

The third wave of development players

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»» The Millennium Development Goals (MDG) Summit in September illustrated that traditional aid donors and the big emerging economies are reviewing their respective roles as global development players, but failing to build actual commitments.

Meanwhile, a third group of development providers has quietly entered the stage. The CIVETS group, which encompasses Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa, is not only attractive to global investors; it also brings a new wave of development partnerships that go beyond the rich-poor logic and promote South-South knowledge exchange and peer-to-peer learning.

Although their financial resources are limited, this post-BRIC generation has strong potential to help reshape the global governance of development with fresh ideas and innovative models, while also preserving the gains made in civilising donor-recipient relationships. Over the next months, the scope and quality of development policy decisions also depends on the role that the CIVETS countries will play at the G20, United Nations (UN) and Development Assistance Committee (DAC) levels.

BRINGING NEW PLAYERS ON BOARD, BUT HOW?

The stakes for the global governance of development are getting higher every day. As became apparent during the New York MDG summit in September, frustration is mounting as the existing goals, resources and standards are far from being in tune with the multipolar post-crisis world.

HIGHLIGHTS

- The evolving global governance of development needs to go beyond DAC donors and the BRIC group.
- The CIVETS countries are not only new economic poles, but also development providers investing in peer-to-peer learning and horizontal partnerships.
- These countries are bound to become strategic players at the G20, UN and IFI levels, while offering a third wave of partnerships to low- and middle-income countries.

»»»»» The traditional donors, that is, the members of the DAC of the Organisation for Economic Cooperation and Development (OECD), have fallen behind in their financial pledges, with many cutting their aid budgets substantially. Some pioneers for high-quality aid, such as the UK and Sweden, are taking a less altruistic attitude towards international relations. Overall, the West seems to be slowly downgrading its engagement to develop country leadership and mutual accountability as basic ingredients for effective aid, returning instead to clear-cut domestic interests. The European Commission, as it faces an undecipherable institutional reconstruction and adjusts to the conservative shift on the continent, has lost some of its longstanding verve for strong partnerships with the South, and its policy statements have become more lightweight. The agencies of other bilateral donors, such as Canada, Japan and the US, are at different stages of institutional change with few short-term solutions on the horizon.

Meanwhile, the family of development provider countries has grown substantially. Recent reports by the UN and the DAC state that non-traditional donors, such as Saudi Arabia, China and India, are already contributing between 8 and 10 per cent of global Official Development Assistance (ODA). Beyond financial contributions, a large and expanding group of low- and middle-income countries (LICs and MICs) is engaging in knowledge exchange and mutual learning in relation to a wide array of development solutions, ranging from climate change to post-conflict capacity building. During the 2008 Accra High-Level Forum on Aid Effectiveness, developing countries reclaimed their space in global policy-making on development issues, a goal which was achieved during the High-Level Event on South-South Cooperation and Capacity Development, held in Bogotá in March this year. Spurred on by the new vigour for global economic governance that has emerged in the G20, the South is even keener to have an influential voice in how to fund and implement international cooperation.

However, three inter-linked challenges need to be addressed if the current development agenda is to

be enriched with the ideas and contributions of Southern providers:

Firstly, the existing agreements, such as the 2002 Monterrey Consensus on Financing for Development and the 2005 Paris Declaration on Aid Effectiveness, provide a North-South framework for development cooperation. In other words, they intend to ensure an effective flow of resources and models from the very rich towards the very poor.

Nowadays, however, resources and development solutions can come from virtually anywhere, be it China or Chile, Egypt or Ecuador. Moreover, the smaller middle-income countries, the forgotten 'in-betweens', do not see their needs and potential reflected in an agenda and institutional set-ups that mostly focus on low-income countries.

Secondly, there is an institutional vacuum when it comes to discussing the way forward for the global governance of development. The DAC makes serious efforts to open its doors, but this venue remains, in the eyes of most developing countries, a traditional donor club. The Development Cooperation Forum (DCF) at the UN Economic and Social Council (ECOSOC), as an all-inclusive platform, has a high degree of legitimacy, but still needs to improve its institutional capacities. The G20 is only now designing its development chapter to be endorsed at the Seoul summit in November; it tackles 'hard' sectoral issues (such as infrastructure, job creation and food security) rather than engaging in North-South dynamics. Multilateral institutions, in particular the multilateral development banks (MDBs), often face distrust from developing countries; contrary to the recent past, they do not seem to be stepping forward to vol-

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unteer their contribution to rebuilding the global development chapter.

