

ANNEX I: PSC Background

Introduction

Background

During the World Summit on Sustainable Development (WSSD) held in Johannesburg in 2002, the Republic of Benin, the Kingdom of Bhutan and the Republic of Costa Rica entered into a Strategic Partnership for Cooperation on Sustainable Development, signing an agreement on the 31 of August 2002. By means of this Strategic Partnership Agreement, open to the participation of other countries willing to join the partnership, the three countries reaffirmed their commitment to the pursuit of sustainable development goals.

This was the direct outcome of the experience generated from the Sustainable Development Agreements (SDAs) and the collaboration of the three partner countries and the Kingdom of the Netherlands within this framework. A decade of promoting and supporting hundreds of projects, implemented between two or more of the partner countries, of delivering joint declarations at multilateral forums and debating policies towards achieving sustainable development, has demonstrated the potential -not fully exploited so far- of an innovative framework of collaboration based on equity, reciprocity and participation, that tried to break with traditional North - South relationships in development cooperation.

The Bilateral Sustainable Development Agreements and their follow-up

The outcome of debate on the evaluation of the Bilateral Agreements on Sustainable Development in particular (2001), and of the debate on policies for development cooperation by the Netherlands parliament (2003), led the Netherlands Ministry of Development Cooperation to the decision, in 2004, to hibernate their active participation in these agreements. In line with this decision, the Netherlands National Mechanism, the Netherlands International Partnership for Sustainable Development (NIPS), hosted by the Royal Tropical Institute (KIT), officially ceased to exist as per 31 of December 2005.

Instead, in 2005, a three-year Programme for South-South Cooperation on Sustainable Development between Benin, Bhutan and Costa Rica was proposed (PSC), based on the goals of the Strategic Partnership Agreement (signed between these countries in 2002), and the experiences of the Bilateral Sustainable Development Agreements.

Moreover, the Netherlands agreed to transfer funds to support the PSC, up to an amount of USD 13.2 million. The National Mechanism of Costa Rica, Fundecooperación, will act as Secretariat of the new Programme for South-South Cooperation (PSC) and as Administrator of the PSC Fund.

The basic architecture, funding and responsibilities of the PSC Programme, laid down in the Regulations of this PSC, were agreed upon in a special meeting of the Joint Committee of the Sustainable Development Agreements, 18 and 19 of May 2005, at The Hague. It was also agreed that the National Mechanisms would elaborate a Multi-Year Plan for the PSC and a first Annual Plan for 2007.

Towards a Multi-Year Plan for the PSC

In the following months, a first draft of the Multi-Year Work Plan 2005-2008 was developed by the National Mechanisms, approved by the Management Board and endorsed by the Joint Committee, in October 2005. Moreover, a PSC Handbook of Procedures was worked out.

An essential moment in this process, was a meeting between representatives of the National Mechanisms of Benin, Bhutan and Costa Rica in Bhutan, in November 2005. In this meeting, agreements were reached on promotion policy of the PSC in the partner countries, and on the translation of the major thematic areas of the programme into concrete priorities for bilateral, and trilateral projects. The outcomes of this meeting were laid down in the Annual Plan 2005-2006.

Both the PSC Multi-Year Plan and Annual Plan drafts were submitted in November 2005 to the Netherlands Ministry for Development Cooperation, for approval and as basis for the multi-year finance commitment. In December 2005, the Ministry expressed their opinion to the Royal Netherlands Embassy in Costa Rica, that there was room for improvement of the programme proposal, before proceeding to final approval. Especially issues like a more explicit logframe, clearly formulated criteria for project eligibility and a more strict management of overhead costs should be addressed.

Based on this criteria, with support of a facilitator contracted for this purpose by the Netherlands Ministry of Development Cooperation, a thorough review of the Multi-Year Plan was carried out in March-April 2006, in close communication and feedback with the Administrative Board, Interim Manager and Technical / Administrative staff of Fundecooperación, the Royal Netherlands Embassy in Costa Rica and the Netherlands Ministry for Development Cooperation; without affecting the essentials and spirit of the PSC.

The present programme document is the result of this exercise. As instrument, the UNDP methodology and format for project / programme formulation was used.

Moreover, an updated organisational capacity assessment of Fundecooperación was carried out, using the COCA instrument (Checklist Organisational Capacity Assessment); and Fundecooperación prepared a Half-Year Plan for the start-up phase of the PSC (May-November 2007).

