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Policy Brief

DIGITAL DEVELOPMENT COOPERATION THROUGH SSC LENS: CHALLENGES AND IMPACT

Task Force 2

Meaningful Digital Connectivity, Cyber Security, Empowerment

Milindo Chakrabarti, Research and Information System for Developing Countries & Centre for Sustainability, O.P. Jindal Global University, India
Sachin Chaturvedi, Research and Information System for Developing Countries, India
Rafael Gustavo Miranda Delgado, University of Los Andes, Venezuela
Mustapha Jouili, University of Carthage, Tunisia
Gladys Teresita Lechini De Alvarez, National University of Rosario, Argentina
Rasigan Maharajh, Tshwane University of Technology, South Africa
Philani Mthembu, Institute for Global Dialogue, South Africa
Ashraf Patel, Institute for Global Dialogue, South Africa
Jorge Antonio Perez Pineda, Anáhuac University, Mexico

Abstract

The digitization of transactions simultaneously increases access to information, efficiency, and equity while resulting in innovations through the strategies of digitalization—a process that implies a core change in the entire operational model of exchange of goods and services and adds to reduction in transaction costs. Thus, digitalization as a means to reduce developmental differences among individuals through reduced transaction costs can be considered a strategic focus for development cooperation. This brief articulates the challenges and proposes some efforts to approach digital development cooperation through the lens of South-South Cooperation and argues a two-step method to facilitate the process.

Challenges

Digital technology has succeeded in reducing transaction costs (defined as the cost of transferring property rights from a seller to the buyer). It helps reduction in cost of production and distribution through reduced costs of communication with firms going for outsourcing of intermediate products beyond their boundaries. Such cost advantages increase the scope of international trade in goods and services, creating global value chains. The spectacular growth of financial market and its services also owes a lot to the phenomenal support from digital technology, which has helped tackle the present pandemic to some extent. To look into the benefits that accrue to the operations of a market infrastructure through digital transaction, we may identify the following main components that makes digitalization of transaction a better way to reduce the transactions costs and thereby adds to the efficiency of the system.

- They expand the information base and facilitates greater inclusion.
- They lower the information cost, so that businesses, people, and governments benefit from greater efficiency.
- They create information goods and services that rely on near-zero transaction costs to provide matchmaking or information associated with the new economy, fostering greater innovation.

However, access to and utilization of digital technology are not evenly distributed across the globe, thereby adding another layer of disparity over and above the existing ones. Around 60 percent of the world's population is now online, but the majority of those people are in developed countries. In developing countries, only one in five people are online. The numbers who are online decreases further as we go down the state of the countries in the development ladder. The challenge to move on to a path of inclusive and sustainable development—the main plank of G20 platform—lies in reducing all the existing layers of disparity using digital technology[1]. Efforts in taking care of the existing digital divide would have to be the first decisive step in that direction and calls for greater emphasis on DDC. It is imperative that DDC takes up the challenge to ensure efficiency and effectiveness in efforts to achieve SDGs.

1 https://www.undp.org/blog/evolving-digital-divide

Proposals for G20

A high-level panel on Digital Cooperation[2] recently noted several gaps and challenges in the existing architecture, including the lack of political will, lack of inclusiveness of some crucial stakeholders, multiplicity of autonomous operators with overlapping mandates, as well as a lack of data and trust. The panel identified nine values that should shape the development of digital cooperation. They are: inclusiveness, respect, human-centredness, human flourishing, transparency, collaboration, accessibility, sustainability, and harmony. The panel recommended three possible architectures. The first enhances and extends the multi-stakeholder IGF. The second is a distributed architecture which builds on existing mechanisms. The third envisions a "commons" approach with loose coordination by the UN. Each certainly has its own benefits and drawbacks. Against those recommendations, the present proposal would assess the impact of several DDC efforts undertaken by national development cooperation agencies[3][4][5][6][7], multilateral

[2] https://www.un.org/en/pdfs/DigitalCooperation-report-for%20web.pdf

[3] https://www.i-scoop.eu/digitalization-development-cooperation/

[4] https://www.oefse.at/fileadmin/content/Downloads/Publikationen/Briefingpaper/BP19-Digitalization-and-Development.pdf

