

**Support for South-South Cooperation:
Lessons from the South-South Experience Exchange Trust Fund**

A Report Prepared for the Government of Denmark

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Acronyms

BRICs: the emerging market development partners, Brazil, Russia, India and China

G20: Group of 20 developed and developing countries

NDPs: new development partners

ODA: Official Development Assistance

OECD/DAC: Organization of Economic Cooperation and Development/Development Assistance Committee

SEETF: South-South Experience Exchange Trust Fund

SSC: South-South cooperation

SSKE: South-South knowledge exchange

TTL: World Bank project task team leader

TT-SSC: Task Team on South-South Cooperation

WBI: World Bank Institute

UN: United Nations

Executive Summary

New development partners (NDPs)—such as China, India, and Brazil—now contribute over \$11 billion in development assistance annually, or roughly 8-10 percent of total official development assistance (ODA). Forecasts predict that the NDP's assistance is likely to double over the next five years. This rapidly increasing role of new partners presents important opportunities and challenges for international development cooperation in general and for Denmark's own development strategy.

This study focuses on the South-South knowledge exchange (SSKE) component of SSC. In particular, it reviews the policies and practices of the emerging NDPs and the experience of the South-South Experience Exchange Trust Fund (SEETF) to which Denmark contributes. Based on findings, the study presents five recommendations for future Danish action in support of enhanced cooperation with and among the NDPs.

The policies and practices of the NDPs. Overall, the NDPs are a heterogeneous group of mostly emerging market economies. The development assistance trends of these countries show both similarities and differences.

- ***Similarities*** exist primarily in the NDPs' development cooperation policies and practices. Notably, all NDPs give similar emphasis to development assistance as "a partnership among equals" to be provided without policy conditionalities. Their assistance is heavily, though not exclusively, focused on economic growth and related specific needs in infrastructure and the productive sectors. They typically make widespread use of tied project aid. Overall, they see SSC as a different development assistance model from North-South cooperation.
- Major ***differences*** exist in the composition, geographic focus and sector priorities of their aid flows. NDPs link their aid closely to their diplomatic and commercial interests and typically focus on countries close to home, though, especially for the larger aid providers, this is beginning to change (notably with increased aid to Africa). Sector priorities of the various NDPs are varied and range from infrastructure to agriculture, education, energy, health, post conflict and post disaster development.
- Most NDPs endorse the underlying elements of the Paris Declaration, *in principle*, though their interpretations of the key Paris principles diverge from those of "traditional" donors. For example, *ownership* is emphasized in terms of working with governments for "mutual benefit." The need for *harmonization* is seen to be minimized by the avoidance of cumbersome bureaucratic procedures; and *mutual accountability* is handled by ensuring

that aid is of mutual benefit and by respecting each other's sovereignty and eschewing conditionality. In most cases, however, the NDPs have weak or only incipient institutional capacity for providing transparent SSC of assured quality.

While not much has been written about the demand-side of SSC, the views that emerge from various forums and articles on the evolving aid architecture suggest that developing countries view it not as an alternative but as a complement to North-South cooperation. They see the financing as a lever to increase their status and negotiating power vis-à-vis traditional donors and investors. The NDPs' development support is often highly visible (infrastructure, stadiums, schools and hospitals) and therefore good for governments. It is generally appreciated for its focus on tangible objectives and "hard" goods and support for a multiplicity of potential routes to development. Moreover, because of the limited bureaucratic procedures, recipients perceive the assistance as being more quickly responsive and more predictable. Still, North-South cooperation remains highly valued by recipient countries for its larger volume of resources, the status of Northern "expertise," and the convening power that accompanies especially the assistance from multilateral institutions.

The experience of the SEETF. The SEETF is a global partnership, supported by four "traditional" donors and five NDPs, which finances demand-driven, just-in-time knowledge exchanges between and among developing countries executed by the World Bank. Launched in 2008, with the primary objective to meet immediate operational knowledge gaps, the trust fund's provision to-date of just over 70 grants involving some 65 countries clearly demonstrates both demand for and benefits from targeted exchanges of practical knowledge between and among developing countries.

- Exchanges have occurred within and across regions and in a wide range of sectors
- Nearly all project activities have been executed according to plan, or with limited adjustments
- Recipients typically report favorably on the knowledge exchange experience and 15 or the 21 projects reviewed in depth tell of concrete results (such as the design and implementation of action plans, pilot projects, and frameworks for policy or institutional reform) directly influenced by the exchanges
- Requests exceed available SEETF funding. Though the average size of grants to-date has been \$100,000, SEETF program management has indicated that remaining resources as of October 2011 were available for only some few small projects (of \$50,000 or less).

Less progress has been made in implementing the SEETF's second aim to document and disseminate the lessons learned from the experience exchanges. Although materials have been developed, documentation and dissemination of lessons remains a work in progress.

Also, much remains to be done to advance the trust fund's third objective of supporting SSC mainstreaming in the Bank. To-date, the SEETF has promoted mainstreaming by: 1) *making the case* for SSC through its project financing and documentation of results; 2) contributing to Bank's role in *developing tools for the design and implementation of exchanges* as described above; and 3) *creating SSC "champions"* among Bank TTLs. The challenge now is to move beyond "demonstration" to the actual incorporation of SSKE in the World Bank's regular work.

Lessons from the SEETF and other SSC case studies. Six main lessons for advancing SSKE emerge from the SEETF's initial three years:

- SSKE can be a powerful tool for enhancing countries' capacities for achieving development results.
- Effective knowledge exchanges take time and resources.
- Resources for follow up actions are typically needed to sustain the benefits of exchanges
- Institutionalized capacities are needed at country, regional and global levels to enable the expansion of South-South knowledge exchanges that entail reduced transaction costs and assured quality.
- The SEETF partnership could do more to build understanding and enhanced cooperation among new and "traditional" development partners.
- The SEETF will need more funding and a revised strategic direction if it is to play a further role in supporting SSC mainstreaming in the Bank.