Characteristics of the programme document (multi-year plan 2007-2010)

The PSC is a political, administrative and financial framework to develop South-South cooperation, with the intention to make this a replicable model. In the operational field, the basic technical feature of the PSC is an institutional arrangement and financial facility for “call for proposals” from a bottom-up approach, taking into consideration the guiding principles of equality, reciprocity and participation and other criteria, laid down in the mentioned PSC Regulations, May 2005 .

This means that the concrete objectives, expected results, activities and means (inputs) for these projects cannot be described into detail in this multi-year programme document. Instead, this should be reflected in concrete project proposals, to be submitted for approval to the Management Board in the different rounds of “call for proposals”, and to a certain extent, in the aggregate PSC Annual Plans. In line with this, the first PSC Annual Plan 2005-2006, result of policy consultations between the National Mechanisms of Benin, Bhutan and Costa Rica in November 2005, is an intermediate instrument between the multi-year plan and the concrete project proposals. Although implementation of this Annual Plan was postponed, as fundament for further planning it remains a valid document.

So, details of concrete projects and activities cannot be described here. Therefore, this multi-year programme document concentrates on:

- § The development goals of the PSC;
- § The major thematic areas, that according to the PSC Regulations and the outcome of policy dialogue between the PSC partners on priorities, should be addressed in order to make progress towards more sustainable development patterns; and
- § The sustainability of the South-South partnership as such.

Basically, the multi-year programme document should be an instrument to be used by the National Mechanisms, Management Board and Secretariat along the time-frame of the PSC: to monitor and assess the aggregate effect and impact of projects in the major thematic areas; to guide the performance of the National Mechanisms and PSC Secretariat (towards greater levels of sustainability); and to value the contribution of these two dimensions to the development goals of the PSC.

In October and November 2005, the National Mechanisms of Benin and Bhutan authorised Fundecooperación to make changes to the Multi-Year Plan, according to the outcome of the assessment by the Netherlands Ministry for Development Cooperation. During the process of revision in March and April 2006, consultations took place between Fundecooperación and the National Mechanisms of Benin and Bhutan. After assessment and approval by the Netherlands Ministry of Development Cooperation -and according to the spirit of the Regulations of the PSC- the document should be ratified by the Management Board and eventually endorsed by the Joint Committee, to guarantee full appropriation by the stakeholders.

Upon approval of this multi-year programme document, a Contribution Agreement will be signed between the Royal Netherlands Embassy and Fundecooperación; and agreements will also be signed between Fundecooperación and the National Mechanisms of Benin and Bhutan. During the implementation of the Half-Year Plan for the Start-up Phase (foreseen for the second semester of 2007), organisational capacity assessments of the National Mechanisms of Benin and Bhutan will be carried out, and the definitive Year Plan for 2008 will be prepared.

San José, Costa Rica

May, 2007

Secretariat of the Programme for South-South Cooperation
for Sustainable Development between Benin, Bhutan and Costa Rica /
Fundecooperación

Section A

Context

A.1. Development challenges addressed

A.1.a. Global challenges for sustainable development

The development challenges of this programme are determined by the global issues discussed on the UN Conference on Sustainable Development (Rio de Janeiro Earth Summit, 1992); the implementation of the Agenda 21; the follow-up World Summit on Sustainable Development (Johannesburg, 2002), and the UN Declaration of the World Summit on the Millennium Development Goals (September 2005).

Generally, in the analysis on problems of sustainable development, in policy documents and conference declarations, the importance is stressed of simultaneously tackling poverty, unsustainable patterns of production and consumption, and degradation of the natural resource base of economic and social development.

A.1.b. Integral concept of sustainable development

In line with this approach, the PSC adopts the Brundtland definition of sustainable development, which emphasises the close relation and interaction between the economic, social and ecological dimensions of development (1998):

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.

Sustainable development focuses on improving the quality of life for all of the Earth’s citizens without increasing the use of natural resources beyond the capacity of the environment to supply them indefinitely. It requires an understanding that inaction has consequences and that mankind must find innovative ways to change institutional structures and influence individual behaviour. It is about taking action, changing policy and practice at all levels, from the individual to the international. Sustainable development is not a new idea. Many cultures over the course of human history have recognised the need for harmony between the environment, society and economy.