[5] https://www.government.nl/documents/publications/2019/10/15/33-showcases---digitalisation-and-development---inspiration-from-dutch-development-cooperation

[6] https://www.giz.de/en/worldwide/83589.html

[7] https://digitalprinciples.org/wp-content/uploads/From_Principle_to_Practice_v5.pdf

organizations, Civil Society Organizations[8,9,10,11,12,13] (CSOs)[14], and SSC[15,16,17,18]. The policy brief would consider the existing plurality of approaches to DDC and consider the potential role of SSC and TrC in creating global digital public goods in eradicating the existing digital divide.

8 https://unctad.org/system/files/official-document/der2019_en.pdf

9 https://gigaconnect.org/

10 https://www.worldbank.org/en/topic/digitaldevelopment

11 https://www.itu.int/hub/2021/10/digital-cooperation-is-key-to-our-common-agenda/

12 https://www.imf.org/external/pubs/ft/fandd/2021/03/international-cooperation-and-the-digital-economy-garcia.htm

13 https://www.unhcr.org/innovation/connectivity-for-refugees/

14 https://www.i-scoop.eu/digitalization-development-cooperation/

15 https://www.unsouthsouth.org/wp-content/uploads/2021/05/Final-Report.pdf

16 https://unctad.org/system/files/official-document/gdsecidc2018d1_en.pdf

17 https://www.itu.int/en/ITU-D/Innovation/Pages/Scaling-up-Digital-Innovations-through-South-South-and-Triangular-Cooperation.aspx

18 https://socialprotection.org/digital-platforms-tools-enhancing-south-south-and-triangular-cooperation-towards-sdgs

TABLE 1: POSITIONS OF THE MAIN PLAYERS VIS-À-VIS DIGITAL DEVELOPMENT COOPERATION

Players	**Selected Samples**	**Main Problems Identified**	**Present Status**
National Development Cooperation Agencies	The Netherlands, The USA, Germany, Austria	Principles identified, but actions are difficult to be suggested, because of tensions between principles and structural challenges	The future of Digital development cooperation is still open for crafting.
Multilateral Organizations	UNCTAD, UNICEF-ITU, World Bank, ITU, IMF, UNHCR	Digital access to everyone on the one hand, to be simultaneously concerned about the issues of cybersecurity and data protection, on the other.	To compete in the digital economy, countries will need to prioritize education and build the digital skills of their workforce. In other words, they need to invest in people.
Civil Society Organizations	Memisa	Ideally, digitization projects in the Global South build on the already available infrastructure.	***Digitization can create a gap, as not everyone can benefit from the innovation or not everyone has the same digital skills.***
South-South Cooperation	UNOSSC, UNICEF, UNCTAD, ITU	Digital economy has been identified as potentially the largest and most important opportunity for dynamic change in sustainable development.	South-South cooperation has been identified as a means, a method, and a series of tools for collaboration by developing countries. It can be used to enhance their opportunities and collectively face their challenges in the digital era.

The table above clarifies the problems with and present status on digital development cooperation as the idea is considered important in bringing about a fundamental change towards building an inclusive and sustainable world.

However, this analysis is so far consisting of the ideas of main players who have taken an initial position to look at the issue in a more articulate manner. Many other players who are required to contribute to the discussion at the local levels are yet to participate in the process. The organizations involved in national development cooperation agencies are engaged in the solving the problem at a conceptual level, while the international agencies are engaged in solving issues at operational level. The observation of the CSO is in terms of looking at the possibilities of digital gap created. This in itself is a suitable opportune moment to expand the ideas articulated by those following digital development cooperation through the main ideas of South-South Cooperation, with possible aims at collaborating with the gradually emerging ideas of triangular cooperation (TrC), even though it should be apparently clear that TrC is yet to establish itself as an effective but a different set of practices engaged in development cooperation. The argument

vis-à-vis digital development cooperation appears much acceptable as it underscores the role of digital development cooperation as a means, methods, and a series of tool to be used to enhance its usefulness and face the challenges collectively.

