



INTER-PARLIAMENTARY UNION  
122<sup>nd</sup> Assembly and related meetings  
Bangkok (Thailand), 27<sup>th</sup> March - 1<sup>st</sup> April 2010



Second Standing Committee on  
Sustainable Development,  
Finance and Trade

C-II/122/R-rev  
22 December 2009

**THE ROLE OF PARLIAMENTS IN DEVELOPING SOUTH-SOUTH AND TRIANGULAR  
COOPERATION WITH A VIEW TO ACCELERATING ACHIEVEMENT  
OF THE MILLENNIUM DEVELOPMENT GOALS**

***Report submitted by the co-Rapporteurs***

***Mr. François-Xavier de Donnea (Belgium) and Mr. Given Lubinda (Zambia)***

**INTRODUCTION**

**The Millennium Development Goals**

1. Poverty and hunger, which are on the agenda of all summit meetings and world conferences, have many causes: political, economic, demographic, social, cultural, environmental, etc. To eliminate poverty and hunger, progress must therefore be made in a large number of areas that are both interdependent and complementary. The range of efforts required is summed up in the United Nations development agenda and in the internationally agreed development goals, in particular the Millennium Development Goals (MDGs).
2. "We are now more than halfway towards the target date – 2015 – and the largely benign development environment that has prevailed since the early years of this decade, and that has contributed to the successes to date, is now threatened. We face a global economic slowdown and a food security crisis, both of uncertain magnitude and duration. Global warming has become more apparent. These developments will directly affect our efforts to reduce poverty: the economic slowdown will diminish the incomes of the poor; the food crisis will raise the number of hungry people in the world and push millions more into poverty; climate change will have a disproportionate impact on the poor. (...)" (Ban Ki-moon, UN Secretary-General, Foreword to "the MDG-Report 2008").
3. More generally, the situation in the world's developing countries –which contributed least to the crisis and are most severely affected – has led some economists to warn of "lost decades for development", which could have catastrophic consequences for rich and poor countries alike. After struggling with high food, fuel and fertilizer prices as well as the effects of climate change, these countries face rapidly shrinking trade and export-import credits. Private capital flows to emerging economies this year are projected to be down by 82 per cent from the boom year of 2007, the Institute of International Finance says. The World Bank, which has described the crisis as a "development emergency", projects a finance gap of up to US\$ 700 billion in these countries, and the possibility of a "lost generation", with added deaths of 1.5 to 2.8 million infants by 2015. Over 100 million people are expected to be tipped into extreme poverty each year for the duration of the crisis. According to the Food and Agriculture Organization (FAO) of the United Nations, the number of people worldwide that are suffering from hunger will rise by 11 per cent in 2009, as a result of the current economic crisis.

## **SOUTH-SOUTH COOPERATION**

4. In this context, South-South cooperation, as an important element of international cooperation for development, offers viable opportunities for developing countries and countries with economies in transition in their individual and collective pursuit of sustained economic growth and sustainable development. Developing countries have the primary responsibility for promoting and implementing South-South cooperation, not as a substitute for but rather as a complement to North-South cooperation, and in this context the international community should support the efforts of the developing countries to expand South-South cooperation.

5. Developing southern nations have increasingly turned to each other for economic development assistance. South-South cooperation has contributed to substantial economic growth in developing countries. South-South cooperation (SSC) refers to cooperative activities between newly industrialized southern countries and other, lesser-developed nations of the southern hemisphere. Such activities include developing mutually beneficial technologies, services and trading relationships. SSC aims to promote self-sufficiency among southern nations and to strengthen ties among states whose market power is more equally matched than in asymmetric North-South relationships.

6. The Marrakech High-level Conference on South-South Cooperation (16-19 December 2003) and the successive "South Summits" (Havana, Cuba, 10-14 April 2005 and Doha 2005, etc.) reviewed the progress made in South-South cooperation.

7. The Marrakech Declaration recognizes that South-South cooperation has experienced successes and failures which are linked, in a broad sense, to the external international environment which influenced development policies and strategies. In the 1950s and 1960s, South-South cooperation evolved and developed in the context of the common struggle of developing countries to reach development and growth. The institutions for South-South cooperation were developed in this period, including the Group of 77 countries (G77) and the Non-Aligned Movement (NAM). These and other multilateral organizations, including the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP) and other institutions in the UN system, helped formulate and articulate southern needs and concerns, and provided a framework for fruitful North-South dialogue and mutually beneficial relationships.

