

# SOUTH-SOUTH COOPERATION IN ADVANCING SUSTAINABLE DEVELOPMENT AND ACHIEVING THE TRANSFORMATIVE RECOVERY OF THE LEAST DEVELOPED COUNTRIES



UN-OHRLLS

supporting  
**Least Developed Countries**  
**Landlocked Developing Countries**  
**Small Island Developing States**

United Nations Office of the High Representative for Least Developed Countries,  
Landlocked Developing Countries and Small Island Developing States

## **ACKNOWLEDGEMENTS**

This paper was prepared by Daniel Gay, UN-OHRLS consultant. The paper benefitted from the general supervision of Heidi Schroderus-Fox, Acting High Representative for LDCs, LLDCs and SIDS, and Sandagdorj Erdenebileg, Chief, Policy Coordination, Monitoring and Reporting Service of UN-OHRLS. Yuxin Ai provided substantive guidance. Comments and insightful reviews were provided by Oumar Diallo. Support for graphic design and media outreach for this paper were received from the Advocacy Unit of UN-OHRLS. Oksana Yarashuk provided general assistance.

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## 1. EXECUTIVE SUMMARY

This report reviews the role of South-South cooperation in the implementation of the Istanbul Programme of Action (IPoA) for the Least Developed Countries for the Decade 2011-2020, a 10-year policy agenda to address the challenges faced by the least developed countries (LDCs), to mitigate risks and to leverage new opportunities. The report takes stock of best practices and addresses the scaling up of South-South cooperation with a view to renewing partnerships and enhancing cooperation with Southern partners in the next decade of action. The report focuses on the eight priority areas of action in the IPoA, concluding with a series of 11 concrete and actionable recommendations.

Over the past decade and more international relations have become more multipolar, as seen in the increasing political and economic prominence of countries such as India and China, divergences between large developed countries and regions, and the continued emergence of the Global South. This is a trend long underway, but with renewed impetus via the spontaneous economic evolution of prominent countries in the south, Asia's rapid recovery from the pandemic, and via intentional acts of solidarity among southern countries. This multipolarity is reflected in the 'rise of the South,' a process of reorientation of the world economy toward developing nations and their increased voice on the international stage.

South-South cooperation is a manifestation of solidarity among peoples and countries of the South that contributes to their national well-being, their national and collective self-reliance and the attainment of internationally agreed development goals, including the [2030 Agenda for Sustainable Development](#).<sup>1</sup> It involves technical and economic cooperation, norm-setting and economic interdependencies among developing countries with a view to mutual support. South-South cooperation has a long history. What is now known as South-South cooperation, derives from the adoption of the [Buenos Aires Plan of Action for Promoting and Implementing Technical Cooperation among Developing Countries \(BAPA\)](#) by 138 UN Member States in Argentina, on September 18, 1978.<sup>2</sup> The most recent milestone was the second High-level United Nations Conference on South-South Cooperation held in Buenos Aires in 2019, 'BAPA+40'. South-South cooperation featured strongly in the Sustainable Development Goals (SDGs); the IPoA and the new draft text of the Programme of Action for LDCs circulated in 2021.

South-South cooperation appeared in each of the eight priority areas of the IPoA, contributing to some success but also falling short in several areas. In some areas it is difficult to establish causality. One of the most important goals was to build **productive capacity**. Broadly, productive capacity increased, as reflected in the rise in the UNCTAD productive capacity index, the increased share of the world economy attributed to LDCs and the Global South, as well as rising economic output per capita in LDCs. Despite a fall in economic growth toward the end of the period, the LDC group experienced some structural transformation, with manufacturing rising slightly, to an average of 12% of GDP, and agriculture falling from 22% to 18%. Significant variation exists between countries. Whilst difficult to prove, it is likely that rising South-South resource mobilisation, investment and trade flows between some countries contributed to these gains, although much more can be done. South-South

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<sup>1</sup> <https://www.un.org/en/observances/south-south-cooperation-day>

<sup>2</sup> <https://www.un.org/development/desa/en/news/intergovernmental-coordination/south-south-cooperation-2019.html>

cooperation can further support productive capacity, including via appropriate technology, investment and the allowance of space for industrial policy.

A range of important **agriculture, food security and rural development** initiatives exist. South-South and triangular cooperation can continue to make important contributions, including bilateral cooperation with LDCs from countries like Brazil and Turkey, and projects such as Purchase from Africans for Africa, a triangular cooperation project on food and nutrition security between Brazil, the UN and five African LDCs. Other examples include the Africa Rice Centre; the Comprehensive Africa Agriculture Development Programme; and the India, Brazil and South Africa Facility for Poverty and Hunger Alleviation (IBSA Fund). The South-South and Triangular Cooperation Division of the Food and UN Agriculture Organisation (FAO) was at the time of writing revising its Strategic Framework for 2022-2025.

**Trade and economic integration** are vital to the prosperity of LDCs. One of the key economic targets of the IPoA was to double the share of LDC exports as a proportion of the world total. This target was missed. Although LDC exports were higher in real terms in 2020 than 2010, they accounted for a lower proportion of world exports at the end of the IPoA than at the start, with considerable difference between countries. Preference erosion, the exclusion of LDCs from global value chains, low value-addition, commodity dependence and the servicification of global trade are partly responsible. LDC exports to the South were inconsistent, ending the decade only slightly higher than in 2010. LDC-LDC trade increased gradually, to low levels. Trade agreements involving the Global South increased in number during the IPoA, the most recent and example of which is the African Continental Free Trade Agreement (ACFTA) signed in 2019. ACFTA is the biggest trade area since the World Trade Organisation in 1997, involving the continent's 33 LDCs. By number of signatories (54) it is likely the largest exclusively South-South trade agreement in history. Its immediate benefits are most likely to be institutional rather than in trade creation. During the IPoA period 22 other trade agreements involving LDCs were also notified to the WTO, although mostly with the Global North.

**Commodity dependence** broadly worsened during the IPoA. Only two LDCs – Bhutan and Central African Republic – lost their commodity-dependent status between 2008-9 and 2018-19. Eight LDCs became commodity dependent over the same period. Approximately 85% of LDCs are classified as commodity-dependent. An increasing volume of LDC commodity exports are to the Global South, in addition to exports to the North. Largely this is driven by resource and mineral exports to China, almost all from African LDCs. LDC-LDC commodity trade has also increased. South-South commodity trade is not, however, inherently more sustainable nor development-focused, and social and environmental standards should lie at the top of the agenda.

**Human and social development** are arguably the areas in which the contribution of South-South cooperation under the IPoA is most unclear, or where it is most difficult to link progress with IPoA objectives despite its prominence in BAPA+40 and elsewhere. Nevertheless there are numerous examples of LDC South-South and triangular cooperation over the last decade, mostly falling under the UN remit or with a triangular dimension, and which should be supported. These include long-running projects involving countries and entities such as Turkey, Brazil, Norway, the UN Educational, Scientific and Cultural Organization (UNESCO), the UN Population Fund (UNFPA), the UN Office for South South Cooperation (UNOSSC), UN Women and the International Labour Organisation (ILO).

LDCs are particularly **vulnerable to crises**, of which there have been a number during the IPoA including the aftermath of the global financial crisis, several national environmental disasters as well

as climate breakdown, and Covid-19. The impact of crises has affected LDCs particularly severely. Enhanced resilience is critical, yet this should not imply merely increased flexibility, but a more proactive, productive capacity-orientated approach which learns from the Global South success stories such as those in East Asia and beyond, and adapts them to national context with a view to improving robustness against future bouts of volatility. In the long term, the most anti-fragile response would be to try to 'bounce forward,' changing the economic structure for the better.

The ethos of South-South cooperation – as about collaboration and mutual help rather than only financing – reinforces the important point that it is not the absolute value of flows to and among southern countries that is most important, but the origin, purpose, wider political setting, sustainability and duration. Yet even in financial terms, **aid and mutual support** among southern countries have grown remarkably in recent years. The OECD, for instance, estimates that the value of China's international development cooperation in 2019 was \$4.8 billion, up from US\$4.5 billion in 2018, putting the country among the world's largest donors. Chinese concessional financing and investment are also significant. Other major and emerging southern development partners prominent in LDCs include Brazil, India, Indonesia and South Africa.

South-South **investment** both overlaps with aid and mutual support and plays a special role, among other reasons because southern technologies tend to be more appropriate and cheaper, and that more opportunities exist for mutual learning. Southern investment in LDCs has boomed in recent years, led by China. Official data suggests that total Chinese FDI stock in African LDCs stands at US\$23.2 billion, 87 times its level in 2003 (although the true total is likely to be higher). The Democratic Republic of the Congo was the biggest cumulative LDC recipient over the period, at nearly a quarter of all Chinese FDI in African LDCs, followed by Angola, Zambia and Ethiopia, mainly in mining and associated infrastructure construction.

Data from the UNCTAD Investment Policy Hub shows that 98 Bilateral Investment Treaties (BITs) or Treaties with Investment Provisions (TIPs) involving LDCs were signed during the IPoA. Of these agreements, during the IPoA period only five were LDC-to-LDC, and only one is in force. Seventy-four BITs or TIPs were signed between LDCs and other non-LDC developing countries during the decade of the IPoA. Of these, 17 were in force at the time of writing. There is potential for more development-focused, South-South investment deals between LDCs and with developing countries that contribute to the growth of productive capacities.

From 2010 to 2020 **remittances** formed an increasing share of LDC economies, rising from 3.8% of GDP at the beginning of the period to 4.7% at the end. Remittances to LDCs are higher than to other countries and fell less than other forms of financing during Covid-19, providing an important source of stability. Diaspora finance more broadly is an increasingly important but sometimes underprioritised trend, which needs to be disaggregated, better understood and accommodated in policy. Diaspora finance can help build productive capacities via the accumulation of the capital stock, entrepreneurship, enhanced domestic and international linkages and increased knowledge and technology.

**Governance** receives high priority in the IPoA and BAPA+40. LDCs can adapt and mould lessons from other countries toward 'good enough' or development governance, rather than always trying to emulate northern standards. Lessons that can be learned from other southern nations including focusing on achievability rather than perfection; adaptation to context; the need for political legitimacy; and evolution and flexibility over time. It may be possible for LDC governments to learn more from

each other and from developing countries about successful administrative organisation and bureaucratic structures.

The **Covid-19 pandemic** devastated LDCs via health, trade, tourism, debt, remittances and FDI. GDP for the group shrank an expected 1.3 per cent in 2020, with 37 out of 46 economies contracting during the year. An estimated 32 million people in LDCs fell back into extreme poverty in 2020. Southern nations including China are already playing a strong role in vaccine distribution, yet only 8.5% of people in low-income countries had received at least one dose by early 2022. In LDCs this ranged from 84% in Cambodia to 0.046% in Burundi. Only 14% of Africans had received at least one dose. The potential productive capacity exists for vaccine manufacture in LDCs and neighbouring countries. Bangladesh already makes a generic version of the Merck Covid-19 pill. At least eight vaccine manufacturing facilities exist in Africa. Yet current TRIPS laws do not permit intellectual property transfer. The TRIPS and pharmaceuticals waiver under consideration at the WTO, as proposed in 2020 by India and South Africa, should be supported and enacted. Making intellectual property more widely available to the existing vaccine production sites in the Global South, alongside technical assistance and knowledge, is vital in fighting the pandemic and ensuring that LDCs and developing countries have ammunition to tackle future health crises.

Based on these findings, a number of recommendations are appropriate:

- **Make goals related to South-South cooperation more targeted and specific.** Realistic, hard and fast commitments are binding and create accountability.
- **Tackle challenges rather than creating institutions.** Adding complexity to the institutional landscape would only create further confusion and dilute successful programmes. A timebound project-focused approach is often preferable to creating new bodies or entities, depending on context.
- **Focus on productive capacity as a means of building resilience,** endowing LDCs with the resilience to overcome future crises. The South can play a leading role. New sustainable productive capacity funding from the Global South, for example, could act as the focus of a new resilience architecture.
- **Build on existing South-South trade agreements rather than establish new ones.** The so-called 'spaghetti bowl' is already deep enough, and South-South trade is mostly too small to immediately replace trade with the Global North. ACFTA represents vital progress, but multilateralism remains vital. Productive capacity is more important for building trade than market access.
- **Use resources and minerals as a bargaining point.** South-South trade is not by definition more development-focused than that with the Global North. Issues such as value-addition, the stability of prices and financial flows, and environmental care remain paramount.
- **Consider new forms of LDC-LDC and triangular investment cooperation** such as development-orientated LDC-LDC BITs. The rate of investment in LDCs is also too low, and the new PoA may include a numerical target such as gross fixed capital formation as a proportion of GDP, a critical metric of productive capacity.
- **Promote southern remittances and diaspora investments.** The various type of remittances and diaspora investments need to be clearly defined and distinguished. Countries of origin and receipt can also improve policy and treatment in these areas.



- **Encourage South-South collaboration on climate issues.** Countries in the Global South should be helped and encouraged to share knowledge and experience in this area, particularly in negotiations strategy.
- **Improve South-South technology transfer.** Platforms already exist, but there is also a need to transfer knowhow via qualified personnel from suitable countries to LDCs.
- **Support the TRIPS and pharmaceuticals waiver.** Continued efforts must be made to put the waiver into practice and to transfer pharmaceuticals-related production knowledge and intellectual property to LDCs and regional partners in the South.
- **Leverage the successes of graduating and graduated LDCs.** The Graduation Support Facility proposed by the UN Committee for Development Policy has a particular focus on mutual, South-South learning among LDCs.

## 2. INTRODUCTION

The Istanbul Programme of Action (IPoA) for the Least Developed Countries for the Decade 2011-2020 is a 10-year policy agenda agreed by the international community to address the challenges faced by the least developed countries (LDCs), to mitigate risks and to leverage new opportunities. Its aims are to overcome structural difficulties faced by the LDCs in order to eradicate poverty, achieve the international development goals and enable LDC graduation. The Fifth UN Conference on LDCs (LDC5) will take stock of the IPoA and identify a new programme, taking lessons learned into account. During LDC5, LDCs and Member States, UN agencies, academia, the private sector, NGOs, international financial institutions, and other stakeholders will also deliberate on how South-South cooperation can generate impactful results in the implementation of the new programme of action for LDCs and identify new areas of cooperation.

This report is an attempt to review the role of South-South cooperation in the implementation of the IPoA, and to take stock of best practices and identify constraints in scaling up South-South cooperation with a view to renewing partnerships and enhancing cooperation with their Southern partners in the next decade of action.

The report focuses on the eight priority areas of action, identifying good practices and shedding light on emerging areas where South-South cooperation has a catalytic role to play. Concrete and actionable recommendations are made, with the aim of helping LDCs to leverage and scale up South-South cooperation in the new Programme of Action to advance progress towards the SDGs and achieve sustainable and transformative recovery from the pandemic.

## 3. OVERVIEW OF SOUTH-SOUTH COOPERATION

Over the past decade or more the world has grown increasingly multipolar, as reflected in the increasing political and economic prominence of the Global South and the rearrangement of certain northern-dominated international relations which were once taken for granted. This is a trend long underway. It received impetus via the economic evolution of large countries in the South such as China and India, and these countries' increasing prominence in international fora. Arguably the pandemic reinforced these trends. Several Asian economies responded rapidly and rebounded quickest from the crisis. Demands for access to the Covid vaccine prompted countries such as India and South Africa to

become more vocal in requesting a waiver on intellectual property, while China became more active in developing domestic demand, via its policy of 'dual circulation' unveiled in 2020. It was also proactive in vaccine delivery. The gap in vaccine access between developed and developing countries was so stark that it was felt to legitimise a new vigour on the part of many southern governments, in particular those in Africa.

This broad set of developments has formed part of what some have labelled the "rise of the South" – a multifaceted political and economic resurgence of developing countries and their increased visibility on the global stage. It has been intensified via intentional acts of solidarity and mutual support within the South. Development assistance and economic assistance among southern countries has grown to the extent that it now rivals, and even surpasses, traditional North-South cooperation – and via development modalities that are unique to the Global South. It can thus play a key role within the forthcoming decade of action for LDCs.

The Buenos Aires Programme of Action (BAPA+40) defines South-South cooperation as:

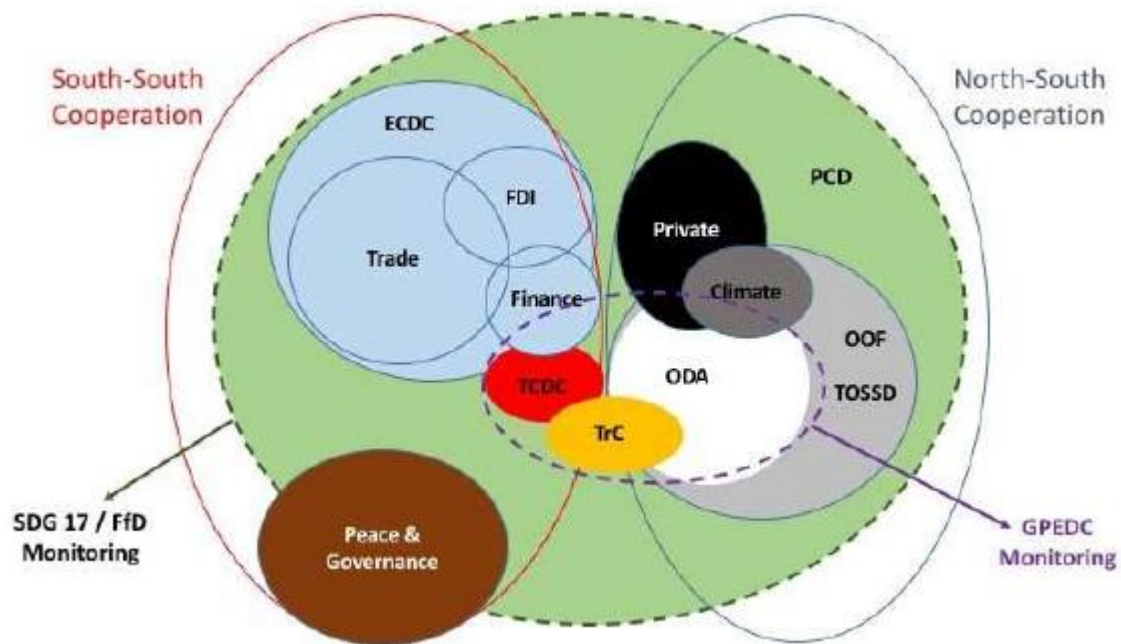
"a manifestation of solidarity among peoples and countries of the South that contributes to their national well-being, their national and collective self-reliance and the attainment of internationally agreed development goals, including the Sustainable Development Goals, according to national priorities and plans" (paragraph 8).

