



Transcript

The Future of Aid: A Bigger Role for Emerging Economies?

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Robin Niblett:

Ladies and gentlemen, welcome to Chatham House. I'm Robin Niblett, Director of the institute. Thank you for joining us for this discussion on 'The Future of Aid: A Bigger Role for Emerging Economies?'

I will be starting off with our first speaker, Jorge Daccarett, who is the Executive Director of the Chilean International Cooperation Agency. Ah, Dr Bhagwati, come and take this seat here. We are just doing introductions so you have arrived perfectly at the right moment.

Mr Daccarett, as I said, is currently Executive Director of the Chilean International Cooperation Agency. Prior to this, he was Executive Director of the Chilean Arab Business Council. In a way, he is someone who has come from a non-government position to take up this position on behalf of the Chilean government. He will be our first speaker.

We then have Gerardo Bracho, who is currently the Deputy Director General of the Mexican Agency for International Development Cooperation at the Ministry for Foreign Affairs. He has had long-term experience on development issues. He has been a delegate to the Development Assistance Committee (DAC) of the OECD – hence his presence here at the moment – but has also been involved in the Busan Outcome as one of the Sherpa Group for middle-income countries. So he is going to be able to give us an update both on the current development of the Busan process as well as Mexico's approach to development, broadly speaking.

Dr Jaimini Bhagwati became the Indian High Commissioner here in London earlier this year, in February. Prior to that, he was Ambassador to the EU and also to Belgium, or to the Benelux. He has been Secretary for Economic Relations at the Ministry of External Affairs in India, but also had a number of years of experience in the World Bank in Washington, DC, so therefore brings both a diplomatic and an international financial institution perspective to the discussion that we're going to have today.

Thank you very much. Jorge, we'll start with you.

Jorge Daccarett:

Thank you, Robin. Good afternoon, ladies and gentlemen. Twenty years ago, Chile recovered democracy. We then became a recipient country. Many countries from Europe and the US wanted to help Chile strengthen our institutions for this newly recovered democracy. We received a lot of ODA

(official development assistance) but also technical assistance in public policy.

But after all these years, we have walked through the path of development and we have become a model for the rest of our continent. Some of the countries graduated us from being recipients, which is one of the things I would like to address. All the countries of the region have been asking since that time – when we entered the OECD as well – have been asking us for technical assistance on the public policies that have proven to be successful, like trade openness. We have FTAs with almost 90 per cent of the world's GDP. Gender, social issues, food security – they all wanted to learn about the Chilean model. They did this because they saw us as something that they can easily become. They didn't see us as a faraway country, they saw us as a country that was very similar to them, with a similar cultural heritage, with the same language – so it was something that they could easily become.

We don't have a large budget for doing cooperation so we went on doing this famous and so-called South–South cooperation. What is South–South? It is definitely not a geographical thing. The nice thing about South–South is that it is a horizontal way of doing cooperation. It is demand-driven: we do not impose anything. Rather we stand for what the countries want from us to help them do. It is technical assistance and capacity-building, and it is very cheap. Why is it cheap? Because it is public servants that go to other countries to do some workshops. We invite public servants from other countries to learn from our experience and we just pay for the tickets and per diem. So it is a very cheap way to do cooperation and it also fulfils the objectives of foreign policy cooperation. There is possibility, there is development, but for us the best thing about it is that it also builds integration within our region.

So it has proven to be very successful, in our way of thinking, so it opened up trilateral cooperation, which is scaling up the bilateral cooperation that we received from Western countries, with what we learned, to third countries. We invite our partner countries, our original or traditional donors, to come with us to do this trilateral cooperation in other countries of our continent. Trilateral cooperation makes horizontal what traditionally used to be vertical. It's also a way to give back a hand to the donors that have helped us reach this development stage.

Trilateral cooperation has not got a single formula. It's a tailor-made suit. It depends on the needs of the recipient country, the needs of our partner country. For partners, it enhances the relationship. If you are graduating from being recipients, it doesn't mean that we do not want to have a relationship

with our partner countries. For instance, the US or the European Union cannot justify helping Chile, but by helping with Chile to a third country, we become partners as well. It also fulfils their objectives of foreign policy.

Broadening this issue, we are working with other Southern countries for third Southern countries. For instance, with Mexico we are working in a beautiful programme in Haiti. So it's opening up.