8. The Marrakech Declaration expresses the conviction that South-South cooperation is more needed today than ever. No single country, even the most advanced among developing countries, has much hope of reaching individually expected growth and development and influencing outcomes of international agenda. Today, it is becoming increasingly clear that the achievement of the MDGs, food security, trade, private-sector development, peace and security and other matters, are cross-border issues and have to be tackled through joint and complementary efforts, which is why regional cooperation between countries is an important priority.

9. Of course, South-South cooperation can and has taken place in a number of very different areas, including information and communication technology (ICT), trade, investment, finance, debt management, food, agriculture, water, energy, health and education, transport as well as in exchange of resources, experiences and know-how in these areas to make South-South cooperation contribute to economic growth and sustainable development. According to the Accra Agenda for Action (September 2008) South-South cooperation on development aims

to observe the principle of non-interference in internal affairs, equality among developing partners and respect for their independence, national sovereignty, cultural diversity and identity and local content. It plays an important role in international development cooperation and is a valuable complement to North-South cooperation. The so-called Heiligendamm process or the dialogue between the G8 countries and the important emerging economies (Brazil, China, India, Mexico and South Africa) recognizes that neither the G8 countries nor the important emerging economies can meet the challenges of the global economy alone; it is in part dedicated to determining joint responsibilities for development, focusing specifically on Africa.

10. This report will mainly focus on the following aspects of SSC:

- (a) SS Development Cooperation (official development assistance - ODA)
- (b) SS Trade
- (c) SS foreign direct investment (FDI)
- (d) SS Regional Cooperation/Integration

#### **I. OFFICIAL DEVELOPMENT ASSISTANCE (ODA)<sup>1</sup>**

11. South-South development cooperation has a long history, with some southern institutions and developing countries and economies contributing development assistance for almost half a century. The Kuwait Fund for Arab Economic Development (KFAED), for example, the first fund of its kind to be established by a developing country, was set-up in 1961, with the Islamic Development Bank (IsDB) and Arab Bank for Economic Development in Africa (BADEA) in operation since the mid-1970s. China has also been providing assistance to African countries for almost 50 years, including constructing the Tazara railway between Tanzania and Zambia in the late 1960s. The number of southern development assistance contributors has since grown further with several developing countries taking steps to establish full-fledged development cooperation agencies while broadening the focus from mainly technical cooperation to more comprehensive development programmes.

12. Triangular development cooperation has been interpreted as Organisation for Economic Co-operation and Development-Development Assistance Committee (OECD-DAC) donors or multilateral institutions providing development assistance to southern governments to execute projects/programmes with the aim of assisting other developing countries. At present, triangular flows do not appear to be a significant part of the global development cooperation architecture, although lack of data makes this difficult to ascertain.

#### **Defining ODA**

13. The lack of international agreement on how concessionality is measured has resulted in southern contributors not necessarily knowing whether development assistance flows should be defined as ODA, or whether loan terms are breaching the concessionality limit of IMF country programmes. While DAC donors report data on the basis of the OECD definition of ODA, this is not necessarily the case for southern contributors. As a result, the current ODA definition does not adequately measure the genuine transfer of resources that takes place to developing countries.

---

<sup>1</sup> Most of the information in this chapter has been taken from the following source: ECOSOC-DCF, Background study for the Development Cooperation Forum: trends in South-South and triangular development cooperation, April 2008.

## Data issues

14. A second main problem hindering in-depth analysis of South-South concessional financing flows is lack of accessible and comprehensive information and data. This is highlighted in the 2008 OECD-DAC Development Cooperation Report, which states "it is highly desirable that consistent and transparent accounting of flows from these countries is put in place as soon as possible, perhaps through the new ECOSOC Development Cooperation Forum".

15. A particular problem is the lack of reliable data on triangular development cooperation. It is important to note that most triangular flows are not "additional" development assistance provided by southern contributors, but rather included as part of northern donor flows to programme countries. OECD-DAC indicates that there is no "tagging" in its system of how much development assistance from developed countries is executed by agencies in developing countries, and DAC donors do not supply such data.

## Scale of South-South Development Cooperation

16. In the 1990s, development assistance from the 22 DAC member countries accounted for about 95 per cent of all international flows using the OECD-DAC definition. While DAC donors still provide the bulk of development cooperation flows, disbursements by non-DAC contributors have been increasing.

17. On the basis of more detailed analysis, the southern contributors covered in a 2008 background study for the Development Cooperation Forum (DCF)<sup>2</sup> are estimated to have disbursed between US\$ 9.5 billion and US\$ 12.1 billion in 2006-2007, representing 7.8 to 9.8 per cent of total flows. This estimate is between US\$ 2.4 billion and US\$ 5 billion higher than earlier figures. The range reflects considerable variation in the quality and availability of data from four major contributors, i.e. China, India, Republic of Korea and Venezuela. It should be noted that these figures most likely underestimate total Southern development cooperation as the flows of several smaller bilateral and multilateral contributions have not been included due to lack of data and differences in definitions of what constitutes development cooperation (as discussed above).