Furthermore, "South-South cooperation should not be seen as official development assistance" (para. 9). "South-South cooperation is conducted among countries of the South, including but not limited to the economic, social, cultural, environmental, and technical domains, that can take place in a bilateral, regional or interregional context in order for developing countries to meet their development goals through concerted efforts, taking into account the principles of South-South cooperation" (paragraph 7).

The BAPA+40 outcome document recognizes "the value of inclusive multi-stakeholder approaches to South-South and triangular cooperation led by Member States whereby governments create enabling environments that mobilize collective action by a growing number of diverse actors in South-South and triangular cooperation" (paragraph 31).

These broad statements are difficult to summarise in a single, quantifiable definition, because unlike official development assistance (ODA), South-South cooperation involves not only flows, but policies, which are harder to measure. As noted by Besharati and MacFeely (2019), South-South cooperation originally "included not only grants and technical cooperation but also regional economic integration, trade, investment, remittances, debt relief, humanitarian interventions and peace-building, export credit lines and other instruments and modalities of cooperation not included in ODA" (Besharati and MacFeely 2019: 6). This list is so long that some within the Global South even argue that the term is too broad to be analytically useful. Figure 1 sketches out the broad arena of South-South cooperation and its relation to North-South Cooperation.

**Figure 1: Partnerships, policies and financing for development**



Source: Besharati and MacFeely (2019)

\* GPEDC: Global Partnership for Effective Development Co-operation; OOF: Other Official Flows; TOSSD: Total Official Support for Sustainable Development; FfD: Financing for Development; TCDC: Technical cooperation among developing countries; ECDC: Economic cooperation among developing countries.

Despite the difficulties in defining the term it is still possible to delineate at least three dimensions. Firstly, it involves technical cooperation among developing countries, whereby states, international organizations, academics, civil society and the private sector in the Global South collaborate and share knowledge, skills and successful initiatives in specific areas such as agricultural development, human rights, urbanization, health and climate change. Second, it involves inter-governmental cooperation as a means of formulating common positions and setting global norms. Third, it encompasses economic cooperation among developing nations, mainly in trade, investment and development finance (Rampa et al., 2012: 250).

To place South-South cooperation during the IPoA in context, it is first necessary to outline the background and formulation of the concept. South-South cooperation is central to the UN development, humanitarian and peace-keeping roles.<sup>3</sup> It can be said to have originated with the first technical aid programme established by the UN Economic and Social Council in 1949. Six years later, in 1955, the Afro-Asian Group of independent African and Asian States was formed at the Bandung conference in Indonesia. At the height of the cold war, this was a key juncture in South-South cooperation, involving nations that wished to define their own development trajectory and political directions distinct from any major power bloc. It defined many later events and dynamics within the international system. The Non-Aligned Movement (NAM) formed at this time featured 120 southern

<sup>3</sup> [www.unsouthsouth.org](http://www.unsouthsouth.org)

nations.<sup>4</sup> Several of the five principles that served as the basis of the NAM can still be identified in the later LDC Programmes of Action. These were:

- Mutual respect for each other's territorial integrity and sovereignty.
- Mutual non-aggression.
- Mutual non-interference in domestic affairs.
- Equality and mutual benefit.
- Peaceful co-existence.

The United Nations Conference on Trade and Development (UNCTAD) was established in 1964 to facilitate economic cooperation among developing countries. At the first UNCTAD, Latin American countries join with African and Asian countries to create the Group of 77, the main organisation and centre of advocacy for South-South cooperation at the multilateral level. At the conference the need was identified for special attention to 'the less developed among the developing countries'.

Four years later a resolution was passed on the needs of the LDCs and made the focus of work by two expert groups of the Committee for Development Policy (CDP). In 1969 the General Assembly affirmed for the first time "the need to alleviate the problems of the least developed among the developing countries with a view to enabling them to draw full benefits from the Second United Nations Development Decade." In 1971, 25 countries were identified and placed on the original list of what became LDCs, a decision that was endorsed by the General Assembly in December the same year (Gay 2017).

A subsequent milestone in South-South cooperation including the LDCs was the 1978 conference of the Global South on Technical Cooperation among Developing Countries in Buenos Aires, resulting in the adoption of the Buenos Aires Plan of Action (BAPA). The UN Special Unit for South-South Cooperation was established in 2004.

In 2009, two years before the start of the IPoA, the High-level UN Conference on South-South Cooperation in Nairobi, Kenya, produced the Nairobi outcome document highlighting the roles that national governments, regional entities and UN agencies would play in supporting and implementing South-South and triangular cooperation.

The importance of South-South cooperation during the decade of the IPoA was highlighted in the 2013 decision of the General Assembly to reaffirm the mandate of the Special Unit for South-South Cooperation, hosted by the UN Development Programme (UNDP), as a separate entity, renaming it the United Nations Office for South-South Cooperation (UNOSSC). The Office promotes, coordinates and supports South-South and triangular cooperation globally and within the United Nations system. The 2030 Agenda for Sustainable Development came two years later, featuring several goals relating to South-South cooperation.

In addition to UN forums for South-South cooperation, a large range of other entities facilitate South-South relations including LDCs. These include regional and sub-regional economic and political cooperation organisations such as the Association of Southeast Asian Nations (ASEAN); the South Asian Association for Regional Cooperation (SAARC); the Regional Comprehensive Economic

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<sup>4</sup> The NAM has a Centre for South-South Technical Cooperation based in Jakarta, Indonesia.

Partnership (RCEP); the African Continental Free Trade Agreement (AfCFTA); and the Economic Community of West African States (ECOWAS).

Regional and sub-regional banks like the Islamic Development Bank (IDB), Asian Development Bank (ADB) and African Development Bank (AfDB) are other non-UN forms of southern cooperation on finance.

Organisations with a small-state focus include the Alliance of Small Island States (AOSIS) and Forum of Small States (FOSS). Other examples of non-UN southern cooperation include the Organisation of Islamic Cooperation (OIC); Brazil, Russia, India, China and South Africa (BRICS) Summits; The India, Brazil and South Africa (IBSA) Facility for Poverty and Hunger Alleviation Dialogue; and the G7+ group of conflict and former conflict countries.

Southern think tanks such as Southern Voice, the Third World Network, the Transnational Institute and the South Centre are also prominent in the delivery and facilitation of South-South cooperation. Most of these entities have been involved in the World Social Forum, an annual meeting of civil society organizations first held in Brazil in 2001, which seeks to bring together NGOs, mostly from the Global South, to discuss alternative forms of globalisation.

### **3.1 South-South cooperation and LDCs in the SDGs**

South-South cooperation underlies many of the principles of the 17 SDGs, even if it is not always explicitly stated. LDCs are a critical focus of Agenda 2030, being mentioned over 40 times in the SDGs as well as recognized and embodied in the Agenda's underlying principles, including the idea of 'leaving no-one behind'. References to the LDCs are contained in all of the goals except for Goal 6 on water and sanitation, which does not refer to any specific group of countries. Specific South-South cooperation involving LDCs is not mentioned, although it can be considered as being captured under the goals relating to developing countries.

The Goals aim to enhance North-South and South-South cooperation by supporting national plans to achieve all the targets. Implicitly the idea of South-South cooperation is invoked throughout goal 17, notably in 17.1-17.5 on finance, 17.9 in capacity-building, 17.10-17.12 on trade, and 17.16 and 17.17 on multi-stakeholder partnerships.

South-South cooperation features explicitly with respect to technology and capacity-building.

#### *Technology*

17.6 "Enhance North-South, South-South and triangular regional and international cooperation on and access to science, technology and innovation and enhance knowledge sharing on mutually agreed terms, including through improved coordination among existing mechanisms, in particular at the United Nations level, and through a global technology facilitation mechanism."

#### *Capacity-building*

17.9 "Enhance international support for implementing effective and targeted capacity-building in developing countries to support national plans to implement all the Sustainable Development Goals, including through North-South, South-South and triangular cooperation."

The notion of South-South cooperation is also implicitly discussed in the paragraphs relating to the means of implantation and global review, as well as in paragraphs 80-91 on follow-up and monitoring at the regional and global levels.

## 3.2 The Buenos Aires Programme of Action (BAPA)

The 1978 United Nations Conference on Technical Co-operation among Developing Countries outlined a multilateral programme with number of objectives aimed at self-reliance, cooperation, capacity-building and skills and technology transfer among developing countries. A wide range of actions and objectives at the national, subregional, regional, interregional and global levels was recommended. In 2016 the General Assembly convened a high-level United Nations conference on South-South cooperation on the 40<sup>th</sup> anniversary of the BAPA. The second High-level United Nations Conference on South-South Cooperation was held in Buenos Aires in 2019.

‘BAPA+40’ renewed its commitment to Agenda 2030 and other declarations relating to development issues, including the original BAPA. BAPA +40 broadly set the framework for South-South cooperation in subsequent years, with the formal text acting as a point of reference for South-South activities. The summit among other things called on developing and developed countries to strengthen efforts to achieve Agenda 2030; increase financial resources for development; note the existence of new regional and global banks and funds; acknowledge rising debt levels; improve policies and technology transfer; improve South-South relations; called for countries to combat corruption and illicit financial flows; and recognised that South-South and triangular cooperation represent an opportunity to enhance micro, small and medium enterprises in developing countries.<sup>5</sup>

Paragraph 27 on reinvigorating the international development system and the 2030 Agenda, mentions LDCs in part (c), namely to “share good practices and experiences from the South, especially with the least developed countries.” Other references to LDCs include paragraph 30 (a): “noting with appreciation the initiatives supported by the Technology Facilitation Mechanism and the Technology Bank for the Least Developed Countries.” Paragraph 30 (c) calls for more support for the Technology Bank, especially financial contributions to its operations.

## 3.3 South-South cooperation in the Istanbul Programme of Action (IPoA)

South-South cooperation is highlighted in the IPoA. It is mentioned in 23 paragraphs of the text and related statements. Paragraph 12 states that developing countries should support the implementation of the Programme of Action, highlighting the need for broader southern commitment beyond only LDCs. A phrase emphasised in this paragraph and several times throughout the text is that South-South cooperation should be “a complement to, but not a substitute for, North-South cooperation,” referring to the need for continued northern ODA and triangular collaboration.

Section V, covering paragraphs 131-140, address the complementary role of South-South cooperation in the implementation of the Programme of Action, highlighting specific dimensions such as “human and productive capacity-building, technical assistance and exchange of best practices, particularly on issues relating to health, education, professional training, agriculture, environment, science and technology, trade and investment.”

Paragraph 132 emphasises solidarity and several of the original principles of South-South cooperation first articulated in the NAM, such as national sovereignty, national ownership and independence, equality, non-conditionality, non-interference in domestic affairs and mutual benefit.

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<sup>5</sup> A/RES/73/291

The subsequent paragraph differentiates South-South cooperation from ODA, highlighting the need for mutual accountability and transparency, as well as continued improvement. South-South cooperation should also be in accordance with LDC development plans. Technology is particularly mentioned – a priority which was realised in the creation of the Technology Bank for LDCs – and a number of specific South-South initiatives listed.

South-South cooperation is also expected to play a role in the accumulation of resources. South-South cooperation is also mentioned as a means to strengthen and expand least developed countries' capacity to trade.

The theme of productive capacity is prominent throughout the text of the IPoA, not only with respect to South-South cooperation. Business leaders emphasised that “shared development experiences can be a powerful means of enhancing national productive and administrative capacities in least developed countries while also assuring the effectiveness of investment projects.”

### **3.4 South-South cooperation in the draft Dhoa Programme of Action**

In the draft Dhoa Programme of Action (DPoA) for the Least Developed Countries recommended for adoption by the LDC5 Conference, South-South cooperation has been outlined with signs of achieving greater detail and focus than the IPoA, acknowledging areas of shortcoming and focusing on practical implementation. Yet South-South cooperation in general should receive even more prominence during the next LDC programme of action. The broad treatment of South-South cooperation can be improved, made more consistent and more practical and detailed, in line with the comprehensive approach of BAPA+40.

The intention and principals remain broadly the same as in the IPoA. Developing and developed countries have made commitments on broad solidarity with LDCs, investment in youth, mobility of artists and cultural professionals, science and technology, triangular cooperation, technical assistance and a commitment to the outcome document of BAPA+40.

Developing countries have offered to support any new Programme of Action within the framework of South-South and triangular cooperation, emphasising that it is a complement to, but not a substitute for, North-South cooperation. There is a particular focus on youth participation and inclusion in decision-making processes, as well as skills development that can be facilitated by North-South and South-South cooperation. The mobility of artists and cultural professionals to and from LDCs, including South-South mobility, has been mentioned as a critical enabler for the cultural and creative industries.

Further emissions reductions and climate resilience, and in particular the most marginalized people, economies and systemsproductive capacity-building, infrastructure, energy, science and technology, trade, investment and transit transport cooperation.

## 4. SOUTH-SOUTH COOPERATION DURING THE IPoA 2011-2020

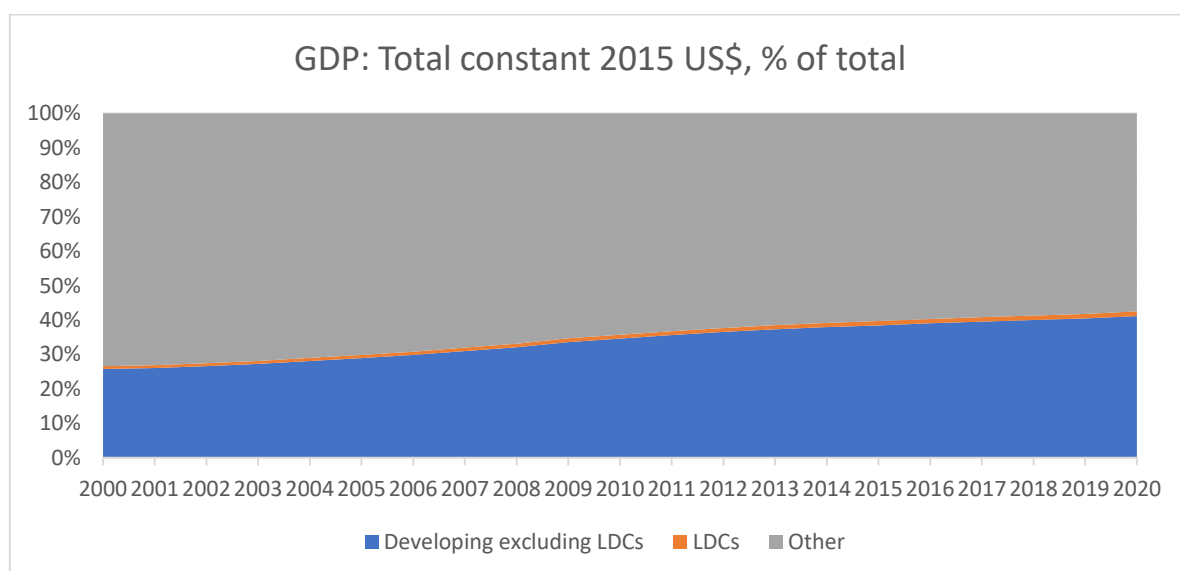
This section outlines the influence and relation of South-South cooperation to each area of the IPoA, with a brief assessment of progress during the decade and, in some cases, earlier. Each sub-section contains a brief outline of the possible future contribution of South-South cooperation to sustainable development and transformative recovery. Broad suggestions are made in several sections on South-South cooperation within the new Programme of Action.

### 4.1 Productive Capacity

The IPoA aimed to achieve sustained, equitable and inclusive economic growth by strengthening LDCs' productive capacities. Some broad progress has been achieved – if not as much as hoped. The UNCTAD productive capacities index increased 8.6% for LDCs in total from 2010-18, the most recent years of the IPoA for which data is available, much higher than the 4.9% average rate for the world, and a similar rate of progress to the previous decade.<sup>6</sup> This is reflected in growth in per capita gross domestic product (GDP) and productivity, as shown below.<sup>7</sup>

Partly driven by this increase in productive capacity, over the past 20 years the rise of the Global South has been seen in its increasing contribution to the world economy. Developing countries now account for about 42% of world GDP on a constant 2015 US\$ basis, up from 27% in 2000 and 36% at the start of the IPoA. On a purchasing power basis developing countries' share of the world economy moved above 50% several years ago. Much of this increase has been driven by China, but the share accounted for by other developing countries has also risen over the timeframe concerned. The LDC share of the global economy has been rising over time, but remains only 1.4% of the total.