Other case studies of SSC and triangular cooperation (involving the collaboration of a "traditional" and a new development partner in support of a recipient country) confirm the overarching finding from the SEETF experience that SSKE can be a powerful way to build capacity for development results. At the same time, the studies point to three additional lessons—or main tasks—for strengthening and expanding SSC.

- Adapt aid effectiveness principles and build capacity to enhance SSC, notably by improving transparency and accounting for results.
- Promote triangular cooperation.
- Develop and coordinate platforms at regional and global level to support SSC.

Recommendations for Danish support of enhanced SSC. The growing role of NDPs and the generally positive experience of the SEETF and other cases suggest that SSC should be expanded and strengthened as a core element of the international aid system. To advance that aim, this study recommends that Denmark take five actions.

1. **Play an active role in promoting a forward-looking SSC agenda at the Busan High-Level Forum** responsive to the various constraints (such as the need for more financing and brokering platforms, mechanisms to reduce transaction costs, and capacity development in provider and recipient countries) which require action if SSC is to become an effective pillar of international aid.
2. **Identify and pursue concrete opportunities for triangular cooperation as part of Denmark's bilateral aid program.** This might include supporting SSKE as part of Denmark's development programs and projects at the country level. It might also include coordinated project or program financing with specific NDPs, selected in consultation with recipient governments and NDPs active in the country where the sector priorities of Denmark and the NDP match (for example, in health Colombia, India and Russia, in education China, India, and Russia, in agriculture China, Brazil, and Russia, and in renewable energy China).
3. **Offer to work with selected new development partners to build their institutional capacities for effective SSC.** This could help to encourage high quality SSC that reflects proven features of effective aid (such as ownership, transparency, and mutual accountability).
4. **Seek agreement with development partners on the future of the SEETF.** At the Busan High Level Forum, Denmark might consult informally with SEETF partners and use this opportunity to signal its willingness to provide a new round funding on two conditions: 1) the contribution of additional funding from existing partners and at least 2-3 new partners and 2) a trust fund plan that indicates how new funds will be used to leverage the mainstreaming of SSC within the Bank (linked to a Bank mainstreaming strategy and timeline) and that outlines an exit strategy.
5. **Encourage a coalition of Part 1 and Part 2 countries within the World Bank to press for accelerated SSC mainstreaming in regular Bank business.** Consistent with recommendation four, Denmark might use Busan as well as its membership on the Bank Board to press for a strategy and timeline for accelerated SSC mainstreaming within the World Bank.

Introduction

The rapidly increasing role of new development partners (NDPs) in international cooperation brings important new opportunities and challenges to the international aid system. Recent reports by the UN and the OECD/DAC estimate that NDPs (such as China, India, and Saudi Arabia) are already contributing more than \$11 billion, or roughly 8-10 percent of official development assistance (ODA). Reports also forecast that the NDPs' development assistance is likely to double over the next five years.¹

Most of these countries shun the term “donor” and emphasize instead their roles as “partners” in South-South cooperation (SSC). Although there are varying definitions of SSC, key elements of any definition are:

- Partnership and “mutual benefit” between or among developing countries
- Multiple modalities, including knowledge exchanges for capacity building, concessional and other official financing, and trade promotion
- Involvement of governments and the private sector (but not typically civil society organizations)

While SSC is not new, Box 1 describes a sequence of recent events that has brought it to prominence on the international development cooperation agenda, driven largely by a number of emerging market countries.

¹ These estimates are rough since the NDPs do not disclose the full amount of their development assistance and what they do disclose is not readily comparable to OECD/DAC definitions of ODA and other official flows. See, Zimmerman (2011) and United Nations (2008)

Box 1: South-South Cooperation is now a prominent feature of the international development cooperation agenda

Four forums are central to the global dialogue on how to enhance the potential of SSC as a core element of the evolving global aid architecture.

- **Accra High Level Forum on aid effectiveness (2008)**: Noting that there was much to be learned from the experience of developing countries, the Accra Action Plan encouraged further development of inclusive partnerships and triangular cooperation (involving traditional and new development partners in support of recipient countries). At the same time the Accra meeting made evident the lack of knowledge and processes needed for promoting knowledge exchanges among developing countries.
- **Task Team on South-South Cooperation (2009)**: Building on Accra Action Plan, a Southern-led platform was launched, involving a coalition of developing countries, multilaterals, donors and civil society organizations, to map synergies between SSC and principles of aid effectiveness, and to identify good practices and policy guidance for SSKE. So far, the TT-SSC has held several global dialogues on SSC, developed a community of practice, and produced a set of case studies and papers.
- **G-20 Summit (2010)**: One of the main outcomes of the G20's fifth summit, in November 2010 in Seoul, was a Multi-year Action Plan on Development. In its plan, the G20 made knowledge sharing one of nine pillars, and in order to "enhance the effectiveness and reach of knowledge sharing" G20 leaders requested the TT-SSC and UNDP to recommend how knowledge sharing activity (including North-South, South-South, and triangular cooperation) could be scaled up.
- **Busan High Level Forum on aid effectiveness (November 29-December 1, 2011)**: South-South and triangular cooperation features as a "building block" of the evolving development landscape on the agenda for the upcoming Busan forum. One proposed outcome is the establishment of a "Global Partnership for Effective Development Cooperation" focused on scaling up knowledge sharing and identifying global norms and standards.

This study focuses on the South-South knowledge exchange (SSKE) component of SSC, and, in particular, on the South-South Experience Exchange Trust Fund (SEETF). The study begins with an examination of the overall SSC policies and practices of NDPs, giving particular attention to the five countries which contribute to the SEETF. It then examines and draws lessons from the experience of the SEETF, reports on lessons from other recent case studies of SSC, and presents five recommendations for Danish action on SSC at Busan and beyond.