What is new is an articulation of these ideas in the context of a global industrial and information society: the promotion of global citizenship and global responsibilities for sustainable development patterns as response to, and as necessary complement in the social and environmental dimensions, of globalisation of trade and internationalisation of economic relations, as one of the principal driving forces behind profound transformations at world scale.

A.1.c. The WSSD and the Millennium Development Goals

The World Summit on Sustainable Development (WSSD, Johannesburg, 2002) identified the following broadly defined priority themes, in order to make progress on the way to more sustainable development patterns: (1) water; (2) energy; (3) health; (4) agriculture; and (5) biodiversity.

The Millennium Development Goals (MDG) are defined as follows: (1) eradicate extreme poverty and hunger; (2) achieve universal primary education; (3) promote gender equity and empower women; (4) reduce child mortality; (5) improve maternal health; (6) combat HIV / AIDS, malaria and other diseases; (7) ensure environmental sustainability; (8) develop a global partnership for development.

The definition that the PSC has adopted emphasises economic and social development and environmental protection. The UN Declaration of the 2005 World Summit on September 13th stresses these three components in particular when referring to sustainable development. The PSC addresses, directly or in an indirect manner, the prioritised sustainable development themes (especially water, energy, agriculture and biodiversity) and the Millennium Development Goals (especially poverty reduction, gender, environmental sustainability and partnership for development).

In the following Sub-sections A.1.d.-A.1.h, specific contexts are worked out briefly, related directly to the main thematic areas of the Programme for South-South Cooperation:

- § Sustainable tourism.
- § Sustainable production and consumption chains
- § Conservation and sustainable use of biodiversity
- § Access to sustainable energy and efficient energy use
- § Gender equity

Advanced analysis and strategy statements on the main thematic areas were elaborated in the first draft of the Annual Plan 2005-2006, as result of consultations of stakeholders in a series of workshops, between 14 and 16 of November 2005 in Thimphu, Bhutan.

The subsequent Section A.2., is dedicated to the lessons learned from the Bilateral Sustainable Development Agreements.

A.1.d. Sustainable tourism

Recent developments

Tourism is one of the largest growing industries based on its contribution to Gross Domestic Product (GDP). Tourism is a key component of all the partner country service industries as it gives economic value to its cultural heritage, creates employment, generates foreign exchange and has the power to provide significant earnings that can be directed towards alleviating poverty and in achieving the Millennium Development Goals. At the World Tourism Fair in Berlin (October 2005), the World Tourism Organisation (WTO) has identified pro-poor tourism as the emerging theme. Tourism has greater pro-poor potential than other industries. The development partners were urged to recognise tourism as an important instrument for tackling poverty.

The UN Specialised Agency for Tourism advocated the Sustainable Tourism-Eliminating Poverty (ST-EP) theme, and launched a programme during the UN Conference on Trade and Development (UNCTAD) in 2004, which aims to encourage sustainable tourism as an instrument for alleviating poverty. The Sustainable Tourism Program supports the partner countries, including poverty reduction objectives in tourism strategies and action programmes as well as by ensuring that tourism negotiation in the World Trade Organisation framework contributes to sustainable development.

Benin, Bhutan, Costa Rica

All three PSC partner countries dispose of natural, social and cultural resources that are valuable assets for tourism. While tourism is a major source of foreign currency and may contribute to income generation, its benefits are often poorly distributed while communities that are object of tourism may be confronted with serious side effects. These may include, among others: habitat destruction and other forms of pressure on natural resources; social disruption; prostitution; child abuse; and cultural erosion.

Local communities and tourism organisations often lack the knowledge and information of how to reduce the negative effects and enhance the sustainability of tourism operations, thus contributing to local income generation.

Each of the three countries has its own approach to developing the tourism sector and has gained experience with the mitigation of side effects.

§ In Bhutan, tourism is targeted towards high-end arrivals due to lack of facilities and the avoidance of mass tourism. However, in order to derive maximum benefit from tourism, a master plan has been developed and liberalisation of tourism pricing is under review with product diversification to increase the arrival of tourists in the country.

§ Costa Rica has a well-developed private sector that has taken various steps towards corporate responsibility. This year the Ministry of Tourism began to promote a new product which is community-based rural tourism.

§ In Benin, tourism is gaining importance and interventions by public and private actors are required to develop the sector in a sustainable way.