**Figure 2. Developing economies account for a growing share of the world economy**



Data source: United Nations

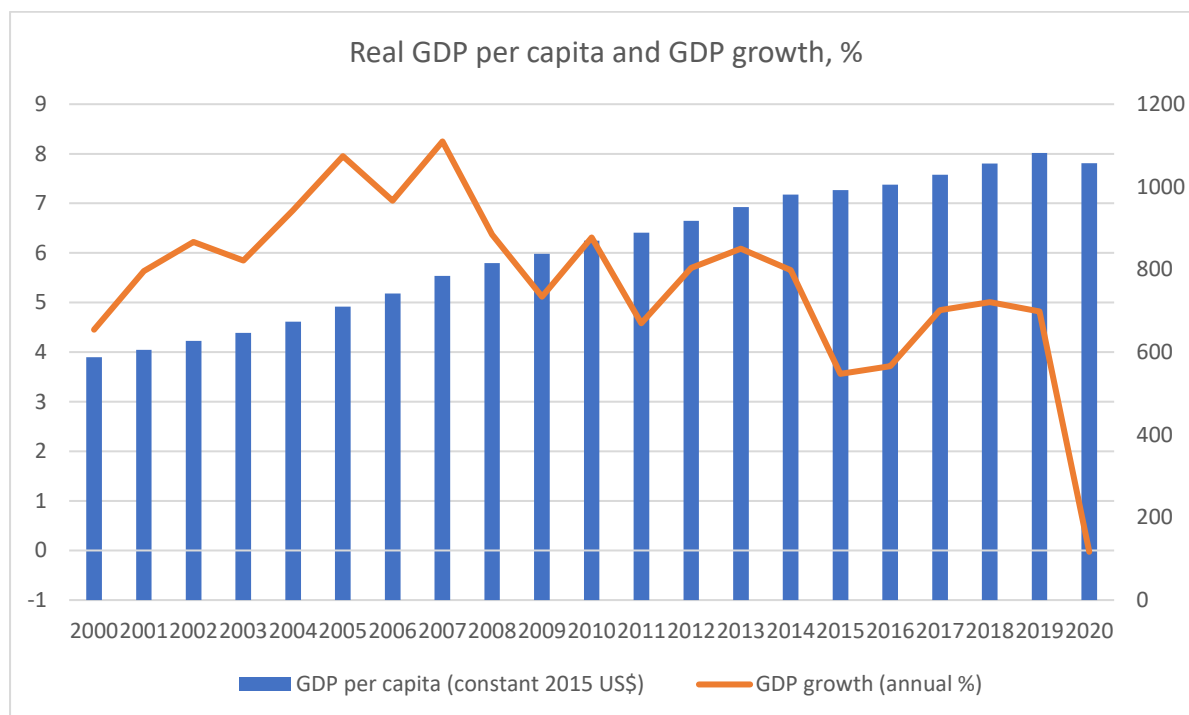
<sup>6</sup> Source: [unctadstat.unctad.org](http://unctadstat.unctad.org). The UNCTAD productive capacities index (PCI) is the geometric average of the values of the eight PCI categories, namely, natural capital, human capital, energy, transport, ICT, institutions, structural change and private sector.

<sup>7</sup> Defined by UNCTAD and the UN CDP as the sustainable development of human and physical resources, entrepreneurship and linkages.



Whilst LDC economic growth until 2019 was reasonable by historic standards, the Covid-19 pandemic was clearly catastrophic for LDCs, with a collapse in growth during 2020 and the first annual shrinkage in real GDP for the group in recent history. Economic growth is likely to recover in coming years, but significant damage has been done. Regress has severe long-term consequences in the form of the human cost to health and wellbeing, lost educational opportunities, reduction of the capital stock and wider foregone economic advance.

**Figure 3. Real GDP per capita rose during the IPoA and BPoA, but at a falling annual rate since 2007**



Source: United Nations

On average LDCs experienced some structural transformation over the IPoA decade. Services now account for around 43% of GDP, having changed little from the start of the IPoA. Manufacturing on average accounts for only 12% in LDCs, slightly higher than at the beginning of the period, and agriculture is 18%, down from 22% at the beginning of the period. According to the UNCTAD productive capacities index, structural change in LDCs was higher than the world average over the last two decades, with a 1.38 point increase, versus 0.72 for the world.<sup>8</sup> From 2010-18, the years of the IPoA for which data is available, LDCs continued to undergo structural transformation faster than the rest of the world, but the difference in the rate of change was smaller than during the previous decade.

It is difficult to identify strict causality between South-South cooperation and productive capacity or structural transformation, since a range of actors and processes are responsible and a counterfactual case is difficult. Yet section 4.3 below on trade, 4.7 on resource mobilisation and 4.8 on investment,

<sup>8</sup> Source: unctadstat.unctad.org. Structural change is defined as the movement of labour and other productive resources from low-productivity to high-productivity economic activities. This shift is currently captured by the sophistication and variety of exports, the intensity of fixed capital and the share of industry and services in total GDP. Structural change can also happen within a given sector.

show that developing countries conduct ever-growing levels of cooperation with LDCs in these areas, with a likely – if not definitive – impact on productive capacity. Whether structural transformation was due to South-South cooperation is very difficult to prove, but it is at least possible that the closer collaboration between southern countries seen during the decade was supportive, and that future support could bring further gains. Some of the trade-related changes, and the accumulation of capital seen in LDCs are driven by the Global South. Enhanced trade flows for example have built corporate capacity for import and export and encouraged accompanying investment, particularly in vital infrastructure. The new resources mobilised in LDCs by southern countries have also complemented private investment and added to the human and physical capital stock. A large range of South-South funded-infrastructure development and technology transfer projects exist, notably those funded by China in recent years (see below). Numerous southern and trilateral projects in education further contribute to human and social development, which are among the critical components of productive capacity.

Several entities, including the UN Committee for Development Policy (CDP), have suggested that sustainable productive capacity should be a central theme of the next Programme of Action, with concrete, actionable and time-bound activities for the achievement of subordinate components. A new sustainable productive capacity fund based in, or even predominantly funded by, the Global South, for example, could act as the focus of the new architecture, with financing for sub-components of productive capacity including technology transfer, entrepreneurship, linkages development and human and physical capital accumulation.

Industrial policy is essential – and in this regard South-South and triangular cooperation has a role to play in allowing LDCs the policy space to enact smart industrial strategies for sustainable development. They are more likely to do so given their own use of industrial policies. Southern countries, particularly the more successful East Asian developing nations, possess recent history and experience in this area; practical, context-appropriate knowledge and entrepreneurship; and technologies relevant to the developing country context. Obviously, times are different, and experience must be moulded to fit the contemporary LDC context.

It is easier, for example, for an LDC company to learn new production techniques from a Chinese company operating below the edge of the technological frontier since required skills are lower, technology may be cheaper and less advanced, and the specification of the final product often less nuanced or detailed.<sup>9</sup> It is not always immediately possible for LDCs or even other southern countries to export directly to markets with stringent standards or to integrate immediately into complex value chains. China in recent decades moved through the development stage at which some African countries find themselves, so Chinese companies and financing entities are able to pitch their investments at an appropriate level and to effectively pass on policy lessons from recent experience, even if implicitly or in tacit form rather than as overt 'capacity-building' initiatives.

It is also more straightforward for Chinese or Indian corporations to learn in Africa before expanding to the European or North American marketplace – and indeed this is what occurred in the case of Chinese investment in South Africa and other developing African countries, where some early investors explicitly invested in Africa in order to learn before expanding to the Global North. The

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<sup>9</sup> This section, and section 4.8, draw on a on 19 October 2021 discussion with Stephen Gelb, Principal Research Fellow and Lead, Private Sector Development at the Overseas Development Institute. Interpretation of the discussion is the author's own.

mutual nature of the relationship between LDCs and developing countries makes such cooperation a genuine example of developmental learning and upgrading between mutual partners, and also more likely to endure over the long-run because it is commercial.

In sum, LDC government policies should leverage the broad range of South-South relations to promote their long-term productive capacity objectives. Making active use of the greater policy space opened to them by new southern partnerships should enable them to forge a clear strategy to harness the benefits of the ongoing evolution of the world economy (UNCTAD 2011 p.44).

## 4.2 Agriculture, Food Security and Rural Development

The most prominent forms of South-South cooperation with LDCs have tended to be in infrastructure, productive capacity and broader economic objectives. Agriculture, food security and rural development often appear as lower priorities. As in a number of other areas causality between South-South cooperation and achievements in this area is difficult to establish. The impact of South-South cooperation with LDCs in these areas is thus often seen as secondary, and it is sometimes assumed that such activities are less important.

Yet direct South-South intervention remains necessary and appropriate. The BAPA+40 explicitly emphasises: “the need to leverage the role of South-South cooperation and triangular cooperation as a means to promote and support industrial and semi-industrial ventures and ensure food security and nutrition, including through the promotion of sustainable agriculture and food systems, food processing and agro-industries, which have the potential to link with global value chains and effectively address the market needs of developing countries.”

A number of southern initiatives exist in food, agriculture and rural development. Southern partners and triangular cooperation can play a unique role, given that the skills and knowledge of southern companies and governments tends to be appropriate to the LDC context. Countries of the Global South are also increasingly addressing endemic, borderless challenges like climate change and environmental degradation, as well as pandemics (which can be a product of climate breakdown and environmental incursions). The African Union has several environment-related conventions and agreements, including the Revised African Convention on the Conservation of Nature and Natural Resources. This convention aims to protect national, regional and continental sustainability, promote climate change adaptation and mitigation, address drought and food insecurity, and appropriately govern natural capital for future generations. It has led to large-scale activities such as the Great Green Wall initiative to combat desertification (UNOSSC 2019).

Examples of South-South and triangular support in food security, fisheries and agriculture include the following:

- The **Purchase from Africans for Africa (PAA)**, is a triangular cooperation arrangement between Brazil and Ethiopia, Malawi, Mozambique, Niger and Senegal supported by the World Food Programme and the UN Food and Agriculture Organisation (FAO). PAA Africa aims at promoting food and nutrition security through pilot technical cooperation projects.
- The **Africa Rice Centre**, based in Accra, Ghana, and with 26 African state members, aims to contribute to poverty alleviation and food security in Africa through research, development, and partnership activities. For upstream research and development, the Interspecific Hybridization Project model—a triangular South-South partnership—was developed to bring together the pool



A woman shows freshly caught fish for sale. Relocated villagers from the Nam Theun 2 Hydroelectric Project in Lao PDR have had livelihood training. Their new jobs are bringing in greater profits.  
Photo: Asian Development, Flickr (CC BY-NC-ND 2.0)

of expertise from advanced research institutes, such as the Africa Rice Centre, with that of national programs. The rice varieties that were developed from this project were, in 1999, dubbed New Rice for Africa, commonly known as NERICA, a name that was trademarked in 2004.

- The **Comprehensive Africa Agriculture Development Programme (CAADP)** is Africa’s policy framework for agricultural transformation, wealth creation, food security and nutrition, economic growth and prosperity for all. The first declaration on CAADP as part of the New Partnership for Africa’s Development was made in Maputo, Mozambique in 2003 at the African Union Summit. CAADP focuses on improving food security and nutrition and increasing incomes in Africa’s largely farming-based economies. It aims to do this by raising agricultural productivity and increasing public investment in agriculture. CAADP brings together diverse key players—at the continental, regional, and national levels—to improve coordination, share knowledge, successes, and failures.
- The **India, Brazil and South Africa Facility for Poverty and Hunger Alleviation (IBSA Fund)** aims to identify replicable and scalable projects that can be disseminated to interested developing countries as examples of best practices in addressing poverty and hunger. The United Nations Office for South-South Cooperation is the Fund Manager.<sup>10</sup>
- **Thailand** has cooperated with Mozambique and Lesotho on fisheries and agricultural projects.
- The **South-South and Triangular Cooperation (SSTC) Division of the FAO** was at the time of writing revising its Strategic Framework for 2022-2025, in alignment with the new FAO Strategic

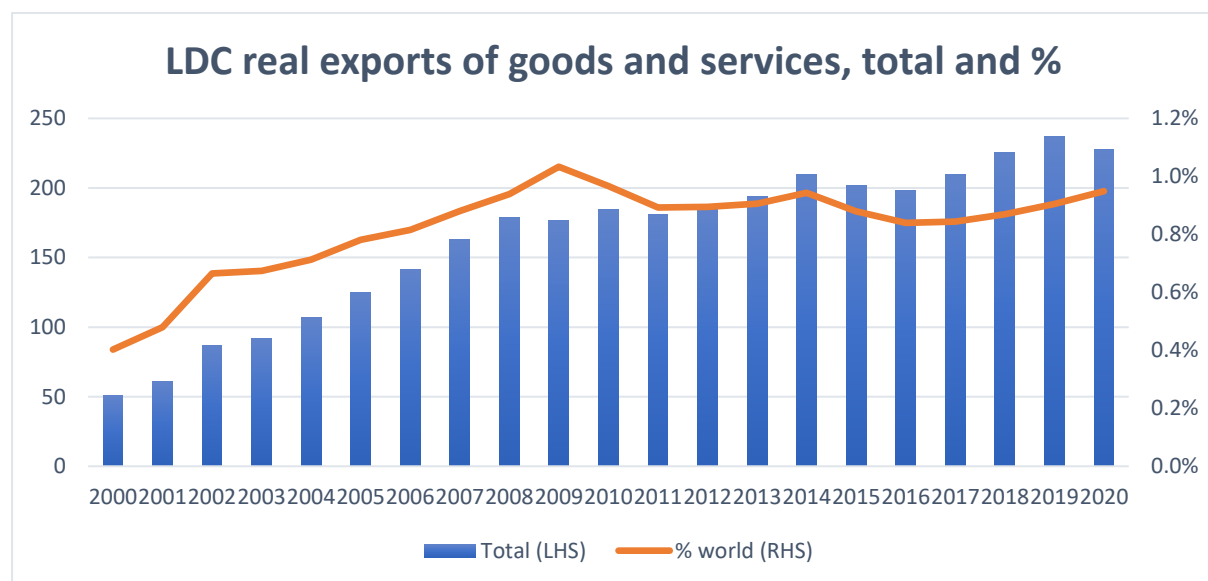
<sup>10</sup> <https://www.unsouthsouth.org/partner-with-us/ibsa/>

Framework and the United Nations Development System reform. The new strategic direction will enable further mainstreaming of SSTC within FAO. The ultimate goal is to increase FAO's capacity as a global advocator, convener, broker, facilitator and enabler of SSTC in the area of agriculture and food systems as part of the Decade of Action to accelerate the implementation of Agenda 2030 and particularly SDG 2. Based on the progress made and lessons learned so far, the framework outlines a new and more programmatic, focused, result-based, systematic and quality-assured approach to mainstream SSTC in FAO. Strategic results of FAO work in 2022-2025 revolve around four strategic focus areas: Advocacy/agenda setting; knowledge brokering; partnerships and collaborations; as well as evidence-based adaptive learning. In addition to the strategic results, key thematic focus areas include the Hand-in-Hand-Initiative, Agricultural Innovation, Small Island Developing States and COVID-19 Recovery and Response, among others.<sup>11</sup>

### 4.3 Trade

One of the key economic targets of the IPoA was to double the share of LDC exports as a proportion of the world total. This target was missed, as shown in figure 4.

**Figure 4. The LDC share of world exports stagnated during the IPoA**



Data source: UNCTAD Stat. Constant billion 2010 US dollars

While LDC exports continued to grow in real terms, the IPoA period was broadly disappointing, with a clear levelling-off in exports after the global financial crisis from 2007-8 slowing the progress achieved during the previous decade. Although LDC exports were higher in real terms in 2020 than 2010, they accounted for a lower proportion of world exports at the end of the IPoA than at the start.

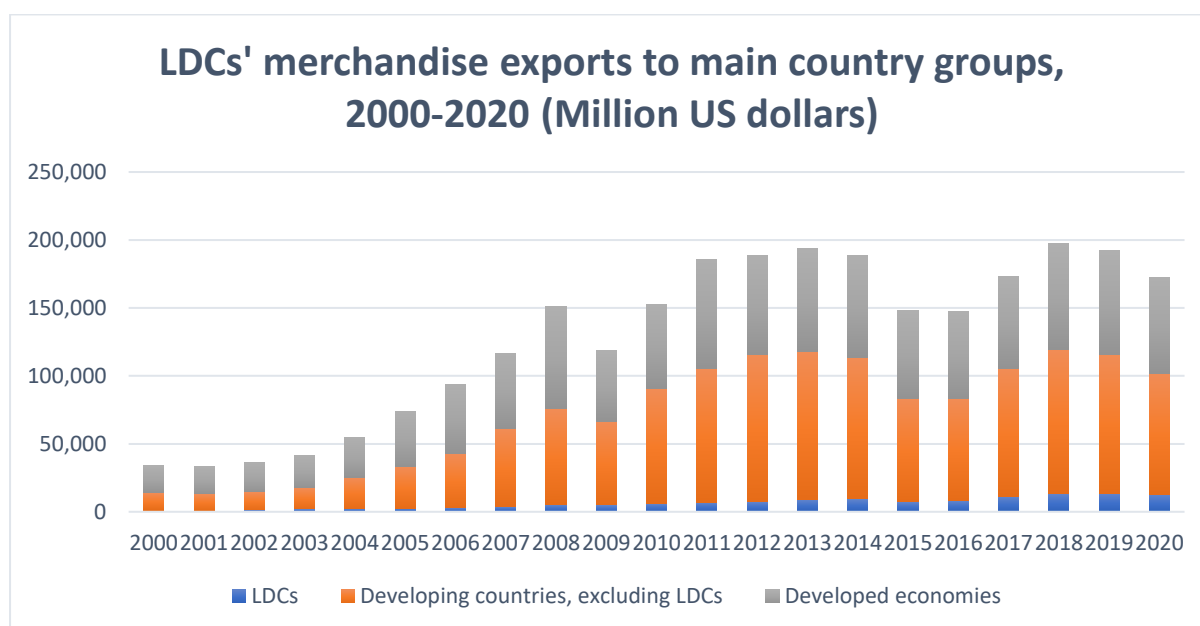
As with LDC trade flows more generally, a few countries dominate. Angola (scheduled for graduation in 2024), Bangladesh (scheduled for graduation) and Myanmar (which meets the graduation criteria)

<sup>11</sup> <https://www.fao.org/partnerships/south-south-cooperation/news/news-article/en/c/1415668/>

accounted for the majority of exports. Most of their trade was not South-South but included exports of oil, garments and other products to developed countries. Many countries saw no improvement at all, or even a deterioration in South-South trade.

