives.

COOPERATION

was approved at the end of the 1970s, classical cooperation between developing and its capacity to transfer experiences in a “horizontal” fashion, in contrast with developing and developed countries. SSC covers various dimensions, from political commitments, joint negotiations, and trade integration treaties to collaboration agreements in specific areas (transport, education, monetary policy, working conditions, pension systems, science, and technology). It is executed through various modalities (financing, exchange of expertise, technical assistance, information on best practices, and increased capacity for joint negotiation). Box 6.1 sums up a recent report that compiles 110 case studies and demonstrates that SSC involves a broad range of motivations, instruments, and sectors (TT-SSC, 2010).

A group of countries in Africa and Latin America promoted a consensus to include the SSC mechanism as part of the agreements within the framework of the Accra Agenda for Action (AAA). Three areas of work were established (paragraph 19 of the AAA): (1) adaptation of the principles of effectiveness of aid to SSC; (2) enrichment of the debate on effectiveness with a systematization of the experiences; and (3) identification of the areas where North-South cooperation is complemented with SSC. This has led to the activation of a variety of regional mechanisms that should converge to avoid duplication of efforts. For example, organizations such as the Economic Commission for Latin America and the Caribbean, the Ibero-American General Secretariat, the Organization of American States (OAS), the United Nations Development Programme, and various multilateral banks have established programs and facilities to promote triangular coordination and SSC. From this point of view it would appear that SSC could become a core idea in the international development cooperation system.

SSC has a broader range of motivations than traditional aid schemes. In addition to strategic, political, commercial, and solidarity concerns, it also covers ideological and cultural affinity, as well as pragmatic considerations referring to specific shared interests at the regional level, such as shared river basins and natural cross-border resources, among others. In particular, an important motivation for SSC consists of increasing the negotiating powers of developing countries in different international forums and in relation with developed countries.

Despite the obvious benefits of cooperation between developing countries, it is necessary to move toward a more balanced vision of SSC. This type of cooperation has often been seen from a rather idealistic perspective, but at first sight it would appear to suffer from the same limitations and to confront the same challenges as other forms of development cooperation. SSC has often been defined in ideological terms and in contrast with traditional bilateral North-South cooperation, whereas in fact it is an
BOX 6.1: A Broad Range of Experiences in SSC and Triangular Cooperation

In March 2009, the Colombian government, under the framework Working Group on Aid Effectiveness, proposed the creation of an initiative to reduce the information gap in SSC experiences. The response to the call to document experiences was launched in November 2009 and had a significant impact, as 110 case studies were presented in the High-Level Meeting for South-South Cooperation and Capacity Development (Bogota, March 24–25, 2010). The report points to various trends based on an analysis of the case studies:

The principles of cooperation effectiveness are broadly shared in the experiences registered. Most cases explicitly refer to the principles of the Paris Declaration on aid effectiveness, as there is the idea that SSC is an instrument that has advantages over other forms of development cooperation. For example, the report says SSC is characterized by greater confidence between peers, respect for countries’ internal processes, the design of projects generated by common interests and specific demands, the use of regional cooperation mechanisms that help scaling, and by relatively lower technical cooperation costs compared to other forms of cooperation.

Importance of making the experiences known. There are still no specific definitions on what constitutes SSC, nor are there standard ways of quantifying financial contributions or contributions in kind. However, the number of cases compiled in only the six months following the call suggests that there are many more SSC experiences that should be registered and made known.

The range of subjects, experiences, and modalities is very broad. SSC is characterized by the use of a broad range of instruments such as triangular cooperation, establishment of financial facilities for the exchange of experiences (mainly through the offers of bilateral and multilateral donors), exchange of experts, establishment of missions for technical cooperation, etc.

Regional platforms are very important. SSC is characterized by having a strong regional emphasis; subregional and regional banks, regional cooperation bodies, and framework agreements play a key role in cooperation between developing countries.

Source: Task-Team on South-South Cooperation (2010), Boosting South-South cooperation in the context of aid effectiveness: Telling the story of partners involved in more than 110 cases of South-South and triangular cooperation, preliminary draft. The experiences are posted on: www.south-south.info
additional mechanism for solving specific problems that countries can use according to their specific interests.

**RESOURCE MOBILIZATION FOR SOUTH-SOUTH COOPERATION**

Developing countries are increasing the level of resources they allocate to SSC. Although no precise and consistent data are available, estimates from ECOSOC (2009) and The Reality of Aid (2010) suggest that ODA between countries in the South has increased from a range of US$9.5–12.1 billion in 2006 to US$12.0–13.9 billion in 2008. This is equivalent to between 9.9 and 11.4 percent of the contribution in ODA of the members of OECD/DAC in 2008. The financial resources assigned to SSC show a high level of concentration: the three main donors (Saudi Arabia, Venezuela, and China) provide about 72 percent of SSC funds, and more than 90 percent corresponds to the seven main contributors, which in addition to those already mentioned include Turkey, South Korea, India, and Taiwan (see Table 6.4). Nevertheless, a recent study seeking to integrate a variety of sources of information about international cooperation flows similar to ODA from developing countries, including SSC flows, concluded that most of these figures are biased regarding their definitions and scope. Therefore, it is necessary that these new donors become more transparent, and that

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount</th>
<th>% GDP</th>
<th>% Total SSC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saudi Arabia</td>
<td>5,564</td>
<td>1.5%</td>
<td>40.0%</td>
</tr>
<tr>
<td>Venezuela</td>
<td>1,166–2,500</td>
<td>0.71–1.52</td>
<td>18.0%</td>
</tr>
<tr>
<td>China</td>
<td>1,500–2,000</td>
<td>0.06–0.08</td>
<td>14.0%</td>
</tr>
<tr>
<td>South Korea</td>
<td>802</td>
<td>0.09</td>
<td>5.8%</td>
</tr>
<tr>
<td>Turkey</td>
<td>780</td>
<td>0.11</td>
<td>5.6%</td>
</tr>
<tr>
<td>India</td>
<td>568.6</td>
<td>0.05</td>
<td>4.1%</td>
</tr>
<tr>
<td>Taiwan</td>
<td>435</td>
<td>0.11</td>
<td>3.1%</td>
</tr>
<tr>
<td>Brazil</td>
<td>356</td>
<td>0.04</td>
<td>2.6%</td>
</tr>
<tr>
<td>Other Countries</td>
<td>900–910</td>
<td></td>
<td>6.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12,076–13,915.9</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


**Source:** The Reality of Aid (2010: 6).
their cooperation programs harmonize their definitions to allow for comparisons and identification of the modalities offered (Prada et al., 2010).

One set of cooperation mechanisms is used within the type A countries, those with high domestic and external resource mobilization capacity, as we described previously. They cooperate in a "horizontal" way for three main aims: (1) to learn and exchange experiences; (2) to increase their negotiating capacity at the international and global levels; and (3) to join efforts to cooperate with less developed countries. For example, the group of BASIC countries (Brazil, South Africa, India, and China) is committed to fostering two-way negotiation mechanisms within the United Nations Framework Convention on Climate Change. Another example is the IBSA (India, Brazil, and South Africa) group of countries, which work through a trilateral cooperation alliance established in June 2003 via the Brasilia Declaration, and which aim to make their voices heard on global issues and to create links in various cooperation areas with less developed countries.

A second set of cooperation mechanisms is between type A countries and those of the other three categories, whose capacities for external and domestic resource mobilization are lower. China has increased its cooperation as it has grown economically. Until 2008, China had provided aid to more than 160 countries around the world in various sectors and modalities, including the following: (1) projects in infrastructure, industry, agriculture, transport, telecommunications, education, health, and other areas; (2) exchange of experts for technical assistance, and has been the case with the health sector, where more than 20,000 doctors were sent to sixty-five countries; (3) financing through donations, credit lines, and concessional loans, such as the US$19 billion granted by Eximbank of China to restore and construct infrastructure networks in various African countries; (4) debt relief, for example, through the unilateral cancellation of US$10 billion in debt with African countries in 2003; (5) special tariff reductions, as in the case of imports from at least twenty-nine of the least-developed African countries; (6) development funds to promote Chinese investment in other countries, for example, the fund approved in 2007 by the Chinese State Council, being US$5 billion, to be administered by the China Development Bank and aimed at providing capital for Chinese companies committed to development, investment, and economic and commercial activities in Africa; and (7) foreign direct investment, particularly in the hydrocarbon and mineral sectors, which has, in recent years, focused on Latin America. Moreover, China may have surpassed the World Bank as a provider of loans to developing countries in 2009 and 2010: the Chinese Development Bank and the Eximbank, compared to US$100.3 billion.

Until 2008, Brazil operated more if it has developed capacities, such as ag (mainly in the fight against HIV/AIDS), urban development, information technologies, and sports. Brazilian aid is successful experiences to other zones v by providing experts, technical coop equipment (Federated Republic of Bra tions for Brazilian cooperation are to tions, and investment countries where they could be threatened national prestige and thus achieve ga national issues. Nevertheless, figures cooperation program differ between s including its contributions to United to the World Food Program), its bilat on the World Trade Organization, and its Bilateral Loan Agency, and bilateral loans through the World Bank.

India has established a broad network in The Pan-Africa E-Network Project, and has planned to finance US$125 million to Africa Union. This electronic network has cooperation with African countries and transfers knowledge and information on Africa with Africa countries.

A third set of SSC initiatives takes place in lower capacities to mobilize external aid. B, C, and D). These exchanges focus on technological transfer to reduce gaps, providing assistance with the Millennium Development Goals between Cuba and Egypt for the joint volves about US$1.8 million and consociation specialist vaccine producers Finlay and Cuban national vaccine producer, Vacserv, assistance with the Republic of Niger and capacities in the remote provision of human resources and to organize mutual
Development Bank and the Eximbank alone lent more than US$110 billion, compared to US$100.3 billion from the World Bank (Dyer et al., 2011).