SOUTH-SOUTH COOPERATION AS A DISTINCT MODE OF DEVELOPMENT COOPERATION

SSC has over the years emerged as a distinct mode of development cooperation, and has been contributing meaningfully to the aspirations to develop in their own ways among an increasingly large number of developing countries. The processes followed have been found to be effective and positive. The main reasons behind SSC being followed as the alternative development pathways rest in terms of its emphasis on non-conditionalities, demand-based support, and use of multiple modalities based on the idea of development compact to lead the country in question to its desired development path.

In its endeavour to build digital development cooperation into its fold, the five modalities engaged in the ideas of development compact—capacity building, technology, trade, concessional loans and grants—can be combined in different proportions as required to design the most effective way of digital development cooperation as considered by a particular developing partner. Some partners may be more interested in capacity building in preparing their population to be ready to go digital. Others may be interested to develop a skilled human power that are able to contribute to the growth of digital infrastructure. Meanwhile, some may be interested in further elaborating a technological co-creation in data management and analysis, with prior emphasis on human rights and related issues being at the centre of attraction. Some may even think in terms of support that may consider each or some of these concerns in different proportion. Engagement of issues related to trade would also be considered an important concern to be focussed to.

The SSC approach to digital development cooperation has to simultaneously answer a long list of questions as it gets into operationalizing the road map. Firstly, let us see digital development cooperation from the perspective of its users in SSC.

For the viewpoint of its uses, it may be argued that digital technologies constitute not only a branch of the economy but also provide instruments that accompany the production and marketing processes—in short, all the branches of the production process where some values are created. Some examples include:

- Digital technologies in the empowerment of people and communities: Its ability to increase the level of agency, and reduce information asymmetry.
- Digital technologies and basic capabilities: Its ability to contribute to the democratization of knowledge in the health and education sectors.

- Digital technology and employment: Place greater emphasis on sectors where digital technologies can increase productivity levels without destroying jobs.
- Digital technology and productive sectors: It is capacity for the convergence of productivity, within the national productive sectors, and global value chains, through technology transfer.

Another perspective may be drawn from the perspective of its results. It is being argued that the effectiveness of digital technology in reducing transaction costs of exchange has contributed to its attractiveness the world over. But it requires empirical evidence to stand as boldly. This is a challenge because the adoption and absorption of technological solutions, whilst combined, remain uneven in world systems. Thus, whilst the potential for achieving cost reductions may be embedded in the technology, access to, competence/capability requirements, and quality/availability of infrastructures may moderate its effects (amongst other factors too).

Further, we should be more specific in choosing relevant country experiences that are reflective of regional diversity, developmental status (demand side), and the distribution of capacities, capabilities, competences, and infrastructures.

SOME COUNTRY LEVEL EXPERIENCES

- It will be quite interesting to look into the experiences of some developing countries in carrying out their experiments with digital development and sharing their knowledge with other countries. First, let us consider an interesting effort that started quite early in 2003 as Ghana-India Kofi Annan Centre of Excellence in ICT in Ghana. The Centre addressed some of the important aspects of the digital divide, including skills and infrastructure. The Centre quite soon established its niche in training, and it had significant impact on the way digital economy developed in Ghana. Over time, the Centre started software development to support the country's evolving digital needs. More recently, it started promoting digital innovation. It is also interesting because whereas the digital divide is usually conceptualized in terms of access or infrastructure, other aspects like skills and policy development often get overlooked.
- Another important example runs in terms of promoting small and medium-sized suppliers via the ANTAD.biz platform and its environmental component. Its objective looks to "promote and integrate SMES suppliers through the ANTAD.biz platform and its environmental components". It is a database for supermarkets to help small and medium

enterprises offer their products that follow sustainable process of production[19]. It was started in 2015 as a collaborative project between several countries following triangular cooperation model. It brings German cooperation through GIZ, collaborating with the Mexican private sector through the Mexican National Retail Association (ANTAD) and the Mexican cooperation (AMEXCID), jointly with chambers of commerce and local suppliers in Central America, particularly in Guatemala and Honduras where more than 17,000 retailers offer products. It entered into its second phase in 2019. It has made visible the contribution of public and private sector in the generation of solutions around trade, sustainable development, and triangular cooperation.