Although the IPoA has no targets for imports, the data here show a gradual rise, with a slight decline from 2014 to 2017 before an upturn toward the end of the decade. In total imports to LDCs from the rest of the world grew 22% during the IPoA period, confirming the existence of a gradually deteriorating trade deficit on average – although not in all countries.

**Figure 5. The rise in South-South trade lost momentum during the IPoA**

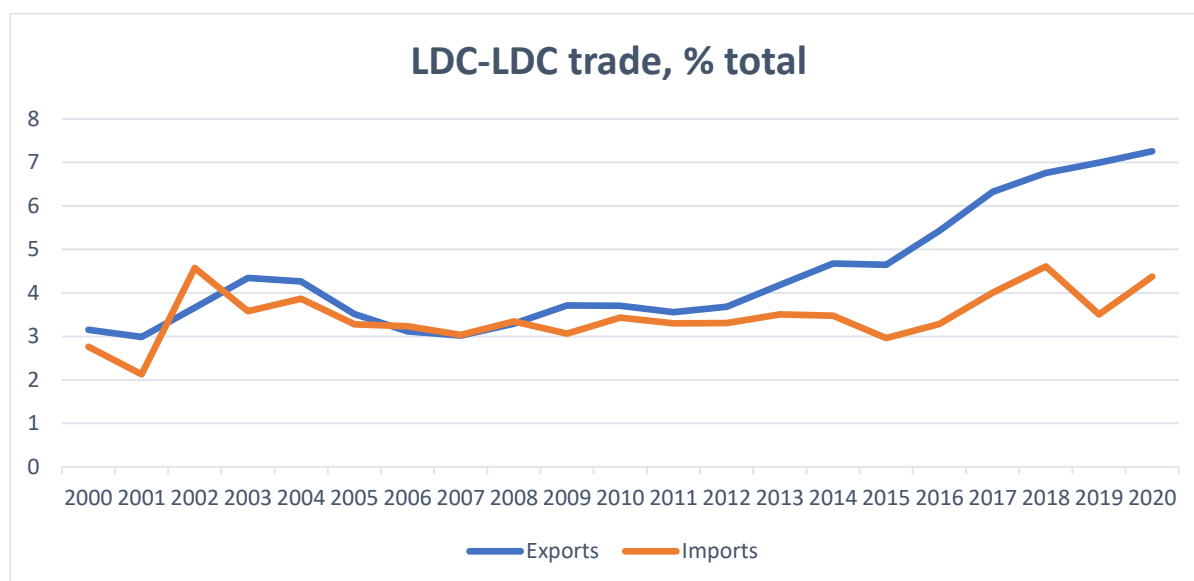


Data source: UNCTAD Stat

This overall stagnation in LDC exports as a share of the world total is reflected in LDC exports to the Global South. The growth of exports to developing countries slowed at the start of the IPoA but performance was inconsistent, with the level falling significantly in 2015 and 2016 before rebounding somewhat, and ending the decade only slightly higher than in 2010. The value of exports to developed countries remained roughly constant, while there was an increase in LDC-LDC trade. Notably LDCs exported considerably more to one another year-by-year from 2011 onwards, with intra-group exports (mostly commodities and related items) reaching 7.3% of the total by 2020, as shown in figure 6. Intra-LDC imports, in contrast, were more volatile and showed a less clear trend as a proportion of total group imports.

By product, the biggest single category traded among LDCs was commodities, precious stones, gold, ores and metals, at two-thirds of the total intra-group trade in 2020, followed by manufactured goods, then textiles and garments. This composition of exports is mirrored very closely in LDC trade with other southern nations, which was similarly dominated by commodities. Not only were commodities and manufactures the largest South-South LDC exports, but they grew the fastest before and during the IPoA.

**Figure 6. LDC-LDC exports grew faster than imports as a % of the total**



Source: United Nations

Intra-regional trade in Asia and Africa, where most LDCs are located, also increased during the period. Whilst over the full two decades South-South trade thus increased both in absolute terms and as a proportion of the total, growth lost impetus in 2013, and can partly explain the disappointing trade performance of the group during the IPoA.

The same data show that South-South exports (LDC + developing countries) rose from 41.5% of the total in 2000 to 59.5% in 2010, but failed to move much higher during the subsequent decade, ending the period at 58.9% after two periods of expansion around 2012-14 and 2017-19. South-South trade for LDCs thus held its gains but did not fulfil the promise of the previous decade.

### Trade agreements

This disappointing trade performance is not the result of a lack of agreements between southern countries during the IPoA period, of which there were many, covering a large number of LDCs. The most recent and largest example of a South-South trade agreement, which is dominated by LDCs, is the African Continental Free Trade Agreement (ACFTA) signed in 2019. ACFTA is the biggest trade area since the World Trade Organisation in 1997. Bringing together 54 of the 55 African Union states, the new bloc encompasses 1.2 billion people, around 16% of the global population and more than a quarter of the world's countries. The continent's 33 LDCs (nearly three-quarters of all LDCs) signed the agreement, although at the time of writing not all had ratified it. ACFTA thus represents major progress in South-South trade relations – perhaps the most important historic example, and certainly the South-South trade deal during the IPoA period that covered the most countries.

The main immediate advantage of ACFTA is not likely to be trade volume itself, since Africa is dependent on the rest of the world for 80-90% of its exports and the continental economy is relatively small, at around the same size as that of France. The main benefits are likely to come from the development of institutions such as competition policy, standards, intellectual property offices, legislation and negotiating capacity. ACFTA LDCs will find it easier to learn from and adopt standards

from other neighbouring countries.<sup>12</sup> The agreement should also encourage greater intra-regional transport and facilitation. Investment and trade with other southern countries will also be easier within a more open continental trading area. This is not to discount the conventional gains from economic scale and trade, which will accrue as time goes on.

Globally, trade agreements are proliferating, including those involving LDCs. A simple measure of trade cooperation involving southern countries is the number of regional trade agreements signed. Of the 177 goods-only and goods and services regional agreements that came into force worldwide after 2010 during the IPoA period and were notified to the WTO, 22 involved LDCs.<sup>13</sup> Most were north-south, and a large number involved the EU, including the Economic Partnership Agreements with former African, Caribbean and Pacific countries. The post-Brexit UK also signed a number of deals with regions containing LDCs to replace its EU commitments. Other than ACFTA, almost none of the agreements signed during the decade were LDC-LDC.

Although the number of agreements rose, the value of trade under these agreements mostly did not increase enough to significantly impact LDC economies. The LDCs that contribute most to the total exports of the group continue to do so mostly under multilateral arrangements, principally Bangladesh, Myanmar and Cambodia under the Everything But Arms (EBA) arrangement with the EU. Other smaller LDC exporters also trade under EBA, Economic Partnership Agreements with the EU and multilateral agreements such as the non-LDC specific African Growth and Opportunities Act (AGOA).

Preference erosion and the rise in trade deals among northern and other developing countries partly explain the stagnation of South-South trade during this period, but the broad trend has a number of other explanations. First is the broad-based decline in world trade following the global financial crisis, which particularly affected LDCs. Second, global value chains continued to proliferate, and LDCs found it increasingly hard to participate. Third, the type of products exported and the structure of existing trade relationships, as well as the limited development of productive capacities, meant that LDCs increasingly struggled to integrate. Many remained dependent on relatively low value-adding commodity exports whose prices showed significant volatility. Servicification was another trend with which LDCs found it difficult to accommodate, given that LDC exports are largely primary rather than tertiary.

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<sup>12</sup> This paragraph draws on a conversation on 27 October 2021 with Max Mendez-Parra, Principal research Fellow in the International Economic Development Group, Overseas Development Institute. Interpretation of the discussion is that of the author.

<sup>13</sup> Source: WTO Regional Trade Agreements Database



### **Box 1. Main economic integration and cooperation arrangements involving LDCs**

UNOSSC (2019) focuses on 20 major economic integration and cooperation agreements of which LDCs are members. Most pre-date the IPoA, although the two biggest, RCEP and ACFTA, launched toward the end of the decade. What is noteworthy is that almost all such agreements involving any country from the Global South also involves one or more LDCs. For instance, the Economic Cooperation Organization (ECO) grouping, which mostly involves Central Asian countries, includes Afghanistan. The League of Arab States (LAS)/Greater Arab Free Trade Zone (GAFTA) includes Yemen.

#### **Africa**

- African Continental Free Trade Area (ACFTA)
- African Economic Community (AEC)
- African Union Development Agency (AUDA, formerly NEPAD)
- Sub-regional Official RECs
- Common Market for Eastern and Southern Africa (COMESA)
- Community of Sahel–Saharan States (CEN–SAD); includes North African members, as well as Sudan, Somalia, Djibouti and Comoro
- East African Community (EAC)
- Economic Community of Central African States (ECCAS); umbrella organization of Economic and Monetary Community of Central Africa (CEMAC) and the Community of Great Lakes Countries (CEPGL)
- Economic Community of West African States (ECOWAS)
- Intergovernmental Authority on Development (IGAD, formerly IGADD)
- Southern African Development Community (SADC); subsumes the South African Customs Union (SACU)

#### **South and Central Asia**

- Regional Comprehensive Economic Partnership Agreement (RCEP)
- Asia-Pacific Free Trade Agreement (APTA)
- Association of Southeast Asian Nations (ASEAN)/ASEAN Economic Community (AEC)
- Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC); comprises South and Southeast Asian countries
- Economic Cooperation Organization (ECO)
- Central Asia Regional Economic Cooperation (CAREC) Program
- Melanesian Spearhead Group (MSG)
- Pacific Islands Forum (PIF)
- South Asian Association for Regional Cooperation (SAARC)
- League of Arab States (LAS)/Greater Arab Free Trade Zone (GAFTA)

Source: Adapted from UNOSSC (2019)

## 4.4 Commodities

Commodity dependence broadly worsened during the IPoA. Only two LDCs – Bhutan and Central African Republic (CAR) – lost their commodity-dependent status between 2008-9 and 2018-19, according to the UNCTAD State of Commodity Dependence report 2021, which defines a country as commodity dependent if commodities comprise more than 60% of exports. In the case of CAR this was due to the impact of domestic instability on production rather than to diversification. Eight LDCs became commodity dependent over the same period. Africa is the global region with the highest commodity dependence. The LDC classification is also the most commodity reliant of any development category, with approximately 85% of countries being classified as commodity-dependent. Diversification is correspondingly limited. According to UNCTAD, LDCs exported only marginally more products during the IPoA period – 258 as opposed to 255 – and the diversification index for LDCs varied little, moving from 0.68 to 0.66 over the period. The product concentration index, however, improved significantly, from 0.43 to 0.17.

Despite this overall increased commodity reliance, an increasing volume of LDC commodity exports are to the Global South, in addition to exports to the North. Largely this is driven by mineral exports to China, almost all from African LDCs. The total grew from \$254 billion at the start of the IPoA period to \$418 billion by 2019 (MIT Global Atlas of Economic Complexity). China now accounts for the majority of sub-Saharan African mineral exports, having overtaken the United States during the IPoA period. According to UNCTAD data, intra-LDC commodity trade, already on an upward trend from 2000-2010, nearly doubled to US\$8.7 billion by the end of the IPoA. This is a much faster rate of increase than LDC commodity exports to the rest of the world, which experienced a consistently rapid rate of expansion from 2000-2008 before a volatile subsequent 12 years.

This increasing South-South trade in commodities has implications for the forthcoming programme of action, representing a change in emphasis from before the IPoA, when resource flows were more south-north. The increase in demand for rare earths and minerals required for electrification may place more demands on southern LDCs, but simultaneously elevate them to a stronger bargaining position. Policies and strategies for diversification should take this into account, targeting increased value-addition in commodity exports to other southern countries such as China and India, and pitching export promotion efforts at a level appropriate to the level of incoming investment and personnel from southern partners (see section 4.8 on FDI below). The availability of vital commodities on which other southern and northern countries depend should be used as a tool to bargain for development assistance, key investment and enhanced trading relationships.

Whilst South-South commodity trade has increased, this should not be taken uncritically as a sign of a more benign export environment. The export of unprocessed raw commodities has always been a characteristic of the LDCs, which continue to lack processing and value-addition capabilities. Whether commodities are destined to a northern or southern trading partner is secondary. Issues such as the degree of value-addition, stability of financial flows, labour rights, environmental care and price stability must remain paramount.

## 4.5 Human and Social Development

Human and social development are arguably the areas in which the contribution of South-South cooperation under the IPoA is most unclear, or where it is most difficult to link progress with IPoA objectives. This is despite BAPA+40 “recogniz[ing] that South-South and triangular cooperation has

the potential to enhance capacity-building, strengthen human resources and leverage the catalytic role of education and human development in the creation of employment opportunities,” emphasising the importance of education and training. Health, gender goals, women’s empowerment and social goals are also mentioned in the outcome document.

There is little doubt that the IPoA formed a useful backdrop to South-South initiatives and projects in human and social development during the decade, however some of these projects may have taken place regardless; particularly those which were programmed under the strategic plans of UN entities. Discussions toward a new PoA aim to more tightly specify actions to be taken in the next decade, particularly in support of SDG 4 South-South.

Nevertheless, there are numerous examples of LDC South-South and triangular cooperation in human and social development over the last decade, mostly falling under the UN remit or with a triangular dimension. Several are also carried out on a bilateral basis. These include scholarships, training as well food and nutrition programmes. Many projects have achieved considerable success and long-term sustainability. Some examples include the following:

**Turkey** has contributed to health, water and sanitation projects in Afghanistan, Guinea, Niger, Somalia and Sudan, as well as providing humanitarian assistance in several of these countries. It has built hospitals, trained workers and delivered emergency aid.

**Brazil**, in addition to its support for the IBSA fund and other initiatives, has directly supported Timor Leste in a range of areas since its independence in 2002. Focus is on language training due to the two countries’ use of Portuguese, the preparation of teaching materials, teachers, the development of a document management system and archiving, and other areas.

The UN Educational, Scientific and Cultural Organization (UNESCO) **Capacity Development for Education** programme aims to translate dialogue and advocacy for the global education agenda into concrete action at country level to offer quality education opportunities for all in line with SDG 4 targets. Focusing on the LDCs, it places special emphasis on gender equality and the empowerment of girls and women.

A range of UNESCO **teacher education programmes** operate in Africa, including the Enhancing Teacher Education for Bridging the Education Quality Gap in Africa, a project supported by the Chinese Government, which aims to enhance teacher training in sub-Saharan Africa via Information and Communication Technology. Others include the Capacity Building of Teacher Trainers and Teachers in Support of Curriculum reforms programme; and the Improving Teacher Support and Participation in Local Education Groups project.

There are four major UNESCO projects on **women and girls’ education**, two projects on **technical and vocational education and training** and three on **ICT training**.

The UNFPA, the United Nations sexual and reproductive health agency, has long recognised South-South cooperation as an important programmatic approach. It has become more prominent in the latest strategic plan, featuring in advocacy and policy dialogue and advice; capacity development; knowledge management; and service delivery. Alongside the UNOSSC the UNFPA recognises a list of good practices in South-South cooperation on family planning, maternal and child health, midwifery, obstetric fistula, HIV and Aids, gender equality, youth empowerment, and ageing (UNFPA 2018).

South-South youth development initiatives include **Youth4South**, an Advanced Youth Leadership Programme launched by the UNOSSC in partnership with the Office of the Secretary General's Envoy on Youth, the China Institute for South-South Cooperation in Agriculture, the Finance Center for South-South Cooperation, the International fund for Agricultural Development (IFAD), Norway, UNFPA and the Zayed International Foundation for the Environment. Youth4South is designed as an umbrella facility dedicated to supporting South-South and triangular cooperation initiatives, projects and activities in promoting youth leadership and capacity development for achieving the SDGs.

Examples of South-South cooperation in water and sanitation include the **Brazilian Water, Sanitation and Hygiene (WASH)** programme in Ethiopia, which includes Capacity development; technology transfer, such as the transfer of Brazil's urban sanitation technology to Ethiopia; and knowledge and cost-sharing.<sup>14</sup> In 2009 Brazil began using trilateral cooperation as a model in a range of areas, partnering within institutions such as the UN Children's Fund, UNICEF.

The UN entity for Gender Equality and the Empowerment of Women (UN Women) has also made South-South cooperation central to its strategic plan. An example of a South-South project on women's empowerment was the project, **Brazil and Africa: Fighting against poverty and empowering women through South-South cooperation**, a trilateral South-South cooperation arrangement involving Brazil, Mozambique, the UNFPA, UN Women and the United Kingdom Department for International Development (DFID). From 2015 to 2017, the initiative aimed to strengthen the institutional capacities of the Mozambican authorities to provide inter-sectoral and integrated responses and address gender violence; support social mobilization and community participation, especially of women leaders, in preventing and responding to gender-based violence; and to help the Mozambican national authorities formulate and implement public policies and strategies to promote women's economic autonomy.<sup>15</sup>

The UNOSSC and International Labour Organisation (ILO) run a project titled **South-South and triangular cooperation: Implementation of gender sensitive Social Protection Floors (SPFs) at country level** which supports selected Southern countries in designing and implementing national Social Protection Floors. During the first year of this project Cambodia, Togo, Burkina Faso, Benin, Côte d'Ivoire, Mali and Senegal received support from experts of countries in the South, including Thailand, India and Brazil. The project supported these countries in developing technical skills to implement SPF policies or specific SPF components.

The ILO also operates a project titled **ILO-Brazil Partnership for the promotion of South-South Cooperation**, launched in 2009. Based upon experiences and best practices in Latin America and especially in Brazil, the ILO provides technical support to various countries in social security (such as pensions, unemployment, health insurance, disability and child allowances). In Timor Leste the project, "Promoción de la Cooperación Sur-Sur en el Área de la Seguridad Social en Timor-Leste" dating to 2010, focuses on developing national policies to introduce a national pension scheme. The project operates in two stages: first, a transitory scheme for the public servants; second, a permanent pension scheme which would include the private sector.