A.1.e. Sustainable production and consumption chains

Recent developments

The International Work Programme on Changing Consumption and Production Patterns, adopted by the Commission on Sustainable Development of the UN, assesses the impact of changes in consumption and production in developed countries on developing countries. Changes in consumption and production patterns result from a choice of a wide variety of actors including business and industry, households and governments. Challenges faced by the partner countries include changing consumption and production patterns, and stimulating as well as facilitating trends towards more sustainable patterns.

In an increasing way, huge and transnational supermarket chains tend to set the rules of the game for market access for agricultural and food products, organic products included. Investments of supermarket chains in developing countries has led to globalisation trends of domestic markets, that tend to exclude small farmers. Alone, they are not capable of competing with agro-industry or imported products. Fair trade markets are too small as to produce impact on rural development.

Benin, Bhutan, Costa Rica

Bhutan, Benin and Costa Rica share patterns of constraints related to the generation of income and increasing employment through sustainable supply chains. Rural production systems are either geared towards self-sufficiency or focus on environmentally unfriendly commodity

production. Policies to specifically promote sustainable production initiatives are scarce. Producer organisations often lack the human capacities and organisational strengths to adequately support producers in their quest for more sustainable production systems and markets for their products. Export of products to Europe is frequently hampered by high quality standards, regulations and import restrictions.

- § Costa Rica has gained experience with the production, commercialisation and certification of organically grown products and their export to Europe.
- § In Bhutan, a wide range of knowledge and experience exists on the organic production of medicinal and aromatic plants.
- § In Benin, various organisations have developed experience with the cultivation of and trade in organic cotton and cashew nuts.

A.1.f. Conservation and sustainable use of biodiversity

Recent developments

As required under the Convention on Biological Diversity (CBD), all of the partner countries have prepared and adopted the Biodiversity National Strategies and Action Plans (BNSAP). The delegations also met during the Conference of the Parties (COP), adopted common position and presented a joint declaration in various conventions (CDB and Ramsar). The COP decision VI/26 aims to implement projects and activities in order to reduce the rate of loss of biodiversity by 2010 as agreed at the WSSD.

The CDB discussions will further contribute to the elaboration and negotiation of the international regime on access to genetic resources and benefit sharing of biotechnology transfer. A major challenge is to ensure that global trade, agriculture, development assistance and environmental policies are mutually supportive. The National Mechanisms will facilitate the pre-consultation and presentation of a common position by the Conference of Parties 8 (COP 8) in March 2006, in Brazil.

Benin, Bhutan, Costa Rica

The three PSC partner countries dispose of important natural resources that are rich in species diversity. Pressure on these resources is high and environmental degradation must be continuously resisted. Overexploitation, contamination and habitat destruction are among the threats that affect the natural resources of Bhutan, Benin and Costa Rica. Conflicting interests may enhance social confrontations and manoeuvre people into opposition instead of collaboration.

- § Costa Rica and Bhutan have cooperated in the establishment of legal structures and policies to promote the conservation of biodiversity.
- § Costa Rica has just started the design of an environmental services payment program specific to the area of biodiversity which could be replicated in Bhutan and Benin.
- § Costa Rica and Bhutan have already collaborated in the field of biodiversity legislation which has resulted in the Bhutan Biodiversity Act of 2003.

The three countries dispose of various examples of successful integration of the people's participation in conservation, income generation and sustainable use of biodiversity.

A.1.g. Access to sustainable energy and efficient energy use

Recent developments

The UNDP Initiative for Sustainable Development states that to meet socio-economic development goals, people and countries must have adequate energy services to meet the household needs of their population, as well as the needs of their productive and service sector. Increases in economic output, population, and urbanisation trends in developing countries mean that energy service requirements will inevitably increase.

Benin, Bhutan, Costa Rica

The economies of Bhutan, Benin and Costa Rica require more energy everyday for their development, while household energy consumption increases progressively with changing lifestyles. Production of energy has a high impact on the environment and may contribute to the continuous deterioration of natural resources.

§ In Benin, electricity is generated by conventional methods. The majority of rural and poor households depend on wood and charcoal as sources of fuel.

§ Bhutan is self-sufficient in energy generated by run-off-river hydro power. Yet, many rural households are not connected to the national energy grid.

