

# The Study on Current State and Prospect of South-South and Triangular Cooperation by ASEAN Emerging Donors

1. Theme: The Study on Current State and Prospect of South-South and Triangular Cooperation by ASEAN(Association of South - East Asian Nations) Emerging Donors
2. Target Countries as emerging donors: Thailand, Indonesia, Malaysia, Singapore, Philippines and Vietnam Case country as a recipient country: Lao PDR (Lao People's Democratic Republic)
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4. Period of Study: January-March 2011
5. Background and Purpose of the Study Renewed international attention has been called for on south-south/triangular cooperation in recent years, and its development effectiveness and the desirable partnership between the traditional donors and the emerging donors have been rigorously discussed. The Ministry of Foreign Affairs of Japan (MOFA) conducted “The Study on Current State and Prospect of South-South and Triangular Cooperation by ASEAN Emerging Donors” to strengthen its partnership with ASEAN countries and to reconsider Japan’s roles in and support for developing capacity of ASEAN emerging donor countries. The purposes of the Study were to: <ol style="list-style-type: none"><li>(1) Collect and organize information on external cooperation/aid policies, implementation systems, budget and approach of six ASEAN countries which conduct south-south cooperation as emerging donors.</li><li>(2) Based on the analysis of the information, identify issues and propose ideas for ASEAN countries to tackle regional issues in Asia through regional south-south and triangular cooperation.</li><li>(3) With respect to triangular cooperation, identify issues and propose ideas for Japan to strengthen partnership with ASEAN countries.</li><li>(4) Based on the understanding of the current situation of the six ASEAN countries, analyze the possibility and challenges of applying to the emerging donors aid management policies which are to improve aid effectiveness as presented in the Paris Declaration.</li></ol>
6. Current situation of external cooperation/aid and aid management of the six ASEAN emerging donors According to the analysis based on the collected information in the Study, the characteristics of the external cooperation/aid by the six ASEAN emerging donors can be identified as follows. <ol style="list-style-type: none"><li>(1) Out of the six countries, Thailand, Singapore and Malaysia are actively involved in south-south cooperation. Other three countries are mainly engaged in triangular cooperation with traditional donors, except for the Vietnamese south-south cooperation for Lao PDR.</li><li>(2) Currently, only Thailand is trying to improve its aid management by aligning to the Paris Declaration in its south-south cooperation, while triangular cooperation with DAC donors applies the Paris Declaration in most cases.</li><li>(3) Thailand is actively providing support in infrastructure development with its loans to improve the connectivity among neighboring countries, while other countries provide relatively small-scale technical cooperation.</li></ol>

- (4) ASEAN emerging donors do not regard their activities as aid, but as partnership or equal cooperation. Most activities are implemented within the ASEAN region. Their major cooperation scheme is training due to this egalitarianism and other factors such as limited funds for south-south cooperation, utilization of their own development experiences, and needs for human resource exchange in ASEAN community.
- (5) Administration cost for trainings is relatively low and thus manageable for the recipient countries with limited absorptive capacity. Emerging donors with limited cooperation funds utilize triangular cooperation to conduct third country training programs.
- (6) The aid volume of the emerging donors still remains small. Their funds are mostly used for the direct cost of the activities without allocating abundant administration cost for aid management.
- (7) A great deal of cooperation is done within the framework of IAI (Initiative for ASEAN Integration). Consideration has been given to partners' needs, policy priorities and absorptive capacity in IAI though it is not as strictly applied as the Paris Declaration.

Considering the above mentioned, issues of aid management of emerging donors can be identified as follows:

- (1) There is not abundant fund for an emerging donor to use for aid management. Minimization of the administrative cost is amongst challenges.
- (2) Limited absorptive capacity of recipient countries imposes constraints for them to manage aid from each emerging donor.

#### 7. Current situation of aid from emerging donors in Lao PDR

Based on the case study of Lao PDR which receives aid from ASEAN emerging donors, several challenges for ASEAN emerging donors in providing south-south cooperation can be analyzed as follows.

- The cost for cooperation (project finding, design, implementation and result management) is high.
- Alignment to the rules for aid management such as the Paris Declaration would require higher administration cost than the opposite case.
- Full alignment to the rules for aid management may indicate the dominant application of budget support modalities, which would provoke questions about the significance of providing cooperation within donor countries.

#### 8. Trend of support for donorization by traditional donors

World Bank, Inter-American Development Bank, Organization of American States, Asia Development Bank, African Development Bank, UNDP, FAO, ILO, UNICEF, UNESCO, UNIDO, WHO, UNFPA are active international organizations in supporting technical cooperation implemented between developing countries. Japan, Germany and Spain are active bi-lateral donors. OECD-DAC considers that aid management in south-south cooperation are faced with challenges to be tackled in all management issues such as ownership, alignment, harmonization, management for development result, and mutual accountability. On the other hand, there is a view that south-south/triangular cooperation is diversified with various background and contents, so there is no need to evaluate with a single standard.

#### 9. Recommendations on Japan's support for south-south cooperation

- (1) Systematic information management and sharing on Japan's experiences and outcomes of

## cooperation

In south-south/triangular cooperation, capacity development is one of the key issues for both donors and partners. The experiences and lessons that Japan accumulated through its long history of development cooperation and triangular cooperation are the precious resources. It is desirable to develop a systematic database in which such information can be easily accessed and used in several languages such as English and Spanish as well as Japanese.

### (2) Support for donorization

There is a huge need for support for donorization of emerging donors as their aid management capacity is still inadequate. However, the Study clearly reveals that the ASEAN emerging donors cannot afford high cost of aid management and, in most cases, south-south cooperation is meant to contribute to their own economic development and be used as diplomatic tools. It is expected that Japan, based on its experience of emerging as a donor in the past, will explore together with the ASEAN emerging donors the ways of aid management which are acceptable and applicable for them, instead of compelling them the rules of DAC donors. It is important to obtain the trust from the ASEAN emerging donors by bridging them and DAC donors.

### (3) Joint Development Partner Initiatives with ASEAN emerging donors

Recognizing the increasing role and the need for strengthening the aid management of emerging donors, the following challenges are identified for both recipient countries and emerging donors.

- Challenges related to inadequate absorptive capacity of recipient countries and aid fragmentation.
- Obstacles for emerging donors to provide cooperation such as high cost of project finding and aid management and lack of public support for the provision of development cooperation to other countries.

In order to cope with these challenges in both recipient countries and emerging donors, the study team recommends Japan to pursue a cooperation framework based on the joint initiatives with emerging donors, tentatively named “**Joint Development Partner Initiatives**” which would also include triangular cooperation. For the realization of the initiative, it is crucial for Japan and the emerging donors to share and understand their complementarity, seek for the triangular cooperation based on the equal partnership with concrete cooperation approaches, and put them into practice. This endeavor would achieve inclusive and sustainable development effect by maximizing the use of the limited resources.

(Note: The opinions expressed in this summary belong to the study team and do not necessarily reflect the views and positions of the Government of Japan or any other institutions.)