18. The largest southern contributors, in terms of resource flows, are China, India, Saudi Arabia and Venezuela (providing each at least US\$ 1 billion per year), followed by the Republic of Korea and Turkey (providing more than US\$ 500 million per year). The contribution of southern contributors to all multilateral institutions accounts for an average of about 18 per cent of ODA, compared with a DAC-donor average of 29 per cent. However the average masks a wide variation.

---

<sup>2</sup> The study focuses on 18 developing countries providing development assistance as well as three of the larger southern regional multilateral institutions:

- Ten major bilateral contributors (Brazil, China, India, Kuwait, Republic of Korea, Saudi Arabia, South Africa, Turkey, United Arab Emirates and Venezuela) each with development assistance programmes of more than US\$ 100 million per year and eight smaller bilateral Middle Eastern, Asian and Latin American contributors (Argentina, Chile, Egypt, Israel, Malaysia, Singapore, Thailand and Tunisia);
- Three southern multilateral institutions which cover a large number of programme countries, namely the Arab Bank for Economic Development in Africa (BADEA), the Islamic Development Bank (IsDB) and the OPEC Fund for International Development (OFID). Sub-regional institutions have been excluded as information has been more difficult to access.

### **Triangular Development Cooperation**

19. The rationale underlying triangulation is that southern contributors, which are still themselves developing, are felt to be better placed and have the relevant experience to respond to the needs and problems of programme countries. In particular, many Southern contributors have come up with successful models or practices, which can be more appropriately transferred to other developing countries, than those of northern donors.

20. In addition to having more appropriate technical expertise, such programmes can be more cost-effective as experts from developing countries are often paid less than nationals in donor countries and training costs (fees, use of facilities, travel, accommodation, etc.) are generally lower than in developed countries. Furthermore the expertise or training can be conducted in the language appropriate to the programme country such as Brazilian technical assistance to Portuguese-speaking African and Asian countries.

21. Chile's triangular cooperation is centered on the provision of technical assistance to Latin American and Caribbean countries in partnership with Japan (JICA), Germany (GTZ), Sweden, Finland, the European Union (EU), FAO, the Organization of American States (OAS) and the Inter-American Institute for Cooperation on Agriculture (IICA). For example, Finland has financed Chilean long-term technical assistance to develop small and medium-sized furniture production in Nicaragua. In 2006, Chilean technical assistance accounted for 7 per cent of the total cost of triangular projects, with northern donors and programme countries contributing 49 and 44 per cent, respectively.

### **Destination – Allocation**

22. To date, geography has been a major factor in determining the direction of southern bilateral development cooperation, albeit with few exceptions such as China. Focusing flows on the neighboring region or subregion makes sense for a contributor as there is likely to be a better understanding of countries' needs, language and cultural similarities, opportunities to improve trade, and it is probably less costly than administering a programme halfway around the world. It also allows southern contributors to focus strongly on regional projects, which program countries have often complained are under-funded by northern donors.

23. Some southern contributors have been criticized for not taking sufficient account of human rights when providing assistance to programme countries. However, as with some northern donors, political and strategic considerations, as well as trade and investment opportunities, have been stronger motives for delivery of assistance than human rights. Most southern assistance, in fact, does not go to countries with a poor human rights record. With the exception of Myanmar, many of the countries listed as the largest beneficiaries of southern assistance also feature among top ten recipients of aid from OECD-DAC countries.

24. Promoting bilateral trade and investment has also been a powerful motive for development assistance flows (as indeed for many northern donors). Focusing development assistance and investment on resource-rich African countries, such as Angola, Nigeria, Sudan, Tanzania and Zambia, for instance, has been an aspect of China's policy in recent years, with obvious benefits for trade.

## **Quality (in the light of the Paris Declaration on Aid Effectiveness and DAC Good Practices)**

### Policy conditionalities

25. Southern assistance has little, if any, policy conditionalities compared with aid provided by northern donors and the major international institutions. Many northern donors also align country policies, especially for programme-based support, with those of the IMF and World Bank, which in turn often contain governance as well as macroeconomic conditionalities.

### Procurement procedures and tying of assistance

26. While the majority of southern development assistance is seen as being tied, the shortcomings listed above do not apply to all of it. For example, tied southern development assistance does not necessarily equate with overpriced poor quality or substandard goods and services. In fact, a number of programme countries have indicated that the goods and services provided are of appropriate quality, in addition to being better priced and therefore yielding better value for money. Ghana, for example, indicates that project assistance from southern contributors, such as China and India, is more cost-effective than that of northern donors in part because the project costs are lower, the process is less bureaucratic and the projects are completed faster.