Without a platform to decide on next steps and to review progress, it will become very difficult to adapt the goals, financing levels and standards for development cooperation to the new architecture of global governance.

The third wave of development partnerships brings opportunities to extract innovative solutions from what works and what doesn't.

Finally, the role of the BRICs has attracted much attention over the last years. Brazil, Russia, India and China already invest significant resources in international poverty reduction and will have considerable say in the reform of the shareholder system of the World Bank and the International Monetary Fund (IMF). However, the BRICs often define their role as global players in opposition to the West. For example, these countries reject the development policies designed within the DAC, in particular the aid effectiveness agenda, regardless of the important benefits that this agenda entails for the poorer and many smaller middle-income countries.

A 'post-BRIC generation' of development actors, which is especially active in South-South and triangular cooperation, has quietly entered the stage, thereby adding further diversity. These countries are exploring 'middle ways' in order to further the lessons learned in the North regarding development effectiveness. Recently dubbed the CIVETS, Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa are not only attractive poles for trade, investment and global public goods; they are also bound to play a decisive role in changing the way development cooperation is understood, for example through horizontal approaches to knowledge exchange.

INTRODUCING THE CIVETS, THE NASCENT MIDDLE CLASS OF NATIONS

The industrialised world is still suffering from the impact of the financial crisis. Some developed countries, such as Greece and Ireland, are under direct IMF supervision, an experience previously reserved mostly to aid-dependent countries. At the same time, the global appetite for growth and profit is testing new areas, in particular in the South. Beyond the existing business links with the BRIC countries, a new generation of dynamic markets was discovered some months ago: the CIVETS, named as such by an HSBC chief executive after a nimble cat-like animal present in Asia and Africa.

These 'new cats on the block' are attractive to global investors for several reasons: Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa benefit from a growing consumer market as their middle classes expand. These MICs offer diversified economies, attractive investment frameworks and sound economic policies, in most cases within an improving overall political-institutional setting. They have also proved to be growth engines over the last years, with an average annual GDP increase of more than 6.3 per cent between 2005 and 2007, and consistent gains in the crisis-shaken years of 2008 and 2009: 4.3 and 1.2 per cent, respectively. While these figures are somewhat below the BRIC economic expansion, the outlook for the CIVETS in terms of increasing their firepower in respect to economic development during the next decade is promising.

As global governance evolves, this new generation of provider countries could position itself as the nascent middle class of nations. Less aggressive than the BRICs in their struggle for a share in global power, the CIVETS focus on joint solutions with their regional peers and they are more flexible when engaging in development partnerships. The underlying logic is as follows: the CIVETS are both providers and receivers of development cooperation, and in most cases openly acknowledge the value of the standards designed in the context of the DAC, especially around the 2008 Accra Agenda for Action. Since they generate fewer contradictions in

»»»»» policy and practice, the CIVETS are especially suited to triangular cooperation with traditional donors keen to explore post-aid relations with countries graduating into middle-income status and to invest in new models of capacity development. Simultaneously, multilateral institutions are becoming more aware of the specific role that these countries can play in providing regional goods and generating highly adapted development solutions. Driven by the CIVETS group, South-South knowledge exchange has become a key policy and operational tool for multilateral players such as the World Bank and specialised UN agencies including the Development Programme (UNDP), the Children's Fund (UNICEF), the Development Fund for Women (UNIFEM) and the Conference on Trade and Development (UNCTAD).

At the policy level, Indonesia, South Africa and Turkey are already members of the G20 and are actively involved in setting the development agenda. South Africa co-chairs the G20 Development Working Group (DWG) with Korea. Under the DWG umbrella, Indonesia and Turkey have led the preparations for the knowledge exchange pillar. Furthermore, South-South knowledge exchange as a tool for effective development cooperation is boosted by a Task Team on South-South cooperation (TT-SSC), a group managed by Colombia and Indonesia. The TT-SSC has emerged from the DAC Working Party on Aid Effectiveness, an inclusive development policy platform co-chaired by Egypt and the European Commission. The CIVETS group has also become a strong voice at recent meetings of the United Nations Development Cooperation Forum, especially around its efforts to boost South-South cooperation.

