



Economic and Social Council Development Cooperation Forum High-level Symposium

Draft Aide Memoire

19-20 January 2008 - Cairo, Egypt

***“Trends in development cooperation:
South-South and triangular cooperation and aid effectiveness”***

Mandate

The 2005 World Summit mandated the Economic and Social Council (ECOSOC) to convene a biennial high-level *Development Cooperation Forum* (DCF) that would *review trends* in international development cooperation, including strategies, policies and financing, *promote greater coherence* among the development activities of different development partners and *strengthen the normative and operational link* in the work of the United Nations. At the request of the General Assembly (GA), the DCF was launched in Geneva in July 2007 and the first biennial Forum will take place in New York in 2008.¹

The DCF aims to advance the implementation of international development cooperation for the realization of the internationally agreed development goals (IADGs), including the Millennium Development Goals (MDGs), and to promote dialogue among all stakeholders to find effective ways to support this process. In this context, the DCF will provide a platform for Member States to exchange lessons learned and share experiences in formulating, supporting and implementing national development strategies. More specifically, the GA has given the DCF a mandate to:

- a) review trends and progress in international development cooperation, and give policy guidance and recommendations to promote more effective international development cooperation;
- b) identify gaps and obstacles with a view to making recommendations on practical measures and policy options to enhance coherence and effectiveness among the development activities of different development partners and to promoting development cooperation for the realization of the internationally agreed development goals (IADGs), including the Millennium Development Goals (MDGs);

¹ See General Assembly resolution 60/1 (2005) and 61/16 (2007)

- c) strengthen the links between the normative and the operational work of the United Nations; and
- d) remain open to participation by all stakeholders, including UN organizations, international financial and trade institutions, regional organizations, civil society and private sector representatives.

In addition, the General Assembly asked ECOSOC to undertake regular and periodic review and assessment of international economic and development policies and their impact on development. As the basis for discussion during the Forum, the Secretary-General will prepare an analytical background report for consideration by the DCF in 2008.

Cairo High-level Symposium

To facilitate an effective consultative process leading to the DCF taking place in 2008, and to provide it with solid substantive and technical inputs, the Department of Economic and Social Affairs of the United Nations (UNDESA) is supporting the organization of several high-level symposiums. The first event, focusing on “*country-level experiences in coordinating and managing development cooperation*” was held in Vienna, 19-20 April 2007, in cooperation with the Government of Austria.² The second symposium will take place in Cairo on 19-20 January 2008, in cooperation with the Government of Egypt.³ The Cairo meeting will particularly explore how to promote results-oriented development cooperation in pursuing national priorities.

The preparations for the first biennial DCF are envisaged to contribute to the 2008 Doha Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, in particular in the area of international financial and technical cooperation for development. In respect of the Accra High-level Forum on Aid Effectiveness in September 2008, the DCF preparatory process, and the Forum itself, will be stepping stones towards a renewed global consensus on aid quality and architecture, including national ownership and leadership.

Within the framework of the global partnership for development, the international community has agreed on objectives and norms in the area of development cooperation. However, concerns have repeatedly been voiced by developing countries and civil society with regard to the nature of some forms of donor involvement in the development process at the country-level that have compromised the policy-space available for national governments. An important aim of the Cairo High-level Symposium is to further strengthen the voice of developing country actors in the global debate regarding the promotion of strong national ownership and leadership of development cooperation as envisaged in the global partnership for development. Towards that end, the symposium will be organized as a multi-stakeholder event. The participants, which will be drawn

² More information is available from: www.un.org/ecosoc/newfunct/dcfvienna.shtml

³ The Cairo High-level Symposium will be organized in collaboration with the Special Unit for South-South Cooperation in UNDP.

from government, academia, UN system, civil society and the private sector, are expected to contribute in their private and expert capacity to a deeper common understanding of the issues for discussion.

The perspectives shared at the Cairo Symposium will be used as a substantive input for the first biennial DCF in 2008. In addition, the report of the symposium is expected to serve as a background document for a planned Southern Leaders' Roundtable to be organized during the 2008 DCF.

Symposium sessions

The Symposium will be organized as a one-and-a-half day meeting with three half-day sessions which will include country-based case studies, panel discussions and interactive dialogue. The first session will discuss whether policy-based conditionality is compatible with the principles of national ownership as well as the spirit of the global partnership for development. The session will also review recent experiences in moving towards outcome-based conditionality. The second session aims to exchange lessons learned from South-South and triangular development cooperation. It will explore the potential of triangular cooperation in achieving the broader goals of development cooperation as enshrined in the IADGs, including the MDGs. The third session is intended to explore how the existing framework for assessing aid quality and aid effectiveness could be broadened with the aim of strengthening the implementation of key development cooperation principles such as national leadership and mutual accountability.

a) Results-oriented cooperation: *experiences with conditionality*

Perceived as one of the most significant constraints to effective aid, the practice of conditionality has evoked debate and controversy. Apart from bilateral conditions imposed by donors on the multilateral aid arena, macroeconomic and structural conditionality have drawn severe criticism over the years, in particular for being at odds with the basic tenet of a nationally-owned and led development process and ultimately for infringing on national sovereignty and policy space in decision-making.