27. Technical cooperation by southern contributors may not only be at a lower cost, but also provide more appropriate technical skills and technologies compared to northern donors.

## **Paris Declaration on Aid Effectiveness**

28. To improve the effectiveness of aid, DAC donors, along with some of the southern contributors, have signed up to the Paris Declaration. However, some southern contributors have concerns that the Paris Declaration will constrain their development cooperation and so are cautious about too close an association. Furthermore, moving towards the Paris Declaration targets may mean that some of the benefits of southern development assistance to programme countries decline. For example, a move towards more performance-based approach (PBA) assistance (if it were to imply a focus on health and education sector programmes) may mean there is less direct project funding available for infrastructure projects, and it will be up to programme country governments to allocate PBA assistance on the basis of the national development strategy. Another target is to untie development assistance, but this could potentially lead to slower project implementation if the competitive bidding process takes time.

29. Until now, southern contributors have not been involved in the work of OECD-DAC in strengthening aid effectiveness. The Accra Agenda for Action (point 19a) encourages all development actors, including those engaged in South-South-cooperation, to use the Paris Declaration principles as a point of reference in providing development cooperation.

30. More widely, OECD-DAC is liaising with bilateral southern contributors with the aim of reaching agreement/endorsement of good development practices as developed by the DAC, while recognizing that this requires stronger participation of those contributors in the policy formulation process as well as in co-shaping the outcomes. In the first instance, DAC is engaging with non-DAC members of the OECD, OECD "enhanced engagement" countries (Brazil, China, India, Indonesia and South Africa), and accession candidates (Chile, Estonia, Israel, Russian Federation and Slovenia).

## II. TRADE

31. Today, the world economy is more than ever interlinked via trade and investment flows. Since 1995, world merchandise trade has been growing at an average annual rate of 7.5 per cent. Overall, the developing countries' share of global merchandise trade increased from 29 per cent in 1996 to 37 per cent in 2006.

32. The dynamic South – including China (especially as a manufacturing hub), Brazil (notably as an agricultural and agro-processing hub) and India (principally as a services hub), in addition to the first and second tiers of newly industrialized countries (NICs), as well as some other countries in Africa, Asia and Latin America – has been the locomotive of export expansion from developing countries in general, and of trade among themselves (South–South trade) in particular. South–South merchandise trade has more than tripled in just over a decade, from US\$ 577 billion in 1995 to over US\$ 2 trillion in 2006. In 2006, South–South trade accounted for 17 per cent of world trade and 46 per cent of developing countries' total merchandise trade. The manufacturing sector represented almost half of South–South trade, but the commodity sector including fuels, has been driving up interregional trade flows among countries of the South. Major energy producers and new and considerable demand for energy are also coming from the South.

33. Growing faster than both the world gross domestic product (GDP) and world merchandise trade, between 1980 and 2006 the total world exports of international trade in services increased from around US\$ 400 billion to US\$ 2.8 trillion. World services trade continues to accelerate, particularly in recent years, with an average annual growth rate of 12 per cent between 2000 and 2006. Recent analyses and estimates also suggest that South-South services exports, predominantly intraregional in nature, now account for over 10 per cent of world services exports.

34. The dynamic South has become an essential trade partner of both developed economies and economies in transition. Exports from developed countries to the South increased by 70 per cent in the decade ending in 2005, largely at the same pace as their exports to the rest of the world. Their imports from the South in the same period, on the other hand, increased by a massive 161 per cent, while imports from the rest of the world stood at 97 per cent. As Recent years (2000–2006) have witnessed a genuine explosion of merchandise trade between developing countries and countries with economies in transition. Thus, exports from developing countries to the latter increased by more than 382 per cent from 2000 to 2006. The growth of their imports from economies in transition during the same period was recorded at 123 per cent.

35. At this pivotal point in the world economy, particularly with regard to trade and investment, it is imperative to assess how the international community can best take this dynamic transformation of trade and investment patterns as an opportunity to make globalization more inclusive than it has been, and to place world economic growth on a more solid and balanced foundation. Indeed, the dynamic South has become, as Mr. Manmohan Singh, the Prime Minister of India, put it, "an international public good", as it offers new opportunities to sustain global growth at a time when there are concerns about a global economic slowdown.

