Towards an international cooperation system “leaving no one behind”: Ibero-American vision

The international situation is currently undergoing significant changes which affect the relationship between different stakeholders, and on the definition of objectives and forms of international cooperation to support the transition towards the sustainable development approach.

In this new global context, several Ibero-American countries have already begun to play a leading role on the international stage. Furthermore, the economies of most developing countries grew steadily, in what is known as the “rise of the South” (UNDP, 2013), indicating an adjustment in the economic power balance between the North and the South, and a shift towards the Pacific Basin.

However, it should be noted that this growth in the South has slowed down in recent years, owing to the drop in global demand and increased volatility of currencies and bond and securities markets. Likewise, the increase in interest rates has made it difficult for some developing countries to service debts and access new international funding. The effects of demographic transition, urbanization, premature de-industrialization, digitization and automation (OECD, 2017) have further worsened this situation.

While in the 1990s, most people in poverty lived in the Least Developed Countries (LDCs), the majority now reside in the so-called “Middle Income Countries” (MIC). Although these countries, as well as those which have recently moved towards higher levels of gross national income (GNI) per capita, have made progress in key areas such as social, educational and health coverage, there are still shortcomings in territorial equality, wealth distribution, rights for and recognition of ethnic groups and gender conditions. Poor infrastructure and low productivity are also common due to diminished technological, organizational and programmatic innovation, which translates into barriers for moving towards a sustainable development model. These barriers cannot be addressed with economic growth alone. They also require specific institutional and human capacities to manage change.
In addition to changes in the poverty map, deepening inequalities within and between countries, accelerating climate change from human activities and scaling-up of negative externalities associated with globalization, the global stage is undergoing drastic changes that are demanding that the concept of development should not be exclusively understood as synonymous with economic growth.

Consequently, sustainable development, as a multidimensional process, first appeared in 2015 with the adoption of the Agenda 2030 for Sustainable Development (Agenda 2030) and its 17 Sustainable Development Goals (SDGs). This Agenda is based on the principles of universality; not leaving anyone behind; common but differentiated responsibilities; and comprehensive synergy to ensure compliance with the SDGs, while respecting each country’s specificities.

Agenda 2030 is an action plan for all countries. It represents a paradigm shift in development that seeks to forge links between the social, economic and environmental dimensions of development. It regards the participation of different stakeholders, including local governments, academia, civil society and the private sector, as a key element for enabling an environment conducive towards sustainable development and promoting coherence, while avoiding piecemeal structures and silos for implementing strategies to meet the SDGs. The identification of critical development areas and availability and collection of reliable statistical data; and the implementation of progress monitoring and assessment schemes that focus on multi-stakeholder partnerships for promoting development at all levels and in all territories are key factors in achieving the SDGs targets.

To that end, updated institutional practices within the international cooperation system are vital in keeping abreast with the new global regulatory framework for the Agenda 2030. This alone will contribute to the implementation of a comprehensive and inclusive system, which will focus on countries facing greater challenges and less capacity to mobilize domestic resources, without excluding any country in transition to sustainable development.

Currently, the eligibility criteria for Official Development Assistance (ODA) from the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) is solely based on the countries’ level of income per capita, which is an outdated development paradigm based on economic growth. Likewise, this criterion informs the allocation of aid from other multilateral bodies and funds, and, even, the membership fees of these organizations.

This does not correlate with the great diversity of the developing world or with the scenarios foreseen in the new paradigm. Furthermore, it does not address the levels of inequality within and between countries. Indeed, the international community has recognized the need to create new indicators for measuring the sustainable development progress of countries that go well beyond per capita income, as set forth in paragraph 129 of the Addis Ababa Action Agenda on Financing for Development.

There has also been progress on developing several methodologies for multidimensional measurement of development. Likewise, new concepts are being coined, through a variety of platforms for dialogue, to deepen the understanding of the consequences of graduation, and analyze alternative criteria to Gross Domestic Product (GDP) per capita for the allocation of ODA and other instruments in order to move towards sustainable development, without leaving anyone behind.

It is therefore imperative that the international community make a qualitative leap to establish an inclusive international cooperation system for all countries, regardless of their level of development, which takes account of each State’s realities and persistent structural gaps.

This chapter seeks to drive this debate forward, respecting the specificity of the Ibero-American space -in which so-called middle-income (low, middle-high), recently graduated and former recipient/current donor countries coexist- which has built a wealth of regulatory, methodological and practical knowledge in international cooperation for development.1

1 It is important to note that in this Ibero-American space, cooperation focuses on culture, social cohesion and knowledge. This has resulted, to date, in 27 Programs, Initiatives and Affiliated Projects (in Spanish, PIPAS), as well as dialogue and agreement among the Heads of Cooperation.
Although Ibero-America comprises countries that are heterogeneous in terms of resources and historical and cultural background, they also share numerous common challenges.

