




# **Five Modalities of Development Compact**

**Shaping  
South-South Cooperation**




The salient feature of South-South Cooperation (SSC) is that, it is not about the assistance or its nature but is a commitment towards development in the partner country. Even though SSC uses plurality of modalities, their convergence is considered important under such partnerships to ensure the intended development impact. In effect, the assistance that is delivered is nothing but a 'Development Compact' for the partner country. Understandably, SSC encourages comprehensive connect with partner countries through coherent, consistent and demand driven modalities with the ultimate objective of elevating partner countries to 'self-reliance' (as against perpetual dependence).

The five modalities viz. capacity building, trade, technology, concessional finance and grants largely shape the contemporary practice in SSC.

SSC relies on a comprehensive understanding where the instruments of partnership may be used in unison

with the objective of coherence across policy measures and with the aspiration of influencing development in totality. SSC has been primarily implemented through project based approaches rather than programmatic and prescriptive approaches. The objective underlying such projects is collective 'self-reliance' in the South that can be interpreted as the core mission intrinsic to SSC. In order to meet the above objectives, the multiple modalities and their convergence has been particularly effective. This paradigm of development cooperation has been termed as 'Development Compact'. Overall, such approaches are broadly expected to adhere to the principles of SSC such as demand driven, non-conditionality, sovereignty, national ownership, horizontality among others.

This publication captures in detail the 5 dominant modalities used in SSC and commonly used instruments/parameters in the form of common indicators. The suggested indicators are only representative and by no means exhaustive.



## Modality 1

# Capacity Building



Countries of the South have traditionally believed in supporting each other in enhancing capacities and in human resource development. Almost all SSC partners have engaged through this modality. These programmes under SSC have evidently evolved from simple training modules aimed at handholding and sharing of technical expertise; to more sophisticated domains of scientific and technical knowledge, extending to professional fields like management, administration, policy and global governance. Such assistance is also extended through delegating experts under specific projects in partner countries to meet specific requirements if there is deficiency in local capabilities. This format is mainly used for skill-intensive areas, especially when technical assistance in installing plant or machinery is involved.

### Common Indicators

People trained (in host as well as partner country including through exchange) with sector specificity

Resource persons deputed to partner countries for teaching/skill development

Training institutes, capacity building centres established in partner countries

Beneficiaries of scholarships and exchange programmes

## Modality 2

# Trade



### Common Indicators

Trade facilitation and trade promotion initiatives

South-South value chain

Tariff lines under Duty Free Quota Free (DFQF) Scheme

Trade finance by Southern partners

Swap Agreements

Bilateral investment funds

Increasing volumes of South-South trade have imparted strength and resilience to widespread dynamism in the South. South-South trade is often found to be followed by increased investments from Southern partners (with implications for technology transfer and capacity building) essential for integrating with global value chains (GVCs) and improving technology intensity of exports. Market access for LDCs through duty-and quota-free (DFQF) schemes, is one important instrument that leads to collective advantage (win-win). Trade financing among Southern partners as well as currency swap arrangements is further strengthening South-South Cooperation, enabling developing countries to forge new economic relations.

# Technology

**B**uilding technological capabilities and expanding scientific knowledge base are important emerging areas of engagement for the South. The similarity between the countries in their stages of development and context of adaptation makes diffusion and adaptation a relatively successful exercise. Southern partners have engaged in these exchanges for several years, largely as a means of achieving self-reliance. The modalities may include joint R&D projects aimed at co-creation of knowledge and technology, cooperation towards continuous scientific exchanges aimed at gradual capacity building in frontier domains and technology transfer. Such programmes may help Southern economies to develop suitable solutions to bridge developmental gaps and build long term competitiveness.



### Common Indicators

Joint R&D projects/ S&T  
Cooperation agreements/  
technology development/  
prototype development

Co-creation of knowledge and  
technology (joint publications  
and patents) emerging from  
joint R&D projects/ technology  
development

Establishment of technical  
institutes/technology  
demonstration centres/ testing  
facilities in partner countries

Indigenous technologies  
shared/ transferred

## Modality 4

# Concessional Finance



### Common Indicators

Quantum of lines-of-credit (LoCs)

Projects under LoCs

Countries as recipient of LoCs

Sector specificity of LoCs

As an instrument for supporting partner countries, concessional finance has existed since the late 1940s and has found general acceptance in the South. Goods, services (including consultancy services), machinery and equipment are exported to partner countries under an agreement generally supported by the respective Exim banks. The value of goods and services rendered under such schemes differ from country to country. Interest rates on such advances also vary depending on the quantum, the nature of the projects concerned, and the time over which advances are approved. Concessional finance primarily falls under two categories: loans at concessional rate of interest with or without capacity building component; and loans at commercial rate of interest with different time periods.