Until 2008, Brazil operated more than 240 SSC projects in areas where it has developed capacities, such as agriculture, biofuels, education, health (mainly in the fight against HIV/AIDS), support for elections (e-voting), urban development, information technologies (e-government), trade negotiations, and sports. Brazilian aid is characterized mainly by adapting its successful experiences to other zones with similar social conditions, usually by providing experts, technical cooperation grants and internships, and equipment (Federated Republic of Brazil, 2008). Some of the main motivations for Brazilian cooperation are to strengthen or open new markets for its products, services, and investments; to preserve national interests in countries where they could be threatened; and to consolidate Brazil’s international prestige and thus achieve greater power in negotiations on international issues. Nevertheless, figures on the actual size of its international cooperation program differ between sources, but could reach US$4 billion, including its contributions to United Nations programs (US$500 million to the World Food Program), its bilateral grant to Haiti (US$50 million), and its programs and bilateral loans through its national development agency and bilateral loans through the Brazilian Development Bank.

India has established a broad network of support for African countries. The Pan-Africa E-Network Project for Medical Services, in which India has planned to finance US$125 million, helps fifty-three countries in the African Union. This electronic network allows India to connect via satellite with African countries and transfer knowledge through medical teleconferences and teleconsultations.

A third set of SSC initiatives takes place between countries with relatively lower capacities to mobilize external and domestic resources (categories B, C, and D). These exchanges focus on mutual learning and training, technological transfer to reduce gaps, progressing toward joint objectives, and achieving minimum conditions for development, particularly in compliance with the Millennium Development Goals. An example is the project between Cuba and Egypt for the joint manufacture of vaccines, which involves about US$1.8 million and consists of technical cooperation between specialist vaccine producers Finlay and Heber Biotec in Cuba and the Egyptian national vaccine producer, Vacserv. Another example is a joint project between the Republic of Niger and the Argentine Republic to develop capacities in the remote provision of health services, learning to train human resources and to organize mutual health societies.
Regional and subregional integration initiatives between developing countries in Africa, Latin America, and Asia have multiplied in recent years. These alliances between neighboring countries (or those belonging to the same region) have gained importance, largely through intensified trade and monetary exchanges. Despite not having fully complied with their broadest goals for integration, they have become platforms for SSC and triangular cooperation, for political and strategic reasons, and also due to the need to provide regional public goods.

In Africa the main areas of progress in regional cooperation and integration have been through monetary and exchange rate policies. It is considered that with the two monetary unions, the Central African Economic and Monetary Community and the West African Economic and Monetary Union, stabilization of the exchange rate within the Common Monetary Area, and the future monetary union of the Southern Africa Development Community and the West African Monetary Zone, Africa has taken the lead in the developed world in terms of regional monetary integration (Metzger 2008:26).

In parallel, other cooperation programs are being developed, such as the Pan-African Infrastructure Development Fund, initially between Ghana, South Africa, and Tunisia (to Kenya and, in the future, to all African countries). The mechanism consists in mobilizing resources from private investors and pension funds in member countries. The program was launched in 2007 with an investment horizon of fifteen years and aims to mobilize US$1 billion, of which US$625 million has already been raised.32

Starting in 1960 there have been various attempts to create subregional areas for economic, social, and institutional integration in Latin America. The most important have been the Andean Community, Mercosur, the Central American Common Market, and the Latin American Integration Association. To these were later added organizations such as the Bolivarian Alliance for the Peoples of Our America (ALBA), Petrocaribe, the Union of South American Nations, and, finally, the Community of Latin American and Caribbean States.

ALBA and Petrocaribe, two Venezuelan initiatives, have attained particular importance in the region. ALBA has launched joint initiatives through projects called "grandnational" in finance, education, health, infrastructure, science and technology, food, minerals, telecommunications, infrastructure, culture, and fair trade. There are plans for creating a common monetary union, through the establishment of SUCRE and a regional clearinghouse "body to facilitate energy policies among Caribbean peoples through the sovereign direct benefit of its peoples."33 Sixteen countries have joined the organization, which acts to stabilize trade and finance and market rates with strategic projects, set up joint companies between oil companies with eight of the main oil companies, and with the support of the countries of the region for fuel refining, storage, and transportation.

Regional integration and cooperation that go back more than two generations since the 1977-1988 financial and economic integration agreement among the 15 Eastern Asia and South Pacific countries (ASEAN), the Sino Cooperation, and the Bay of Bengal Economic Cooperation. Governments have also used regional integration and monetary cooperation, to take advantage of the region for development, recent signing of the agreement, and the ASEAN; (2) cooperation; and (3) the ability to solve problems through the use of digital technologies to close the digital gap as well as to improve governance, promote greater participation and influence in decision-making processes.

**Triangular Cooperation**

Triangular cooperation refers to the South cooperation with other actors in international bodies, and private for-profit-developed countries. There are many so the concept is fairly diffuse. Origins
ST W COOPERATION IN
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Many initiatives between developing
and Asia have multiplied in recent
countries (or those belonging
time, largely through intensified
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have become platforms for SSC
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rage rate within the Common Mon-
onion of the Southern Africa Devel-
Monetary Zone, Africa has
in terms of regional monetary inte-
ions are being developed, such as the
ent Fund, initially between Ghana,
form the future, to all African
on mobilizing resources from private
number countries. The program was
horizon of fifteen years and aims to
million has already been raised.
rious attempts to create subregional
onal integration in Latin America.
relationship, the Union of Latin Ameri-
and the Latin American Integration
organizations such as the Bolivarian
America (ALBA), Petrocaribe, the Union
ly, the Community of Latin Ameri-
andean initiatives, have attained par-
LA has launched joint initiatives
1, in finance, education, health, in-
food, minerals, telecommunications,

dered South

ternational bodies, and private for-profit or non-profit institutions
in developed countries. There are many different possibilities for association,
so the concept is fairly diffuse. Originally, triangular cooperation consisted
of support given by a cooperating source, generally from a developed country (although it extended to international organizations as well), so that two countries with similar levels of development could carry out technical cooperation and knowledge transfer activities. However, the diversity of developing countries, along with new cooperation sources, has allowed the combinations of association for triangular cooperation to increase considerably.

A major example is the program for the exchange of experience on development between China and Africa. This initiative is financed by the Chinese government with the support of the World Bank and the International Poverty Reduction Centre in China, whose aim is to transfer the Chinese experience in poverty reduction to African countries. Other examples of triangular cooperation include the association between Chile and OECD donors to support the creation of capacities in forest management in Nicaragua; Brazil and its program to support and provide aid to Portuguese-speaking Africa, financed by several multilateral institutions; and the South African program to train police forces in Rwanda and the Congo Republic, supported by Sweden and Japan, respectively (ECOSOC, 2009).

Another modality is the support for the development of regional public goods (RPGs), which links triangular cooperation with processes of regional integration. Since 2004 the Inter-American Development Bank (IDB), through its program to promote regional public goods, has boosted more than sixty projects to supply RPGs in Latin America and the Caribbean. The program offers non-reimbursable resources of up to US$100 million per year so that groups of at least three countries can generate RPGs in a sustainable fashion. The premise behind the IDB to support RPGs is that many shared opportunities or problems between the countries in the region may be used or resolved more effectively within the regional sphere through international cooperation. However, the generation of RPGs is usually not paid sufficient attention, primarily due to the limitations and difficulties in obtaining financial and institutional support for joint regional efforts. The IDB acts as a supplier for seed capital, assuming the fixed costs of creating institutions, establishing coordination mechanisms, and designing implementation strategies that will lead to the production of these goods.

Another experience of triangular cooperation in knowledge transfer is the program for promoting social protection between Chile and the Caribbean with the support of the OAS. The Puente en el Caribe program aims to strengthen the social protection schemes through activities for capacity building and lessons learned in the Puente de Oviedo, enhancing participation of the private sector in the one of the investment of US$1 billion by the Bill and Melinda Gates Foundation, and distribution of vaccines in research institutions in developed countries to meet the needs of developing countries to meet their needs in any of their facilities around the world.

SOME PENDING ISSUES IN SSC

The main challenge when dealing with SSC is knowing what type of financing is involved. Estimations of the volume of SSC have focused on quantifying. However, there is a set of financial flows that are broader in view of SSC. These include (i) contributions, particularly subregional development; (ii) SSC mechanisms, as their partners; (iii) interest payments made by development agencies, as these are a component of the financing items such as concessional windows; (iv) financial support for capital costs has been the case of contributions by the International Development Agency of the IDB, among others; (v) the report on the balance of payments, as in the Latin America Fund and the recently created Americas Fund, supporting trade, such as export credit guarantees and support for intraregional trade; and the ultimate sale of sovereign bonds and securities through international capital markets. Venezuela of bonds from Ecuador and.

...
aims to strengthen the social protection strategies in CARICOM countries through activities for capacity building, the transfer of knowledge, and lessons learned in the Puente de Chile program. An interesting case of participation by the private sector in the triangulation of cooperation is the one of the investment of US$10 billion over the next ten years granted by the Bill and Melinda Gates Foundation to help the research, development, and distribution of vaccines in the poorest countries. It involves research institutions in developed and developing countries in various parts of the world. In another example of participation by private foundations in triangular cooperation, but to a much lesser extent, the Rockefeller Foundation provides financial and logistical support for representatives of developing countries to meet within the scope of their own projects in any of their facilities around the world.