As a consequence, recent years have seen a change from short-term structural adjustment lending to longer term policy-based approaches with conditionality linking financial support to policies and institutions of recipient countries considered critical for development. Such conditionality is intended to assure the recipient that funds will be available if certain agreed policies and institutional reforms are put into practice while at the same time providing confidence that the programme objectives will potentially be met. Yet by some accounts policy-based approaches are still falling short of ensuring genuine ownership since the donor community remains preoccupied with the policy choices of recipient countries.

It has been argued that instead of focusing on policy measures and actions, the performance of a recipient country should be a determinant for the provision of aid. This implies moving from traditional ex ante conditionality which favours prior agreement on policies and policy reform to ex post conditionality which puts the emphasis on actual completed measures and/or outcomes. Barring instances of, for example, force majeure, outcome-based conditionality is one recent example of the desire to assess the effectiveness of development cooperation on the basis of its ultimate impact at the country level.

As with budget support in general, the focus on outcome-based conditionality begs the question of how disbursements are plausibly linked to outcomes since the latter may be the results of several other factors than exact policy choices of recipient governments. Moreover, establishing reliable short-term indicators and ensuring adequate and accurate data for measuring results are some of the important challenges of implementing such an approach.

The following questions may be addressed:

- How can the principles of national ownership and leadership be ensured while at the same time meeting the concerns of donor countries? Is the use of ex ante policy-based conditionality compatible with the implementation of global development cooperation principles and objectives?
- Does outcome-based conditionality represent an agreeable and workable compromise between donors and programme countries? Has outcome-based conditionality contributed to enhanced results-focus in development cooperation?
- Under which country conditions has it proved particularly effective? What have been the main difficulties in implementation?
- Has the use of outcome-based conditionality genuinely enhanced country ownership, leadership and national capacity development?
- Has use of outcome-based conditionality improved the predictability of aid?
- How are indicators established and what measures are taken to ensure availability and veracity of data as well as transparent and objective assessment of progress?

b) South-South and triangular development cooperation

Although not evenly distributed, the momentum of South-South cooperation has been growing over the years both in terms of scale and scope. As developing countries are becoming increasingly important actors in the world economy, the scope of South-South cooperation has broadened from a traditional focus on technical cooperation toward new modalities such as direct investment, trade, development finance and energy cooperation.

A key issue in South-South cooperation is the increasing development cooperation and assistance activities between countries of the South with several developing countries and emerging

economies able to provide development assistance to other developing countries, including technical and technological assistance. In this regard, South-South cooperation is widely held to be an effective form of cooperation because the lessons learned from one developing country to the other are likely to be closer to the experiences and priority needs of those countries. A number of good practices may be learned from this type of cooperation.

Pursued on a voluntary basis and intended to complement traditional North-South cooperation, South-South cooperation takes advantage of the complementarities that have emerged as a result of the different competencies of developing countries in terms of development and institutional capacities. South-South development cooperation thus encompasses the transfer of new technologies, skills, knowledge, good practices and peer learning from counterparts at similar levels of development. Development cooperation amongst developing countries offers means to pursue national priorities that may not always attract the attention of traditional donors. Similarly, conditionality may also be less restrictive or more directly responsive to national strategies, rather than vice-versa.

A growing dimension of South-South cooperation is triangular cooperation which harnesses the expertise and experiences of other developing countries while taking advantage of financial support from traditional donors. Triangular cooperation thus ensures a transfer of local knowledge that may not otherwise be accessible to developing countries, while offering a cost-effective approach to promoting development cooperation in the form of untied financial support. In addition to providing an approach to mobilizing additional resources, triangular cooperation may also include partnerships with the United Nations system, civil society organizations, academia and the private sector.

Considering the potential scope of South-South development cooperation, including triangular cooperation, in an era of rapid diversification among developing countries, it is important to maximize individual country experiences so as to reap the benefits for an even greater number of countries. The present session could therefore examine the following questions:

- Are some areas of South-South development cooperation producing better results than others? Under what conditions is South-South development cooperation considered particularly effective? What are the terms of cooperation that produce tangible and lasting results in South-South development cooperation?
- Is development cooperation between developing countries coherent with the realization of national development priorities and the IADGs?
- Are lessons learned from South-South development cooperation between emerging economies applicable to cooperation between emerging economies and least-developed countries as well as cooperation between least developed countries?