The study has involved review of SEETF program and project documentation (including in-depth review of 21 closed projects) and interviews with 15 project task team leaders, officials of the five NDP trust fund members, and World Bank Institute staff who are responsible for managing or overseeing the SEETF-funded program. The study also draws on a growing literature on SSC, notably documentation and case studies prepared by the Task-Team on South-South Cooperation, G20 papers prepared for the forthcoming Busan High Level Meeting on aid effectiveness, and academic studies on the NDPs and SSC.²

The Policies and Practices of the NDPs

Overall, the NDPs are a heterogeneous group of largely emerging market economies, motivated to upgrade their international cooperation policies by the growing role of each other and their desires for a higher profile in global political and economic affairs. Most attention to-date has been focused on the dominant emerging economies, or the “BRICs” – Brazil, Russia, India, and China, which provide much of the technical cooperation, financial and investment resources from NDPs. In addition, a second and growing group of NDPs has come on stage with limited financial aid resources but strong support for South-South cooperation through knowledge exchanges and horizontal partnerships. This second group encompasses such countries as Colombia, Indonesia, Vietnam, South Africa, and others.

The development assistance trends of these countries show both similarities and differences. *Similarities* exist primarily in the NDPs’ development cooperation policies and practices.

- Their development assistance (somewhat comparable to ODA) is still very small in overall amounts.
- While lacking an overall strategy, aid is based on these countries own development experiences (notably, for most NDPs, a strong public sector, close public-private partnerships, and deliberate industrial and investment policies).
- All NDPs give similar emphasis to development assistance as “a partnership among equals” to be provided without strings attached. As stated by an Indian official in an interview for this report: “Nobody likes to be lectured to.

² See the references at the end of this report.

We don't practice that, rather we respond to the need of the country as presented by the government."

- Many view SSKE as a "two way street"—that is they are interested in being both a provider and recipient of knowledge and experience
- Typically, the NDPs make widespread use of project aid
- The larger amounts are provided through loans and credits, with grants mostly used for technical cooperation and humanitarian assistance.

Major ***differences*** exist in composition, geographic focus, and sector priorities.

- There is much diversity in the composition of the NDPs development assistance flows. Notably, the composition of China's development assistance, which is seemingly the most diverse, consists of grants for such activities as building hospitals and schools, interest free loans for construction of public facilities and to improve peoples' livelihoods, and concessional loans to provide complete plants and products, technical services, and other materials. While India provides project financing and purchase subsidies, its largest aid programs are in the form of technical assistance (including technical training in India). Similarly, Brazil provides project financing as well as substantial technical assistance, while to-date Colombia has provided primarily technical cooperation.
- NDPs link their aid closely to their diplomatic and commercial interests and typically focus on countries close to home. For example, India has focused historically on South Asia while Colombia and Mexico have focused on Central America, and Russia on the CIS, though especially for the BRICs this is beginning to change (notably with increased aid to Africa).
- While there is a common emphasis on growth and the productive sectors, specific sectoral priorities vary. Notably, infrastructure is a major focus for both China and India, agriculture and energy are major foci for Brazil, China and Russia, and health and education are areas of emphasis of several (e.g., China, Colombia, India, and Russia). Some NDPs also give emphasis to social promotion (e.g., Colombia, Mexico and Brazil), public sector governance (e.g., Brazil, Colombia, South Africa), disaster relief and reconstruction (e.g.,

Mexico, Indonesia) and conflict resolution (e.g., Brazil and South Africa). Recently, Mexico and China have also begun to focus on climate change.³

Finally, as recently reported, “it is important to stress that the NDPs’ development assistance is not static.”⁴ It reflects evolving needs of both the NDPs (for access to resources and markets) and recipients (for unilateral market access and debt cancellation). It is also increasingly complex, constantly adding new modalities while reflecting the competencies of the provider countries and ensuring continuing benefit to their own economies.

Thus SSC is a different development model from North-South cooperation. It is heavily, though not exclusively, focused on growth and related specific needs in infrastructure and the productive sectors. Assistance, especially in the form of knowledge sharing, is concentrated in provider countries areas of expertise (for example, information technology in the case of India and social policy reform in the case of Brazil). Support is offered without policy or governance conditionalities. Also, project financing is typically tied. Notwithstanding the distinctness of the model, recent analyses conclude that there is no evidence that the NDPs “are any less concerned about the effectiveness of their aid than traditional donors.”⁵ Most NDPs endorse the underlying elements of the Paris Declaration, *in principle*, though their interpretations of the key Paris principles diverge from those of “traditional” donors. For example, *ownership* is emphasized in terms of working with governments for “mutual benefit.” The need for *harmonization* is seen to be minimized by the avoidance of cumbersome bureaucratic procedures; and *mutual accountability* is handled by ensuring that aid is of mutual benefit and by respecting each other’s sovereignty and eschewing conditionality.⁶ In most cases, however, the NDPs have weak or only incipient institutional capacity for providing transparent SSC of assured quality. Notably, China has recently upgraded a coordination mechanism, Brazil is in the process of strengthening its development cooperation agency which it is in the process of reforming, and three of the other SEETF NDPs (India, Mexico and Russia) are in the process of establishing such agencies.

³ See Annex A for a summary of the key characteristics of the SSC policies, practices, and geographic and sectoral areas of emphasis of the five new development partners in the SEETF.

⁴ Kragelund (2011), p.600.

⁵ Chandy and Kharas (2011)

⁶ See Annex B for elaboration of the divergent interpretations of core effectiveness principles.

While not much has been written about the demand-side of SSC, the views that emerge from various forums and articles on the evolving aid architecture suggest that developing countries view it not as an alternative but as a complement to North-South cooperation (in part because of its more limited scale). They see the financing as a lever to increase their status and negotiating power vis-à-vis traditional donors and investors.⁷ The NDPs' development support is often highly visible (infrastructure, stadiums, schools and hospitals) and therefore good for governments. It is generally focused more on tangible objectives and "hard" goods than is traditional donor aid. Based on the provider countries' own experiences, the assistance offers a multiplicity of potential routes to development. Moreover, because of the limited bureaucratic procedures, recipients perceive the assistance as being more quickly responsive and more predictable. Still, North-South cooperation remains highly valued by recipient countries for its larger volume of resources, the status of Northern "expertise," and especially in the case of the World Bank and other multilaterals the convening power that accompanies it.