**Some Pending Issues in South-South Cooperation**

The main challenge when dealing with the policies and challenges for SSC is knowing what type of financial flows, modalities, and instruments are involved. Estimations of the volume of financial resources associated with SSC have focused on quantifying the direct flows between countries. However, there is a set of financial flows that could be considered in a broader view of SSC. These include (1) contributions to multilateral institutions, particularly subregional development banks, which can be seen as SSC mechanisms, as their partners are mainly developing countries; (2) interest payments made by developing countries to multilateral institutions, as these are a component of their net income and thus serve to finance items such as concessional windows to support the poorest countries; (3) financial support for capital increases in financial institutions (as has been the case of contributions by emerging and developing countries to the International Development Association) and to increase the capital of the IDB, among others; (4) the regional mechanisms designed to support the balance of payments, as in the case of the Latin American Reserve Fund and the recently created Asian Monetary Fund; (5) mechanisms supporting trade, such as export credits or financial facilities for foreign-exchange swaps for intraregional trade (CEPAL, 2009b:122); (6) the acquisition of sovereign bonds and securities from other developing countries through international capital markets, as in the case of the purchase by Venezuela of bonds from Ecuador and Argentina in 2006; and (7) the quantification of the contributions in kind for technical cooperation, which
includes the time of experts, volunteers, missions, and the value of counterparts for investment projects, among other aspects.

Despite the fact that the amounts are growing in importance within the context of international cooperation, it has been pointed out (SEGIB, 2008; TT-SSC, 2010) that the value of SSC resides in its intrinsic characteristics and not in the amount of financial resources mobilized. First, SSC helps solve specific problems, for which it can use the knowledge and experience acquired in resolving similar problems in analogous situations. For example, with a modest investment (seed capital) and by promoting collective action, the IDB’s non-reimbursable cooperation program for regional public goods has helped Latin American countries mobilize additional resources for specific South-South cooperation projects (Bocalandro and Villa, 2009).

Second, SSC can be a complement for other sources of cooperation and extend the range of options for financing, although it is not a panacea. The financial crisis has made the potential of emerging donor countries and South-South cooperation to channel resources and cooperation a subject of keen debate, particularly given the greater selectivity of the ODA provided by traditional donors and its probable reduction in the future. However, it is important to stress that South-South cooperation faces the same problems that have reduced the effectiveness of other methods of cooperation. For example, China requires 70 percent of its cooperation to be channeled through the country’s own companies (Burgess, 2009). In addition, in some cases there are conditionalities, lack of transparency in selection criteria, an emphasis on concessional loans rather than direct grants (e.g., Fintal in Venezuela and China’s concessional aid), little emphasis on evaluation and monitoring, and a reluctance to work with other donors (Reality of Aid, 2010; Ellis, 2009; Lederman et al., 2009).

Third, despite the obvious benefits in terms of pertinence and applicability in similar contexts, the possibility of replicating or extending the scale of South-South cooperation is limited by administrative capacity and aid management constraints. Unlike the case of official aid from OECD countries (which have standards for operations, information systems, mechanisms for evaluation and monitoring, and offices in recipient countries, among other features of an institutionalized system), SSC programs in general do not yet have the administrative resources to emulate these forms of cooperation. Only some countries with a high capacity to mobilize resources, such as China, India, Brazil, South Africa, and Venezuela, have established special administrative structures, usually associated with their ministries for foreign affairs and programs. For this reason, establishing replicating and extending experiences.

In this context, triangular cooperation promotes SSC and is one of the main examples, the work through networks, supported by contributions from donor mechanisms for joint cooperation and Canadian International Development years of experience in financing net countries, often with the involvement and support of triangular cooperation and experiences suggest that it is possible to cooperate through knowledge flows, in partnership with international organizations and implement projects. The view is most likely that triangular cooperation, which is more firmly established on the basis of experience, will contribute to the development of countries.

In addition, considering that in developing countries to develop and highly probable that they will continue to work toward middle-income to maintain the relevance and effect for a broader range of developing countries, other sources of finance, such as FI and remittances, as the cooperation of the flow (Sagasti, 2010), respond to the challenges pending for the following:

- Strengthen the institutional framework cooperation and finance, primarily for designing, implementing, programs and projects; through the system and through establishing targets and of SSC initiatives. In addition, an inte
their ministries for foreign affairs and of trade, to support cooperation programs. For this reason, establishing regional cooperation mechanisms could be important for replicating, extending, and consolidating SSC programs and experiences.

In this context, triangular cooperation is a mechanism that could promote SSC and is one of the main means for extending its impact. For example, the work through networks of institutions of developing countries, supported by donations from developed countries, is a very effective mechanism for joint cooperation and learning. One instance is that of the Canadian International Development Research Centre, which has forty years of experience in financing networks of researchers in developing countries, often with the involvement of other donors, and is a classic example of triangular cooperation and SSC. In addition, numerous experiences suggest that it is possible to make progress toward more effective cooperation through knowledge transfer and joint work with multiple donors, in partnership with international agencies that have the capacity to channel resources and implement projects. As South-South relations become more firmly established on the basis of the countries' specific interests, it is most likely that triangular cooperation initiatives will multiply (TT-SSC, 2010; Betancourt and Schulz, 2009).

In addition, considering that in the medium term ODA flows from developed countries to developing countries may decline, and that it is highly probable that they will continue to focus increasingly on low-income countries, flows toward middle-income countries will diminish. In order to maintain the relevance and effectiveness of development cooperation for a broader range of developing countries, it will be necessary to link other sources of finance, such as FDI, capital markets, philanthropic donations, remittances, and the creation of markets with official development cooperation flows (Sagasti, 2006). Some lines of action to respond to the challenges pending for South-South cooperation include the following:

- Strengthen the institutional framework for South-South development cooperation and finance, primarily through improvements in the capacity for designing, implementing, and monitoring cooperation programs and projects; through the systematization of instruments and mechanisms to ensure the control, recording, and transparency of information; and through establishing targets and common visions for the evolution of SSC initiatives. In addition, an international forum should be set up to
exchange experiences and coordinate the activities of organizations involved in financing SSC at a subregional level.

- Promote synergies between the different types of countries by taking into account that, apart from strengthening South-South relations and taking advantage of the opportunities provided by the horizontal links in equal conditions, triangulation has to be strengthened with international organizations and with developed country agencies. Moreover, the diversity of developing countries has to be taken into account in promoting practices of solidarity and narrowing the gap between these countries, particularly between middle-income and less developed nations.

- Continue accumulating and sharing experiences between countries in the South by systematizing activities, transferring and developing joint capacities, training human resources, systematizing cooperation, financing instruments that have proved successful, carrying out independent evaluations that can be shared by the different actors, and strengthening the systems for recording compliance with quantitative and qualitative targets for SSC.

CORPORATE SOCIAL RESPONSIBILITY

The corporate sector, or private for-profit sector, has various ways of supporting development apart from its strictly business activities and the use of economic return criteria for the investment projects in which it engages. First, private corporations and foreign investors contribute to development by acting in accordance with the legal frameworks of the countries in which they operate (paying taxes, respecting labor and environmental regulations, acting in a transparent way, etc.), investing in productive and service activities, and generating wealth. The amount of resources not contributed by companies that do not behave properly could be highly significant. For example, Hollingshead (2010) calculated that the tax losses in developing countries resulting from price manipulation in legal global trade documents (reporting higher prices in imports or lower prices in exports) may have reached between US$98 and US$106 billion a year, or 4.4 percent of the total tax revenues for the period 2002–2006. This figure is comparable to the total of ODA.

In addition, private companies frequently self-impose rules of behavior as part of their efforts to project a favorable corporate image, thus allowing them to better manage the impetus reasons for this type of behavior, racist pressure from shareholders, lack of access to finance from social insurance trust funds, and the use of promotional associations. A special case is the so-called social licenses, rules and regulations that can minimize the possible negative social impact of communities. This is particularly in the exploitation of natural resources, where indigenous peoples and non-indigenous license gives populations the investment incentives. In principle, this increase benefits from private investment.

Third, private companies are activities that are directly aimed at populations in their areas of influence include the provision of technical aid of company staff time, and donations the companies aim to improve the environment for their operations, activities in areas where they operate. One example is that of multinational companies in Peru (Box 6.2). The Peruvian government's program for public works, by which sections in exchange for building infrastructure, the idea is to boost local economies, the economic links between the company and the areas where it operates.

CSR practices transcend the traditional role and projection of private companies, giving rise to new alliances between governments, and bilateral cooperation in areas where the companies operate, sources and energy. This is giving...
THE NEW FACE OF DEVELOPMENT COOPERATION

The activities of organizations international level.

Different types of countries by taking strengthening South-South relations and is provided by the horizontal links in to be strengthened with international country agencies. Moreover, the diverse taken into account in promoting the gap between these countries, and less developed nations.

Sharing experiences between countries, transferring and developing joint systematizing cooperation, financ-

successful, carrying out independent different actors, and strengthening the quantitative and qualitative targets

in the future.

1 RESPONSIBILITY

The profit sector, has various ways of strictly business activities and the use investment projects in which it engages. In investors contribute to develop-

the legal frameworks of the countries respecting labor and environmental safety, etc.), investing in productive and wealth. The amount of resources not behave properly could be highly

2010) calculated that the tax losses by price manipulation in legal global prices in imports or lower prices in USD 898 and USD 106 billion a year, or the period 2002–2006. This figure

sufficiently self-impose rules of behavior preferable corporate image, thus allow-

ing them to better manage the impact of their activities. There are numerous reasons for this type of behavior: adherence to international regulations, tacit pressure from shareholders and investors in the countries of origin, access to finance from socially responsible mutual funds, or adherence to codes of conduct promoted by unions and national and international associations. A special case among the reasons for self-imposed rules is to obtain a local “social license,” required in some cases by national laws and regulations but sometimes voluntarily sought as a way to minimize the possible negative social impacts of investments and to generate a less conflictive environment in the company’s relations with local communities. This is particularly important in the case of investment in the exploitation of natural resources when local communities, especially indigenous peoples and non-integrated populations, are present. The social license gives populations the “right to veto” the outcome of the investment. In principle, this increases their capacity to negotiate and obtain benefits from private investments.