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<sup>14</sup> <https://socialprotection.org/discover/blog/how-south-south-cooperation-contributes-achieving-sdg-6-ensuring-access-all-clean>

<sup>15</sup> <https://www.southsouth-galaxy.org/solution/gender-equality-innovations-and-potential-in-trilateral-south-south-cooperation/>

## 4.6 Crises and Other Emerging Challenges

LDCs are particularly vulnerable to crises, of which here have been a number during the IPoA. These include the aftermath of the global financial crisis, several national environmental disasters as well as the ongoing climate breakdown, and Covid-19.<sup>16</sup> The impact of crises has affected LDCs more than in many other countries, particularly the nearly 400 million extremely poor who live in LDCs, as well as people just above the extreme poverty threshold. For the very poor, any loss of income is catastrophic given that it sends them into starvation or extreme deprivation, and that governments have fewer resources to cushion the impact. Dealing with instability is thus critical. Lessons for LDCs can be drawn from other southern countries, and there are a number of direct implications for South-South cooperation.

Covid-19 and other recent crises have refocused attention on the issue of resilience. A useful way of thinking about resilience in the LDC context may be to accept that vulnerability is part of the modern world economy and that most economies are vulnerable. During the past two decades 103 countries—over half the world’s total—at one point had a vulnerability rating too high to pass the LDC graduation threshold. Developing countries on average now have a vulnerability score of 33.6, which would mean they would be too vulnerable to qualify for LDC graduation based on the threshold of 32 or below.

If developing countries in general do not meet the vulnerability criteria, it implies that the most sensible policy might not be to attempt the impossible by trying to resist volatility or to create greater flexibility in the hope of recovering to a pre-shock status. Considerable time and resources, for example may be expended on trying to reduce fiscal spending or tighten monetary policy to meet the expectations of international creditors, with little benefit for resilience. The optimal route to robustness may instead be to invest in forming the ability to recover from shocks and re-emerge in a different form.

Resilience should be an ongoing process rather than a recovery to a pre-existing or new stable equilibrium. This shifts the debate away from how an economy resists change to how it adapts through time to various kinds of stress. Resilient economies and supply chains emerge from shocks as different entities rather than snapping back like a piece of elastic to some pre-crisis state. This approach is about frequent change rather than hoping for stability and having to try and compensate for unpredictable downturns.

It is southern countries that provide the most relevant lessons here for LDCs, and which may be best-placed to offer advice and support. The countries that rebounded fastest from the pandemic—including several in East Asia—were mostly in the Global South and those with the strongest productive capacities, adaptability and technological sophistication. These countries were able to produce and export the goods that were in high demand during the crisis, like electronics and pharmaceuticals, to attract foreign direct investment (FDI) and move into new, high-technology areas. Their resilience lies, and lay, in their ability to transform their economic structures.

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<sup>16</sup> This section draws on ‘Productive capacity as resilience in the LDCs, by Daniel Gay,’ 20 May 2021, UN LDC Portal, <https://www.un.org/ldcportal/productive-capacity-as-resilience-in-the-ldcs-by-daniel-gay/>, as well as background work conducted for the OECD Development Centre in 2021.



Tsunami damage, Solomon Islands 2007. Photo AusAID Flickr (CC BY-NC-ND 2.0)

Chinese FDI inflows increased in 2020, by 4%, compared with a slump of 69% to developed economies. As a result, China overtook the United States as the world's largest recipient of FDI. China was the fastest-growing major economy in 2020. Asia accounted for more than half of global cross-border investment in the same year.

These are large economies that locked down early, rolled out the vaccine quickly and put in place strong health and fiscal responses. Few LDCs had the capacity to act similarly. But some lessons are relevant to LDCs. The East Asian states that rebounded so quickly had also learnt from previous crises, defending policy space, accumulating high levels of reserves and minimising external debt. They were also at the forefront of technological advance and have long been the exemplars of structural transformation—often reshaping the domestic economy with unconventional policies. This is thus a story of South-South success which may have some bearing on the current LDC experience.

East Asian development was not linear, but took place during times of frequent crisis. Powerful industrial structures emerged which could respond to, and generate, new demand. At times government expenditure and debt were high as the country invested in structural transformation and pursued expansionary fiscal policy. Job creation was rapid, which supported demand and brought large numbers of people out of poverty.

Asia's transformation was both wide-ranging and inconsistent. In 1964 the Republic of Korea was poorer per head than the Congo. In effect it was an LDC, although the category did not yet exist. Hundreds of millions of Chinese people moved out of extreme rural poverty in the last few decades. Viet Nam's rise was later but no less remarkable. Resilience, for the most dynamic East Asian countries, had little to do with rebuilding back to a pre-crisis state. Development meant a societal and economic overhaul, often as a process of adaptation in response to shocks.

The implications for LDCs are that recovery from the pandemic is of course the immediate priority, and this should mean equal access to vaccines, international support and a strong economic stimulus

where possible—together with a resumption of demand in the developed world. Better international support is critical.

Aid and mutual support from southern partners can also play a partial role in rescuing LDCs from the pandemic and mitigating future instability. A number of direct South-South initiatives aim at providing resilience. For instance, bilateral swap agreements between central banks enable some LDC central banks to borrow, for a short period, foreign currencies from central banks from other developing countries so as to be able to attend to immediate balance of payments needs. Bilateral debt forgiveness and restructuring among southern nations (as well as others) has also been a crucial tool for resilience during the pandemic, including Zambian debt restructuring with China, Zambia's biggest creditor, after Zambia went into default in November 2020.<sup>17</sup> China has been Zambia's largest bilateral disburser of debt relief, with US\$259 million in debt cancelled historically and the recent deferment of interest payments. Further potential exists for direct forms of South-South support for resilience in the financial arena, particularly as the larger southern nations such as China develop greater surpluses and outward investment capabilities.

Often, LDC governments also need to learn the lessons from other southern developing countries, deviating from the standard prescriptions—perhaps allowing the temporary build-up of debt during crises, especially those which are temporary issues of liquidity rather than structural; raising expenditure to support demand; and limiting job losses. This can allow them to build climate-resilient infrastructure, maintain demand and help workers keep their jobs in a downturn – the ultimate form of resilience. One example is the work of the Institute for New Structural Economics at Peking University, which, among other projects, conducts diagnostic work in LDCs and tries to partner with national entities with a view to transferring China's experience in structural transformation and economic zones to the LDC context, making a series of recommendations on tackling binding constraints to productive capacity.<sup>18</sup>

In the longer term, the most anti-fragile response would be to try to 'bounce forward,' changing the economic structure for the better. This will involve policy space to redouble the long-term effort to build productive capacity. Productive capacity-building needs to take into account the likelihood of crises and expanding the economy so that it can withstand disruptions. Capital accumulation and technological progress are central to this process, alongside sustainable trade and investment. Governments should try to diagnose and address the major binding constraints to transformation, be it insufficient resources or investment, skills shortages, entrepreneurship, or linkages.

## **4.7 Resource Mobilisation**

The ethos of South-South cooperation – as about collaboration and mutual help rather than only immediate financial value – reinforces the important point that resource flows are not all equivalent or fungible, something often overlooked in the current debate about financing for development. It is not the absolute value of flows to and among southern countries that is most important, but the origin, purpose, wider political setting, sustainability and duration. Several forms of cooperation, even though not immediately high-value, may have important long-term worth. Some flows may even be harmful, such as short-term debt or equity financing that contribute to instability or burden

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<sup>17</sup> <https://www.mof.gov.zm/wp-content/uploads/2020/10/China.pdf>

<sup>18</sup> <https://www.nse.pku.edu.cn/index.htm>

governments with unsustainable levels of external borrowing. This means that it is important to address each form of resource flow on its own merits.

Resource mobilisation in the IPoA covers domestic revenues, development assistance, external debt, foreign direct investment (FDI) and remittances. Each of these flows has a different function and outcome. Remittances tend to flow directly to poorer families, often in non-urban areas. FDI can be concentrated in resource-rich areas and is obviously profit-orientated, with the immediate benefits flowing to business owners. It is likely to be longer-term and more conducive to employment than portfolio flows. Aid often has a more public orientation and may be for infrastructure or capacity-building purposes. Public investment can be more pro-poor and may be less volatile than ODA or FDI. Most of these resource flows are fragile, and ODA has failed to maintain long-term trend growth in recent years. This places particular importance on southern financing and on tax revenue generation as sources of predictable domestic funding.

### **Aid and mutual support**

Southern donors do not fall within the official category of Official Development Assistance (ODA) as defined by the OECD, nor can southern transfers strictly be categorised as 'aid', being based more on mutual self-help and learning between partners, broadly in line with the principles of the original Bandung declaration. Government financing is sometimes combined with private flows. As such it is difficult exactly to quantify South-South aid. Yet southern flows to LDCs have begun to rise in recent years, partly prompted by the 'rise of the south,' the emergence of the BRIC economies and in particular the rapid growth of the Chinese economy and its increasing presence on the world stage. The relative prominence of South-South aid cooperation in recent years has risen as northern ODA stagnated.

Southern countries mostly wish to be seen as partners in assisting beneficiary countries rather than as donors, providing direct financial support, technical assistance, training and capacity building. More development assistance is provided bilaterally than multilaterally. Grants are often provided directly via governments, while concessional loans tend to be provided through Export-Import Banks and other parastatal financial institutions.

Southern national banks such as the China Development Bank, Development Bank of Southern Africa and Brazilian National Bank for Economic and Social Development have become more externally-focused (UNCTAD 2019: 50). New Southern-led multilateral initiatives emerging during the IPoA period like the New Development Bank and the Asian Infrastructure Investment Bank have further changed the development finance landscape. Not only has long-term finance increased, especially concessional lending for infrastructure development, but approaches have become more streamlined and involved new partnerships with other development and trade initiatives like the Belt and Road, Association of Southeast Nations (ASEAN) and African Continental Free Trade Area (ACFTA). Other strategies include the Forum on China–Africa Cooperation, the India–Africa Forum Summit and the Russia–Africa Summit.

A growing number of developing countries are engaged in development cooperation with LDCs at the regional and sub-regional levels. Brazil's cooperation, for example, is mostly with Lusophone countries and Latin America. Kuwait, Saudi Arabia, Turkey and the United Arab Emirates mainly work in LDCs with a significant Muslim population. South Africa and Thailand operating largely with neighbouring



LDCs. Southern donors also have specific sectoral focuses. China and India tend to predominantly favour economic infrastructure. Brazil focuses mostly on social infrastructure and technical assistance.

## **Box 2. Examples of South-South LDC cooperation initiatives**

A large number of South-South LDC cooperation projects and initiatives exist, of which the following are examples:

- Turkey, the original site and custodian of LDC-IV, has a comprehensive range of cooperation activities across the IPoA, including bilateral programmes with numerous LDCs in each of the programme’s sub-components. From 2009-19 the total assistance to LDCs totalled US\$2.5 billion, with Afghanistan the biggest recipient of support, followed by nine other major LDC partners. Turkey particularly concentrates on education and health, social infrastructure and services, economic infrastructure and services, and production (TIKA 2016, 2019).
- The LDC Renewable Energy and Energy Efficiency Initiative for Sustainable Development (LDC REEEI) initiative is dedicated to driving transformative change towards universal energy access and the transition to renewable energy and energy efficiency in all LDCs. It is fully owned and driven by LDCs and supported by the South Centre.
- The India-UN Development Partnership Fund is a dedicated facility within the United Nations Fund for South-South Cooperation established in 2017. It is supported and led by the Government of the Republic of India, managed by the United Nations Office for South-South Cooperation, and implemented in collaboration with the United Nations system. The fund has an emphasis on partnering with small island developing States, LDCs, landlocked developing countries and countries affected by disaster. In 2020 approximately 40% of countries that participated in projects were LDCs (India-UN Development Partnership Fund At a Glance, September 2020).
- The Neighboring Countries Economic Development Fund (NEDF) formed in 1996 formalized cooperation of Thailand with Cambodia, Lao PDR, Myanmar (in addition to the non-LDC Viet Nam). The Phone Hong Hospital development programme is one of the current initiatives.
- The YouthConnekt Africa (YCA) initiative, originating in Rwanda, is a pan-African platform aimed at connecting African youth for socio-economic transformation to contribute to the achievement Africa’s SDGs mandate, the African Union (AU) 2063 agenda, and the AU Youth Charter targeting the creation of 10 million jobs for youth, empowering 25 million youth with skills, connecting 100 million young Africans, nurturing 1 million young leaders, and closing the gender gap. Initiated in 2012 by the Government of Rwanda through the Ministry of Youth and ICT in partnership with UNDP, the platform seeks to coordinates existing youth empowerment initiatives, and provides young people with partnership and learning opportunities to further refine and realize their ideas by linking them with investors, industry, public and private sector. It is based on an integrated approach which touches on all aspects of a young person’s life, including job creation, entrepreneurship, awareness raising, sexual and reproductive health, and engagement of youth in political processes. YouthConnekt has scaled up beyond Rwanda to 14 African countries including several LDCs: The Democratic Republic of Congo, Liberia, Congo Brazzaville, Sierra Leone, Uganda, Zambia, Cape Verde, Cameroon, Ghana, Senegal, Zimbabwe, Guinea, Madagascar, and The Gambia. As Togo, Mali, Ethiopia, Equatorial Guinea, and Sao Tome and Principe. YouthConnekt trained, mentored and provided “seed funding” to 540 young innovators, and

created 8,309 jobs (2,208 women and 6,101 men). More than 18,000 youth have been directly engaged in national policy dialogue through the yearly YouthConnekt conventions, more than 1,000,000 youth have been involved in civic engagement activities within their communities through the YouthConnekt month and holiday programme, and more than 20 partnerships have been established with government, development partners, civil society, academia and private sector organizations (Liquid Telecom, KOICA, UN agencies, Higher Life Foundation, Steward Bank, Impact Hub, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), and the Japan International Cooperation Agency.<sup>19</sup>

South-SouthSources: Various, including UN LDC portal, <https://www.un.org/ldcportal/South-South-cooperation-and-ldcs/>

## China

China is the biggest South-South provider of what might be considered aid. Rather than being considered a donor, however, China sees itself as working within a framework of South-South cooperation. According to the most recent Chinese white paper on aid:

“South-South co-operation is the focus... China’s development co-operation is a form of mutual assistance between developing countries. It falls into the category of South-South co-operation and therefore is essentially different from North-South co-operation. China is a staunch supporter, active participant and key contributor of South-South co-operation. It will continue to shoulder the international responsibilities commensurate with its development level and capacity, and further expand South-South co-operation, so as to promote joint efforts for common development.”<sup>20</sup>

Although China does not provide comprehensive data on foreign aid, the OECD has estimated that the value of China's international development cooperation in 2019 was \$4.8 billion, up from US\$4.5 billion in 2018. If counted as ODA, China would be the tenth largest donor state that year, between Norway and Canada. China provides a high volume of development financing that would not qualify as ODA because it lacks a sufficient concessional element and/or is linked to commercial transactions (the Belt & Road is addressed in section 4.8, on investment). Concessional finance provided by China has been estimated as between US\$3 billion to US\$7 billion (OECD 2018). Another summary of recent research estimated Chinese development finance to Africa as between US\$0.58 to US\$18 billion per year (Strange et al. 2017). At the Forum on China–Africa Cooperation Beijing Action Plan (2018), China pledged US\$15 billion in grants, interest-free loans and concessional loans to Africa for 2019–2021 (UNCTAD 2019: 52).

China’s development assistance more diversified than other southern donors. Between 2013 and 2018, China extended assistance to 20 regional and international multilateral organizations and 122 countries—30 in Asia, 53 in Africa, nine in Oceania, 22 in Latin America and the Caribbean, and eight in Europe.

## India

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<sup>19</sup> Source:

[https://www.un.org/ohrrls/sites/www.un.org.ohrrls/files/preliminary\\_report\\_lessons\\_learned\\_ipoa\\_implementation.pdf](https://www.un.org/ohrrls/sites/www.un.org.ohrrls/files/preliminary_report_lessons_learned_ipoa_implementation.pdf)

<sup>20</sup> [http://en.cidca.gov.cn/2021-01/10/c\\_581228.htm](http://en.cidca.gov.cn/2021-01/10/c_581228.htm).

According to OECD estimates, India's international development co-operation reached US\$1.6 billion in 2019, up from US\$1.3 billion in 2018. India's contributions to multilateral organisations totalled US\$ 420.1 million. Most development assistance goes to neighbouring countries in South and South-West Asia as well as to Africa. Bhutan is the largest recipient. Of the total development assistance proposed for 2021-2022 by the Government of India, 42 percent is for Bhutan.<sup>21</sup>

### **Brazil**

According to the Brazilian Cooperation Agency (ABC), and as reported by the OECD,<sup>22</sup> Brazil's international development co-operation reached a total of US\$ 2.1 billion in the 2017-18 biennium, advancing co-operation activities with 83 partner countries. Brazilian contributions to multilateral organisations totalled US\$ 274.5 million in 2018, US\$ 195.3 million in 2017 and US\$ 840.5 million in 2016.

### **Indonesia**

The OECD estimates that Indonesia's international development co-operation reached US\$157 million in 2019, up from 139 million in 2017. The OECD estimates include information that Indonesia provided to the OECD in 2019 for the pilot on TOSSD. Indonesia's contributions to multilateral organisations totalled US\$ 141.4 million. These were primarily channelled through regional development banks (83%) – mainly the Asian Infrastructure Investment Bank (AIIB) – and through the United Nations (17%).

### **South Africa**

According to OECD estimates, South Africa's international development co-operation reached US\$ 106 million in 2019, decreasing from US\$ 111 million in 2018. South Africa's contributions to multilateral organisations totalled US\$ 71.3 million. These were primarily channelled through the African Union (37%), the United Nations (24%) and regional development banks (32%).