The Experience of the SEETF

Background. The SEETF is a global partnership of "traditional" donors and NDPs, which finances demand-driven, just-in-time knowledge exchanges between and among developing countries executed by the World Bank. The trust fund was launched in 2008 as an initiative of the World Bank and six development partners (China, Denmark, Mexico, the Netherlands, Spain, and the UK) as a pilot program to support and help advance SSC. Since then, three additional NDPs have joined as contributing members (Colombia, India, and Russia). As of October 2011, total contributions amount to some \$10.3 million.⁸

The SEETF has two main operational objectives: 1) "meet immediate practical operational knowledge gaps" and 2) "document and disseminate the lessons learned." Its partners have also agreed that the SEETF should actively support the mainstreaming of SSC into the regular business of the World Bank. The following three sub-sections describes the experience in advancing each of these objectives.

⁷ For example, one study has noted that Angola has used its oil-backed loans from China to negotiate with other actors and African countries were able to boost their position in renegotiating the Cotonou Agreement by the presence of China. Kragelund (2011), p, 602.

⁸ See Annex C for details on the contributions of the nine trust fund partners.

Objective One—Meet Immediate Operational Knowledge Gaps. The experience of the multi-donor SEETF clearly demonstrates demand for and benefit from “just-in-time” exchanges of knowledge between and among developing countries.

Regarding demand :

- 72 grants for South –South knowledge exchanges (SSKE) have been approved in a period of two years, involving a total of 65 countries, all based on recipient requests (though initiated and with demand and supply brokered by the World Bank)
- Exchanges have occurred within and across regions, and have involved both middle income and low income countries as providers and as recipients.
- Notably, 51 countries have participated as recipients, and half (25) have also served as knowledge providers, indicating that demand and supply is widely dispersed among developing countries
- Exchanges have been in a wide range of sectors, notably agriculture, health, infrastructure, trade and finance, and social protection
- Requests exceed available trust fund financing—though the average size of grants to-date has been \$100,000, SEETF program management has indicated that remaining resources are available for only some few small projects (of \$50,000 or less).

Regarding the benefits:

- Nearly all project activities have been executed according to plan, or with limited delay.
- Recipients typically report favorably on the knowledge exchange experience. Almost all (19 of 21) projects reviewed involved study tours—often in addition to video-conferences or peer consultations in preparation for the tours, and generally received positive feedback. “Seeing is believing” is a common refrain of recipients cited in project completion reports by the TTLs.
- All completed projects reviewed report achievements in one or more facet of capacity building—ranging from raised awareness to enhanced knowledge and skills, strengthened coalitions, enhanced networks, and increased implementation knowledge. (See Annex D for a summary of the capacity building outcomes of the 21 completed projects reviewed for this study.)

- 15 of the 21 completed projects reviewed tell of concrete results directly influenced by the exchanges. Notably, exchanges have helped foster the design and implementation of country action plans, design and funding of pilot projects/programs, and frameworks for policy and institutional reforms. (See Box 2 for examples of results.)

Box 2: South-South Exchanges have helped build capacity needed for undertaking varied actions in recipient countries

Exchanges funded by the SEETF have catalyzed progress on country development goals by building local capacity in the form of enhanced individual knowledge and skills, improved policy instruments, and more effective organizations.

- **Moldova shared its experience in afforestation and carbon trading with the Kyrgyz Republic and Tajikistan:** By visiting Moldova, public officials and forestry specialists from the Kyrgyz Republic and Tajikistan were helped to implement trial afforestation programs and register projects through the Kyoto Protocol's Clean Development Mechanism. The exchange also linked forestry institutions and individuals out of contact since the collapse of the Soviet Union.
- **Pakistan, India, Sri Lanka, Thailand, Vietnam, and Brazil shared their experience with establishing national research and education networks (NRENS) with Afghanistan, Nepal, Bangladesh, and Bhutan:** The diverse experiences of each of the six provider countries informed education ministry officials and other stakeholders on issues such as how to devise governance and management structures, establish sustainable financing schemes, negotiate bandwidth purchase, and design manageable network infrastructure. In several countries NRENS are now in the process of being established.
- **India shared its experience in building competitive dairy supply chains with Tanzania and Uganda.** The exchange led to the development of comprehensive sector strategies that assimilated specific aspects of India's approach, and that informed the design of World Bank private sector projects in both recipient countries. The exchange also established a formal network of officials, farmers, and others that provides a forum to discuss solutions as Tanzania and Uganda advance on their reforms.
- **Brazil and Singapore shared their experiences in garment production with Haiti:** The exchange fostered a network of investors from Brazil, Korea and other countries and policies for promoting the Haitian apparel sector globally. Korean investments identified under the exchange have created some 7,000 Haitian jobs.

All SEETF grants are executed by the World Bank (not by recipients). This has involved Bank operational staff as the initiators of the South-South knowledge exchanges in virtually all cases. Staff has also served as the broker/intermediary between recipient and provider countries, organizer of the exchange activities, and

producer of dissemination materials following exchanges. According to project TTLs, staff in country offices in both recipient and provider countries have been especially important for the organization and logistical coordination of exchange activities in absence of country capacity on the ground.