Third, private companies are becoming increasingly involved in activities that are directly aimed at improving the living conditions of the populations in their areas of influence. This is done through actions that include the provision of technical assistance and management, provision of company staff time, and donations in kind and in cash. Through these activities the companies aim to improve their image, create a favorable environment for their operations, and increase the welfare of communities in areas where they operate. One example, controversial in many aspects, is that of multinational corporations involved in resource extraction in Peru (Box 6.2). The Peruvian government has also launched a “tax for public works” program by which some companies can obtain tax exemptions in exchange for building infrastructure in their zones of influence. The idea is to boost local economies, generate employment, and strengthen the economic links between the company and people in the areas in which it operates.

CSR practices transcend the traditional concept of public relations and involve more complex and sophisticated motivations that are linked to the role and projection of private business activities. In addition, they are giving rise to new alliances between the private sector, national and local governments, and bilateral cooperation agencies in joint interventions in areas where the companies operate, particularly in the case of natural resources and energy. This is giving rise to the possibility of linking CSR
Box 6.2. The Mining Program for Solidarity with the People

The Mining Program for Solidarity with the People has been in operation for four years in Peru, where mineral export accounts for 6 percent of national GDP, 56 percent of foreign currency from exports, and 15 percent of foreign direct investment. In August 2006 a group of companies in the mining industry agreed with the Peruvian government to contribute 3.7 percent of their profits on a voluntary basis to local development programs over a period of five years. Although it is subject to changes in the international prices of minerals such as copper, gold, silver, and zinc, this agreement is estimated to contribute an annual average of US$150 to US$200 million, around 0.1 percent of GDP and about 0.5 percent of the government’s national budget. This was largely done to prevent the government from implementing a windfall profits tax that was being discussed by Parliament as a result of the major increase in mineral prices between 2004 and 2007.

The government indicated the precise proportions to be invested in strategic programs such as nutrition, health, and education, and provided counterpart funds to align these resources to the existing strategic and territorial plans, establishing objectives, milestones, targets, indicators, and baselines to ensure a quick and effective management of resources. According to the Ministry of Energy and Mining of the fund payments, as of December 2009, 37 percent of the programmed resources had been executed, which is more than was initially anticipated. However, the ministry itself indicates that since there are no data on the beneficiaries of the nutrition or literacy programs, it has not been possible to measure the real impact of this voluntary contribution, and still less to register the specific achievements expressed as improvements in the quality of life of the populations. Another limitation has been that the regions benefiting are limited to the scope of action of the companies that exploit mining resources, and are not necessarily located in the poorest regions: eighteen of the twenty-six regions in the country benefit from this fund, but only nine of them concentrate 90 percent of the resources available.

Source: Chávez Granadino (2010).

initiatives with efforts by the public cooperation agencies. In this way, CSR initiatives in African countries, among others, are expected to contribute to the experiment and innovate with the new roles of CSR.

The acceptance and the voluntary contributions of international and global transnational companies generate incentives that tend to focus on CSR programs. This is known as the “CSR option” and may respond to an ethical, social, and environmental commitment of international and global transnational companies, generating incentives that tend to focus on CSR programs.

Many of the CSR initiatives are investments in programs with public or private non-profit organizations or NGOs. They make it difficult to clearly distinguish the human resources invested by the companies from the CSR programs and projects. For example, Costa Rica based on the global CSR index (Ciudadanos 2003) indicates that 76% of these initiatives are carried out in the following ways and amount: support in kind for social institutions; fostering the development of social and environmental projects; sponsorship of community associations; the development of CSR programs and projects. Nonetheless, it is estimated that the projects carried out by CSR programs are non-profit organizations (over US$10,000) and only 3-15% of CSR initiatives represent more than US$100,000.

As indicated earlier, one way of implementing CSR programs is through accepting the commitment of CSR programs. Once the process is implemented, for example, the World Bank International Finance Corporation (IFC) has private sector into compliance with international standards of environmental and social performance. Thereafter, the IFC has established amounts that must be met, and at some extent, 1 percent of the resources dedicated to CSR programs.

private sector into compliance with international standards. The IFC has established amounts that must be met, and at some extent, 1 percent of the resources dedicated to CSR programs.
initiatives with efforts by the public sector and bilateral and multilateral cooperation agencies. In this way, CSR opens up the possibility of mobilizing additional resources (technical, financial, materials, and equipment, among others) for development projects and programs, also making it possible to experiment and innovate with new institutional arrangements.

The acceptance and the voluntary implementation of CSR policies by corporations involve an explicit or implicit cost-benefit calculation. The CSR option may respond to an ethical perspective of economic activity or to practical considerations of business profit. Nevertheless, the gradual articulation of international and global initiatives for monitoring the activities of transnational companies, particularly with natural resources, generates incentives that tend to focus companies toward increasingly responsible behavior (see Box 6.3 for an example in Indonesia).

Many of the CSR initiatives are implemented as associations or agreements with public or private non-profit organizations and involve the exchange of intangible goods or services or contributions in kind. This makes it difficult to clearly distinguish the amount of time, money, or human resources invested by the companies and their partners in executing CSR programs and projects. For example, information available for Costa Rica based on the global CSR survey of executive chairmen of 1,000 companies in 2003 indicates that the main forms of CSR investment are carried out in the following ways (in decreasing order of investment amount): support in kind for social projects; donations to educational institutions; increasing the skills of staff in CSR subjects; support for environmental projects; sponsorship of CSR activities; contributions to community associations; the development of community projects; and, finally, donations to NGOs. Most of these activities involve amounts under US$10,000, and only 3–15 percent of the contributions in these categories represent more than US$40,000, on average.

As indicated earlier, one way of involving the private sector in development programs is through accepting standards of behavior for the implementation of CSR programs. Once again, multilateral banks have facilitated this process. For example, the Performance Standards of the World Bank International Finance Corporation (IFC) condition loans to the private sector into compliance with social and environmental standards prior to the evaluation of an investment. Some major investment projects have established amounts that must be destined for CSR programs. These average, and at times exceed, 1 percent of total investment, and some international corporations have established these ratios as the minimum acceptable
Box 6.3. The APRIL Operation in Indonesia

Indonesia’s major economic development has been accompanied by significant processes of deforestation and soil deterioration. The country is considered one of the biggest emitters of greenhouse gases in the world. Population pressure, illegal logging, and slash-and-burn agriculture have devastated more than half of the forests in the country during recent decades. In this context, the presence of one of the biggest global pulp and wood products companies, Asia Pacific Resources International Limited (APRIL), may be considered high risk. Indeed, this company was harshly criticized by environmental organizations in recent years due to inappropriate practices of forest extraction.

However, in the last ten years APRIL has been implementing a strategy of sustainable forest management. As a result, it has gained the recognition and cooperation of many of its former critics, such as the World Wildlife Fund for Nature (WWF). It is also the only company in Indonesia that forms part of the World Business Council for Sustainable Development (WBCSD). The zone of APRIL’s concession in the Kampar peninsula sustains more than 100,000 people who live in hundreds of diverse villages in an area that until a few years ago was separated from the country’s service and communications infrastructure.

Starting in 1999 APRIL began a strategy of empowering local capacities and capital to achieve sustainable forms of life, as well as constructing transport and service infrastructure to act as a catalyst for community development. From 2002 to the present day, the Integrated Crop Systems program has trained more than four thousand families, organized by village groups. They have improved their skills for horticulture, livestock farming, fish farming, composting, recycling of waste, and food processing, which enable subsistence activities with a low impact on the forest ecosystem. Since 2001 the company’s training and skills-development initiatives began to boost the creation of small companies among those local people with the most skills, with various banks in the country giving advice and financial support. The company’s most ambitious initiative, which has had a great impact on the control of local deforestation, is the community tree-pulp cultivation plan, under which the local communities associate with APRIL to develop their traditional lands with acacia plantations. The company provides financial support, seeds, local community to maintain their pulp is harvested and the people get the income from the industrial pulp management. By converting these, the company takes advantage who operate with licenses and pilot have abandoned illegal logging, we

In coordination with the government, improve access roads, mobile health, and access to electrical energy, of the territory and the region in the area. Also in coordination with NGOs, the company is boosting forests as an environmental buffer and sustainable management of forest of its sustainable development plan expects that the funds result in lower emissions from deforestation and on local populations and thus complement the company’s strategy of associate.

Sources: Wootliff (2009); APRIL (2007); WWF.
The new face of development cooperation has been accompanied by environmental and soil deterioration. The conversion of greenhouses to the growing and slash-and-burn agriculture of the forests in the country due to the presence of one of the biggest companies, Asia Pacific Resources Interited high risk. Indeed, this commercial organizations in recent years have been implementing a standard. As a result, it has gained the attention of its former critics, such as the Environmental Council for Sustainable Development (EN). It is now the only company in which the environmental council for sustainable development (EN) restricts the use of APRIL's concession in the development of the 100,000 people who live in the region until a few years ago was occupied. The strategy of empowering local communities and increasing access to electrical energy is leading to a quicker integration of the territory and the replacement of the subsistence economy in the area. This is in coordination with the government and NGOs, the company is boosting a project to create a ring of acacia forests as an environmental buffer zone that can help stabilize the sustainable management of forests in the Kampar Peninsula. As part of its sustainable development plans for the coming years, the company expects that the funds resulting from the program of reducing emissions from deforestation and degradation (REDD) may be focused on local populations and thus complement the income generated by the company's strategy of association.