36. Experts argue that the current global economic slowdown and credit crunch are having a serious negative impact upon the real economy of many developing countries, particularly the poorest and most vulnerable ones. The export earnings of many developing countries have

deteriorated due to a fall in manufactured exports to developed country markets, a fall in commodity prices, or both. The global liquidity crunch made it increasingly more costly for developing country exporters to borrow from international financial markets or to apply for export credits and/or export insurance. It also reduced private and official capital inflows (e.g. FDI and ODA) to developing countries, which constrained governments' ability to mitigate the negative impact upon domestic market or industries.

37. Within South–South trade, developing Asia acts as the centre of gravity of the majority of trade flows. In 2006, Asia's exports accounted for 86 per cent of total South–South exports, of which intra-Asian trade claimed 78 per cent. Furthermore, as a market, Asia receives more than half the South–South exports from Africa, and around a third from developing South America. In recent years, there has been a surge in developing Asia's imports from other regions, particularly from Africa, driven largely by massively increasing demand for energy and industrial raw materials. As for trade between Africa and America, it has been relatively limited, but with a clear sign of rising further.

<b>South–South trade – destination breakdown, 2006</b>			
<b>(as a percentage of total South–South trade*</b>			
	<b>Africa</b>	<b>Americas</b>	<b>Asia</b>
<b>Africa</b>	<b>1.4</b>	0.6	2.6
<b>Americas</b>	0.6	<b>5.8</b>	3.3
<b>Asia</b>	4.3	3.9	<b>77.6</b>

\* Source: UNCTAD, 12<sup>th</sup> Session, Accra, Ghana – "Emergence of a new South and South-South trade as a vehicle for regional and interregional integration for development.

38. Tariff barriers in general were substantially reduced in the past three decades, as a result of unilateral liberalization and various tariff negotiations either at the multilateral, regional or bilateral levels. The trade-weighted average of effectively applied tariff in the world was around 2.1 per cent in 2006. However, tariff barriers among developing countries remain on average higher than in world trade, despite numerous South–South preferential regional trade agreements (RTAs). In 2006, the weighted average of applied tariffs in South–South trade (i.e. tariffs effectively imposed by a developing country on exports from another developing country) was 4.3 per cent, compared to the weighted average of 2.3 per cent imposed by developed countries on exports from the South. In aggregate terms, approximately 71 per cent of tariffs imposed on exports from developing countries were by other developing countries.

39. Beyond tariffs, in South–South trade, the types of non-tariff barriers (NTBs) that have been identified as major trade impediments include customs and administrative entry procedures, para-tariff measures (e.g. additional import charges and duties), and other regulatory measures affecting infrastructure and institutions, but there is no comprehensive information that is required for an in-depth analysis of the actual impacts of various NTBs on trade and development.

40. Although a substantial part of trade from certain southern donors is allocated under the form of barter trade ( for instance raw materials in exchange for the construction of schools and roads, especially in Africa) there are no separate statistics available on barter trade. This lack of data makes it also difficult to ascertain whether the terms of trade in these transactions are favourable or unfavourable for the poorer party.



41. Trade agreements among developing countries comprise key instruments for effective South–South cooperation, and should thus be further encouraged. A successful conclusion of the São Paulo Round of negotiations on the global system of trade preferences among developing countries (GSTP) is important in this regard. The provision of tariff-free and quota-free access to exports of least developed countries (LDCs) is an important vehicle for strengthening the participation of LDCs in South–South trade. A number of developing countries have started to provide such preferences. Free trade agreements (FTAs) and regional trade agreements (RTAs) could encompass measures to enhance a wide range of economic cooperation among developing countries although complementarity and the sometimes relatively dissimilar nature of the economies concerned can be serious challenges.

42. The greatest challenge for South–South–North triangular cooperation is to ensure that development gains from the new and dynamic opportunities of global trade are equitably distributed among all stakeholders. Within the South, a worrying degree of divergence among developing countries is noted with regard to the benefits they are deriving from globalization. Most of the progress that has been achieved is due to significant advances made by several dynamic developing countries. Low-income countries, particularly LDCs, are still left waiting for the fruits of increasing interdependence in the global economy.

43. At the same time, impressive trade performance by the dynamic part of the South does not imply that these developing countries have overcome their inherent and persistent trade and development constraints, challenges and vulnerability. UNCTAD's Trade and Development Index, for example, reveals that even countries of the dynamic South still suffer considerably from widespread poverty and serious infrastructure deficits, as well as financial, structural and institutional shortcomings. They also face the daunting challenge of bridging the inequality gap within their societies, and of ensuring more widely distributed trade and development gains for women and the urban and rural poor.

### **III. FOREIGN DIRECT INVESTMENT**

44. FDI from developing countries has grown rapidly over the previous two decades, with its share of world outward FDI stock rising from 8 per cent in 1990 to 14.7 per cent in 2007. The number of investing countries from the South has also increased: in the 1990s the newly industrialized economies of Asia and Latin America were the main ones investing substantially abroad, but over the last decade, a more diverse set of outward investing developing countries – such as China, India, South Africa and others from West Asia and Latin America – have become significant players.