While staff is virtually unanimous in its views on value of the exchanges for building recipient capacity, they also stress that projects have confronted three main challenges to achieving effective outcomes:

- **High transaction costs:** Effective exchanges take a lot of time and resources to organize and implement, and current systems and processes make transactions costs high. This is a common “lesson” cited by Bank TTLs, who stress that the exchanges require a lot more administration and supervision than is covered by the trust fund grant. They also report as a secondary concern that the centralized SEETF grant processes have been excessively burdensome.⁹
- **Need for follow on actions:** Lack of resources for follow on actions in the recipient country threatens sustainability of the knowledge gained. This problem arises particularly in countries with generally weak capacity, and where the goal is to implement policy and/or institutional reform. The experience suggests the importance of embedding SSKEs in countries’ development programs and projects and ensuring high level commitment. (See Box 3 for examples of this challenge.)
- **Capacity constraints in recipient and provider countries:** A main underlying cause of the first two challenges is the limited capacity on the ground for implementing knowledge exchanges. Notably, this has caused costly delays in scheduling exchanges, weaknesses in assembling appropriate participants and disseminating lessons to wider stakeholders, and inefficiencies in coordinating the logistics for study tours, videoconferences and other exchange modalities. According to an official of one new development

⁹ Recent efforts by the program to streamline its processes (by providing guidelines and uniform proposal and reporting frameworks) may mean that there are fewer complaints in future project completion reports. Evaluative evidence suggests, however, that a centralized grant approval process for small grant programs is likely to be less efficient than a process that makes “block grants” to the Regions for resource allocations to country projects. “Trust Fund Support for Development: An Evaluation of the World Bank’s Trust Fund Portfolio,” The World Bank, Independent Evaluation Group, 2011.

partner of the SEETF, formalizing SSC will require both financial and human resources. “We do not have excess human capital to send out nor substantial resources to pay for travel and exchange logistics. We need to think about and develop new mechanisms and processes.”

Box 3: Being aware of the need for change is necessary but not enough

In the following three SEETF cases, resources were needed to sustain the benefits of the knowledge exchanges through implementation of policy and institutional changes.

Exchanges involving Haiti, Brazil and Korea sensitized foreign firms to investment opportunities in Haiti and led several Korean firms to invest, but additional measures are needed to sustain the exchange benefits, including the development of special economic zones in the country.

While *knowledge sharing by Morocco and Tunisia with Senegal* built awareness and consensus on the need for better hospital management and accountability, the absence of follow on technical and financial support contributed to the failure of the Senegalese reform effort to create a new government agency to oversee the management of hospitals and health facilities (as recommended by the provider countries’ experiences).

Belize and Honduras would have benefited from continuing exchanges with Mexico, Jamaica, and the Dominican Republic in strengthening their social safety nets. Both receiving countries adopted processes and policy directions from the providing countries in transforming their safety net landscape. But additional financing for further exchanges would have aided the iterative process of implementing the reforms.

Objective Two—Document and Disseminate Lessons. Only limited, progress has been made in implementing the SEETF’s second aim to document and disseminate the lessons learned from the experience exchanges. Although materials have been developed, documentation and dissemination of lessons remains a work in progress.

Two main sets of materials have been developed:

- Design tools for initiating and implementing exchanges. These tools provide guidelines for SEETF funding and are meant to be user-friendly and accessible for SSKE efforts inside and outside the World Bank. They include a Capacity

Development Results Framework (CDRF); grant proposal and reporting frameworks that incorporate the CDRF; and components addressing such operational matters as the design of knowledge exchange initiatives, the choice of knowledge exchange instruments, and the key elements of activity planning.

- Results stories. For all closed SEETF grants, trust fund program staff prepare as “results story” drawn from the grant completion report and interviews with TTLs. These “stories” describe the activities undertaken and their capacity building outcomes in order to “make the case” for SSC and build a library of experience. But they offer modest evaluative evidence on what works well, what doesn’t and why and therefore contribute in only a limited way to lesson learning.

Responsibility for disseminating these materials has been subsumed by the South-South Cooperation Unit of the World Bank Institute (WBIKE). This unit is now in the process of establishing a web-based South-South knowledge hub. Thus, the hub, which is a product of WBI (not using resources of the trust fund), is expected to contribute to the dissemination “deliverable” of the SEETF as well as the Bank’s broader SSC agenda---once it is up and running.

Objective 3: Supporting SSC mainstreaming in the Bank. Though well positioned to play the role of a “global connector” and knowledge provider, the World Bank had given only ad hoc attention to SSC in its regular business with client countries. The SEETF was initiated as a pilot program, with the ultimate aim to mainstream SSKE in the World Bank’s regular lending and knowledge business.

To-date, the SEETF has promoted mainstreaming by: 1) *making the case* for SSC through its project financing and documentation of results; 2) contributing to Bank’s role in *developing tools for the design and implementation of exchanges* as described above; and 3) *creating SSC “champions”* among Bank TTLs.¹⁰

But much remains to be done to move beyond “demonstration” to actual incorporation of SSKE in the World Bank’s regular work. WBI, as the unit responsible for advancing SSC within the World Bank, reports that the mainstreaming agenda is

¹⁰ Notably, all TTL responding to a survey conducted for this study reported that South-South learning had proved a powerful way to enhance countries’ capacities, and all but one said that they would seek SEETF funding again if available.

expected to be completed in 3-5 years. To that end, WBI has initiated various efforts, notably: to influence the authorizing environment inside and outside the Bank and provide ready access to tools, information, and lessons. It has begun to offer project advisory services to Bank operational staff, and it is exploring ways to reduce the transaction costs of exchanges and engage the World Bank in helping developing countries to build their capacities to “export successes.” This study does not assess the quality or progress of these WBI efforts, but notes that the mainstreaming of SSC into World Bank operations is clearly in an early stage and high level consensus on a mainstreaming strategy with timetable and milestones is not evident.

This current state of play raises two questions:

- *Can WBI move the mainstreaming agenda?* The SEETF and a broader role for the Bank in promoting SSC was the initiative of former Managing Director Ngozi Okonjo-Iweala. Subsequently, the SEETF was moved out of the MD’s office to the Concessional Finance and Partnership department (CFP) and then to the WBI. With the departure of the original high level SSC champion, it remains to be seen whether this more marginal part of the Bank can promote the necessary buy-in across the Bank for the mainstreaming of SSC.
- *How should partners think about the future of the SEETF in the context of Bank mainstreaming efforts.* If the financing for South-South knowledge exchanges is actually mainstreamed in Bank lending and analytical work, the trust fund would no longer be needed for the main purpose it now serves—funding operational teams who can’t otherwise finance client demand for SSKE. But there is a much larger agenda beyond project by project financing relevant to making SSC a core element of development cooperation (as discussed further below). So the question arises for the SEETF partners of whether there is a next phase for the trust that would aim to help the World Bank implement a broad SSC strategy.