Sources: Woolliscroft (2009); APRIL (2007); www.aprilasia.com

for their social investment processes. Under the Equator Principles, signed in 2003, ten banks from seven countries use the IFC social and environmental policies and guidelines to evaluate responsible investment in projects of more than US$50 million. Currently, twenty-six international banks require this kind of evaluation. In all, they represent more than 60 percent of available finance for large projects globally. The lack of transparency and reporting standards makes it very difficult to ascertain the real size, impact, and effectiveness of CSR considered within a broader framework of development cooperation initiatives. Many private companies are reticent when it comes to providing information on their CSR activities and coordinating their activities with public institutions or civil society (Porter and Kramer, 2008). In addition, it is not possible to estimate the real capacity of CSR to mobilize additional development resources. For example, companies in the United States have reported...
that they contribute US$6.8 billion for aid programs, while other OECD
countries generated US$12.2 billion in 2008, although the latter figure also
includes private donations from individuals (Hudson Institute, 2009).

FINAl COMMENTS

The group of institutions that form part of what can be denominated the
"international system of development finance and cooperation" is being
transformed rapidly, particularly through the entry of new actors and
through innovations in the modalities of cooperation and financial in-
struments. This makes it necessary to reexamine the justifications sup-
porting the system, the motivations of the actors involved in it, the mo-
dalities and instruments used, and the ways in which the use of financing
and international cooperation is conducted in recipient countries. The
change and turbulence present at the start of the twenty-first century offer
a window of opportunity for making progress toward an international
system for financing and cooperation that leads to fairer, more equitable,
more efficient, and more effective development.

The new actors in development financing and cooperation can help
mobilize additional resources, allow a diversification of sources of finance,
generate additional capacities, and increase pressure for the innovation
and implementation of institutional reforms.

Even as such new actors enter the scene, new issues are appearing, many
of them linked to the provision of regional and global public goods, which
require joint action in the international field and which exercise pressure
on the sources of official finance. Among them are mitigation of and
adaptation to climate change, prevention and control of pandemics, preser-
vation of financial stability, conservation of biodiversity, prevention of vio-
 lent conflicts, response to humanitarian disasters, financial regulation,
and the struggles against drug trafficking, money laundering, and interna-
tional terrorism. Although the multiplication of actors, sources of finance,
and modalities may generate instability and uncertainty in the development
financing and cooperation system, it may also help in the joint efforts to
confront the challenges that arise in these areas in the medium and long
term.

It is thus necessary to adopt an integrated vision for the reform of the
system, to establish new spaces for coordination between new and traditional actors, to jointly adopt new rules for the system, to create mecha-
nisms for collective action, and to gradually advance toward a comprehensive development finance and cooperation system. Although framework agreements have been adopted to improve the effectiveness of aid, such as the principles of the Paris Declaration and the Accra Agenda for Action, these involve only a small portion of the wide range of institutions that actively participate in development finance and cooperation.

All this makes necessary a reexamination of the motivations behind international cooperation, reviewing the range of financial instruments for channeling cooperation to developing countries and explicitly taking into account the capacity of the various groups of developing countries for the mobilization of domestic and external resources.

However, it is important to stress that, despite the influence acquired by new actors in the changing context of the international development finance system, newcomers to the field of international cooperation, including private-sector and SSC donors, are not yet in a position to replace the traditional donors in financial terms. Their main contribution is linked to the synergies that they can create in conjunction with traditional donors, to their capacity to generate additional cooperation resources and instruments, and to their capacity to exercise pressure to generate institutional changes that can increase the effectiveness of the international system of development cooperation.

The financial crisis has significantly affected the capacity of new private-sector donors to mobilize development resources. Both the assets of the main foundations and corporate resources available for CSR activities have suffered significantly in recent years; still, there is no evidence that these effects will be permanent, as the major corporations had already begun to recover their sales and improve their financial situations by the first quarter of 2010. In addition, the capacity of individual donors and consumers to mobilize resources does not appear to have been significantly affected, as the results of recent humanitarian aid campaigns attest.

Based on these considerations, we identify some of the following initiatives that can reinforce the positive impact of new actors in the international cooperation scene:

- Some of the issues dealt with in this chapter are backed up by fragmentary information, not yet standardized, and efforts to gather and process data are only just beginning to transition from the academic world to the field of public policy. Thus it is necessary to support efforts for the
systematic monitoring of the changing context of international cooperation through specialized studies, the compilation of data and statistics on new actors and financial instruments, and the preparation of case studies that provide a more detailed understanding of actual conditions in the field.84

- The institutions of the international system for development cooperation suffer various limitations to the effective incorporation of the approaches and activities of new actors. For this reason it would be useful to establish a broad forum, with the participation of diverse actors, to exchange experiences and knowledge on new trends and features in the system of development finance and cooperation, as well as to share the responses currently being organized by the various providers and recipients of finance and cooperation. For example, the Accra Agenda for Action, which mentions the importance and potential of SSC, includes some issues that should be on the agenda of a new financial architecture. Moreover, various countries linked to SSC activities have expressed doubts about the OECD/DAC as the best forum for coordinating public policies for these new subjects and actors in the structure of development finance.

- In order to realize the potential contribution of new private-sector actors, it is necessary to design and employ a broader set of instruments and policies. Many of these would combine public, private, and international initiatives, such as guarantees for investment, the creation and strengthening of domestic markets, trust funds administered by multilateral bodies, public-private associations, and the issuance of bonds in domestic capital markets. There should be no contradiction or substitution in the mobilization of private and public resources: the two should complement and reinforce each other, both at the domestic and international levels.

- Before the financial crisis, a trend already existed to guide ODA toward the poorest countries, as emerging and middle-income countries gradually gained access to private sources of finance and international capital markets. Among the latter, there are various successful cases of "gradation," in the sense of gradual progress toward forms of finance that depend less on ODA and international bodies, but without abandoning these sources altogether (China, the Korean Republic, Vietnam, and Peru, among others). The challenge consists in learning from experience and designing mechanisms that allow developing economies to move freely toward the use of a more extensive and varied range of financial instruments and modalities of cooperation.
• SSC is becoming the new fashionable subject in discussions around reform of the international development cooperation system. However, SSC has a long way to go before becoming an effective instrument to significantly extend flows of international development aid without incurring North-South cooperation practices that have been widely criticized by recipient countries. Therefore, SSC should be expanded and strengthened through the exchange of experiences, through the creation of funds to cover the incremental costs of cooperation, and through the involvement of developed countries in SSC via triangular cooperation.
## APPENDICES

### APPENDIX 1

<table>
<thead>
<tr>
<th>Type</th>
<th>Subtype</th>
<th>Specific Instruments (examples)</th>
<th>DAC</th>
<th>Other</th>
<th>United Nations</th>
<th>World Bank, RDBs</th>
<th>IMF/Regions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>Projects/programs</td>
<td>IBRD-IDA: blended loan</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mixed with donation to reduce interest</td>
<td>Facility: Apex Fund</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td></td>
<td>Microfinance</td>
<td>Disaster: CAT-DDO (Catastrophe deferred drawdown option)</td>
<td></td>
<td></td>
<td>X</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Contingent credit lines</td>
<td>Liquidity: IMF ESR, FLAR</td>
<td></td>
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<td></td>
<td></td>
<td>General: Countercyclical DDO</td>
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<td></td>
<td></td>
<td>Sovereign lending</td>
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<tr>
<td></td>
<td>Concessional loans</td>
<td>US OPIC, UK Export Credit Department</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<tr>
<td></td>
<td>Trade financing/export credits</td>
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<td></td>
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<td></td>
<td></td>
<td>X</td>
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<tr>
<td></td>
<td>Multidonors: Rescue programs</td>
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</tr>
<tr>
<td>Donations</td>
<td>Result based</td>
<td>Cash on delivery, output-based aid, result-based aid</td>
<td>X</td>
<td>X</td>
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<tr>
<td></td>
<td>Conditioned transfers</td>
<td>Millennium Challenge Corporation</td>
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<td></td>
<td>X</td>
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<td></td>
<td>Budget support</td>
<td>EU MDG Contract</td>
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<td>X</td>
<td>X</td>
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<tr>
<td></td>
<td></td>
<td>Global Fund, IDA Performance based</td>
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<td>Bonds for the domestic capital market</td>
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### 15.2 Financial Instruments

#### Notional Categories and Actors Offering Them

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<th>Bilateral</th>
<th>Multilateral</th>
<th>Private Sector</th>
<th>Capital Markets</th>
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<td>Disaster: CAT-DDO ( Catastrophe deferred drawdown option)</td>
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<td>Cash on delivery, output-based aid, result-based aid</td>
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<td>Global Fund, IDA Performance based</td>
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<td>Carbon, GDP, commodity prices, inflation</td>
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<td>For catastrophes</td>
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<td>World Bank, RDBs</td>
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<td>Via 1% sales of companies</td>
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<td>Various contributions</td>
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<td>Securitization of aid flows</td>
<td>Global FFI, FFI for immunization-FFI</td>
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<td>Funds/programs/Investment</td>
<td>Counter cyclical funds</td>
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<td>Taxes and Fees</td>
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<td>Kiva.org, MyCA, Babyloan, Wokai</td>
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<td>Person-to-person donation/loans</td>
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<td>CAT swap</td>
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<td>Cool Bonds</td>
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<td>Guarantees (partial, credit, based on policies, politics, regulatory, among others)</td>
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<td>Unilateral cancellation of debt</td>
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<td>Multilateral IMF/Regional</td>
<td>Multilateral SRDBs</td>
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<td>Disaster: Index-based insurance</td>
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</tr>
<tr>
<td>Brady, Paris Club</td>
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APPENDIX 2

METHODOLOGY FOR ESTIMATING THE INDEX OF DOMESTIC AND EXTERNAL RESOURCE MOBILIZATION

A principal component analysis and factor analysis have been used to calculate the two indexes of resource mobilization (domestic and external). Briefly, the econometric method of the main components allows information from a group of diverse indicators to be integrated through the extraction of their elements in common or principal components. These common elements are those that best explain the combined variation of the group of indicators. Thus this method allows the information of various indicators to be "compacted" into a few factors, ideally only one factor, that can be used as an index to establish a ranking among a group of countries, in the specific case of this work. This research has used the STATA statistical program to estimate the principal components.