What comes next? First, talking about horizontal cooperation between the DAC members and the graduated countries – when we graduate, it doesn't mean that we have already reached development. There are so many things still to do. We still have poverty in our countries, we still have gaps. So our needs may not be financial but rather on debates, on technical assistance. We need some assistance on education processes, for instance, on climate change and renewable energies. So this is very good when there are budgetary constraints, because also aid cooperation can be done without doing this investment but rather doing this technical assistance and putting some issues on the debate table. And it is to both sides: Chile can also give cooperation to Australia or to Spain maybe. We have, by the way, received some demands of cooperation from these countries.

Second, we think that regional partnerships can really build blocks to global partnerships. We have a very good assessment of our part of the world. We understand the culture, we understand the language. So we are working to create a long-term development agenda within our region of Latin America and the Caribbean. This doesn't move regarding the political changes but rather thinking on long-term development processes. In this matter we have created, for instance, the Pacific Alliance with Mexico, Peru and Colombia, so two OECD non-DAC members are working together with two countries that are transiting the path for development. We hope for them to make up a better South America. Thank you very much.

Robin Niblett:

Thank you, Jorge, for that. You have put a lot of issues on the table, a lot of words and names we will come back to. But impressively, you were within eight minutes, so you've set a wonderful example to our other speakers. Thank you for that. Gerardo, to you next.

Gerardo Bracho:

I will try to deal with two issues. One, I will give a very brief overview of the Mexican system, taking advantage that Jorge already talked about the Chilean one and they are very similar, so I won't take much time on that. Second and probably more interesting to you, and where I have more experience, is the Mexican position on the Busan agenda, on aid and development effectiveness.

Very quickly, we also come from a South–South tradition. We are also a developing country. We receive and we give aid. The pattern is more or less familiar, very similar to what Jorge was saying about Chile. We give technical cooperation from the basis of our own advantages. For example, we publicize the successes we have in Mexico to other countries – probably you have heard of the Oportunidades programme, in the social transfer of money to the poor people. We do this kind of technical cooperation basically.

We are very much concentrated in Central America and Latin America. All the 'like flows' – because we don't use the old definition, we do South–South and that's how we call the aid we give – it's basically, as I said, technical cooperation. Very few loans. We are just starting that, that's a big difference between, for example, China and other South–South co-operators like Mexico.

Finally, I will just say that in the institutional part, we have been actualizing our own system. We just approved a loan on cooperation last year and we have a new agency that started working this year. I think we have the institutional setting for really starting to do much more than we have done.

Now let me move quickly to Mexico's position in the international agenda, specifically on Busan. Mexico is in a very peculiar situation in the world. On the one hand, we have been an OECD member for almost 20 years. We are a G20 member. We are together with the US in NAFTA. But on the other hand, we are still a developing country and a South–South provider of cooperation. So in a way, we are one of the countries that are more interested in bringing these two kinds of worlds together. As you know, the North–South tradition has been there for 50 years but also the South–South tradition since Bandung. These two traditions have never really spoken too much to each other. They have developed their own roots. Now, with the question of emerging donors and China giving lots of aid to Africa, we have these two worlds coming together, or at least the North is much more interested in what the South–South cooperation is about. If you look at the history of the DAC, it was never really much interested in these traditions but now they are very

much interested, because now we are in a different world thanks to the emerging donors.

Mexico is particularly interested in this dialogue, in this cooperation between these two traditions. I will bring the example of Busan, of how we have tried to bridge these two traditions, taking advantage of our situation in the DAC, as OECD members and DAC observers, and our own cooperation and our own reality as a South–South provider. So let's take as an example the aid effectiveness agenda.

As you know, this agenda basically started with the Paris Declaration in 2005 – I'm sure that probably all of you have heard about this agenda. If you see the Paris Declaration, it's a declaration that just takes into account two types of actors: donors and recipients. Then what happened when we came to see which role Mexico could play in this agenda? Like many other countries – as you know, when you go to these big conferences, you are sitting there and everybody that is invited to these conferences is supposed to sign or endorse the final declaration. That's what happened in Paris. Many of the countries had been invited by France, who made lots of pressure to have everybody in the conference – so China was there, India was there, Mexico was there, Brazil was there. The Paris Declaration was taken; everybody was supposed to endorse it. Then the question came, on what capacity do these types of countries sign this thing? When they asked us in the Mexican [foreign] ministry, we said, 'We are not really a recipient country anymore, and we are not supposed to play this role in the world anymore, but we are not a traditional donor either.' So we have signed something where we didn't really understand what the commitments we have signed onto were and what we were doing there.