Lessons from the SEETF experience

Six main lessons for advancing SSKE emerge from the SEETF’s initial three-years:.

Lesson 1: SSKE can be a powerful tool for enhancing countries’ capacities for achieving development results. As noted above, project reports show a variety of ways in which capacities have been strengthened—ranging from raised awareness

to enhanced knowledge and skills, improved consensus, strengthened coalitions, enhanced networks, and increased implementation knowledge.

Lesson 2: Effective knowledge exchanges take time and resources. Project experience shows that the identification and preparation of participants, design and implementation of activities, logistical coordination, and dissemination of knowledge and lessons are demanding of time and human as well as financial resources. With the Bank responsible for executing the SEETF projects, TTLs report that the SSKE activity is very time consuming for Bank staff (particularly when they involve countries with generally low capacities).

Lesson 3: Resources for follow up actions are typically needed to sustain the benefits of exchanges. One-shot exchanges are often not sufficient for sharing the knowledge needed to achieve a needed reform. Exchanges (notably study tours) often need to be repeated throughout the iterative process of a program implementation or policy reform. Also, the achievements of knowledge exchanges tend to depend on follow-up financial support for the desired program or policy implementation.

Lesson 4: Institutionalized capacities are needed—at country, regional and global levels—to enable the expansion of knowledge exchanges with reduced transaction costs and assured quality. The high transaction costs stem in part from the absence of capacities on the ground in recipient (for identifying their needs and managing knowledge exchanges) and in provider countries (for identifying and offering their “successes” in a systematic way, as well as managing knowledge exchange processes). In addition, few regional institutions have provided capacities for managing SEETF exchanges, and the World Bank has much to do to develop its role as an effective global connector/platform.

Lesson 5: The SEETF partnership could do more to build understanding and enhanced cooperation among new and “traditional” development partners. The SEETF is a unique partnership of new and “traditional” development partners. Partners have met together twice (in consultation meetings in November 2010 and April 2011) to discuss the performance of the trust fund. In the future annual (or special) consultations among this group of partners could also usefully serve as a forum for deliberation on the larger agenda of SSC—for example, how to create greater synergies between North-South and South-South Cooperation and strengthen the capacities in provider and recipient countries for expanded SSC .

Lesson 6: The SEETF will need more funding and a revised strategic direction if it is to play a further role in supporting SSC mainstreaming in the Bank. As noted above, the SEETF has disbursed almost all of the resources contributed by its donors. So the SEETF members will need to begin soon to consider the trust fund’s future—that is, to declare victory and phase out the trust fund or agree on further funding and an evolving strategic direction in the context of progress in Bank mainstreaming of SSC support.

Additional lessons from other case studies

There is a small but growing literature on South-South cooperation.¹¹ Notably, the TT-SSC has collected some 110 case stories and produced some 30 in-depth case studies. These studies include cases of both South-South and triangular cooperation (involving the collaboration of a “traditional” and a new development partner in support of a recipient country).¹² Overall these studies confirm the overarching finding from the SEETF experience that SSKE can be a powerful way to build capacity for development results. They show that knowledge sharing is occurring in a wide array of areas, ranging from public sector reform to climate change, disease control, post-conflict demobilization and reintegration, disaster prevention and reconstruction, and aviation security. In addition, the studies identify numerous lessons on how to design and implement effective SSC projects.¹³

At the same time, the studies point to current weaknesses in SSC effectiveness and efficiency. Taken together, they suggest three main tasks for strengthening and expanding SSC.¹⁴

- ***Adapt aid effectiveness principles and build capacity to enhance SSC, notably by improving transparency and accounting for results.*** *Ownership* is a core value of the SSC model, but not automatically built in knowledge

¹¹ A selection of this emerging literature is included in the references for this study.

¹² Triangular cooperation is meant to entail learning on all sides, and should not be confused with direct support to South-South cooperation, for example, through “hands-off” funding. For example, Spain and Chile have joined together to help Paraguay advance its public sector modernization. Germany, Japan, and Spain are the DAC donors most active in triangular cooperation, along with increasing involvement by Canada, Ireland and Korea.

¹³ For a summary of these good practice findings see, TT-SSC (2011c).

¹⁴ See, in particular, TT-SSC (2010a), (2010b), and (2010c). See also, Rhee 2011.

exchanges. Cases show *alignment* to recipient policies and priorities but use of national public financial management and procurement systems. With the limited presence of Southern providers in recipient countries, SSKE activities are not seen to be creating inherent *harmonization* problems, but South-South capacity development initiatives need to coordinate with other donor initiatives at the country level. Though both *managing for results* and *mutual accountability* are seen as at the core of the SSC model, they are evident shortfalls in many South-South knowledge exchanges due in large part to capacity problems at the provider end.

- ***Promote triangular cooperation.*** While case studies show that triangular cooperation is a useful way to build synergies between South-South and North-South technical cooperation in support of recipient countries, they also reveal two main challenges. First, there is the risk of undermining recipient country ownership, especially when the traditional donor and Southern knowledge provider focus on creating a strong equal relationship with each other. Second, there is need to reduce transaction costs building capacities in both recipient and provider countries and scaling up SSKE activities. “The involvement of three sets of partners with differing administrative and procedural backgrounds tends to elevate the transaction costs of triangular cooperation, especially during set up....Ideally triangular cooperation should be integrated into recipients’ national development cooperation systems.....[T]here is also a need to help create capacities, in particular in pivotal countries, so that knowledge and lessons can be shared in a more systematic way.”¹⁵
- ***Develop and coordinate platforms at regional and global level to support SSC.*** Platforms are needed to develop and maintain knowledge bases and networks, broker supply and demand, provide targeted funding for SSKE activities and country capacity building, and offer project advisory services. Multilateral and regional institutions, such as the World Bank and the regional development banks can serve as useful platforms, as well as thematic-focused networks.