The database used for the analysis has been constructed according to the indicators of internal and external resource mobilization available in the World Bank's World Development Indicators and Global Development Finance (World Bank, 2009). The analysis has been carried out with developing countries according to the classification provided by the World Bank. The index was calculated with information for 130 developing countries, but twenty did not have information in any of the indicators, so they were excluded. Of the remaining 110 countries, nearly 80 percent had information for all the indicators in both the internal and external mobilization index; the remaining 20 percent had at least information for one of the indicators in each index. With at least one indicator per index, it is possible to calculate its value. Although this is less precise, it does describe the relative position of these countries.

For reasons of availability of information, particularly for those countries with lower relative levels of development in their statistics, the following indicators were chosen for calculating the two indexes: (1) gross fixed capital formation, domestic credit to the private sector, and gross domestic savings (as a proportion of GDP) for the index of internal resource mobilization; and (2) levels of foreign direct investment, volume of exports of goods and services, and net international reserves, all expressed in logarithms to reduce dispersion, for the index of external resource mobilization. The figures used for each indicator correspond to the average for the period 2006–2008.

The analysis of principal components provides an interpretation of the total variance of the series, which can only be obtained for the characteristic roots, or eigenvalues, the factors that each of the index of the countries in the sample.

Tables 6.A2 and 6.A3 show the results after the analysis of the principal components of external and domestic mobilization resources (Table 6.A2), it can be observed with a characteristic root greater than one calculated for each period. In addition, for each of the factors indicates that the variance is fairly high: in the period 2000–2002 and the next step consists of rotating the factors to allow a greater correlation between the different factors.

Table 6.A2. Extraction of the External Resource Mobilization Index

<table>
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<tr>
<th>Factor</th>
<th>Eigenvalue</th>
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<tbody>
<tr>
<td>Factor1</td>
<td>1.78829</td>
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<tr>
<td>Factor2</td>
<td>0.97524</td>
</tr>
<tr>
<td>Factor3</td>
<td>0.23647</td>
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LR Test: Independent vs. Saturated: chi2(3)

Table 6.A3. Extraction of the Domestic Resource Mobilization Index

<table>
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<th>Factor</th>
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<tbody>
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<td>Factor1</td>
<td>1.32577</td>
</tr>
<tr>
<td>Factor2</td>
<td>0.97538</td>
</tr>
<tr>
<td>Factor3</td>
<td>0.69855</td>
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LR Test: Independent vs. Saturated: chi2(3)
The analysis of principal components is calculated on the basis of the total variance of the series, which is distributed proportionally among its components. This proportion is calculated through the accumulation of the characteristic roots, or *eigenvalues*. This analysis is used to calculate the factors that each of the indexes will represent and to calculate each of the countries in the sample.

Tables 6.A.2 and 6.A.3 show the criteria for selecting the factors that arise after the analysis of the principal components for each of the groups of indicators of external and domestic mobilization. In the mobilization of external resources (Table 6.A.2), it can be observed that only one of two factors presents a characteristic root greater than one, so that a unique index can be calculated for each period. In addition, the accumulated proportion explained for each of the factors indicates that the explanation of the combined variance is fairly high: in the period 2006–2008, it explains 60 percent.

In domestic resource mobilization (Table 6.A.3), it can also be seen that only one of the factors presents a characteristic root greater than one. In this case, the accumulated proportion explains 55 percent of the combined variance in the period 2000–2002 and 44 percent in the period 2006–2008.

The next step consists of rotating the results to linearize them and to allow a greater correlation between the factors, so that the values of the factors

---


<table>
<thead>
<tr>
<th>Factor</th>
<th>Eigenvalue</th>
<th>Difference</th>
<th>Proportion</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor1</td>
<td>1.78829</td>
<td>0.81305</td>
<td>0.5961</td>
<td>0.5961</td>
</tr>
<tr>
<td>Factor2</td>
<td>0.97524</td>
<td>0.73878</td>
<td>0.3251</td>
<td>0.9212</td>
</tr>
<tr>
<td>Factor3</td>
<td>0.23647</td>
<td>0.0788</td>
<td>0.0788</td>
<td>1.0000</td>
</tr>
</tbody>
</table>

LR Test: Independent vs. Saturated: chi2(3) = 95.81, Prob > chi2 = 0.0000

---


<table>
<thead>
<tr>
<th>Factor</th>
<th>Eigenvalue</th>
<th>Difference</th>
<th>Proportion</th>
<th>Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor1</td>
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<td>0.35038</td>
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<td>0.4419</td>
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<tr>
<td>Factor2</td>
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<td>0.30996</td>
<td>0.3251</td>
<td>0.7761</td>
</tr>
<tr>
<td>Factor3</td>
<td>0.69885</td>
<td>0.0000</td>
<td>0.2329</td>
<td>1.0000</td>
</tr>
</tbody>
</table>

LR Test: Independent vs. Saturated: chi2(3) = 10.85, Prob > chi2 = 0.0126

---
**Table 6.A4 Values of the Indexes of Resource Mobilization**

<table>
<thead>
<tr>
<th>Country</th>
<th>Index of External Resource Mobilization</th>
<th>Index of Domestic Resource Mobilization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>0.44</td>
<td>0.46</td>
</tr>
<tr>
<td>Angola</td>
<td>0.60</td>
<td>0.49</td>
</tr>
<tr>
<td>Argentina</td>
<td>0.70</td>
<td>0.50</td>
</tr>
<tr>
<td>Armenia</td>
<td>0.40</td>
<td>0.62</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>-</td>
<td>0.70</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>0.53</td>
<td>0.50</td>
</tr>
<tr>
<td>Belarus</td>
<td>0.54</td>
<td>0.63</td>
</tr>
<tr>
<td>Belize</td>
<td>0.26</td>
<td>0.47</td>
</tr>
<tr>
<td>Bolivia</td>
<td>0.49</td>
<td>0.40</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>0.49</td>
<td>0.33</td>
</tr>
<tr>
<td>Botswana</td>
<td>0.52</td>
<td>0.64</td>
</tr>
<tr>
<td>Brazil</td>
<td>0.83</td>
<td>0.69</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>0.63</td>
<td>0.62</td>
</tr>
<tr>
<td>Burundi</td>
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<td>0.12</td>
</tr>
<tr>
<td>Cambodia</td>
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<td>0.23</td>
</tr>
<tr>
<td>Cameroon</td>
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<td>0.34</td>
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<tr>
<td>Cape Verde</td>
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<td>0.69</td>
</tr>
<tr>
<td>Chile</td>
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<td>0.68</td>
</tr>
<tr>
<td>China</td>
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<td>1.00</td>
</tr>
<tr>
<td>Colombia</td>
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<td>0.49</td>
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<tr>
<td>Congo, Rep.</td>
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<td>0.69</td>
</tr>
<tr>
<td>Costa Rica</td>
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<td>0.49</td>
</tr>
<tr>
<td>Cote d'Ivoire</td>
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</tr>
<tr>
<td>Djibouti</td>
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<tr>
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<tr>
<td>Dominican Republic</td>
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<td>0.35</td>
</tr>
<tr>
<td>Ecuador</td>
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<td>0.46</td>
</tr>
<tr>
<td>Egypt, Arab Rep.</td>
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<td>0.47</td>
</tr>
<tr>
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<tr>
<td>Ethiopia</td>
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<td>Georgia</td>
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<td>0.44</td>
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<tr>
<td>Ghana</td>
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<td>0.50</td>
</tr>
<tr>
<td>Grenada</td>
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<td>0.82</td>
</tr>
<tr>
<td>Guatemala</td>
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<td>0.34</td>
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<td>Haiti</td>
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<td>Kyrgyz Republic</td>
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<tr>
<td>Lao PDR</td>
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<tr>
<td>Latvia</td>
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<tr>
<td>Lebanon</td>
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<td>Lesotho</td>
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</tr>
<tr>
<td>Mali</td>
<td>0.39</td>
<td>0.41</td>
</tr>
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</table>

(continued)
Table 6.A4 (continued)