## **Box 3. Institutions for South-South financing and development assistance**

UNOSSC (2019) lists around 29 financing and development assistance institutions involving LDCs or with a focus on LDCs.

### **Africa**

- African Development Bank (AfDB) with African Development Fund (ADF)
- Africa Solidarity Trust Fund (of Food and Agricultural Organization, FAO)
- Arab Authority for Agricultural Investment and Development (AAID); includes Sudan, Somalia, Djibouti and Comoros
- Central African States Development Bank (BDEAC)
- Development Bank of Southern Africa (DBSA)
- East African Development Bank
- ECOWAS Bank for Investment and Development (BID) Eastern and Southern African Trade and Development Bank

<sup>21</sup> Source: Ratnakar (2021) [https://www.sawtee.org/publications/TI\\_Vol\\_17\\_No\\_1-2.pdf](https://www.sawtee.org/publications/TI_Vol_17_No_1-2.pdf)

<sup>22</sup> <https://www.oecd-ilibrary.org/sites/18b00a44-en/index.html?itemId=/content/component/18b00a44-en#section-d1e56984>

- Maghreb Bank for Investment and Foreign Trade (BMICE); launched in 2017
- West African Development Bank (BOAD)

#### **Asia**

- Asian Development Bank (ADB) Asia Development Fund (ADF)
- Asia Infrastructure Investment Bank (AIIB) ECO Trade and Development Bank SAARC Development Fund

#### **Middle East** (Yemen is the only regional LDC)

- Abu Dhabi Fund for Development
- Arab Authority for Agricultural Investment and Development (AAID); includes Sudan, Somalia, Djibouti and Comoros
- Arab Fund for Economic and Social Development Arab Monetary Fund
- Kuwait Fund for Development
- Saudi Fund for Development

#### **Caribbean** (Haiti is the only regional LDC)

- Inter-American Development Bank (IADB) OAS: Development Cooperation Fund (DCF)
- Caribbean Development Bank (CDB) ALBA Bank
- Venezuela: PetroCaribe

#### **Inter-regional**

- Asian Development Bank
- Inter-American Development Bank
- European Investment Bank (operates in several LDCs)
- BRICS New Development Bank (NDB)
- India, Brazil and South Africa Facility for Poverty and Hunger Alleviation (IBSA) Trust Fund
- Silk Road Fund – China
- OPEC Fund for International Development (OFID)
- Arab Fund for Economic and Social Development (AFESD)
- Arab Bank for Economic Development in Africa (BADEA)
- Arab League: Arab Fund for Technical Assistance to African Countries (AFTA) Arab Gulf Programme for Development (AGFUND)
- Indian Ocean Rim (IORA) Special Fund
- Islamic Development Bank (IsDB)
- Korean Facility for Poverty Reduction through South-South and Triangular Cooperation in Education, Science and Technology
- AfDB: Korea–Africa Economic Cooperation (KOAPEC) Trust Fund

Source: Adapted from UNOSSC (2019)



A woman installing solar panels on a roof in Bhutan.  
Photo: Asian Development, Flickr (CC BY-NC-ND 2.0)

## 4.8 Investment

South-South investment differs from north-south investment in a number of ways (Gelb 2005: 203).<sup>23</sup> Market-seeking firms from developing economies are more likely than those from developed economies to provide accessible in manufacturing, utilities and services to domestic firms and households. South-South investment also uses distribution and business networks that help the foreign firm to more easily enter, as well as promoting backward and forward linkages and supporting domestic enterprise development. The lower technology gap between domestic and foreign developing country firms eases technological spillovers. Gelb (2005) also points out that even resource-seeking firms also bring workers with them, building the pool of entrepreneurs. South-South resource seeking enterprises are also often more informal, fitting better with the local environment. Their presence may also over time lead to demands for better governance and infrastructure, even if upon initial entry these issues are less important than for northern investors. The mutually-beneficial nature of South-South LDC investment, as the home country benefits from new opportunities, lower labour costs and learning opportunities, helps create a more sustainable long-term commercial relationship which requires limited outside input. Finally, as LDC host countries learn and benefit from new investments, they accrue bargaining power, enabling them to negotiate more effectively with northern multinationals, in turn improving power relations. This is not to suggest that there are no costs (indeed southern investment in Africa has often been criticised for its environmental costs), or that southern investment is always automatically more beneficial to host countries than north-south investment, but that it has unique characteristics that can have long-term spin-offs in the right circumstances.

Another way in which FDI is uniquely suited to South-South resource flows is that it has not historically involved cutting-edge companies at the technological frontier. Rather, the transfer to recipient

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<sup>23</sup> NB. The following section draws on a discussion on 19 October 2021 with Stephen Gelb, Principal Research Fellow and Lead, Private Sector Development at the Overseas Development Institute.

companies and populations are those of appropriate technologies, with the southern investor explicitly choosing the LDC or developing context because it is a base from which to learn about later production for the European and United States market. Recipients gain learning, knowledge, technology and markets, not just physical technology itself.

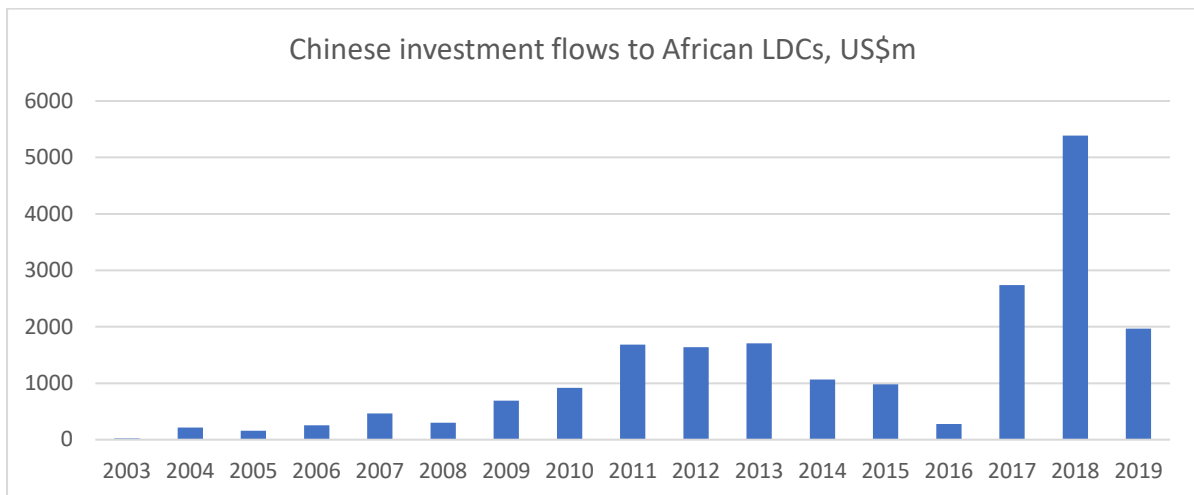
Investors from developing countries, especially from China and, to a lesser degree, India, Mauritius, South Africa and Thailand, play a growing role in investment in LDCs (UNCTAD 2021). India's stock of outward FDI to southern countries is approximately the same as in developed nations, and has been growing steadily. In 2019 it reached roughly US\$46 billion, according to UNCTAD, up from around \$40bn in 2010. About \$30 billion of that is in Asia and around \$13 billion in Africa. Taiwanese investment in Africa is also rising, as is investment from South Africa to the rest of Africa.

The most prominent trend within South-South LDC investment has been Chinese investment in Africa, which in some cases overlaps with what might be termed Chinese development cooperation, as noted above. The formal announcement of the Belt & Road (B&R) initiative in 2013 formalised a process which was already long underway. The B&R includes projects with more than 100 countries across Asia, Africa and Europe, integrating resources and building long-term and multidimensional partnerships with a view to upgrading infrastructure and transport links. A major upturn in Chinese investment in Africa and other LDCs began around the millennium. Between 1990 and 1997, Chinese investment into Africa totalled approximately \$20 million, but from 1998 to 2002 that sum increased six-fold to \$120 million, only 20% of which was to South Africa (Gelb 2005). Since then, the sum has increased rapidly. Data from the Johns Hopkins University SAIS China-Africa Research Initiative shows that from 2003 onwards official Chinese FDI into African LDCs boomed, showing considerable volatility but overtaking that of the United States by 2014. The official total reached US\$5.4 billion in 2018, a 263-fold increase from 2003, before more than halving to US\$2.0 billion in 2019, still the third-highest yearly level in the period concerned.<sup>24</sup> Some estimates, such as from Boston University's Global Development Centre, suggest that B&R financing has plateaued in recent years after an initial rapid upturn.

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<sup>24</sup> It must be noted that the official numbers are likely to be lower than the true figures because they do not include Chinese money based in offshore financial centres (such as the British Virgin Islands, Cayman Islands and Hong Kong, which is the destination of nearly 60 percent of China's FDI). Smaller investors are not included, and they do not record acquisitions of African assets which took place in another jurisdiction such as Switzerland. For these reasons the following figures should not be taken as definitive, and may only have rough validity in terms of trend and proportion rather than absolute value.

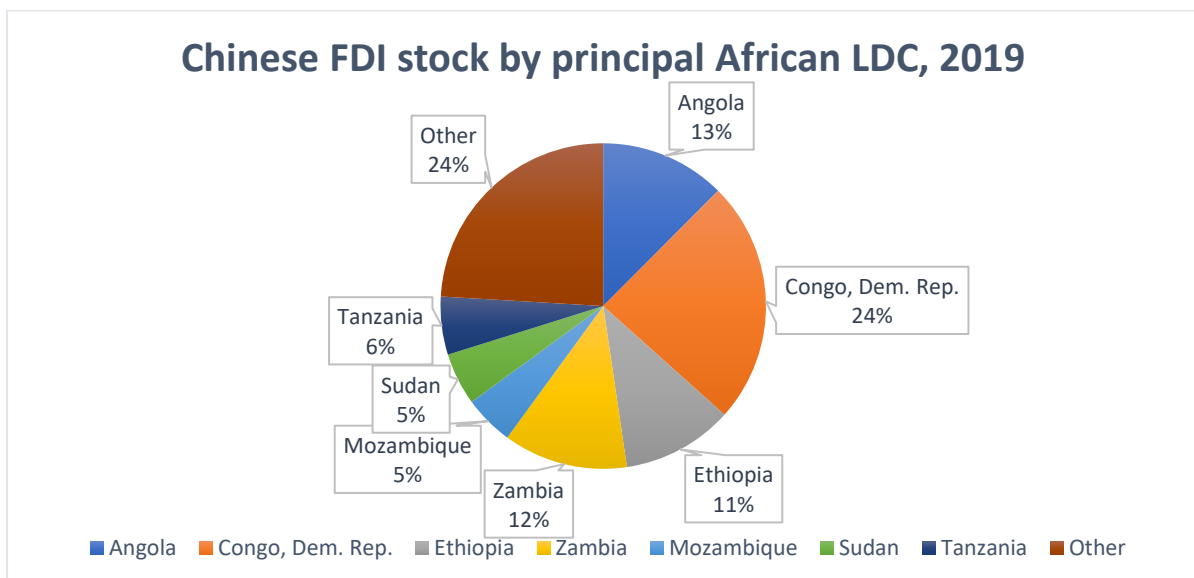
**Figure 7. Chinese investment in Africa boomed, especially during the IPoA**



Data source: Author: Johns Hopkins University SAIS China-Africa Research Initiative based on data from The Statistical Bulletin of China's Outward Foreign Direct Investment published by China's MOFCOM. <http://fec.mofcom.gov.cn/article/tjsj/>. NB. Includes the former LDC Equatorial Guinea. Data for several LDCs is unavailable, including Somalia

According to the same data series, total Chinese FDI stock in African LDCs stands at US\$23.2 billion, 87 times its level in 2003. The Democratic Republic of the Congo was the biggest cumulative LDC recipient over the period, at nearly a quarter of all Chinese FDI in African LDCs – reflecting its top position in the ranking of country by FDI stock – followed by Angola, Zambia and Ethiopia.

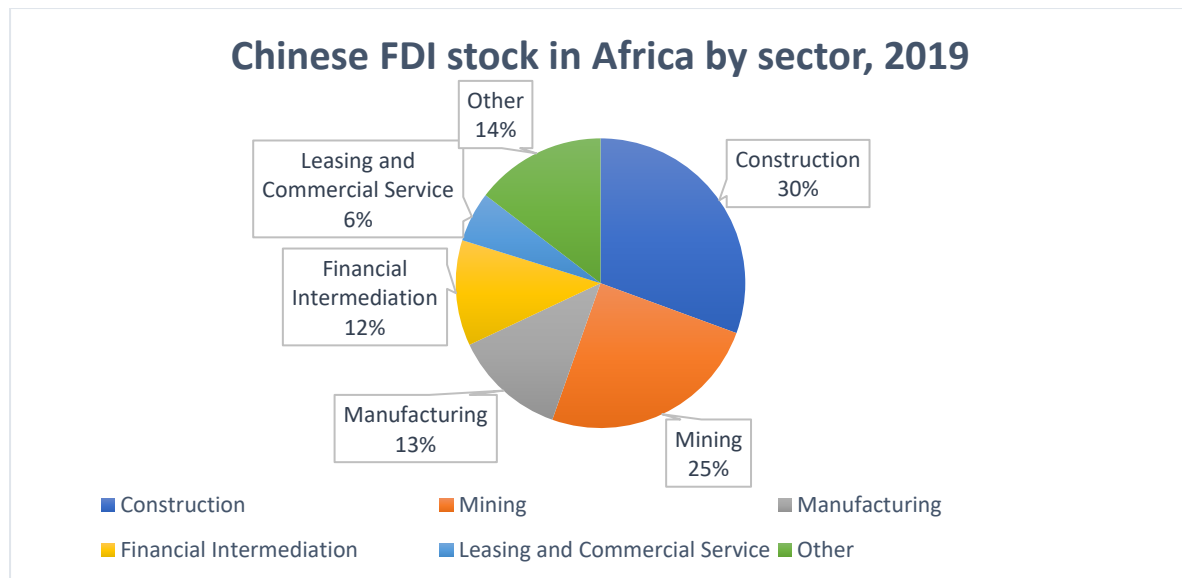
**Figure 8. DR Congo, Angola, Zambia and Ethiopia account for 60% of Chinese FDI in African LDCs**



Data source: Author: Johns Hopkins University SAIS China-Africa Research Initiative based on data from The Statistical Bulletin of China's Outward Foreign Direct Investment published by China's MOFCOM. <http://fec.mofcom.gov.cn/article/tjsj/>.

By sector, almost a third of investment went to construction, followed by a quarter to mining. Manufacturing was third, then financial intermediation, leasing and commercial service. The fact that construction and manufacturing featured so highly is a promising trend, since these are the foundations of productive capacity and fundamental to economic development. Most FDI in countries like Democratic Republic of the Congo and Zambia is clearly resource-related.

**Figure 9. Mining and construction account for 55% of official Chinese FDI in Africa**



Data source: Author: Johns Hopkins University SAIS China-Africa Research Initiative based on data from The Statistical Bulletin of China's Outward Foreign Direct Investment published by China's MOFCOM. <http://fec.mofcom.gov.cn/article/tjsj/>.

There is major complementarity between Africa's significant infrastructure needs and the infrastructure-orientated nature of the B&R, as well as China's investment-led growth path, under which rapid construction drove economic development. China is not only capable of operations at very large scale, but is cheaper than northern alternatives. China's success was based partly on infrastructure investment (for long periods the investment rate was 40% of GDP), and China can help Africa follow a more infrastructure-intensive development model at relatively low cost – and increasingly with lesser environmental harm due to China's recent commitments such as the pledge not to finance any more overseas coal operations and the domestic pledge on peak emissions by 2050.<sup>25</sup> Questions Nevertheless, remain around the environmental impact of Chinese investment in Africa, as well as the value-addition of African countries to incoming FDI.

A technology gap exists between China and LDCs, but it is narrower than north-south. Diffusion is potentially greater, in that Chinese companies are prepared to operate in a less advanced context with less developed institutions and lower levels of transparency. Potential exists for benefits in both

<sup>25</sup> The influence and success of the B&R can be seen in the response from the European Union, United States and the United Kingdom, each of which in 2020-21 announced its own global infrastructure investment programme, often explicitly in response to the B&R. This renewed focus on infrastructure should be viewed positively.



directions – for the LDC and the Chinese investor, in that LDCs gain cheaper product and services and may even learn new production techniques, and Chinese companies learn how to operate internationally, which is a skill that needs to be developed over time.

China's own interests are clear, in that it requires African resources such as oil, zinc, copper, iron, chromium, manganese, coltan and rare earths to support its rapid pace of development. This is not, therefore, solely a government-to-government endeavour based on promises of aid or development pledges (although some Chinese South-South investment is from government, and aid is part of China-Africa flows), but a pragmatic long-term commercial relationship that looks likely to persist for many years.

### **Investment agreements**

Data from the UNCTAD Investment Policy Hub shows that 98 Bilateral Investment Treaties (BITs) or Treaties with Investment Provisions (TIPs) involving LDCs were signed from 2010 to the current date, much lower than the 300 signed during the previous decade. This decline in new signings is to be expected over time as country coverage accumulates. Of these agreements, during the IPoA period only five were LDC-to-LDC, and only one, the Pacific Agreement on Closer Economic Relations (PACER Plus), is in force. PACER Plus is not a BIT but a regional trade and investment agreement involving the Pacific Islands (three of which are LDCs), Australia and New Zealand. Its focus is more on aid and trade than investment.

A total of 60 BITs or TIPs have been signed between LDCs or regions containing LDCs historically, most of them since 1990, of which 29 are in force. 74 BITs or TIPs were signed between LDCs and other non-LDC developing countries during the decade of the IPoA. Of these, 17 were in force at the time of writing.

As with trade agreements, much investment to or from LDCs is covered by multilateral arrangements rather than BITs (or no agreement), but it is notable that no dedicated BIT only between LDCs was signed during the IPoA period and that only 17 LDC-developing BITs or TIPs signed during the period were in force.