- A relatively new effort has come up in Kazakstan with the Kazakhstan Agency for International Development Cooperation in considering the digital cooperation as a natural focus area. Some of the first projects implemented by the agency with Tajikistan and Kyrgyzstan were on digitization. Some experts advocate for Kazakhstan to have a role of a digital hub for the region.[20]
- In the last decade, Argentina has made efforts to improve digital access and use for all. Internet users, active mobile broadband, and fixed broadband subscriptions have increased. The country has made progress in digital transformation, establishing clear lines of action based on five axes: regulatory framework, infrastructure, education and digital inclusion, the digital economy, and digital government.
- India has also initiated a number of steps to tackle the issues emerging out of concerns for global warming and climate change. Some of them are, for example, the introduction of International Solar Alliance (ISA) in partnership with France that promotes greater use of solar power in our daily power consumption profile. There are other efforts at national levels as well. The results coming out of such efforts have been listed in the India Climate Change Knowledge Portal. The portal captures sector-wise adaptation and mitigation actions that are being taken by the various line Ministries in one place including updated information on their implementation. To add to these activities, several efforts at sub-national levels are underway, mostly by private sector players, like the recently introduced BharatATM's "Bank Sakhi" programme that aims at driving financial inclusion among Indian women.

[19] For more information and detail see: https://www.giz.de/en/worldwide/74579.html as GPI (2019): *Triangular Co-operation in the era of the 2030 Agenda, Sharing evidence and stories from the field.* Global Partnership Initiative on Effective Triangular Co-operation. Paris, France, pp. 66-68. https://www.oecd.org/dac/triangular-co-operation/2020_03_04_Final_GPI_report_BAPA%2040.pdf

[20] https://unece.org/sites/default/files/2021-10/13E%20Final%20John%20Ure%20DSC%202021_10_18.pdf.

These efforts are taking aims at digitalization of necessary activities that would reduce the cost of transferring resources from one to another—that is, the transaction costs—and simultaneously, would reduce the consumption of fossil fuel. However, all the efforts at digitalizing are happening apparently independent of one another. While some efforts are used to empower those who are yet to use the advantages of digitalization to augment the effectiveness and efficiency of their daily activities and simultaneously reduce the potential threats of losing out to the spread of digital development, efforts linking digital development to Climate Change are happening almost independently. Efforts that link the achievements of both of these objectives are the real challenges facing the policy makers today.

CONCLUSION

We focus on three concrete recommendations. The first two may be run immediately and simultaneously, while the third may be initiated after two years of actions and achievements.

The first recommendation is to initiate a group of researchers to look into evidence that clarifies the results of technology-led solutions to move towards a carbon-neutral society in terms of combined effects on consumption and production. A large number of activities have been initiated in both the developed and developing world to facilitate this journey towards a carbon-free world. They are to be evidenced, and classified in terms of their impacts on carbon neutrality and other parallel effects like employment generation. This is important as the researchers are still not convinced that a technology-led change would also take care of the other implications—social, ecological, political and economic—that may affect those who would be lagging behind in accepting the newly offered technology.

The second recommendation would simultaneously try to find the problems faced in implementing the technology-led solutions. Action researchers and CSO activists may be engaged in making a detailed understanding of the implementation processes.

Finally, once these two groups have worked independently from their perspectives on the acceptability or otherwise of the presently identified solutions, they should join together in a bigger group to explore possible solutions that may be acceptable according to the requirement of the collectives in question. This bigger group will come with a detailed framework to be implemented under the rubric of SSC, which will take care of all the five modalities—capacity building, technology sharing and co-creation, initiation of trade related measures to facilitate the process, sharing of resources as grants, and concessional funding. The last two components will only be meaningful if the activities linked to the first three modalities are clear to a large extent.