¹⁵TT-SSC (2011a), p. 3

While aid effectiveness shortcomings (e.g., of ownership, alignment, and managing for results) have not arisen in SEETF projects, which are expressly client driven and executed by the World Bank in the context of its country programs, there is clearly an overall consistency and overlap between the lessons from the SEETF and the lessons from these other case studies.

Recommendations for the Busan High Level Forum and Beyond

The growing role of NDPs and the generally positive experience of the SEETF and other cases suggest that SSC should be expanded and strengthened as a core element of the international aid system. To advance that aim, this study recommends that Denmark take five actions at the upcoming Busan High Level Forum on Aid Effectiveness and in bilateral and multilateral contexts consistent with its current development strategy.

1. ***Play an active role in promoting a forward-looking SSC agenda at the Busan forum.*** The Busan forum provides Denmark an opportunity to promote actively the expansion and strengthening of SSKE. The key will be to build consensus on next steps, based on the positive experience of the SEETF and other SSKE programs and consensus on the various constraints (such as the need for more financing and brokering platforms, mechanisms to reduce transaction costs, and capacity development in provider and recipient countries) which require action if SSC is to become an effective pillar of international aid.
2. ***Identify and pursue concrete opportunities for triangular cooperation as part of Denmark's bilateral aid program.***
 - This might include supporting SSKE as part of Denmark's development programs and projects at the country level. For this Denmark might focus on engaging developing countries which have been active as provider and recipient countries under the SEETF and with which Denmark has existing strong relations —such as Bangladesh, Tanzania, Uganda and Vietnam, as well as Indonesia which has been active as a knowledge provider. Ideally, this would involve Denmark not only in the financing of exchanges but also in the active sharing of knowledge, and thus might focus on client requests for SSKE in priority sectors of Danish aid (such as agriculture, education, health, infrastructure, renewable energy, and post-conflict stabilization and development).

- This might also include coordinated project or program financing with the NDPs that provide development financing. The diversity of the NDPs' development financing modalities and country and sector priorities suggest that a centralized approach would not be best. Rather, Danish country staff might be charged with identifying opportunities for cooperation at the country level in consultation with recipient governments and NDPs active in the country. The challenge would be to match the in-country sectors of Danish priority with the priority sectors of specific NDPs—for example in health Colombia, India and Russia, in education China, India, and Russia, in agriculture China, Brazil, and Russia, and in renewable energy China—and to figure out how to combine the different funding modalities of Denmark and the individual NDP.¹⁶
 - Importantly, in the process of participating in specific triangular cooperation projects, Denmark could help recipient countries strengthen their capacities to think through and negotiate development cooperation projects and programs with NDPs based on principles of effective development cooperation.
3. ***Offer to work with selected new development partners to build their institutional capacities for effective SSC.*** Several developing countries have recently shown strong interest in sharing their development successes but are only beginning to develop the capacity to do that in an effective and systematic way. Capacity building support to some provider countries (notably the BRICs) is already going on (for example with the support of the European Union, Germany, and Spain). So, Denmark might want to offer to work with one or more other countries (such as Bangladesh, Colombia, Indonesia, Vietnam, or South Africa). This could help to encourage high quality SSC that reflects proven features of effective aid (such as ownership, transparency, and mutual accountability).
4. ***Seek agreement with development partners on the future of the SEETF.*** Busan provides a setting in which to consult informally with the other development partners on the future direction and funding of the trust fund. Denmark might use this opportunity to signal its willingness to provide a new round funding on

¹⁶ These are illustrative concrete suggestions and not meant to be all inclusive because this study has focused mainly on the NDPs in the SEETF and has not had time to review the aid sectoral priorities of other NDPs. An important first step would be to identify the NDPs with both country and sectoral emphases that match those of Denmark.

two conditions: 1) the contribution of additional funding from existing partners and at least 2-3 new partners and 2) a trust fund plan that indicates how new funds will be used to leverage the mainstreaming of SSC within the Bank (linked to a Bank mainstreaming strategy and timeline) and that outlines an exit strategy.

5. ***Encourage a coalition of Part 1 and Part 2 countries within the World Bank to press for accelerated SSC mainstreaming in regular Bank business.*** Consistent with recommendation four, Denmark might use Busan as well as its membership on the Bank Board to press for a strategy and timeline for accelerated SSC mainstreaming within the World Bank.

ANNEX A: The development cooperation policies and practices of SEETF's new development partners

China: After an early history of providing economic and technical assistance, China began to provide financing for joint ventures and cooperation projects in the 1990s. More recently, its foreign aid flows have increased substantially, reportedly amounting to about \$2 billion in 2010.¹⁷ Kinds of activities include: turnkey projects, technical cooperation projects, material goods, humanitarian aid, training programs, and concessional loan projects.

Aid projects are oriented to agriculture, industry, economic infrastructure, public facilities, education and health, with a focus on improving recipient countries' agricultural and industrial productivity. The recipients are mainly low income countries, with Asia and Africa accounting for 80% of China's aid. In recent years, China has added climate change as a new area of its foreign aid. In 2011, China established an inter-agency coordination mechanism to strengthen the coordination among the several departments that have responsibilities for the administration, project management and policy of its foreign aid.

China is one of the five original partners of the SEETF, has made one contribution of \$300,000 in 2008, and is the main knowledge provider having participated in 10 knowledge exchange projects. It also contributes to IDA and to five other Bank-administered trust funds.

Colombia: SSC is defined as an important national priority. With limited financial resources but a history of engagement in knowledge exchanges in its region, Colombia has recently sought a lead role in SSC in Latin America and in global forums.