<table>
<thead>
<tr>
<th>Country</th>
<th>Index of External Resource Mobilization</th>
<th>Index of Domestic Resource Mobilization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mauritius</td>
<td>0.44</td>
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</tr>
<tr>
<td>Mexico</td>
<td>0.82</td>
<td>0.60</td>
</tr>
<tr>
<td>Moldova</td>
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<td>0.39</td>
</tr>
<tr>
<td>Mongolia</td>
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<td>0.54</td>
</tr>
<tr>
<td>Morocco</td>
<td>0.63</td>
<td>0.70</td>
</tr>
<tr>
<td>Mozambique</td>
<td>0.41</td>
<td>0.25</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>0.40</td>
<td>0.59</td>
</tr>
<tr>
<td>Pakistan</td>
<td>0.64</td>
<td>0.40</td>
</tr>
<tr>
<td>Panama</td>
<td>0.49</td>
<td>0.62</td>
</tr>
<tr>
<td>Paraguay</td>
<td>0.47</td>
<td>0.37</td>
</tr>
<tr>
<td>Peru</td>
<td>0.65</td>
<td>0.50</td>
</tr>
<tr>
<td>Philippines</td>
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<td>0.31</td>
</tr>
<tr>
<td>Poland</td>
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</tr>
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<td>Romania</td>
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<td>0.30</td>
</tr>
<tr>
<td>Russian Federation</td>
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<tr>
<td>Samoa</td>
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<td>0.05</td>
</tr>
<tr>
<td>Senegal</td>
<td>0.41</td>
<td>0.49</td>
</tr>
<tr>
<td>Serbia</td>
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<td>0.33</td>
</tr>
<tr>
<td>Seychelles</td>
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</tr>
<tr>
<td>Sierra Leone</td>
<td>0.25</td>
<td>0.24</td>
</tr>
<tr>
<td>Solomon Islands</td>
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<td>0.04</td>
</tr>
<tr>
<td>South Africa</td>
<td>0.69</td>
<td>0.66</td>
</tr>
<tr>
<td>Sri Lanka</td>
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<td>0.48</td>
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<tr>
<td>St. Kitts and Nevis</td>
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<td>0.89</td>
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<td>St. Lucia</td>
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<td>0.74</td>
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<td>0.13</td>
</tr>
<tr>
<td>Tanzania</td>
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<td>0.29</td>
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<td>Tonga</td>
<td>0.10</td>
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</tr>
<tr>
<td>Tunturia</td>
<td>0.57</td>
<td>0.58</td>
</tr>
<tr>
<td>Uganda</td>
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<td>0.34</td>
</tr>
<tr>
<td>Ukraine</td>
<td>0.69</td>
<td>0.59</td>
</tr>
<tr>
<td>Uruguay</td>
<td>0.51</td>
<td>0.38</td>
</tr>
<tr>
<td>Vanuatu</td>
<td>0.19</td>
<td>0.21</td>
</tr>
<tr>
<td>Venezuela, RB</td>
<td>0.68</td>
<td>0.55</td>
</tr>
<tr>
<td>Vietnam</td>
<td>0.64</td>
<td>0.61</td>
</tr>
<tr>
<td>Zambia</td>
<td>0.42</td>
<td>0.49</td>
</tr>
</tbody>
</table>

are more consistent and comparable in other cases. By estimating the rotated factor, this factor can be applied to calculate the value of each country and obtain each of the indexes of resource mobilization for the period 2006–2008. The values are shown in Table 6.A4. It is necessary to clarify that in order to present the results in a more intuitive way, the scale has been
reduced in the text for two reasons. First, the idea was to exclude those countries with extreme values, particularly those with relatively small values or those whose indicators present high variance in the period 2006–2008. Second, by reducing the scale to [0, 1] the results are more easily interpreted and the categories can be better appreciated. China corresponds to the upper level of the scale (1,1) because it has the higher value in both indexes. Moreover, the 0.5 cutoff point to divide the categories is arbitrary and has only been used to allow comparisons between the categories of countries.

NOTES

1. The fall has had a varied effect on the different regions. For example, it has been acute in countries in Eastern Europe and Central Asia, at around 47 percent, or US$322 billion. In sub-Saharan Africa the fall was US$39.5 billion, equivalent to the sum received by the region in official grants for their public budgets.

2. This is the case for the group of emerging economies, which represent 90 percent of these flows. Many of them have been able to mitigate this fall by strengthening their domestic capital markets, but the possibility of greater refinancing problems cannot be ruled out as the effect of temporary stimulus packages implemented in these economies is gradually reduced.

3. The corporate sector had very favorable conditions before 2007, when an average rate for refinancing debt was 6.4 percent. Interest rates increased to 1.5 percent at the end of 2009, and although they had fallen at the end of the first quarter of 2010, conditions are still difficult.

4. There is also evidence that families in developing countries have had to send remittances to members in developed countries as a response to the weak labor market (Lacey, 2009).

5. The fiscal measures to finance stimulus programs in developing countries through debt issues cost 4.4 percent of GDP in 2009, compared to 3 percent in developed countries.

6. These points recommend the following: (1) unite aid, including technical assistance; (2) implement transparency standards on expenditure; (3) publish and disseminate the results of evaluations, including the methodologies, data, and results, and report when these evaluations are not made; (4) progress toward results-oriented programs, for example, "$100 per student who graduates from school," and give national authorities leeway to implement them; (5) create a platform that lets recipient countries hire technical assistance and access evaluations of suppliers; and (6) make aid flows more predictable, probably by outsourcing the work of distributing aid, according to an agreed-upon time frame, to a third party such as a private investment bank.

7. There is an intense debate on the role of new donors that provide loans and donations without conditions, particularly when compounded by the concept of non-interference in the internal affairs of recipient countries (applied by countries such as Cuba, Venezuela, and China). Terms this kind of intervention could encourage debt sustainability, as has been the case in loans by China to African countries (Rein 8. However, their assets faced a similar situation. were calculated to have incurred losses on their billion equity portfolio. In 2007 sovereign- aged assets of around US$9.7 trillion (Haldane 9. McGillivray and White (1999) have used to distribute aid to developing affinity, and linguistic criteria, among others, in the analysis of motivations of official and recent review of these motivations through and Ouattara (2008).

10. Sagasti et al. (2006) present evidence in this case.


13. For example, four countries (China graduated as recipients of concessional Association (IDA), participated actively (IDA-3). A total of forty-five donors plus countries becoming contributors, the new replenishment process ended in December 2010, increased 18 percent to USA.

14. The index is calculated for the 110 About 80 percent of these countries have ing 20 percent have less information for possible to calculate the relative position of each index, although less precisely.

15. To avoid the effect of atypical year calculation of the index and to give great three-year average was used for each index estimating numeric values, which are used explicitly for mobilizing resources, and to m

16. The index shows a graduation by and external resource mobilization, and it is the number of each index.

17. For example, the Inter-American implement the external pillar of the mod effects in enhancing the capacity government procurement, national system macroeconomic and international cooper
first, the idea was to exclude those:...small values of variance in the period 2006-2008, the...China corresponds to the...the categories is arbitrary and has...between the categories of countries.

Different regions. For example, it has been...Central Asia, at around 47 percent, or...for their public budgets. Growing economies, which represent 90 percent...to mitigate this fall by strengthening the...possibility of greater refinancing for public stimulus packages implemented...conditions before 2007, when the average interest rates increased to 11.5 percent...in the first quarter of 2010, developing countries have had...as a response to the weak labor...countries in developing countries...2009, compared to 3 percent in...(i) unite aid, including technical...to expenditures; (ii) publish and...the methodologies, data, and results...adequate; (iii) progress toward results-oriented...non-grantees from school,” and give na...eight: (i) create a platform that lets recipient...evaluations of suppliers; and (vi) make...of distributing aid, third-party...private investment...of new donors that provide loans and...when compounded by the concept of...recipient countries (applied by countries...such as Cuba, Venezuela, and China when providing cooperation). In practical...terms this kind of intervention could undermine other initiatives such as those...encouraging debt sustainability, as has been suggested around the case of concessional...loans by China to African countries (Reisen, 2008).

8. However, their assets suffered a significant impact: by September 2009 they were calculated to have incurred losses on the order of US$57 billion in their US$127 billion equity portfolio. In 2007 sovereign wealth funds were estimated to have...assets of around US$9.7 trillion (Hagan and Johanss, 2009).

9. McGillivray and White (1999) review the various criteria that official donors have used to distribute aid to developing countries, analyzing geopolitical, cultural affinity, and linguistic criteria, among others. Sagasti and Alcalde (1999) extended the analysis of motivations of official actors in providing official development aid. A recent review of these motivations through official aid flows can be found in Hoeffler and O’Donoghue (2008).

10. Sagasti et al. (2006) present evidence of this kind of motivation for the Peruvian case.

11. See Alesina and Dollar (2000); Collier and Dollar (2002); Roemer and Llavador (1999).


13. For example, four countries (China, South Korea, Egypt, and Turkey) recently graduated as recipients of concessional loans from the International Development Association (IDA), participated actively in the replenishment of resources in 2007 (IDA-15). A total of forty-five donors pledged to IDA-15 and, with more developing countries becoming contributors, the number of donors pledging to IDA-16—whose replenishment process ended in December 2010—increased to fifty-one. Total available resources increased 18 percent to US$49.3 billion for the period 2011–2014 (World Bank, 2010).

14. The index is calculated for the 110 countries that have sufficient information. About 80 percent of these countries have data for all the indicators, and the remaining 20 percent have less information for some of the indicators in each index. It is possible to calculate the relative position of these countries with at least one indicator for each index, although less precisely.

15. To avoid the effect of atypical years or large variations that could distort the calculation of the index and to give greater stability (lower year-on-year variance), a three-year average was used for each indicator. Using main components allows for estimating numeric values, which are used to rank countries in relation to their capacity for mobilizing resources, and to monitor the indexes over time.

16. The index shows a graduation between countries of high and low domestic and external resource mobilization, and the value 0.5 differentiates two main categories for each index.

17. For example, the Inter-American Development Bank (IDB) program to...external pillar of the medium-term action plan for development effectiveness invests in enhancing the capacity of the public sector in areas such as government procurement, national systems of public investment, e-government, and macroeconomic and international cooperation management, among others. The core
idea of this support is that after the intervention, these countries can access other sources, such as regular IDB sources in this case, to complement the implementation of the development effectiveness program.