Actually, this same problem came to the minds of the Indians and the Chinese and the Brazilians. Then what was the path forward? It was to actually make a statement that we needed a new concept, because we were neither traditional donors nor recipients and we needed a conceptual space in this new agenda.

Then we started working, within the DAC and within the Working Party on Aid Effectiveness, on trying to create this space for these new actors – a space that didn't exist. The first step we managed to – not only we, I mean the DAC, Colombia, other actors, but very actively Mexico, to tell the truth – we managed, for example, in Accra, which was the next big conference after Paris, the AAA (Accra Agenda for Action) – that was the new political document that came out of Accra – there was a recognition already of South–

South. That was the big difference between Paris and Accra, the recognition of these new actors.

The next step, which we just gave in Busan last year, was that with much problems and lots of negotiations and in a very complicated manner, we managed to create a conceptual space for these new actors. This is basically due to two articles – anybody who has read the Busan document will notice that there are two important articles that were added into the declaration, where you can see a conceptual space for these new actors.

One was Article 14, which was proposed by Mexico, where we actually said, 'Okay, we are going to get into this agenda as donors, even if we don't accept the word, but not at the same level of responsibility as traditional donors.' Why? Very simple. We are not the developed countries. We are still developing countries, we have our own poor, we have our own development challenges. We cannot take on board the same responsibilities as developed countries like Sweden or Norway or the US. But we do take some responsibilities *vis-à-vis* the poorer nations, but at a differentiated level. We can share the same principles and the same objectives but we are not prepared to take the same level of responsibility. So we took this concept of differentiated responsibilities that had been used in the climate change discussions. Thanks to this, which we put into Article 14, already countries like Brazil and countries like China and India felt a bit more comfortable.

Then there is another article – which actually it was more India and China who insisted on this article – which is Article 2 in the Busan document, which says there are still differences between the North–South and South–South traditions that you have to take into account. And basically that this is a voluntary agenda. Actually it is voluntary for everybody but still it was stressed by this article, that it is a voluntary agenda.

What do we have in front of us? We have already a conceptual space for these new actors that are neither developed countries nor poor countries. They are emerging countries or rich developing countries, however you want to call them. What we still need is to define, in this concrete agenda, what type of responsibilities we are ready to take. It's one thing to say we want differentiated responsibilities; it's another thing to know, well, what do you mean? For example, just off the top of my head, I said Mexico is very happy to be as transparent as we can but it will be difficult for us to untie the aid as DAC donors, for example. It would be very difficult to sell to the Mexican private sector and the Mexican public that now we are going to give aid and this aid is going to be open to any American company or British company, for

example. Another example: we are not prepared to give 0.7 [per cent] of our national income as aid but we are prepared to scale up. So this is how I could think, off the top of my head, what type of responsibilities we can take that are differentiated but would be the same type of responsibilities, just at a different level, that would reflect what actually countries like Mexico are in the international scene.

Robin Niblett:

Thank you very much, Gerardo, for bringing in this new international approach under the Busan agenda. I'm sure we'll get to that more in the discussion. Dr Bhagwati, let me turn to you now and hear your opening remarks.

Jaimini Bhagwati:

Thank you. Thank you, Dr Robin Niblett, Director of Chatham House, and fellow distinguished panel members, ladies and gentlemen. I'm going to try and rush through, mindful of the time constraint, and perhaps if you have questions we can take them in the subsequent session.

Development assistance takes many forms, as we all know. It could be to assist a country to meet its budgetary shortfall or much-needed foreign exchange, when it comes to countries which do not have a convertible capital account, in the case of balance of payments problems. Or project assistance in the recipient country, either in cash or kind. And of course, technical assistance in terms of making relevant experts available, and further training which could be carried out in the provider country or in the recipient country, either by sending teachers or receiving students.

India has been engaged in all the forms of development assistance that I just listed. To begin with, our assistance was essentially with respect to our immediate neighbours and then increasingly over time our assistance has been made available to low-per-capita-income countries in Asia, Africa and Latin America. An important distinguishing feature of our kind of assistance has been this concept of partnership. The other aspect is a long-lasting kind of partnership based on a mutuality of interests.

As I mentioned, our assistance started with neighbouring countries, such as Bhutan and Nepal, as early as the 1950s, which is just about a decade after our own independence. In the case of Bhutan specifically, we have been very successful in setting up hydroelectric power and irrigation projects. The bulk

of the costs is borne by India and then we also buy back the power, and that is obviously only possible because we are neighbouring countries.