BITs, however, are not necessarily by definition supportive of South-South cooperation. Some contain clauses that are harmful or deleterious to signatories – particularly investor-state resolution -- and several weaker participants in BITs have lost out as a result of asymmetric deals which favour bigger or more developed economies which are better able to take advantage of investment opportunities. There is potential for more development-focused, South-South investment deals between LDCs and developing countries that contribute to the growth of productive capacity.

**Table 1. LDC-LDC BITS signed during the IPoA**

<b>Name</b>	<b>Status</b>	<b>Countries</b>	<b>Date of signature</b>	<b>Date in force</b>
SACU and Mozambique - United Kingdom EPA (2019)	Signed (not in force)	Mozambique, SACU (Southern African Customs Union), United Kingdom	09/10/2019	
PACER Plus (2017)	In force	Australia, Cook Islands, Kiribati, Marshall Islands, Micronesia, Federated States of, Nauru, New Zealand, Niue, Palau, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu	14/06/2017	13/12/2020
EU - SADC EPA Group Agreement (2016)	Signed (not in force)	Botswana, Eswatini, EU (European Union), Lesotho, Mozambique, Namibia, South Africa	10/06/2016	
Angola - Mozambique BIT (2015)	Signed (not in force)	Angola, Mozambique	09/11/2015	
Cambodia - Bangladesh BIT	Signed (not in force)	Bangladesh, Cambodia	17/06/2014	

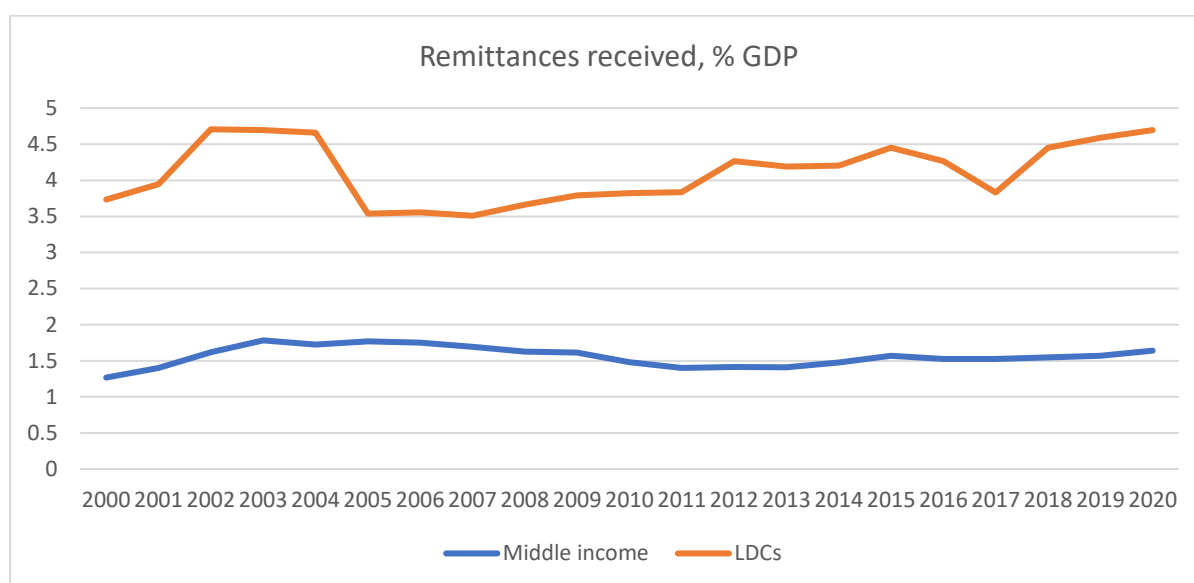
Source: UNCTAD Investment Policy Hub

## 4.9 Migration and Remittances

Remittances from migrants have grown rapidly in recent years, reaching US\$702 billion in 2020, according to World Bank estimates, bigger per year than ODA or FDI. Taking into account informal remittances, the total would be even higher. Approximately half of all migration is South-South, and it has particular potential as south-north migration faces increased restrictions. Remittances form a higher proportion of GDP in LDCs than other developing countries. LDC migration also tends to be

more intra-regional than in other country categories, with implications for the origin of remittances. Over the period from 2010 to 2020 remittances formed a rising share of LDC economies, rising from 3.8% of GDP at the beginning of the period to 4.7% at the end of the period following a contraction in the mid-2000s. Due to Covid-19, remittances to LDCs contracted 10%, or US\$5.5 billion, from 2019 to 2021, representing a major loss of income to many households. Yet what was particularly remarkable during the pandemic was that remittances fell much less than other sources of financing such as FDI, providing a vital source of support to LDC and other developing economies. Figure 10 shows that remittances are much more important to LDCs than middle income countries (although there is clearly overlap, since some LDCs are middle income), although remittances to middle income countries tend to be more stable.

**Figure 10. By 2020, remittances to LDCs nearly recovered their early-2000s share of GDP**



Source: World Bank staff estimates based on IMF balance of payments data, and World Bank and OECD GDP estimates.

Diaspora finance has also expanded rapidly over the IPoA period. It can be defined as “financial asset transactions which transfer financial resources from diasporas to private and public sector organisations and agencies” (Gelb et al. 2021). Such investment is particularly large in countries of the Global South. Diaspora finance can be highly development-focused or may be directed further toward developmental ends. Objectives include enterprise development, business knowledge and information, economic inclusion and inequality reduction for individuals in the country of origin, investment in infrastructure, and macro-economic stability. Not only do diaspora relations carry financial implications, but they enhance knowledge flows in both directions and tend to be more stable and sustainable over the long-term because they have mutual benefits.

Gelb et al. (2021) argue that the various type of remittances and diaspora investments need to be clearly defined and distinguished by their different mechanisms and characteristics. This would better enable the promotion and support of individual types of investment. Data on remittances and diaspora finance is also inadequate, while countries of origin for diaspora investment can better share

knowledge and build awareness of investment opportunities, including investment promotion agencies focusing specifically on the diaspora. Recipient countries can also do more to maximise the potential of investment by building networks and platforms bringing together suppliers and potential beneficiaries of funds in the two countries and increasing the scale of investments through match funding between migrant and diaspora entrepreneurs, and incorporating knowledge exchange and training components into ODA. The particular value of these measures is in building productive capacities via the accumulation of the capital stock, entrepreneurship, enhanced domestic and international linkages and increased knowledge and technology.

#### **4.10 Governance**

Following on from the IPoA, discussions toward the next programme of action have made a number of references to good governance, democracy, and the rule of law and independent judicial institutions, human rights, gender equality and the empowerment of those in poverty, marginalization or vulnerability, including women and girls. Discussions have also mentioned democratic participation, the prevention of corruption, enhancing institutional capacity and strengthening civil society. The fight against corruption, bribery and money-laundering, the illegal transfer of funds and other illicit activities have also been mentioned.

BAPA+40 paragraph 14 includes the following statement: “We underline the need to promote peaceful and inclusive societies for achieving sustainable development, and to build effective, accountable and inclusive institutions at all levels. Good governance, rule of law, human rights, fundamental freedoms, equal access to fair justice systems, and measures to combat corruption and curb illicit financial flows will be integral to our efforts.”

Yet most developing southern nations (and developed countries during their own development) fell short of these high standards of democratic participation and transparency, as well as the objectives outlined in the draft PoA and BAPA+40. This was not enough to prohibit rapid economic progress; indeed governance was often directed specifically at economic development, with other objectives secondary. Some commentators even argue that there was a causal relationship between ‘good enough’ governance in some of the fast-growing East Asian nations and their rapid economic development.

This is not to discount the importance of ambition or of the goals in BAPA+40, but South-South cooperation with LDCs can be used to promote ‘good enough’ or ‘development’ governance which is specific to country context (eg. Grindle 2005), as distinct from idealised northern conceptions of governance that might be more relevant to higher income developing or developed countries.

Good development governance comes from governments which “seek to harness local, bottom up problem solving energies through stake holder involvement and citizen participation that creates and renews the micro-foundations of democratic practice. It includes modalities and mechanisms within a mixed economy model to harness private enterprise, through public action, to achieve a national development vision” (UNCTAD 2009; p.iv)

For LDCs, the main challenge is to combine the basic principles of good governance but focus on developmental outcomes, including productive capacity and the SDGs. This means learning from other southern countries that have successfully developed an effective development governance system and adjusting them to national conditions. For example, one appropriate forum may be the annual

LDC National Focal Point meeting, convened by UNOHRRLLS, at which focal points engage in thematic discussions and share best practices in implementation of the IPoA.<sup>26</sup> It may be possible for LDCs to exchange with each other and with developing countries best practices on strategic planning, policy design and implementation, monitoring and follow up.

Good enough or good development governance has a number of specific implications for LDCs (Vanheukelom et al. 2018). Firstly, it means focusing on what is achievable rather than what is perfect. Concentrating on good enough governance may help LDC policymakers optimise between technically sound and politically feasible choices. Rather than trying to achieve perfection in all areas, it may be more helpful to prioritise two or three critical policies where better governance is possible.

Secondly, context matters. There is no blueprint for governance in all areas. This implies that it is important to examine external values and norms. Policy advice from other southern countries tends to be less prescriptive. Policies may also not be fully transferrable from the northern context, and may need to be revised if they prove inadequate or as circumstances change. Some of the more successful newly industrialised countries, like Singapore, consciously manipulated the economic environment so as to hold on the levers of policy and direct the economy in desired directions, using external templates and advice only highly selectively. Policymakers changed the development narrative to suit local circumstances as they saw fit.

Thirdly, political legitimacy is critical, in that successful southern governments often actively build a national vision designed to generate and reinforce national identity. This approach is particularly relevant for LDCs which have high ethnic and geographical diversity. “The perception that the State is acting broadly in the long-term interests of various disparate groups, even if short-term events might be against the immediate interests of one or more of these groups, can help ensure consent for difficult policy decisions. The need to disagree and consent, or at least to tolerate government actions for the greater good, has been an essential characteristic of most successful countries” (CDP 2017: iv)

Finally unpredictable changes to the domestic or international environment, often over a short period, imply that governance should be adaptive and flexible over time. Even if governance arrangements are appropriate now, conditions may change and a more effective or higher level of governance may become possible in future.

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<sup>26</sup> <https://www.un.org/ohrrlls/content/lcd-national-focal-points>

## 5. COVID-19 AND VACCINE PRODUCTION

The pandemic had an extremely severe impact on LDCs, via health, trade, tourism, debt, remittances and FDI. GDP for the group shrank an expected 1.3 per cent in 2020, according to the UN CDP comprehensive study on the impact of Covid-19 on the LDCs. Of 46 LDCs for which data are available, the economies of 37 contracted during the year – and the impact of the crisis will play out for many years. Few governments could afford social protection systems or furlough, and many were unable support their populations during the downturn.

Unlike in many middle-income or developed countries, a lack of Internet access and the absence of digital economies meant that most people in LDCs could not work remotely. This had a devastating economic impact as the many semi-formal or informal workers, not to mention others, were forced to stay at home. The human cost of the crisis as a whole was considerable. An estimated 32 million people in LDCs fell back into extreme poverty in 2020.

To help address the downturn, official donors delivered 1.8% more ODA to LDCs in 2020, sending the total to US\$ 34 billion after several years in which ODA stagnated or declined. But official donors still failed to meet pledges to contribute 0.7% of GNI to developing countries, and the sum fell short of the promised 0.15-0.20% of GNI to LDCs. ODA was also not enough to mitigate the impact of the pandemic. Southern partners play a vital role in filling the gap.

The rate of infection in LDCs and low income countries has so far been relatively low, for a variety of reasons including limited data and lower life expectancy in LDCs (80.9 years in high income countries versus 65.3 in LDCs). Yet immediate vaccine availability at low cost would have saved many lives and limited economic damage. The current model, whereby intellectual property is guarded by northern multinational pharmaceutical companies which control production, the bulk of which is purchased by developed country governments, leads to severe shortages of the vaccine and ongoing economic and health crises. This system is unsustainable over the long term, especially in light of the several new variants to have emerged in the Global South and rapidly spread around the world, prolonging the pandemic. As in other economic sectors, LDCs and nearby southern partners must be supported in their efforts to develop the capacity to autonomously develop, research and manufacture the vaccine. The inadequate worldwide response to the COVID-19 pandemic is a good example of why productive capacity is so important in LDCs and the Global South more broadly.

At the time of writing 58.3% of the world population had received at least one dose of a COVID-19 vaccine, a total of 9.21 billion doses. However only 8.5% of people in low-income countries had received at least one dose.<sup>27</sup> Among LDCs, this rate ranged from 84% in Cambodia to 0.046% in Burundi. Fourteen percent of Africans had received at least one dose.

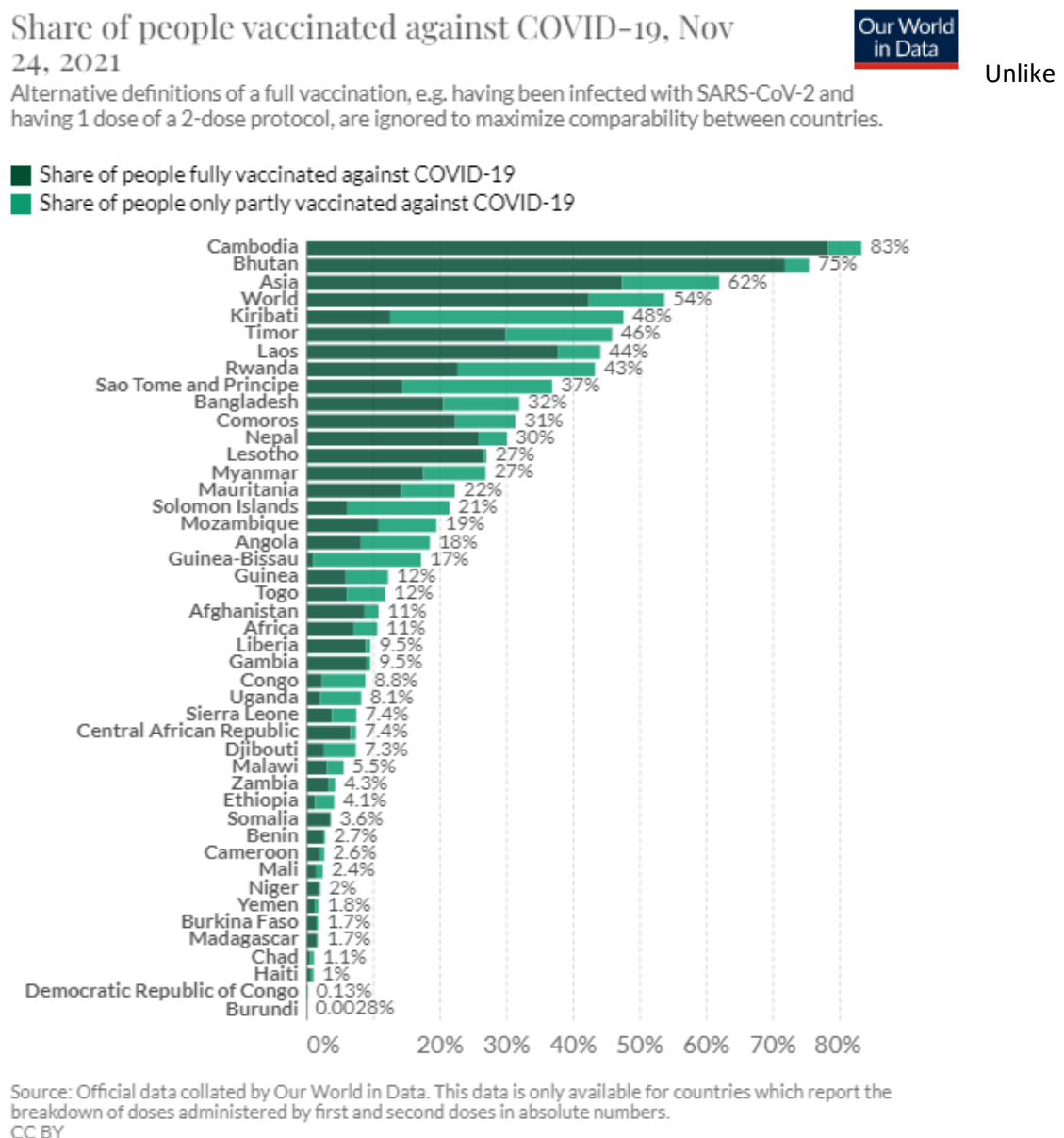
The pandemic refocused attention on health systems and mutual support among southern nations. Southern countries have risen to the fore, contributing healthcare, vaccines and related support to other developing countries including LDCs. For instance,, China had at the time of writing delivered the Sinovac or Sinopharm vaccine to all but three African LDCs. In November 2021, China made a new pledge to provide 1 billion doses of vaccines to Africa, including a donation of 600 million doses as well

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<sup>27</sup> Source: OurWorldinData.org

as 400 million to be provided through such means as joint production by Chinese companies and relevant African countries. At the time of writing China had delivered 116 million doses, of which 21 million were donations. This is approximately half of the doses administered from all sources, according to World Health Organisation data.<sup>28</sup> Alongside bilateral agreements, Africa has also been receiving vaccines through the COVAX initiative.<sup>29</sup> China has also distributed the vaccine to all Asian LDCs.