18. The United Nations Development Programme provided support for a group of countries in sub-Saharan Africa so that risk-rating agencies could draw up a profile and classify these countries, thus enabling them to issue sovereign bonds on the capital markets that could also be traded on secondary markets. These kinds of low-cost interventions create the conditions for these countries to access additional sources of finance.

19. In the meeting between China and Africa in November 2009, China undertook to grant loans at low interest rates worth US$20 billion over the next three years. This came in addition to a commitment for half that amount in 2006. Similarly, Venezuela supports various Caribbean countries with the PetroCaribe program, which provides concessional loans and energy at subsidized prices.

20. The value of the instruments in circulation from domestic bond issues in twenty emerging economies increased from US$2.9 billion to US$5.4 billion between 2005 and 2009. In 2008, eight countries (Brazil, China, India, Malaysia, Mexico, South Africa, Thailand, and Turkey) represented 90 percent of the total domestic-currency issues (World Bank, 2009a:77).

21. In the case of individual donations for development purposes, information technologies have allowed resources to be channeled through innovative mechanisms such as Kiva.org, MyC4.com, Babyloan, and Wokai. There are also person-to-person mechanisms, where organizations allow individuals to channel their resources to people in developing countries (whose projects are presented on a website so that potential donors can choose them) through direct donations to specific programs (breakfast, meals, payment for education). However, these programs may be controversial, as it is argued that rather than an innovative mechanism, these are marketing strategies to collect development funds (Roodman, 2009).


23. The IMF increased its available capital through the issue of special drawing rights by more than US$50 billion; at the end of March 2010 an increase of 70 percent, to US$70 billion, was approved in the capital of the Inter-American Development Bank. This will allow annual loans to the region of US$12–15 billion on average, compared with an average of US$7–9 billion in previous years. The replenishment of IDA-16 is in the process of negotiation. An increase of not less than 30 percent is expected in available resources. At the same time, discussions are under way to increase the capital of the World Bank, the Asian Development Bank (the G-20 has initially undertaken to increase the capital by 200 percent), and the African Development Bank. At the subregional level, the Andean Development Corporation, whose operations are no longer limited to the Andean region, increased its capital by US$2.5 billion in 2009 and carried out a share conversion to incorporate Argentina, Brazil, Paraguay, and Uruguay as full members (US$1.3 billion extra). In addition, negotiations have concluded to establish a regional fund in Asia, to operate in a similar way to the IMF to provide liquidity for the temporary balance of payments problems, as well as to manage reserves and swaps between local and international currencies. This fund has been established for countries of regions, China, Japan, and South Korea. It has been in mid-March 2010, as a Memorandum of Understanding Agreement.

24. For a review of the history and motivations of the BASIC countries joint project, see Afrodad (2010).

25. The BASIC countries jointly represent developing countries and just over 40 percent generated 45.1 percent of GDP in developing countries and 25 percent of global GDP in international (Nayyar, 2008:3).

26. IBSA cooperates through several partnerships. An example is its project in Guine toward the improvement of techniques for small farmers to learn good skills. The program is available at http://www.ibsa-trilateral.org/index.php?id=42819_20110112&d=DO_TOPIC.

27. See Lan (2010); AFRODAD (2010).

28. For example, Aylott (2009) highlights the importance of Brazil’s commitment to the BASIC initiatives. Similar interests motivate other initiatives that can support such initiatives.


30. See http://www.impactalliance.org/_TOPIC.

31. See http://www.impactalliance.org/_TOPIC.

32. See http://www.impactalliance.org/_TOPIC.

33. See the Petrocaribe energy cooperation index.php?tpl=interface.sp/design/bibliografic-id=1345&cnewsid_temas=111 (revised in Feb).

34. The member countries are Antigua and Barbuda, Dominica, Granada, Guatemala, Guyana, the Dominican Republic, Saint Kitts and Nevis, Saint Lucia, Suriname, and Venezuela.

35. These are some of the projects: the liquefied natural gas project in February 2007 in Saint Vincent’s distribution plant, which opened in Domínica, Brazil, and Cuba’s production capacity of 70,000 barrels a day has been developed in Nicaragua, Haiti, Antigua, Saint Kitts and Nevis. See http://www.petrocaribe.org/projects/projects.1159.html.
fund has been established for countries of the Association of South-East Asian Nations, China, Japan, and South Korea. It has resources of more than US$120 billion and was approved in mid-March 2010, as part of the Chiang Mai Initiative Multilateralization Agreement.

24. For a review of the history and motivations of this kind of cooperation, see Sagasti (2006).

25. The BASIC countries jointly represent almost 50 percent of the population of developing countries and just over 40 percent of world population. In 2005 they generated 43.1 percent of GDP in developing countries. This accounts for less than 25 percent of global GDP in international dollars using purchasing-power parity (Nayar, 2008b).

26. IBSA cooperates through specific projects and alliances with less developed countries. An example is its project in Guinea Bissau, where the program is oriented toward the improvement of techniques for self-sufficient food supply and assisting local farmers to learn good skills. The program lasted a year and had a budget of US$500,000. See http://www.ibsa-trilateral.org/index.php; http://www.impactalliance.org/ev_en.php?id=49219_201&d2=DO_TOPIC.

27. See Lan (2010); AFRODAD (2010).

28. For example, Aylton (2010c) highlights the interest of the president of Brazil in garnering support for Brazil’s candidature for a permanent seat on the UN Security Council. Similar interests motivate other countries to continue improving their relations with countries that can support such ends.


34. The member countries are Antigua and Barbuda, the Bahamas, Belize, Cuba, Dominica, Granada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, the Dominican Republic, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Saint Lucia, Suriname, and Venezuela.

35. These are some of the projects: the liquefied petroleum gas-filling plant, operating since February 2007 in Saint Vincent and the Grenadines; the fuel storage and distribution plant, which opened in Dominica in June 2005; and the Camilo Cienfuegos refinery, reactivated in Cuba and operating since December 2007, with a production capacity of 69,000 barrels a day. Electricity generation projects have also been developed in Nicaragua, Haiti, Antigua and Barbuda, Dominica, and Saint Kitts and Nevis. See http://www.petrocaribe.org/.


40. The academic literature has studied the role of FDI in developing countries, as well as the incentives and motivations for investment. Among these are geographical proximity, the possibility of saving labor and supply costs, the abundance of natural resources, the lack of strict regulations (as may exist in the home countries of the parent companies), and the growth in emerging economies that ensures the possibility of corporate finance at comparable levels to those in the countries of origin, as well as the presence of tax incentives for starting operations in various developing countries (as in the case of exploiting natural resources). However, various studies have pointed to the negative side of such incentives. In the 1990s many countries at a similar level of development competed by relaxing national regulations and creating ad hoc mechanisms to attract resources for their economies, using what became known as "race to the bottom" policies. This led to FDI presenting a balance sheet that combined positive and negative aspects, since the power and influence of some transnational companies have allowed them to generate swift returns, but at the cost of negative externalities, such as 

41. The Institutional Investors Group on Climate Change (IGCC, 2009), which includes 181 investors with US$431 billion in financial assets under management, has agreed to promote more ambitious targets than Copenhagen (a reduction of between 50 and 85 percent in emissions by 2050).

42. For example, the Canada Investment Fund for Africa is a public-private fund with more than US$200 million, designed to stimulate growth in Africa through investment focused on financial services, natural resources, logistics, and agro-industry. The fund is managed privately, but the government, through its development agency, CIDA, ensured that its limited partnership agreement stipulated social, environmental, and health and safety objectives as a basis for managing the fund. See http://www.international.gc.ca/trade-agreements-accords-commerciaux/ds/csr-strategy-nse-strategie.aspx.

43. See Price Waterhouse Coopers (n.d.).

44. For example, in SSC, various institutions, such as the Organization of American States, the Iberian-American Secretariat General, the Development Effectiveness Working Group, the Economic Commission for Latin America and the Caribbean, and the United Nations Economic and Social Council, are compiling statistics and case studies for good practices worldwide. This diversity of institutions is not found in CSR, where the main sources of information are still reports from the corporate sector itself.

45. Countries such as Venezuela and Saudi Arabia claim they have exceeded the target of 0.7 percent of GNI in their international aid budgets. Currently the most optimistic estimates put it within the range of 10 percent of official aid (ECOSOC, 2009), but some countries with a high capita increase these budgets, even at a time of crisis.

the role of FDI in developing countries, as investment. Among these are geographical and supply costs, the abundance of natural resources, and the lack of competition from domestic firms. These variables are not unique to developing countries, but they are more pronounced in less-developed regions. The advantages of FDI, such as access to technology, management expertise, and market opportunities, are crucial for developing countries to achieve economic growth and development.

For example, in the case of China, FDI has played a significant role in increasing the country’s exports and attracting foreign investment. The government has created a favorable investment climate and provided incentives to attract FDI, leading to a significant increase in the country’s GDP and poverty reduction.

Some of the countries presenting limited information from the period 2000-2002 for the construction of the index include the following: American Samoa; Kiribati; Marshall Islands; Montenegro; Palau; Saint Kitts and Nevis; Saint Lucia; Saint Vincent and the Grenadines; Sao Tome and Principe; and Somalia. For the periods 2006-2008 the data were limited in the following countries: American Samoa; Saint Kitts and Nevis; Saint Lucia; Saint Vincent and the Grenadines; Somalia; Turkmenistan; and Zimbabwe. In general, it should be taken into account that the poorest countries do not have good statistical information.

Averages were taken for three years to avoid the effect of atypical years or large variations that could distort the calculation of the index and to give greater stability (lower year-on-year variation). The calculation of the index through the main components allows the absolute values to be determined and ordered for countries in accordance with the capacity for resource mobilization and to monitor the process over time.

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