## Modality 5

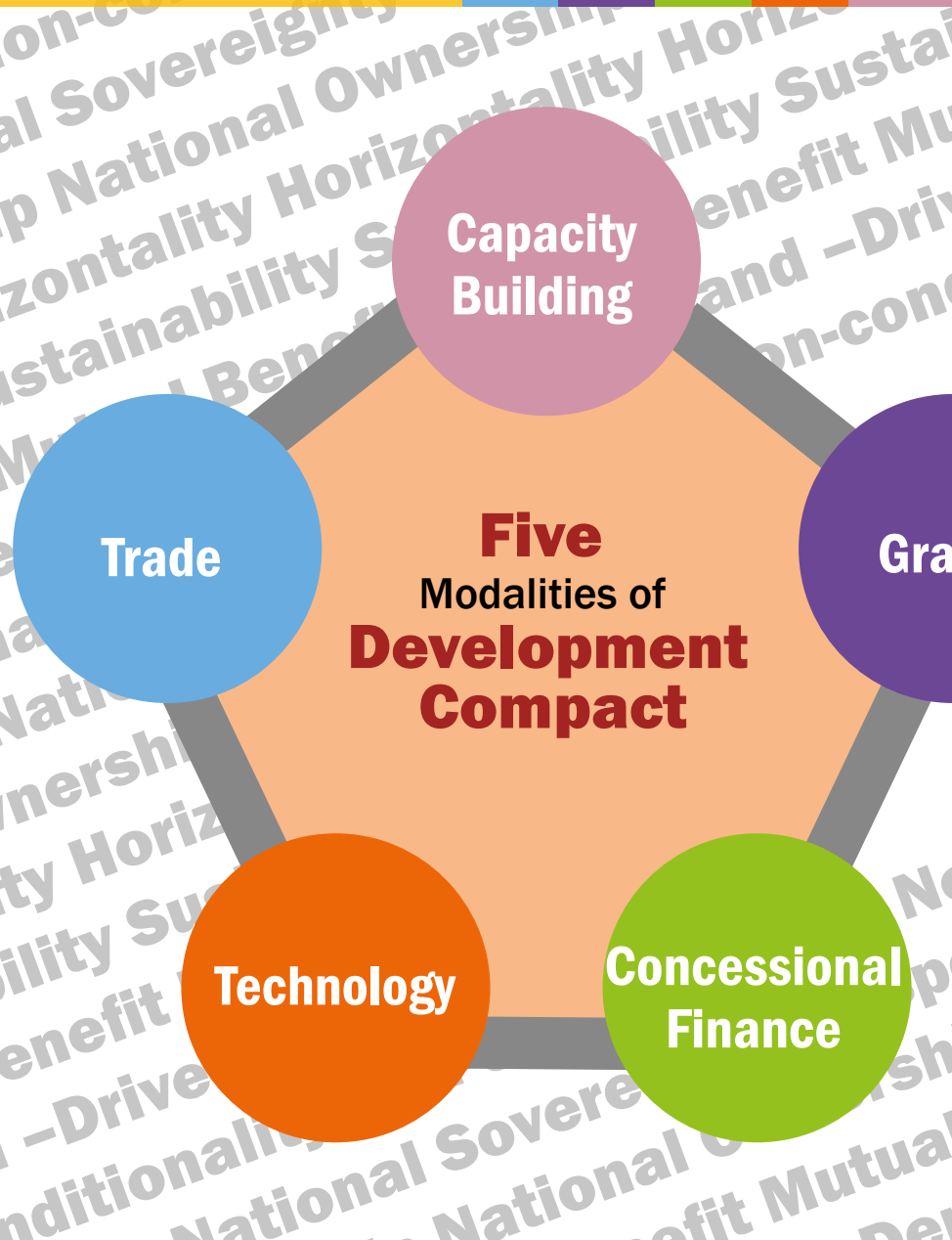
# Grants

**G**rant is an important modality under South-South cooperation which, depending on the need and the context, has covered larger humanitarian assistance and in-kind contributions to support development and economic activities in partner countries. Grants under SSC have played pivotal role in ensuring convergence of modalities and has been delivered through industrial goods, equipments and other commodities including agricultural products. With rising economic heft of some of the Southern countries the quantum of monetary assistance has gone up considerably. On some occasions, LoCs have been turned into grants a la debt forgiveness, a process under which minimal cost is borne by the partner country.



### Common Indicators

- Quantum of Grants
- Projects executed with grants
- Countries and nature of debt write-off
- Bilateral in-kind assistance
- Occasions of humanitarian assistance and disaster relief



Reforms undertaken in traditional cooperation aimed at building compact among participating countries in the later years. However, in the contemporary context ‘Development Compact’ associated with SSC has been a markedly improved rendition of the idea of horizontal partnership as originally envisaged for development cooperation initiatives and strengthens the conviction on ‘right to development’. Development Compact enshrines not only plurality of approaches but also convergence of modalities towards fulfilling the objectives of ‘self-reliance’ and supporting self-determined development goals in the South.

Copyright © RIS, 2019. Citation: RIS. 2019. Five Modalities of Development Compact- Shaping South-South Cooperation. New Delhi



**RIS**

Research and Information System  
for Developing Countries

विकासशील देशों की अनुसंधान एवं सूचना प्रणाली