Figure 11. Vaccination rates in LDCs are mostly low, but vary widely



European and United States pharmaceutical producers, Sinovac in 2021 began manufacturing vaccines in Africa, beginning with an Algerian plant which was capable of distributing to other African countries

28


<https://app.powerbi.com/view?r=eyJrljoiY2ViYzlyZjltYzhkMi00ZWVvLTgyM2ltZTk1ZTJmODRjMTkxliwidCI6ImY2MTBjMGI3LWJkMjQtNGIzOS04M>

<sup>29</sup> Source: [https://bridgebeijing.com/our-publications/our-publications-1/china-covid-19-vaccines-tracker/#China8217s\\_Vaccines\\_in\\_Africa](https://bridgebeijing.com/our-publications/our-publications-1/china-covid-19-vaccines-tracker/#China8217s_Vaccines_in_Africa)

including LDCs. Eight vaccine manufacturing facilities exist in Africa, including one in an LDC, most of which may be capable of producing the Covid vaccine and which could act as vaccine hubs. Indeed the recently-launched Partnership for African Vaccine Manufacturing (PAVM) plans to support partnerships for a conducive business environment; steward a continental strategy; and establish a central source of information for African vaccine manufacture.

India has a long-standing pharmaceuticals industry which has the capability to produce the vaccine. Bangladesh is the only LDC with a large pharmaceuticals sector. In late 2021 a Bangladeshi company already began manufacturing a generic version of the Merck Covid-19 pill use the existing patent waiver for LDCs under Article 66 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). Bangladesh cannot, however, export the drug under current rules.

Given the long-established capabilities in pharmaceuticals production among LDCs and developing countries, appropriate technology, intellectual property rights and some technical assistance, countries in the Global South can potentially produce the vaccine at much lower cost for rapid regional distribution. The advantages for health would be considerable. For existing pharmaceuticals companies, major opportunities exist for learning and technological upgrade, which may even lead to future advances in scientific discovery and pharmaceutical production capabilities. There is thus a strong link here between recovery from the pandemic, health and wellbeing, and productive capacity. However, this depends crucially on the TRIPS and pharmaceuticals waiver under consideration at the WTO, as proposed in 2020 by India and South Africa, which would allow for cheaper generic versions of the Covid-19 vaccine to be manufactured in developing nations, much closer to the point of consumption. Making intellectual property more widely available to the existing vaccine production sites in the Global South is vital in fighting the pandemic and ensuring that LDCs and developing countries have the ammunition to tackle future health crises.



With Madagascar's health system under strain from the COVID-19 pandemic and schools shuttered for the foreseeable future, the health, education, and overall wellbeing of the Malagasy people are at risk. Photo: World Bank, Flickr (CC BY-NC-ND 2.0)



## 6. CONCLUSIONS AND RECOMMENDATIONS

The Global South continues to rise, despite the pandemic. The decade of the IPoA saw a boom in South-South cooperation and integration, especially in trade, development assistance, investment and migration. Notable metrics of progress include the continued expansion of the share of southern countries in global economic output, higher South-South investment flows including to LDCs, and the rise in trade among southern countries. China's ongoing economic advance is one of the most notable trends, and China's outward expansion has brought to LDCs major investment and development assistance flows to which fewer conditionalities are attached; appropriate, low-cost technologies; higher levels of financing for infrastructure; and increased migration and associated entrepreneurship. Environmental concerns, however, are more important than ever, and the coordination of economic, environmental and social goals remains paramount.

In many cases these developments reflect changes in the character of the global economy, including a long-standing shift toward middle income and developing countries that looks likely to continue over coming decades. Some LDCs will be carried along, although others risk being left behind. South-South cooperation has particular relevance in an era in which globalisation is entering a new phase and international relations are growing more diffuse and multipolar. Concrete action will be needed in order to secure continued South-South progress across the board. LDCs will benefit from increased coordination and strategy, deployed in line with the original Bandung principles – and indeed LDCs remain so prominent in most developing regions that excluding them from development and economic cooperation agreements remains would be difficult. Major lessons can be learnt from countries which moved along a similar development path in recent decades, as well as from current and recent LDC graduates.

Several general principles underpin successful South-South cooperation experiences. Firstly, there is a need to pay close attention to context, avoiding one-size-fits-all blueprints which worked elsewhere. Adaptation and pragmatism are critical, particularly in areas such as trade, industrial and agricultural policy, and governance. Fortunately this is a lesson that several successful developing countries themselves learned, and such flexibility appears more likely in South-South interaction. Secondly, there should be no assumption that South-South interaction is necessarily more benign. Power relations apply between countries of the Global South just as they do from north to south. This implies that any trade or collaboration arrangements should be consultative, consensual and ideally pursued transparently with international oversight according to best practice. Some criticisms of the current course of South-South cooperation suggest that only the voices of a few powerful nations are heard, to the exclusion of smaller or less vocal countries. Proceeding according to accepted international rules and norms, rather than on an ad hoc basis, is likely to ensure that the interests of the smaller and less influential states are catered to. Thirdly, as emphasised throughout the IPoA and in subsequent negotiations, South-South cooperation is not a substitute for north-south cooperation. This is a reflection of the continuing dominance of the global north in trade, investment and economic relations, and its sheer size. The principle of triangular cooperation will need to remain a prominent part of South-South cooperation in the years ahead.

Whilst it is difficult to attribute causality to the IPoA itself, it is likely to have had an impact, underpinning and legitimising a range of South-South initiatives, providing a benchmark for progress,

goals against which advances can be measured and a reminder of the importance of the most structurally disadvantaged and vulnerable low-income countries. The proliferation of South-South and trilateral arrangements in economic cooperation, social and human development, food security and agriculture owes its existence in part to the IPoA. A number of important new South-South initiatives were launched during the period, each of which has contributed to LDC progress.

Paradoxically, however, South-South cooperation has so far featured less prominently in discussions toward a new programme of action than in the IPoA. The broad treatment of South-South cooperation needs to be improved, made more consistent and more practical and detailed, with a further move away from pledges of intent to statements of action. To this end, a number of recommendations are made.

## **6.1 Make Goals Related to South-South Cooperation More Targeted and Specific**

The new PoA can be made even more specific and practical, with concrete and objective goals and targets. One of the main lessons from the IPoA was that statements of intent or principle can easily be overlooked or ignored, particularly by donors and trading partners. Overambition also tends to lead to inaction, in that when a goal looks impossible, stakeholders tend to stop pursuing it. For instance, a suggested target in the new PoA is for all youth to achieve literacy and numeracy. Although admirably ambitious, this is unrealistic on current trends.

Realistic, hard and fast commitments are binding and create accountability. For example, instead of only mentioning the broad goal of building productive capacity, detailed quantitative commitments could be made in each of its sub-components in which South-South cooperation is relevant, such as the investment rate, infrastructure, education and linkages. In the new draft PoA, unlike in the IPoA, there is limited mention of how South-South cooperation might contribute to the accumulation of resources. Additional specific, quantifiable targets could be made on agriculture, food security and rural development, such as explicit support for the valuable initiatives listed in sections 4.2 and 4.5 above. Southern assistance with human development remains useful, but specific, actionable targets here are likely to yield even better results.

## **6.2 Tackle Challenges Rather than Creating Institutions**

The focus of the new PoA should be on issues to be solved, rather than setting up institutions first and 'trying to find things to solve' afterwards. A large number of South-South initiatives and institutions exist, some of which are decades old. For example, the UN Technology Bank, if it is still considered relevant and its objectives and functioning well-conceived, should be further supported and funded, with appropriate technology-related projects or mandates added, rather than new technology-related initiatives launched separately. Adding further complexity to the institutional landscape would only create further confusion and dilute successful programmes. To this extent a timebound project-focused approach can be preferable to an institutional one – although context is of course important. Funds are too scarce to sustain less-relevant entities after their period of critical usefulness has passed. Donors and southern partners should have the courage to close initiatives which are no longer be considered the best use of funds, and to reallocate effort elsewhere. Fortunately southern development and commercial partners tend to be pragmatic, focusing on what works rather than what looks or sounds appealing to a wide audience.

### **6.3 Focus on productive capacity as the ultimate form of resilience**

Sustainable productive capacity should be a central theme of the next programme of Action, with concrete, actionable and time-bound activities for the achievement of subordinate components of production transformation. The South can play a leading role. A new sustainable productive capacity fund based in, or even predominantly funded by, the Global South, for example, could act as the focus of the new architecture, with financing for sub-components of productive capacity including technology transfer, entrepreneurship, linkages development and human and physical capital accumulation.

LDC governments may also need to learn the lessons from other southern countries, deviating from standard prescriptions and following a pragmatic approach to the development of productive capacities. Developing countries may even be able to directly transfer and adapt their own experiences in building productive capacity to LDCs. A model such as that used by the Institute for New Structural Economics at Peking University on productive capacity in LDCs could, for instance, be part of the arsenal of tools available to other developing countries in South-South support for productive capacity development.

Resilience is not about labour-market or financial flexibility, or the ability to return to a pre-crisis state. It concerns strengthening production capabilities so as to be able to rebound to a new, stronger position from which it is possible to weather future episodes of instability. Productive capacity-building needs to consider the likelihood of crises and expanding the economy so that it can withstand disruptions. Capital accumulation and technological progress are central to this process, alongside sustainable trade and investment. Governments should try to diagnose the major obstacles to transformation, be they insufficient resources or investment, skills shortages, entrepreneurship, or linkages. Tackling binding constraints should be a priority. As noted in section 4.6, productive capacity-building and adaptability are the best ways for LDCs to build resilience over time, particularly in a volatile and unpredictable international economic environment.

### **6.4 Build on Existing South-South Trade Agreements Rather than Establish New Ones**

Regional and bilateral trade agreements proliferate, both north-south and South-South. The so-called 'spaghetti bowl' is already deep enough, and South-South trade is mostly too small so far to soon replace trade with the global north. LDCs must continue trading with northern countries, and indeed deepening trade complexity with all countries and regions should remain a critical initial component of trade development for LDCs. This is one reason why trade multilateralism remains so important.

Market access, however, is not the primary constraint to LDC exports. Building productive capacity for export remains paramount. Southern agreements such as ACFTA have a special role here given that they tend to have a more productive capacity-focused orientation and can involve measures more readily suited to the LDC context. Their immediate contribution lies in enhancing negotiating capacity and institution-building, such as competition policy, standards, intellectual property offices and legislation.

An additional point is that if the new PoA lists specific goals in trade, it would seem appropriate to conduct more careful economic analysis of South-South commercial opportunities and to make trade projections using accepted techniques. The trade goals of the IPoA (such as doubling exports as a

proportion of the world total) were not based on convincing or realistic estimates, and nor did they list appropriate or detailed enough mechanisms for implementation.

## **6.5 Use resources and minerals as a bargaining point**

As the world electrifies in order to meet climate goals, the presence of rare earths, copper and cobalt in countries such as DR Congo and Zambia should create a stronger bargaining position. Such countries should collaborate to improve the returns from resource extraction. Commodity export is more of an Africa-China issue now than only a global one, and it is linked to Chinese South-South investment, which partly exists to facilitate resource extraction. Policies and strategies for diversification should take this into account, targeting increased value-addition in commodity exports to southern (and northern) countries, and pitching export promotion efforts at a level appropriate to the level of incoming investment and personnel from southern partners. The availability of vital commodities on which other southern and northern countries depend should also be used as a tool to leverage development assistance, investment and enhanced trading relations. South-South trade is not by definition more development-focused than with the global north. Issues such as value-addition, the stability of prices and financial flows, and environmental care must remain critical.

## **6.6 Consider New Forms of LDC-LDC and Triangular Investment Cooperation**

Only one LDC-LDC investment arrangement signed from 2010 onwards is in force, and it is an economic partnership agreement, not a BIT. Although LDCs are not primarily major sources of financing or investment, some of the larger LDCs or forthcoming graduates, such as Bangladesh, may in time become so. Other elements of bilateral investment relations may be valid, such as on knowledge, technical support, standards and regulation. It may be possible under the new PoA to support new, development-friendly LDC-LDC BITs or treaties with an investment component. The negotiation of such treaties would also help build capacity among LDCs for later discussions with more developed countries.

Triangular investment models may also be appropriate, whereby a lead firm in Europe or North America could join with a Chinese investment promotion agency and an inward receiving LDC investment promotion agency to promote investments in companies producing goods in the Global South.

The rate of investment in LDCs is too low on average to support structural transformation. It may be appropriate in the new PoA to include a numerical target for the domestic investment rate, such as for gross fixed capital formation as a proportion of GDP, a critical metric in productive capacity, to consistently rise above 25% in the LDCs at the upper end of the threshold. Specific targets might also be possible in other areas, such as public financing, which will be critical to resilience, equality and productive-capacity building in the years ahead. In LDCs the average rate of government revenue to GDP has declined since 2010, to only around 10%. This compares with over 15% in high income countries.

## **6.7 Promote Southern Remittances and Diaspora Investments**

The various types of remittances and diaspora investment need to be clearly defined and distinguished by their different mechanisms and characteristics. This would better enable the promotion and support of individual types of investment. Data on remittances and diaspora finance is also

inadequate, while countries of origin for diaspora investment can better share knowledge and build awareness of investment opportunities, including investment promotion agencies focusing specifically on the diaspora. Recipient countries can also do more to maximise the potential of investment by building networks and platforms bringing together suppliers and potential beneficiaries of funds in the two countries and increasing the scale of investments through match funding between migrant and diaspora entrepreneurs, and incorporating knowledge exchange and training components into ODA. The value of these measures is primarily in building productive capacities via the accumulation of the capital stock, enhanced domestic and international linkages and increased knowledge and technology.

## **6.8 Encourage South-South Collaboration on Climate Issues**

South-South solidarity has achieved considerable success in the climate arena, particularly under the leadership of Bhutan at COP26 and earlier. Other major LDC players such as Bangladesh have global influence.

Countries in the Global South should be encouraged to share knowledge and experience in mitigation, and especially adaptation. Cooperation in renewable energy can be strengthened through technical cooperation, technology transfer, trade and investment. The international community should assist former LDCs in collaborating in negotiations. The provision of resources contingent on cross-collaboration among trade and climate negotiators would help break down the unintended barriers that often exist between these two groups.

Disaster-prone LDCs may wish to further pool risk either regionally or globally via a facility simple enough that it can be easily accessed by capacity constrained countries. This is particularly relevant for the Pacific LDCs – all of which meet the criteria for graduation – and for several other LDCs that are vulnerable to disasters. Most graduating countries tend to be under-served by existing disaster-risk reduction programmes yet suffer the most from disasters associated with natural hazards.

## **6.9 Improve South-South Technology Transfer**

Technology transfer is an important mechanism for economic catch-up, and numerous proposals and mentions of improving technology transfer can be found in the IPoA and the new PoA, not least the UN Technology Bank launched in 2018. Southern partners are particularly well-placed in this area. The tacit nature of production knowledge means that transfer cannot always take place via documentation or conventional training, but may need to take place ‘on the job’. In other words technology transfer is embodied in personnel. There is thus a need to transfer knowhow via qualified personnel from suitable countries to LDCs. Often, it was business people and managers who sparked transformation (a good example is Korean management and investment in Bangladesh’s garment industry), and measures may be considered to facilitate the transfer of southern professionals to LDCs.

Developing country entrepreneurs have also often invented solutions that work in their own locales but which do not gain widespread recognition – perhaps because there are further from the technological frontier than developed-country innovations and thus do not attract media attention. Examples include small-scale, solar-powered agricultural machinery or low-tech renewable energy solutions. These inventions could be exportable but are often unknown outside the national context. Obstacles to the flow of knowledge are often the main barrier. One solution to have been created is an online marketplace, 2030 Connect ([tfm2030connect.un.org](http://tfm2030connect.un.org)), facilitated by the UN, matching

technological solutions with investors. The platform may be explicitly included in the PoA and publicised among LDCs. Other solutions and complementary activities may be possible.

## **6.10 Support The TRIPS and Pharmaceuticals Waiver**

The postponement of WTO MC 12 meant that no agreement could be reached here, but continued efforts must be made to put the waiver into practice or to identify ways of transferring pharmaceuticals-related production knowledge and intellectual property to LDCs and regional partners in the South. Countries in the Global South can potentially produce the vaccine at much lower cost for rapid regional distribution. The advantages for health would be considerable. For existing southern pharmaceuticals companies, major opportunities exist for learning and technological upgrading, which may even lead to future advances in scientific discovery and pharmaceutical production capabilities. There is thus a strong link here between recovery from the pandemic, long-term health and wellbeing, and productive capacity.

## **6.11 Leverage The Successes of Graduating and Graduated LDCs**

The CDP is launching a 'Graduation Support Facility,' one component of which features South-South collaboration among graduating LDCs. Among the principal contributions will be to support graduating LDCs in developing smooth transition strategies together with development and trading partners, linked with their national development plans and UN Sustainable Development Cooperation Frameworks. The facility will support implementation, follow-up and monitoring. As the number of graduation cases increases and smooth transition strategies improve, LDCs will be better able to learn from each other and address the issues associated with graduation. This includes countries which currently do not meet the graduation criteria.

Cooperation may include creation of joint groups of graduating and former LDCs in trade, climate and other intergovernmental negotiations to strengthen collective bargaining power and mutual support. Knowledge and experience sharing across regions could also be facilitated for cross fertilization and to enable sub-regional and regional organisations to offer these services to graduated countries on a longer term and with their own technical capacity and finances. Graduated LDCs which have successfully enhanced their capacities may be engaged to support future graduating LDCs. Lessons may be learnt from Lusophone/CPLP graduating LDCs such as Angola. Links may be established with graduating or recently graduated small island developing states such as Samoa and Vanuatu, and their experience built upon. Specific activities may include South-South workshops or dialogue platforms involving recent or forthcoming LDC graduates, Lusophone/ CPLP graduating LDCs, with attention to lessons learned in key areas.

Examples may be drawn from other graduating LDCs, particularly in East Asia, via existing think-tanks like the Centre for Policy Dialogue (CPD) in Bangladesh and South Asia Watch on Trade Economics and Environment (SAWTEE) in Nepal. The fact that Bangladesh, Bhutan, Cambodia, Lao PDR, Myanmar and Timor-Leste all meet the criteria for graduation or have been identified for graduation means there should be benefits from mutual learning in a regional context. Technical workshops on specific aspects of graduation – either online or physically – can help all countries.

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