Previously, it formulated a SSKE approach for the Caribbean and Central America and is now planning a comprehensive strategy with the African and Asian-Pacific regions. It is interested in sharing knowledge and experience in areas of public sector governance, health sector reform, urban mass transportation, and social programs; and in being a knowledge recipient in specific other areas. Oversight is divided between the Ministry of Foreign Affairs and National Planning department.

Within the SEETF, Colombia made one contribution of \$500,000 in 2010 and served as a knowledge provider in four projects. It also contributes to one Bank-administered trust fund (for Haiti). Currently it co-chairs the TT-SSC, as has served as host for two of the task teams major SSC workshops.

India: Having provided assistance to mainly small neighboring countries in the early 1950s, by the 1980s/90s India's foreign aid had become more commercially oriented and increasingly centered on trade and investment. Estimated at close to \$500 million in

¹⁷ China's white paper, inclusive of concessional loan projects financed by its ExImBank.

2009/10, its aid program comprises three main components: aid to small neighboring countries through their budgets, letters of credit from its ExImBank mostly for infrastructure projects, and, increasingly, access to education and skills development.

While the main geographic focus has been on regional neighbors and diaspora in Africa, it is now broader ranging. Main sectors include infrastructure, information technology, health, education, and enterprise development. It has recently announced plans to establish an Agency for Partnership in Development.

Within SEETF, it contributed \$500,000 in 2010, and is active as both a knowledge provider and recipient (including receiving assistance from China and Mexico). India also contributes to 8 other Bank-administered trust funds.

Mexico: While development cooperation has historically been limited and focused on Central America and the Caribbean, Mexico has made more of an investment in foreign aid in the last 10 years, regionally and globally (through IDA). Officials report that the government sees SSC as a way to cooperate in the absence of financial resources, and sees value for middle income countries to participate in SSKE as both recipients and providers.

Currently, the social sectors are a main focus of its knowledge sharing, notably Mexico's experience with a major program of conditional cash transfers. In addition, climate change, environment, and disaster relief are areas where Mexico is being looked to by others. Currently, international economic relations and cooperation is handled through the Ministry of Foreign Affairs, but a new law was approved by the Mexican Congress this year to create a Mexican Cooperation Agency.

As one of the five original partners in the SEETF, Mexico has made one contribution of just over \$275,000, and has been a knowledge provider in six grants. In addition, Mexico contributes to three other Bank-administered trust funds and to IDA.

Russia: Having provided a significant amount of foreign aid during the Cold War period, Russia restarted its foreign aid in the 1990s and has notably increased its aid flows in recent years (estimated at \$785 million in 2009). It now sees itself as "a bridge between old and new development donors" and provides a large proportion of its aid multilaterally.

Primary recipients are its neighbors (that is, countries of the Commonwealth of Independent States), followed by countries in both the African and Asian-Pacific regions. The current orientation is toward the Millennium Development Goals, human and disaster relief, and regional cooperation and trade. More specifically, health is the most important sector, others of importance being food security, energy, education and regional integration. The government is in the process of creating an international development agency to report to the Ministry of Finance.

Within the SEETF, Russia has made a commitment of \$1,500,000 for the period 2010-2013, with some \$700,000 allocated to-date, and has been a knowledge provider in one project. In addition, Russia contributes to 16 other Bank-administered trust funds and to IDA.

Annex B: Divergent interpretations of Paris principles

Paris principles	“Traditional” donors	New Development Partners
Ownership	National development strategy (or PRSP) outlines priority areas for donors, built up from technical discussions.	Minister/senior officials articulate specific projects for cooperation through high-level political dialogue
Alignment	Use and strengthen recipient institutions and procedures, where feasible. Tying of aid discouraged.	Deliver turn-key projects in short run; capacity building as long term strategy. Tying permissible and widely used.
Harmonization	Use common arrangements to minimize burden on recipients. Multilateralisation of aid encouraged.	Minimize burden by avoiding cumbersome bureaucratic processes altogether. Occasional use of multilateral system where judged to be in interest.
Managing for results	Use recipient-led performance assessment frameworks and support results-based budgeting. Promote international best practice.	Focus on delivering aid quickly and at low cost. Use own development experiences and “how-to” knowledge.
Mutual accountability	Make aid transparent and hold each other accountable to Paris commitments via targets and indicators.	Ensure that aid is mutually beneficial. Agree to fully respect each others’ sovereignty and eschew policy conditionality.

Source: Chandy and Kharas (2011), p. 744

Annex C: Contributions to the SEETF (as of October 2011) in USD

Partners	Contributions	Allocations
China	300,000	300,000
Colombia	500,000	500,000
Denmark	1,947, 721	1,947, 721
India	500,000	500,000
Mexico	276,966	276,966
Netherlands	1,000,000	1,000,000
Spain	3,291,400	3,291,400
Russia*	1,500,000	700,000
United Kingdom	1,000,000	1,000,000
Totals		

*For the period 2010-2013

Annex D: Capacity building outcomes of 21 completed projects [TO BE REVISED]

Projects	Raised Awareness	Enhanced knowledge and skills	Improved consensus and teamwork	Strengthened coalitions	Enhanced Network	Increased implementation knowledge
ICT Exchange Visit	X				X	X
Tackling Poverty	X	X	X			X
Garment Production	X	X				X
CDD Housing Reconstruction	X	X				X
Social Protection	X	X				X
Railway Strategies	X	X				X
Afforestation and Carbon Trading		X			X	
Building and Maintaining NREs	X				X	X
Small-scale Private Irrigation	X		X		X	
Nutritional Security and Social Protection	X	X				X
Migration Challenges and Opportunities	X	X			X	X

Licensing Systems for Medical Practitioners		X			X	X
Business Environment Reforms	X		X			X
Conditional Cash Transfers		X			X	X
Accounting and Auditing	X	X				X
Community Forestry	X	X			X	X
Hospital Policy and Management	X		X			X
Social Security Administration Reform		X				X
National Road Infrastructure Planning	X	X				
Dairy Sector Policy Reform and Restructuring		X				X
Hydropower Development		X	X			X

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