Although fragile, Latin America and the Caribbean have made significant progress over the past decades. In the 2000s, the protracted commodity boom contributed to economic growth rates higher than the average for OECD member countries, leading to a significant reduction in poverty and a huge expansion of the middle class. However, falling commodity prices in recent years have slowed down this growth, leading, in absolute terms, to a rising number of people living in poverty in 2015 and 2016; thus, highlighting the underlying structural problems and precarious nature of these achievements.

Currently, the region is in a deep period of transition and high uncertainty. In most Ibero-American countries, democratic values are stronger than a few decades ago and more robust than in other regions of the world. However, there are downside risks relating to the challenges faced by the States to reduce the levels of inequality, violence and corruption, and increase social cohesion to ensure the protection and promotion of the rights of all persons, in accordance with the highest international standards.

Despite the decrease of inequality in most countries in the region during the first decade of the 21st century, current levels continue to rank Latin America and the Caribbean as the most unequal region in the world. Inequalities are more evident in certain groups, especially youth and women, as well as Afro-descendants, indigenous people, LGBTI and disabled people.

Most Ibero-American countries face the challenge of moving towards development before their aging population reduces the potential for sustainable growth. As the share of the population of working age declines, the income per capita could significantly decrease, unless productivity increases.

In terms of public health, life expectancy has increased and, the prevalence rates for contagious diseases have decreased; however, the total burden of disease has shifted towards non-communicable diseases such as cancer, diabetes and obesity, associated with unhealthy consumption patterns and habits. Likewise, the impact of climate change on the transmission of epidemics and the increase in temperatures have enabled the spreading of diseases such as malaria and Zika to previously unaffected areas.

Record high temperatures, which impact agricultural production, food and health security, and access to water, were reached across the planet with alarming regularity during the first two decades of the 21st century.
By 2030, it is estimated that Latin America and the Caribbean will continue to be one of the most urbanized regions in the world. However, this disorderly and rapid urbanization poses mobility, pollution and sanitation challenges. This translates into an imbalance between the intensity of demand for public services—which ensures well-being for its inhabitants and their environment, while respecting the natural environment—and the response capacity of sub-national and local governments.

In a region characterized by great dependence on the extraction of natural resources, the opportunities to achieve sustainable development are closely linked to the global challenge of decoupling economic growth from the emission of greenhouse gases and other pollutants that threaten the basis of life and the economic sustenance of future generations. In this regard, it is important to ensure that the current slowdown in growth does not attract a type of investment that weakens the already precarious national environmental regimes.

Meanwhile, Ibero-America is a space predominantly comprised of qualified middle-income countries (MIC) that play a dual role in international cooperation. At a global level, in recent decades, Latin America has seen a relative reduction in ODA compared to other regions of the world, despite the obvious challenges facing the region in terms of combating poverty, migrant management and fighting climate change. Indeed, it is important to acknowledge the strategic role of ODA and other forms of international cooperation to accelerate progress on the Agenda 2030, through the provision of global and regional public goods; promotion of human and gender rights; support for transformation and innovation processes in public policies; mobilization of domestic resources and leveraging of resources from the private sector. In this regard, the effectiveness and type of technical and financial cooperation provided by most advanced countries to the relatively less-developed countries to reduce their structural gaps and overcome their specific and common barriers are considered particularly relevant.

Furthermore, it is important to remember that the "graduation" of qualified MICs in the region not only affects their chances to consolidate and deepen their development achievements, but also the flow of technical assistance and transfer of skills and knowledge among developing countries. In this regard, it should be noted that the different forms of international cooperation, including South-South Cooperation, Triangular Cooperation and the innovative funds promoted by the region’s countries, are seen as complementary to ODA, rather than as a replacement for the responsibilities of traditional donors, who are as far away as ever from delivering on their commitment to allocate 0.7% of their GDP to development aid.

It is necessary to replace the existing ODA "graduation" system, based exclusively on per capita income, with a system that applies alternative multidimensional criteria that is better equipped to capture the needs, priorities and complexities of development in each developing country.

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In view of the above, the regional dimension plays an increasingly important role as a space for debate and articulation of joint solutions for similar or common challenges. The challenges faced by the region, looking forward to 2030, require gradual structural changes, based on intensive learning and innovation and dynamic fiscal policies, in line with the guidelines of productivity, employment and environmental protection. This would act as a mark of the transition to sustainable development. This should take place within a framework for strengthening international cooperation for development.