It is not a surprise that peer-to-peer learning is a key priority for the CIVETS when engaging in global policy processes. Not only are their financial resources for development cooperation limited, but there is also a need to create a proper space for knowledge exchange and peer-to-peer capacity development. In other words, the trend is towards horizontal partnerships among low- and middle-income countries. This third wave of development partnerships brings opportunities to share practices

and extract innovative solutions from what works and what doesn't in developing countries. Ongoing analytical work shows that South-South knowledge exchange can indeed be a powerful tool for strengthening national capacities, because it creates the right incentives for institutional and policy change; it seems to be cost-effective; it adapts quickly to local contexts; and, if well designed, it tends to be more innovative and sustainable than North-South technical assistance.

Considering that most of these countries, as well as the MICs in general, have often been neglected by donors and international financial institutions (IFIs) in the past, these engagements in policy-making processes are a significant sign that smaller developing countries want to become more than just spectators of the global game. If the right investments in their provider capacities are made, the CIVETS will play a critical role not only as emerging markets, but also as the third wave of development actors in the emerging global governance of development.

Development goals, financing levels and standards are to be reviewed as the critical 2015 MDG deadline approaches. By now, most observers are convinced that only joint responsibility can lead to real benefits for the poor in a post-crisis world. Achieving this will be difficult through sole reliance on an anaemic DAC donor community and a BRIC group that rejects accountability to quality standards. As proactive players, the CIVETS have the ability to move the democratisation of global development policy-making beyond, at best, lukewarm agreements and, at worst, a total meltdown of the existing pillars.

WHAT'S NEXT FOR THE 'NEW CATS ON THE BLOCK'?

Over the coming months up to the end of 2011, the global development agenda will undergo a complex revision process which will offer many opportunities for the CIVETS to contribute their comparative advantages. At the same time, recent projections indicate that the economic perform-

ance of these countries will be very strong over the next couple of years. But how can the 'new cats' take advantage of the rising expectations of their role as global players?

Most of the CIVETS countries have already engaged in high-level policy making at the G20 and DAC levels, which is often directly linked to evidence-based approaches. For example, they contributed a substantial share of the experiences of South-South knowledge exchange discussed by high-level policy-makers at the Bogotá event. Their explicit desire to show a proactive and pragmatic developing world will allow them to explore a third way between a withdrawing donor community and a defence-minded group of big emerging economies. However, this will require developing joint strategies and clearly defined agendas which reflect these countries' priorities in an open and transparent way.

The CIVETS can also ensure a consistent outreach to low-income countries, a dimension that is still weak in almost all existing platforms, especially the G20. Only if they are anchored in country conditions will global development policies actually foster ownership, to deepen mutual accountability and, ultimately, to civilise donor-recipient relations. From the perspective of many poorer countries, the BRICs have yet to prove their capacity to build development relations which are fundamentally different from the DAC donors. Here, the CIVETS add a new possibility, through their offer to share experiences and practices on a peer-to-peer basis.

Multilateral institutions can benefit from a proactive CIVETS group. The still persistent lack of MIC-adapted approaches could be tackled if the MDBs and the UN invested efforts and resources in getting the third wave of development providers on board, in particular to face global and regional development challenges. From the strategic and operational perspective, South-South knowledge exchange is probably the fastest route to explore powerful forms of cooperation among equal partners in the area of capacity development. These could, in turn, improve the perception of the usefulness of multilateral platforms for many developing countries.

Some traditional donors, such as Germany, Japan and Spain, are already engaging in triangular cooperation with the CIVETS countries. Complementing the focus on the bigger emerging powers, some European providers have noted the potential for effective South-South technical cooperation with the MICs. In the near future, building triangular partnerships with the CIVETS will become a major milestone for designing diversified, innovative means of cooperation with countries today that do not fit the conventional framework of the 'haves' and the 'have-nots'.

For developing countries around the world, Colombia, Indonesia, Vietnam, Egypt, Turkey and South Africa offer a welcome middle way between the traditional DAC donors and the BRIC push for global power stakes. Strengthening an inclusive and effective global governance of development could be another immediate benefit of this third wave of development players. What is clear is that policy-makers within the UN, the G20 and the DAC will need to take into account the CIVETS group when redesigning the development agenda in a multipolar world.

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