

**THE ARAB REPUBLIC OF EGYPT**

**Statement**

**by**

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**GLOBAL PREPARATORY MEETING**

**UN Headquarters**

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- Within the framework of the preparatory process supported by the UNDESA for the upcoming 1<sup>st</sup> biennial DCF, Egypt hosted the second High-Level Symposium in Cairo, 19-20 January 2008.
- Hosting the second High-Level Symposium on the DCF, underscored the pre-eminent place of development cooperation on the Egyptian national agenda, and the priority Egypt places on the fundamental role that the U.N., and in particular the ECOSOC, can play in ensuring the effectiveness, coherence and impact of development cooperation. This role is especially important in view of the new trends taking place in development cooperation, and which include mainly:
  - The multiplication of development actors; (multilateral bodies, bilateral agencies, special purpose funds, NGOs, the private sector), a trend though welcomed led to an increasingly complex and fragmented fabric of development cooperation.
  - A growing momentum in South-South and triangular cooperation; and
  - An Exponential increase in philanthropy.
- The Cairo Symposium was organized as a one- and – a – half- day meeting with three sessions involving multistakeholders from the government, academia, U.N. system, civil society and the private sector.
- It particularly explored how to promote results-oriented development cooperation while pursuing national priorities, put in other words, how to promote strong national ownership and leadership of development cooperation.
- The Symposium focused on three core issues to the debate on how to achieve a more equitable and effective relationship between donor and recipient countries. These issues are as follows;
  - First "conditionality"; a controversial issue particularly so as it evokes concerns relevant to infringement on national sovereignty and "policy space". Within that context, the participants discussed questions as how compatible is conditionality with principles for global development cooperation such as national ownership and mutual accountability? How to ensure principles of national ownership and leadership in meeting donors concerns?

Can the use of ex-ante policy- based conditionality be justified in light of experiences?

What obstacles have hampered the elimination of conditionality? Can outcome-based conditionality represent a viable alternative or an agreeable compromise between donors and program countries?

  - Second, main issue that the Cairo Symposium addressed was "the aid quality framework"; Questions raised included: How to strengthen the existing aid framework by turning it into an inclusive and a comprehensive one with a view to

improving aid effectiveness while at the same time ensuring national ownership and leadership, as well as, mutual accountability. Another question still was what role should the DCF play in policy review and monitoring of such a strengthened framework?

- Third and last issue addressed by the Cairo Symposium was "South- South (SSC) and triangular development cooperation"; An issue receiving growing attention as reflected in the recent outcome of the Triennial Comprehensive Policy Review (TCPR) of the U.N. system which clearly indicated the need to better understand the potential of South – South and triangular cooperation.

Discussions on this issue revolved around whether some South-South and triangular development cooperation are producing better results than others? What are the conditions for tangible outcome and impact of such cooperation? What are the experiences of taking national priorities and internationally agreed development goals into account within the framework of South- South and triangular cooperation? How can South-South development actors play a more prominent role in the global dialogue on development cooperation?

- The most important conclusions and messages that were highlighted through the discussions on the different issues were as follows:

First: Messages from the first session on conditionality:

- Conditionality was criticized as being a one way accountability mechanism. It was also looked upon as a major obstacle to development cooperation, and as highly disruptive to national capacities and policies; it was argued that as such it will never work in the way it has been applied so far, no matter how donors impart new definitions to the egregious concept.
- Donors use of aid to influence national policies runs counter to the commonly agreed principle that development strategies should be nationally owned and led. Accordingly, it was argued that partnership between both donor and recipient countries should be based on shared values, mutual accountability and be results oriented.
- Some indicated that there are two issues to be considered when dealing with “mutual accountability”: the time perspective, and the type of indicators used for performance assessment.
- The alternative to the deficient ex-ante policy-based conditionality was perceived as the adoption of an outcome-based conditionality. However, this alternative was criticized by some for involving monitoring processes and indicators hardly controlled by the concerned countries (given the roles of other stakeholders such as citizens, the private sector and international actors).
- Developing countries mainly called for the elimination of conditionality, but some have argued that conditionality should not come to an end in what

concerns the rule of law, governance and human rights, as these form an integral part of the internationally agreed development agenda.

**Second: Messages from the second session on the aid quality framework:**

- It was argued that aid delivery by non-governmental organizations had largely been exempt from the present global framework for policy review and monitoring in the area of development cooperation.
- Program countries were encouraged to develop a framework that goes beyond the Paris Declaration.
- Enhancing the coherence and effectiveness of aid architecture was linked to the reform of the imbalanced system of international and financial governance.
- The need for capacity building for development in program countries was highly stressed, and it was mentioned that national ownership would only come through adequate domestic capacities .
- Ownership of the development process was seen by several as the most critical prerequisite for achieving sustainable outcomes. Tied aid will create dependencies that are counterproductive; and won't help in accomplishing much in terms of efficiency. They emphasized the importance of aligning aid with national development objectives, together with the importance of benefiting from international assistance in national capacity building.
- Predictability, harmonization and alignment of aid with national priorities were regarded as crucial to an effective aid together with ownership, leadership and transparency of the aid process.
- The need to ensure that aid allocated to poverty reduction is really serving this purpose was impressed upon.
- The representative of the Center for Global Development highlighted the fact that new ways of measuring aid quality are needed (such as gathering data on aid; how many steps a country has to go through to get funding from donor countries). It was pointed out that there are difficulties of developing a measurement to assess aid quality, which is both practical and widely accepted. The Center encouraged receiving countries to come up with their own initiatives to measure aid quality.
- It was pointed out, particularly by the Chair of OECD/ DAC, that the year 2008 is an important year for more and better aid through maximizing synergy between the DCF (July 2008), the Accra High –Level Forum (September 2008) and the UN Financing for Development Conference in Doha (November 2008). He highlighted the importance of the Paris Declaration which enjoys broad acceptance (100 donor countries, agencies and development organizations, G8, G20, World Bank and IMF), as well as the importance of working together with the civil society. It was also mentioned that DAC's work is challenged by 3 major issues: aid architecture (focus on mainstreaming), policy coherence with other

sectors (environment, trade, finance), and development effectiveness (discussion with the public and parliaments in donor and receiving countries).