Ibero-American countries have shown that, despite their diversity and the challenges ahead, they have many experiences to share to support sustainable development and the universal implementation of the Agenda 2030. Proof of this are the annual reports on South-South Cooperation, which reveal a growing number of South-South Cooperation and Triangular Cooperation initiatives in the region and with other countries.

This Ibero-American South-South and Triangular Cooperation has been shaped by commonalities and shared experiences, based on common goals that are inspired by the principles of horizontality, consensus, equity, solidarity, respect for sovereignty, as well as national context and priorities, free of any conditionality. In turn, both modalities stand out as a necessary complement to increase the number of successful experiences, and strengthen and build capacities, generate knowledge, encourage regional integration, and design public policies that promote equality and sustainability within the framework of the Agenda 2030, and to meet the SDGs.

In view of the above, Ibero-American countries have taken the lead in integrating the SDGs into their public policies, plans and national budgets, and are seeking to engage different groups in their implementation, including parliaments, private sector, academia and civil society, all under the principle of leaving no one behind. Despite significant progress since the approval of the SDGs, there are still problems in measuring and specifying many targets.

The successful implementation of the Agenda 2030 requires strengthening political leadership based on national and local ownership, as well as providing reliable measurements and equitable criteria to identify and address skill and knowledge gaps for achieving all SDGs.

It is therefore necessary to bridge the gap between discourse and practice to move towards an inclusive international cooperation system based on the Agenda 2030, and to support and encourage all countries according to their different histories, capacities and needs - to move steadily towards sustainable development. 
THE NEED TO ADJUST THE NARRATIVE AND PRACTICES FOR SUSTAINABLE DEVELOPMENT

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An accurate definition for building an inclusive international cooperation system for implementing the Agenda 2030 should place the emphasis on those most in need, albeit without excluding any country in transition to sustainable development. However, to make this possible, it is necessary to replace the existing ODA “graduation” system, based exclusively on per capita income, with a system that applies an alternative multidimensional criteria that is better equipped to capture the needs, priorities and complexities of development in each developing country. All countries have strengths and weaknesses associated, inter alia, with their resources, geographical location, human capital, cultural and historical background, and past dependency, which make them more or less vulnerable to external shocks and the negative impacts of climate change. Their development needs are strongly associated with these factors.

The "graduation" process begins when countries move from one income category to another. In the case of UMICs, if they exceed -by a dollar or more- the GDP per capita threshold (USD $12,745 in 2018) established by the World Bank for three consecutive years, they are excluded from the list of countries eligible to receive ODA from the DAC.3 Included among the consequences of this exclusion are the decision of the cooperating partners to withdraw the graduates from their bilateral cooperation programs or from the specific multilateral cooperation funds; and the inability to access credits from Multilateral or Bilateral Development Banks in concessional terms more favorable than the market rate. Similarly, it should be highlighted that when a country is “graduated”, it no longer receives support to manage the consequences related to this exclusion.

When can a country be considered ready to graduate? “Graduation” based exclusively on GDP per capita is bad news. It is wrong and inappropriate to consider countries as developed countries, or countries with a fully successful development process when they exceed an arbitrary threshold -created by the World Bank behind closed doors to determine their loan repayment capacity. There is evidence that countries with higher income levels do not necessarily have a greater capacity for savings, mobilization or access to financing for development. Furthermore, growth does not translate into lower levels of poverty or inequality, which are multidimensional phenomena that requires so much more than economic resources to overcome. Indeed, it involves building capacities and knowledge for structural transformation, mindful of the fact that globalization is increasingly curtailing the States’ ability to promote these transformations.

Notwithstanding the foregoing, the classification of countries by per capita income for many years has enabled the identification of a number of common challenges faced by the countries in each group. For instance, the middle-income country category served as a political instrument to make visible the common needs and dual role that these countries play in international cooperation.

It is necessary to recall that sustainable development is a process, not a point of arrival, and each country goes through this process at a different speed and different path, based on the circumstances of its history, structure and capacity. That said, it is no longer appropriate to think in terms of income thresholds to measure the progress and needs of developing countries effectively, because economic growth alone is not enough. It is also important to assess sustainability of such growth or the gaps in knowledge, capacities and opportunities that countries face to take a qualitative leap towards a new sustainable development model, among other issues.