- How can good practices in development cooperation between developing countries be further promoted and shared?
- How can the policy dialogue on development cooperation in a South-South context be further promoted at a global level? Which issues of common concern to developing and developed countries could be part of this dialogue? What are the present constraints to furthering such a dialogue?

c) **Rethinking the aid quality framework: *towards an inclusive system***

The Monterrey Consensus established priorities such as the need for developing countries to improve their national development plans and aid disbursement/absorption procedures, and for donors to transform their technical assistance into capacity-building, reduce transaction costs and untie aid. The impact on discussions on aid quality and effectiveness were however more limited.

The priorities fed into the Rome Declaration on Harmonization of 2003 which consisted of a set of general principles for aid harmonization, largely among donors and on procedural issues. As a result, progress in implementing the Rome Declaration is difficult to assess, apart from the fact that 15 developing countries were able between 2003 and 2005 to reach agreement on Harmonization Action Plans with the respective donors.

A more specific set of pledges on aid quality were agreed on in the 2005 Paris Declaration on Aid Effectiveness. The Paris Declaration differed from previous agreements in having broader participation and consultation, a set of concrete actions including 12 monitorable indicators, and stronger emphasis on holding development partners accountable for progress. As a proxy for enhancing aid effectiveness, the Paris Declaration has been instrumental in focusing the work of development partners on key principles for effective cooperation such as alignment and harmonization.

Yet within the framework of the Paris Declaration there may be scope for exploring a broadening of the indicators for predictability, conditions precedent as well as disbursement and procurement procedures while at the same time examining options for further honing the indicators on technical assistance, untying of aid, programme support and mutual accountability may also be considered a worthwhile exercise. In addition to the focus of the Paris Declaration, a number of other issues relating to improving aid quality are also receiving attention such as allocation of development assistance, concessionality, sectoral distribution, conditionality and flexibility to combat exogenous shocks or changes in developing country priorities.

The present session is intended to solicit ideas and suggestions from the international community on ways to further strengthen the existing framework for aid quality, including aid effectiveness, in order to ensure equal and comprehensive ownership by donor and programme countries, in particular from various Southern actors such as recipient governments, emerging

economies, multilateral development banks, civil society organizations, academia, etc. Ultimately, a global dialogue, involving traditional, growing and new actors, is the surest path to ensuring greater coherence, effectiveness, quality and accountability of development aid.

The present session could examine the following questions:

- What are the top priorities in furthering an inclusive and comprehensive framework for improving the quality of aid? How could these priorities be integrated into the existing framework for aid quality?
- What are the appropriate indicators, benchmarks, criteria and methodologies for assessing the quality of aid and how can they be integrated more widely into donor/recipient cooperation frameworks? How can the quality of aid be monitored in terms of national needs, plans and IADGs?
- How can mutual accountability between developed and developing countries be enhanced through reform of the existing aid quality framework?
- What has been the experience at the country-level in formulating and implementing mutual accountability frameworks between donors and recipient countries? How can such a process be further strengthened and made more universal?
- How could the DCF play a role in building consensus on strengthening the existing framework for aid quality? Would the DCF have a role to play in such a strengthened framework?

Expected contribution

The Cairo High-level Symposium is seen as a key preparatory event for the first biennial DCF in July 2008 in New York. The report of the meeting, including key policy messages, will serve as a background document for the 2008 DCF and related events. The symposium is expected to make a substantive contribution to further improve the coherence and effectiveness of development cooperation by:

- Contributing to enhancing the focus on achieving results in development cooperation by empowering developing countries;
- Sharing lessons learned and good practices of South-South and triangular development cooperation;
- Articulating the perspectives of high-level policy makers in governments, civil society and others on the existing framework for improving aid quality, including aid effectiveness;
- Formulating a set of action-oriented recommendations that will support the discussions of the 2008 DCF in order to inform discussions at the Monterrey

Follow-up Conference in respect of international financial and technical cooperation for development.

Participants

The High-Level Symposium in Cairo will provide an opportunity for senior government officials, as well as representatives of other stakeholder groups, such as bilateral donors, multilateral organizations, civil society and the private sector to engage in a dialogue on some of the key issues facing partnerships for effective development cooperation.

The official language of the meeting will be English with Arabic and French interpretation. More information will be made available on the ECOSOC website, including an annotated agenda (www.un.org/ecosoc/newfunct/preparations.shtml).

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