Another guiding principle in our assistance is to provide appropriate technology. What do I mean by appropriate? As we continue to progress – we are still a very poor country, with some very rich people; I'm sure some of them stay in London and you might know about them – our experience can be relevant to countries with similar challenges. Particularly when it comes to improving literacy – we still have a long way to go – public health, building roads, and so on. For example, I remember a fruit processing factory which was set up in Tajikistan or a pharmaceutical plant in Kazakhstan and so on.

You can make out from the nature of our assistance that we do not see any inconsistency with being both a recipient and a provider of assistance. Over time, our assistance became institutionalized through a programme called the Indian Technical and Economic Cooperation programme – the acronym for that is ITEC. When it comes to Commonwealth countries, the corollary is SCAAP, the Special Commonwealth Assistance for Africa Programme, which was established in 1964. What do we do under the ITEC programme? Obviously it is in the framework of South–South cooperation; I don't want to repeat what my distinguished colleagues have just said.

We are also focusing on the digital divide. In this world in which IT is so important, we have set up IT centres at a cost to the government of India and sent out private experts to several countries.

The ITEC activities have also been associated with multilateral organizations – it's not just ITEC in a bilateral format but also multilateral, such as ASEAN. This is something that you may not be that familiar with – the acronym BIMSTEC. It's familiar to people in our part of the world, it's called the Bay of Bengal Initiative for MultiSectoral Technical and Economic Cooperation. It's quite a mouthful. There is also the Mekong–Ganga Cooperation, MGC, obviously cooperation with the African Union, and the Afro-Asian Rural Development Organization (AARDO). Caricom – I don't need to spell that out. The World Trade Organization and another organization that not everybody in this room may be familiar with called the Indian Ocean Rim-Association for Regional Cooperation, IOR-ARC.

Let me just rattle off a few numbers in no kind of order of importance to give you a sense, a flavour of what we are doing. About 8,000 persons from developing countries are currently being trained in India on an annual basis. This is not a stock; this is the flow on an annual basis. If we just list all the

countries, it's as many as 160 countries. Not all 160 countries have people in India in any given year but over the years that's the number.

We are also working, given our own experience with natural and other disasters, to share our experiences in this regard through the ITEC as well as SCAAP programmes. We have an organization headquartered in Delhi called the Indian Council for Cultural Relations, ICCR, which offers about 2,300 scholarships annually. As I said, these are just some random numbers to give you a flavour of what happens.

I spoke about some bilateral cooperation in Bhutan, then I went on to multilateral. Now specifically, we have programmes with our neighbours, for reasons of commonality – both in terms of our historical experience as well as the levels of education and health in our countries. The bilateral cooperation programmes are with Sri Lanka, Afghanistan has a very sizable programme, Nepal, Bhutan and Bangladesh. For example, I just said substantial with Afghanistan – we have pledged about \$2 billion in an aid package to Afghanistan, and a \$1 billion line of credit to Bangladesh. We have offered about \$5 billion in credit to African nations.

We also have another smaller multilateral called IBSA – that is India, Brazil and South Africa. We have created a trust fund – we meaning these three countries – in 2004, within what we call the IBSA Dialogue Forum. Again, obviously this is South–South.

We have another form of assistance which we call lines of credit (LOCs). Our Export-Import Bank has extended lines of credit to about 59 countries and the total amount outstanding is about \$8 billion. In May 2011, at the India–Africa Forum Summit, held at Addis Ababa, our prime minister announced additional lines of credit – additional to what I just mentioned – worth about \$2 billion to African countries over the next three years. We have our fiscal year from April to March; it should come as no surprise to those in the UK, from where we copied it. In our current fiscal year, which is 2012-13, the government of India is guaranteeing repayment of principal and interest in respect to lines of credit and a sum of about \$2.4 billion has been earmarked for that. Just to give you a sense of – one is to earmark, one is to actually do – the total amount of LOCs in this current fiscal year which have been approved for disbursement is about \$310 million. A separate form of assistance, which is duty-free, quota-free, preferential market access in terms of trade, is what we do for LDCs (least-developed countries) in keeping with the Hong Kong ministerial declaration.

I'll conclude now to say that as far as we are concerned, South–South cooperation can only supplement but definitely not supplant North–South cooperation. I don't need to define those terms; I think my friends here have already done so. So to conclude, we would like to continue with these development partnerships, which are based on solidarity, mutual respect, and voluntary cooperation free from any conditionalities – I think that expression is very important – and aligned with the priorities of the partner countries. Thank you for your attention.