45. A significant proportion of FDI from developing countries was to other developing countries, particularly neighbouring countries, giving it a South–South and regional characteristic. South–South FDI has increased sharply during the previous two decades, from US\$ 3.7 billion in 1990 to US\$ 73.8 billion in 2007. These figures probably understated the reality of South–South FDI because of the lack of precise data.

46. South–South FDI was a substantial source of FDI for some LDCs, such as Cambodia, the Democratic Republic of the Congo, Lao People's Democratic Republic, Lesotho and Malawi.

47. The impact of regional integration on FDI varies across regions, depending on the depth of integration and economic complementarities. On the whole, regional integration can have a positive influence on FDI, primarily through increasing the market size, and the positive perceptions associated with the integration process among the business community. Regional integration also often facilitates cooperation in infrastructure development, which in turn has a

positive impact on inward FDI. The main driver behind South–South FDI within a regional context is geographical proximity, because of regional firms’ familiarity with neighbouring markets, and their ability to take advantage of existing regional agreements.

48. Intraregional FDI as a share of total South–South FDI varies from region to region, with Latin America and South-East Asia demonstrating the highest share of intraregional South–South FDI. This reflects the depth and extent of current regional integration, particularly within MERCOSUR and members of the Association of South-East Asian Nations (ASEAN). Regional integration in those two regions could enhance intraregional trade and investment flows because of complementarities of production and products among the constituent countries.

49. The current economic crisis is likely to affect South-South FDI flow, with a variation in the level and types of impacts to be expected between and within regions. In 2007, FDI in developing countries reached US\$ 1 trillion or 8 per cent of world GDP. In 2008, total FDI was halved to US\$ 500 billion. The aforementioned impacts depend upon the current integration of a region in global networks, and the existing level of interdependence with developed countries. Experts agree that South-South FDI could help developing countries insulate themselves to some extent against the vagaries of the global economic system. Developing countries play an active role in the new dynamic of international trade and investment flows.

50. On the other hand, a secure environment as part of a stable investment climate, poses a serious challenge for a number of African States. Failing or weak States are not in the interest of the global community. In this respect DAC-donors and southern actors share a common long term interest: only functional States can be reliable sources of raw materials or targets for foreign investment.

51. Africa, especially sub-Saharan Africa, is not a key part of global production networks and may not therefore be as severely or directly impacted by the crisis through the transmission mechanism. However, the region is likely to suffer from falling commodity prices and declining ODA, as well as the higher cost of borrowing in the international financial markets. FDI flows to Africa are likely to decline, but the decreases will not be equally distributed across the region. The impact of FDI flows on poverty reduction, especially in Africa, need to be assessed but there is some concern that while FDI flows might increase in the region, poverty might also increase.

#### **IV. REGIONAL AND CROSS-BORDER COOPERATION/INTEGRATION FOR DEVELOPMENT**

52. The following broad definition of regional integration, which reflects the Cotonou Partnership Agreement (CPA), is proposed in a communication from the European Commission: "regional integration is the process of overcoming, by common accord, political, physical, economic and social barriers that divide countries from their neighbours, and of collaborating in the management of shared resources and regional commons".

53. The European experience is a point of reference for many ACP regions. The political goals and the specific objectives of regional integration are broadly similar.

54. Three main objectives of regional integration can be distinguished.

- **Political stability** is a pre-requisite for economic development. Regional organizations play an increasing role in defusing conflicts within and between countries and in promoting human rights. Regional integration also helps build trust, enhance understanding between groups and deepen interdependence.

- **Economic development:** In larger and more harmonized markets, the free movement of goods, services, capital and people enables economies of scale and stimulates investment, thus spurring economic growth and increasing South-South trade. The right mix of gradually increased regional and extraregional competition and a measured protection allows smooth integration into the global trading system and makes regional integration a vehicle for growth and accelerated poverty reduction.
- **Regional public goods:** Only cooperation between neighbouring countries can address challenges of a transnational dimension such as food security, natural resources, biodiversity, climate change, and disease and pest control.