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3 Although the concept of “graduation” is better known for its impact on Upper-Middle Income countries transitioning to the High Income Country category, meaning that the “graduated” country is no longer eligible to receive ODA, it is also used to refer to countries transitioning between other income categories, for instance, low to middle income. Graduation also means that the country can no longer access certain forms of cooperation, such as non-conditioned loans.
For this reason, Ibero-America considers the graduation of countries from ODA, when they exceed the middle-income threshold, as a decision with implications, not only for our common development, but also for the role that Latin America and the Caribbean have in international cooperation. This logic, whereby some developing countries are considered non-eligible for ODA, weakens the international cooperation system, and goes against the principles of solidarity and equity that must be promoted. Supporting all developing countries, according to their needs, does not imply adjusting or changing current priorities for allocating ODA, which should focus on the less favored sectors. It is about building a system that has the greatest possible impact on development.

Unlike the Millennium Development Goals (MDGs) that focused on the poorest countries by level of income, the commitments set forth in the SDGs for 2030 are universal and embrace all countries, on the basis that sustainability requires indicators and actions that are more complex than growth per se, and encompasses the multidimensionality of development. The qualification of some developing countries as non-eligible for ODA, solely on the basis of per capita income, reinforces the perception that the OECD’s DAC is not inclusive and is reluctant to accept the SDGs as the new development cooperation framework. The perpetuation of the “graduation” criterion based on GDP per capita puts the Latin American countries at risk of being progressively excluded from the existing frameworks of their traditional multilateral and bilateral development partners.

ODA policies must adapt to this new framework and respond to universally recognized challenges in order to shore up their catalytic role in mobilizing international financing for development. In that scenario, Latin America believes that it is imperative to not exclude any developing country from ODA for strategic, SDG-related, high-impact areas, as a complement to their domestic resources.

Consequently, it is necessary to encourage the creation of new instruments, both financial and non-financial, to support the reality of these countries in their transition to sustainable development, as well as promote technical assistance, exchange of good practices, mobilization of domestic resources, and proliferation of innovative funds.

There is also a need for overcoming the zero-sum mindset in the debate on ODA allocation to build an international cooperation system conducive to strengthening partnerships that encourage sustainable development, such as multi-stakeholder partnerships, on the basis of a vision that takes stock of the complexity of existing challenges, and recognizes and supports the different needs and capacities of countries looking forward to 2030.
The debate on "graduation-exclusion" from ODA should be based on a strategic approach to the challenges of this new scenario. It should support effective dialogue with and a common position among the stakeholders of the international cooperation system.

This "graduation" from the ODA eligibility list is a process hitherto unknown to most Latin American countries, and its implications, at global level, have been barely studied. Until 2018, only a few countries in the Caribbean, Chile and Uruguay were "graduates" from ODA. However, according to projections based on economic growth, a significant number of countries in Latin America and other regions will face the graduation process by 2030. Hence, there is a need to understand this phenomenon better and, in the case of Ibero-America, to contribute elements to the discussion with the aim of proposing a common position, based on alternative criteria for building an international cooperation system that leaves no one behind.

Moreover, in considering the possible implications of our graduation in the context of global economic slowdown, Ibero-American countries should focus on passing through these changes in an articulated and synergistic manner.

This common geographical area has a particularly unique feature that gives it legitimacy: most countries play a dual role in cooperation, showing that we are actively committed as a region to promoting an equitable international system, based on our common opportunities and responsibilities.

Ibero-American countries are called on to lead this debate, generating evidence and theoretical and methodological inputs that enable the analysis of the best alternative criteria for measuring progress and needs of countries in their transition to sustainable development. In this regard, it is particularly important for countries that have already graduated from ODA to contribute to this debate through their experience, impact analysis and assessment of what this "graduation" involves in practice.

In this context, the common challenges are:

1 — consolidating efficient and credible institutions that ensure progress towards equality, including gender equality, transparency, fight against corruption and engaging traditionally most disadvantaged groups;

2 — consolidating government capacities and efficient public spending of sub-national governments, given the high internal asymmetries in living standards;

3 — reducing vulnerabilities related to their integration in international financial markets;

4 — improving competitive capacity through productive transformations and technological progress, and mobilizing inclusive value chains that allow the participation of SMEs in value aggregation; and

5 — protecting the environment and building the capacities to fight climate change and reduce vulnerabilities to natural disasters.

To meet these common challenges, development policies and instruments need to be reviewed to reflect the current scenario, and new global tools that may be useful in the development context should be designed and created.

All this will enable us to be at the forefront of the discussion, analyzing and assessing how to adapt our relationship with traditional donor countries, bearing in mind the global commitment to 2030. This also means that the flow of funding for international development cooperation should be adapted to achieve the SDGs and their targets, so that equality and equity are not just a set of principles, but also applied in practice.