Third: Messages from the third session on the "South- South and triangular development cooperation" :

- The need to enhance South-South cooperation was emphasized. The Under Secretary-General of the UNDESA underscored that the DCF is well placed to foster dialogue on South-South and triangular cooperation.
- It was highlighted, especially by the Secretary General of the UNCTAD, that South-South Cooperation is a subset of North-South and North-North Cooperation. The popularity of the discussion on South-South cooperation and the kind of support the UN is giving to it was referred to. It was also underscored that to make South-South cooperation work well, the global economic system should work well too. An example was given in the area of trade where South-South market access, it was argued, will not succeed without North-South market access.
- It was emphasized that there are real benefits accrued from South-South cooperation and that it is not limited to aid. It was also highlighted that the rate of South- South trade is rising faster than the rate of world trade, and that it actually represents 43% of world trade. The FDI among south countries amounts to 130 billion US dollars. And 29% of concessional lending originates from south countries accompanied with less conditionality. The regional trade agreements among south countries are on the increase as well, and those countries succeeded in coordinating their positions in the world trade negotiations. In the area of health care and pharmaceuticals, and after the amendment of the TRIPS 3 years ago, the coordination among south countries led to the manufacturing of some important medicines in south countries.
- Six reasons were given for why South-South cooperation needs more attention;
  - the unlikelihood that the Doha round for trade negotiations will be finalized this or the next year;
  - the emergence of some Asian economies, which reduced the impact of the subprime loans problem in the United States on the developing economies;
  - the increase in lending from the South to the North;
  - the increase of investment from the South in the North, and the neo-protectionist policies against these investments;
  - the lack of full implementation of the trade agreement between the countries of the South;
  - the need for South-South coordination in the discussions about global and regional public goods.
- The following recommendations were made:

- strengthening triangular cooperation as an engine for south economies growth;
  - giving more importance to cooperation between TNCs and host countries;
  - encouraging developing countries to accede to the EITI;
  - encouraging the G77 countries to finalize modalities of the 3rd round of GSTP negotiations before the Accra meeting;
  - regional cooperation must include non -trade activities;
  - accumulation of wealth in oil producing countries due to the unprecedented high oil prices must be redistributed by South-South cooperation.
- Lessons learned were driven from the experiences of some countries involved in South-South cooperation as for example Brazil and China.
  - Brazil has emphasized that its technical cooperation is demand driven, untied by conditionality and is non-profit-oriented, with capacity building as its focus. Successful practices developed in Brazil have been adapted to the prevailing conditions in other developing countries, special attention was given to “aid for trade projects”.

The lessons learned from the Brazilian experience implied that:

- to ensure consistency and sustainability, South-South cooperation should be implemented within the framework of projects and not as a result of circumstantial activities;
  - wherever possible, the inclusion of the project into the local development program and/or the national budget should be secured;
  - there is no real South-South cooperation without clear local ownership and leadership;
- The Chinese experience demonstrated that faced with similar development challenges, developing countries tend to share common views on their national development strategies and priorities. China impressed upon the principle of “aid for trade” in what concerns SSC, and on granting “zero customs duty” treatment to products originating from other developing countries, particularly African LDC’s, and on an aid policy based on mutual benefit, non-interference in local affairs, and on encouraging local ownership.
  - It was stressed that despite progress achieved so far, there are still some obstacles that hinder the expansion of South-South cooperation. This is particularly true regarding the lack of well defined national policies for economic development, as well as the absence of institutional support structures in some developing countries. There is also limited documented information on South-South cooperation success stories, lack of credible South-South project databases, and of reliable records of financial flows and standard methodology to ensure monetary expression to the contributions “in kind” typical of South-South technical cooperation projects. The diversity of focal points was also seen



as a limiting factor to a more coordinated dialogue among developing countries in search for common strategies.

- Shortage of financial support was regarded as another constrain to South-South cooperation. It was emphasized, therefore, that developed countries should live up to their commitment of increasing ODA, reducing debt for poor countries, eliminating trade protectionism, and providing more support for triangular cooperation. On their part, developing countries should rely upon themselves to fulfill the MDG's by enhancing internal capacities.
- It was argued that the UN system should play a more prominent role in promoting South- South cooperation, and should undertake the following steps:
  - mainstream SSC in its development business;
  - assess the impact and sustainability of SSC initiatives;
  - set up an appropriate mechanism to guide the increasing participation of NGOs and the private sector in SSC projects;
  - improve the management of SSC through tailor-made quality control mechanisms, as well as formulate international guidelines regarding the dissemination of information on projects and results derived from them;
  - standardize regulation and monitoring of the information to be exchanged internationally.

Thank you