55. "Integration is no doubt a vital tool for accelerating the economic, social, cultural and political development of African countries; because affirmation of a common will to come together and for integration is likely to alleviate and indeed eliminate the sources of violent conflicts. Furthermore, enlargement of national markets and harmonization of regulatory frameworks will help create an environment conducive to profitability of investments in the Continent. Clearly, other measures will be necessary to wipe away the poverty phenomenon and place Africa on the fast track of home-grown development. However, integration is an obligatory and unavoidable approach for weak countries, given the difficulties associated with globalization. African micro-nation-states in the making are for the most part anachronistic, lacking in visibility and credibility; States without a hold on history; States without clout vis-à-vis contemporary forces dominated by more powerful leader states and multinational entities. Africa must form vast and viable internal markets to overcome this difficult situation. Such markets will pave the way for inter-African division of labour according to relative domestic and external advantages, and confer on these huge collective entities a genuine power of negotiation with the markets already constituted on other continents."

56. This extract from the strategic Plan of the African Union Commission analyses with great lucidity one of the big paradoxes of the globalization process. Today, developed countries accelerate the construction of regional blocks to confront the challenges of globalization. The poor countries however seem to have to confront in a disparate order the double challenge of both development and international competition.

57. A number of developing countries are already applying strong programmes in support of South-South cooperation. The use of the existing expertise and the experiences available in the more advanced developing countries is a major factor in this equation. As regional and sub-regional integration proceeds, more opportunities for cooperation will be emerging in crucial sectors such as infrastructural development, coordination mechanisms for transnational environmental issues, political dialogue and consensus building: the experience of the New Partnership for Africa's Development (NEPAD), with its African Peer Review Mechanism, is showing the feasibility and the effectiveness of this new encompassing concept of regional cooperation, for instance. The EU is committed to supporting the regional leadership of NEPAD, in the framework of the overall policies for sub-Saharan Africa as illustrated in the European Commission's Communication "Focus on Africa". The EU is also supporting regional cooperation mechanisms in Africa, for example, through the ACP-EU Water Facility, which favours coordinated management at regional level of water resources, in the framework of the Johannesburg Plan of Implementation.

58. Yet, in some regions, especially in Africa, it should not be overlooked that the positive effects of integration can only be realized when the overall policy framework and the governance and security situation are conducive to such integration. Therefore, given the limitations in these areas, many past initiatives have not yet lived up to expectations.

59. South-South cooperation could play an increasing role in the areas of crisis prevention, early warning, emergency response and post-crisis reconstruction, building on recent, successful initiatives.

60. In the light of MDG 1 (halving poverty by 2015) and the current food crisis, specific attention and reflection is needed about the role of regional integration in ensuring food security and in agriculture. The Sahel and West Africa Club (SWAC) for instance proposes the drafting of food security country profiles, negotiating a revised "Food aid charter", stimulating strategic thinking and analysis and developing prevention, early-warning and response mechanisms to combat pests affecting food security in the region. The growing commercial pressures on land or the rising competition for land in rural areas by investors, threatens the future of agricultural production in the poorest areas. In this field too, a subregional or regional approach could be more successful.

61. Today, it is becoming increasingly clear that the achievement of the MDGs, food security, trade, private-sector development, peace and security and other matters, are cross-border issues and have to be tackled through joint and complementary efforts, which is why regional cooperation between countries is an important priority. This has also been taken into account by the African Union Commission.

#### **PARLIAMENTARY INVOLVEMENT IN SSC AND TDC FOR ACHIEVING THE MDGs**

62. Parliamentary involvement in achieving the MDGs is particularly pressing now with only six years before the deadline of 2015, until when the international community has to attain the ambitious albeit important range of goals: eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV/AIDS, malaria and other diseases, ensure environmental sustainability, and develop a global partnership for development, with targets for aid, trade and debt relief.

63. The parliamentary dimension to international cooperation must be provided by parliaments themselves first of all at the national level in four distinct but interconnected ways:

- (a) Influencing their respective countries' policies on matters dealt with in the United Nations and other international negotiating forums;
- (b) Keeping themselves informed of the progress and outcome of international and regional negotiations, including issues related to regional and international cooperation with particular emphasis on South-South cooperation;
- (c) Timely scrutiny and ratification, where the Constitution allows, of international/regional texts and treaties signed by governments;
- (d) Reviewing national legislation to promote regional integration and South-South cooperation as well as the achievement of the MDGs;
- (e) Voting for sufficient budget allocations to programmes and sectors that address MDGs;
- (f) Scrutinizing reports on MDG programmes and sectors and recommending timely actions to enhance the achievement of the MDGs;
- (g) Contributing actively to the implementation process; and
- (h) Engaging the general public in discussions about the MDGs and in the implementation of programmes aimed at addressing and achieving them.