§ In Costa Rica, 70% of the total electric energy is generated by hydro-electrical plants, 18% by fossil fuels generators, 8% by geo-thermal plants and 4% by wind-powered plants. There is an initiative to incorporate the cost of water protection in the energy price. The energy sector is also the one generating more greenhouse gas emissions. At the same time, within the energy sector, transportation represents the strongest source of emissions. But also, a high percentage of emissions is produced by the industry, thus promoting different initiatives for clean sources of energy replacing fuels.

With the exception of hydraulically-produced energy, the costs of electricity are generally increasing. Less-endowed households progressively become excluded from electricity use and turn to traditional sources of fuel which are often illegally obtained. Enhancing efficient energy use does not only have positive effects on the environment but may also be the key to the accessibility of clean energy to less-endowed households.

A.1.h. Gender equity

Recent developments

Improving maternal health, and gender equity and empowerment of women, are integral part of the Millennium Development Goals.

Women form the majority of world population (over 50%), but in general terms, are situated in a disadvantage situation, in all relevant dimensions. Poverty and extreme poverty hit women most; they have unequal access to productive assets, markets and services; and unequal access

to basic services as clean water, health and education. Discrimination on the labour markets is wide spread (earning less than men in similar jobs). In many countries, repression and psychological or physical violence against women is the daily practice, at household level, and in the social and political dimension.

Now the consensus is growing that women not only should participate, but must be prioritised in sustainable development and poverty reduction strategies, as beneficiaries and actors.

First of all, recognising, valuing and appreciating in a just manner, their actual contribution and work, in roles qualified as “traditional” (reproductive tasks: child and old peoples’ care, cooking, washing, cleaning, etc.). Second, promoting and extending basic women rights, subscribed by many countries but not put into practice so far. Third, creating better opportunities for education, participation in economic activities, and active participation in social and political life.

Benin, Bhutan, Costa Rica

§ Over the last years, progress has been made in Costa Rica concerning women rights, integration into the labour market, political representation in the Congress and Government. At political levels, the norm of gender equity is widely accepted. However, in daily life and culture, lot remains to be done. “Machismo” attitudes are still wide spread, as well as the phenomenon of domestic violence. Prostitution problems are increasing, under the influence of a bad focused tourism promotion by certain operators.

§ In Benin and Bhutan, participation of women in economic activities is high. However, patriarchal structures and attitudes are deeply rooted in some religions and cultures, which makes the participation in social and political life rather sensible. Setting up a careful dialogue is important to widen perspectives in order to make the voice of women heard.

A.2. Previous experiences and lessons learned

A.2.a. The Bilateral Sustainable Development Agreements (1994)

As a concrete follow-up to the Rio Earth Summit (1992) for implementing Agenda 21, in 1994 the Government of the Netherlands signed bilateral Sustainable Development Agreements (SDAs) with the Governments of Benin, Bhutan and Costa Rica, to pursue sustainable development on the principles of equality, participation, and reciprocity despite their economic, ecological, social and cultural differences.

After the Rio Summit, it was recognised that it would be difficult to implement true partnership and commitments on a global scale, between 188 countries. Therefore, the partnership between The Netherlands (representing “the North”), and a limited number of selected countries: Bhutan (in Asia), Benin (in Africa) and Costa Rica (in Latin America) was seen as a manageable pilot experience in four world regions, that could (1) inspire clustering of many similar small partnerships and real commitments between other countries; and (2) promote alliances between a wide array of stakeholders, both within, as between these countries (government, civil society, private sector).

For that purpose, National Mechanisms were founded in each partner country, as principal stakeholders of the agreements and platforms for alliances, to articulate, learn from, accelerate and upscale promising initiatives.

Recognising that lasting poverty alleviation would occur only within the context of sustainable development, the SDAs sought to catalyse the transition to sustainability by supporting seeding initiatives, replicating success, and disseminating information. To that effect, the Netherlands Ministry for Development Cooperation financed a programme (or finance facility for “calls for proposals”) within the framework of the bilateral SDA, for three types of projects:

Type 1 projects: Projects in one partner country (Benin, Bhutan, Costa Rica)
 Type 2 projects: Projects in The Netherlands
 Type 3 projects: Reciprocal projects (bilateral, trilateral or quadrilateral), in the Netherlands and one or more partner countries

From 1994 until 2002 the SDA countries worked mainly on priorities established in bilateral consultations with the Netherlands and one partner country. These priorities included 13 thematic areas.

A.2.b. Mid-term review of the Sustainable Development Agreements (2001)

The mid-term review of 2001 of the SDA concluded that the ambitious goals of the SDA were far from being met. In the same year, the following projects had been carried out or were on-going:

Table 1. Projects under the SDA scheme (2001). Amounts in Netherlands Guilders *)

Type of project	Number of projects		Committed / invested budget in NLG *)		
	Number	%	Amount	%	Average / project
Type 1 (in one partner country)	119	36.6	138.1 million	90.7	1.161.168
Type 2 (in The Netherlands)	21	6.5	1.2 million	0.8	59.795
Type 3 (reciprocal projects)	185	56.9	12.9 million	8.5	70.093
TOTAL	325	100.0	152.4 million	100.0	468.929

Source: ITAD, 2001. Evaluation of the SDA. Main report.

*) Note: Total amount of NLG 152.4 million, today would be EUR 69.2 million, or USD 83.9 million.

The evaluation pointed out the following issues as major themes for reflection:

- § The “development cooperation framework” imposed to the agreements, was considered as a limiting factor for fully exploring the potential and spirit of the agreements and mobilising societal support. To a great deal, the SDA became “just another development programme”, with a predominant role for The Netherlands as donor country, and especially the Netherlands Ministry for Development Cooperation (with their rules and regulations for implementing projects). More than 90% of the available budget was spent to Type 1 projects, which made little difference with “traditional” cooperation projects. The average budget per project was over NLG one million; between 19 and 16 time bigger as in the case of Type 2 and 3 projects (average NLG 59 thousand and NLG 70 thousand, respectively).
- § Impact was, at best, scattered and fragmented. Available funding for projects too small and inconsistent as to produce effects on a wider scale. It was impossible to achieve impact with dozens of small and medium-sized projects, implemented without much coherence.
- § Knowledge generation was fragmented, due to absence of specific instruments for systematisation of experiences and best practices; and for their translation into inputs for strategy and policy development. Too many eligible themes were defined, which also contributed to fragmentation and which hampered dialogue on priority themes.

- § Non-bilateral modes of collaboration, including South-South collaboration, would enhance the quest for sustainable development in each of the four countries. More than 56% of the total number of projects were of this type, however, only with 8.5% of the project expenses.
- § According to the mid-term review, reciprocal projects involving two or more partner countries were among the most innovative approaches developed.
- § A very acceptable ratio of overhead costs, related to overall project expenses. This was attributed to the fact of delegation of project implementation to the National Mechanisms, a solution comparatively more cost-effective than hiring expensive international consultants; or a “classical” international staffed management project unit; or implementing departments at the Royal Netherlands Embassy in the three countries (also internationally staffed).

Partially in line with the outcomes of the mid-term evaluation (of which results were debated in the Netherlands parliament in 2001), the Netherlands Ministry of Development Cooperation decided to implement exit strategies for Type 1 projects (projects in one partner country only), and to discontinue Type 2 projects (projects in The Netherlands). This was reason for the National Mechanism for implementation of SDA projects in The Netherlands, the Ecooperation Foundation, to take the decision to dissolve.

The four countries decided that reciprocal collaboration was the way forward. Common priority themes on national issues of sustainable development had to be selected to reduce the fragmentation of knowledge and enhance collaboration, in multilateral policy dialogues. In the remaining period of the SDA programme (until 2004), the Netherlands Ministry of Development Cooperation only continued financing Type 3 projects, of which the administration was delegated to the new formed Netherlands International Partnership for Sustainable Development (NIPS), hosted by the Royal Tropical Institute (KIT) from 2002 onwards, partially staffed with ex-Ecooperation staff members (the former Netherlands National Mechanism).

In spite of narrower definitions of core and common priority themes, shared by more than one partner country, this hardly led to new policy and strategy coordination inputs. A few reasons could be mentioned for this.

- § First, the lack of adequate instruments for systematisation of experiences and best practices (already pointed out by the mid-term review, but not taken up as a theme sufficiently).
- § Second, experiences at micro-level (small projects, communities) are not immediately useful as inputs to jump directly to the general level of policy influencing. Development of intermediate level experiences also seems to be needed (territorial approach, sector-wide approach and organisation, second-tier institutions, empowerment ... and so forth).
- § Third, the daily practice of the National Mechanisms in proposing, implementing, monitoring and administering projects, consumed the major part of their time, attention and resources; they lost sight on the wider perspectives and original long term development goals.
- § Fourth, useful policy and strategy inputs are result of a maturing process of the experiences and projects, organisation, debate etc., which needs a considerable time period.
- § Fifth, after lots of attention for the theme of sustainable development immediately before and after the Rio Summit, by politicians, development organisations and public opinion, the theme seems to have lost momentum - although it maybe a more pertinent and urgent theme as ever before.