64. It is an established fact that the achievement of the MDGs depends heavily on global and national parameters in developing (southern countries) and industrialized (northern) countries. They represent a global partnership based on shared responsibility committing rich and poor countries, the UN system and key institutions that determine the economic fate of the developing countries: the World Bank, the IMF and the World Trade Organization. Therefore, the role of parliaments from both the South and North cannot be overemphasized. As already mentioned, the emerging trend in SSC is being seen in southern countries cooperating through sharing of development experiences, cooperation projects, capacity-building, technical assistance, but also increasingly in subsidized lines of credit and grants, and preferential market access on a unilateral and reciprocal basis, while TDC through the provision of financial resources for the promotion of the potentials of SSC as developing countries is normally short of resources.

65. Therefore, parliaments from both the South and the North can do the following in practice:

- Become involved in the development of the country's policy through special parliamentary committees and participation of sectoral working groups; and
- Monitor implementation on the ground not merely for its financial soundness but especially for its effectiveness in delivering poverty reduction.

66. Specific roles of parliamentarians are as follows:

#### **Role of Parliamentarians from Northern Countries**

67. The MDGs require governments in the developed world to honour their commitments on aid and to make sure that the value of the aid given is not offset many times over by the negative effects of unfair trade regimes and the requirements of debt repayment, which is currently the case. This places the onus on parliaments in developed countries to bring pressure to bear on their governments to honour their aid commitments, and to ensure that it is being used effectively, and, in addition, not to separate oversight of aid policy from a wider consideration of trade policy and international finance.

68. Northern parliaments can play a significant role in allocating, on an incremental basis, resources that promote South-South and Triangular Cooperation.

69. Northern parliaments can encourage their governments to urge multilateral organizations, such as the Bretton Woods institutions, to develop and foster the implementation of programmes that promote trade between countries of the South.

#### **Role of Parliamentarians from Developing (Southern) Countries**

70. The MDGs provide parliaments with a perfectly tailored internationally agreed framework to hold their governments to account. Parliaments can play a role in the following areas:

##### The budget process

71. Accountable and effective management of public financial resources constitutes one of the most fundamental responsibilities of governments. Scrutinizing these is the most important mandate for Parliaments. Still, according to recent World Bank estimates, approximately 5 per cent of global GDP disappears through corruption and mismanagement. This figure is

much higher in developing countries that are lagging behind in achieving the goals. If the MDGs are to be achieved, scarce resources must be spent on the needs of the people, hence the need for full transparency in the budget processes. Parliamentarians should ensure that public expenditure management is accountable and transparent and that public spending accrues to the poor, instead of the rich, as is currently the case in too many developing countries.

### Sectoral policies

72. Parliamentary committees, in their debates with sectoral ministries, should ensure that the MDGs feature prominently in sectoral policies. More importantly, sectoral policies need to be translated into effective service delivery (in health, education, sanitation, water, etc.) for all citizens throughout the country. Countries must adopt policies that promote South-South and Triangular Cooperation.

### Legislation

73. Parliamentarians also need to ensure that legislation becomes a relevant and effective tool in reducing poverty and meeting the goals. In many countries inheritance, property and tax laws urgently need to be reviewed to ensure that women can fully participate and contribute to development. Also, in order for poor people to lift themselves out of poverty by unleashing their entrepreneurial spirit, legal reform is needed to improve the business climate, particularly for domestic investors. In many developing countries the volume of capital flight is actually larger than that of aid received. Legislation should also be put in place in order to support SSC efforts that are conducive to achieving the MDGs.

### Governance

74. Last but not least, the cross-cutting issue of the need to improve governance, to create a capable State that is needed to achieve the MDGs by improving quality and efficiency of the public sector, modernizing and reforming bureaucracy, decentralizing through empowerment of local authorities, and ensuring that political processes are inclusive, not just politically representative through elected parliaments.

### South-South and Triangular Cooperation

75. Parliaments must urge their governments to participate actively in efforts aimed at developing SSC and TDC. This includes, among others, at the global level, the G77 and China and the NAM countries, which has continued to serve as the broadest mechanisms for consultation and policy coordination among developing countries. The positions adopted over the years by the G77 and the NAM constitute a comprehensive philosophy and framework for action for developing countries, and United Nations conferences, particularly the 2000 Millennium Summit, have guided recent North-South and South-South initiatives at the global and regional levels.

76. Countries must support Technical Cooperation among Developing Countries (TCDC) set up under the G77 and China, without prejudice to the necessary support to other regional and global organizations promoting and fostering SSC. Since its adoption in 1978, several decisions and resolutions reaffirming the validity and importance of TCDC have been adopted by the United Nations General Assembly, the Economic and Social Council (ECOSOC) and the UNDP Executive Board. In its resolution 1992/41, ECOSOC called upon all parties in the development effort to give the TCDC option first consideration in their technical cooperation activities. It also invited all countries to improve the environment for TCDC and facilitate its widespread use.