For the Programme for South-South Cooperation, this implies “going back to the roots” (recovery of original motives, motivations and goals); and second, working out of more elaborate strategies and instruments for up-scaling of best practices, organisation, knowledge management, broadening alliances, empowerment and policy influencing.

Long term goals are not automatically produced; it is something that has to be worked on deliberately, formulating progressive and more complex objectives according to assimilation and appropriation of processes, best practices and learned lessons by the stakeholders.

Many projects and initiatives at micro-level should work on their own concrete perspectives for sustainability from a bottom-up and process approach. Second, new ways have to be worked out in each country, to guarantee attention for sustainable development by policy-makers and public opinion, at local and national levels, articulating current themes and priorities to new initiatives (as for example, the Millennium Development Goals, or the Kyoto agreements on climate change).

A.2.c. Joint actions of the SDA partners

The SDA partner countries actively participated in the World Summit on Sustainable Development (WSSD, 2002, Johannesburg), and formalised the Strategic Partnership (SP) for promoting sustainable development on South-South basis.

The Strategic Partnership is registered under the UN global partnership as “Type II Partnership”, of which the implementation progress is monitored from time to time by the UN. As soon as the PSC Fund is operationalised, the status of the partnership will be updated.

Representatives of Bhutan, Benin and Costa Rica met and discussed common interests, at the recent conference on Climate Change in Montreal, Canada, December 2005; an indicator that the Strategic Partnership Agreement is a living matter.

The National Mechanisms contributed to the preparation/revision of the National Strategies for Sustainable Development (submitted to the WSSD), and contributed -amongst many other actors- to mainstreaming sustainable development concepts in national planning processes. In co-ordination with other national organisations, the National Mechanisms participate in the process of reviewing the progress of the Johannesburg Plan of Implementation (JPOI).

South-South cooperation has a great potential for complementing North-South cooperation and providing an alternative for the traditional donor-recipient dialogue. The global sustainable development debate has been dominated for a long period by donor countries. However, the rise of emerging economies currently challenges conventional international relations. Nations such as China, India and Brazil demand a voice in international forums.

However, the global debate on sustainable development is not only a matter of economic power, but should rather optimise vision, experience and knowledge on the subject. Smaller countries such as Bhutan (Asia), Benin (Africa) and Costa Rica (Latin America), each with a particular history, different cultures and religions, can make a valuable contribution to the global debate by presenting innovative approaches and common views, thus challenging dominant development paths.

Bhutan, Benin and Costa Rica have co-operated in the field of sustainable development since 1994. The three countries share trust and understanding thereby making it possible to enrich and contribute to each other’s development. The modalities are in place to facilitate the exchange

and cooperation among actors from the government, civil society and the private sector. These fundamentals, to be further developed during the PSC, could evolve in an asset that could be used to explore the potential of the South-South cooperation concept between societal sectors, free from donor domination or geopolitical interests.

A.3. Development goals

Under the guiding principles of equality, participation and reciprocity, the main development goals of the Programme for South-South Cooperation (PSC) are fourfold:

- § Translate the goals of the Strategic Partnership Agreement between Benin, Bhutan and Costa Rica, into concrete innovative activities and reciprocal projects, with the potential to generate knowledge, impact and empowerment; as building bricks for sector strategies and inputs for policy influencing.
- § Mobilising organisations and institutions (government, civil society, academic sector, private sector) in the partner countries for renewal and reinforcement of multi-stakeholder alliances for sustainable development, with the National Mechanisms as important platforms.
- § Contribute to sustainable development patterns and poverty reduction in the partner countries, taking into account the economic, environmental and social dimensions.
- § Explore the potential of the South-South partnership as concept to promote international commitments and mutual cooperation for sustainable development; and as autonomous channel for “North → South-South” development cooperation and funding.

These development goals are closely linked to the compulsory Basic Criteria and the Specific Criteria for approval of reciprocal projects, laid down in the PSC Regulations (Article 11 and 12, and included on the Guidelines for Reciprocal Projects); the programme component in which the major part of the budget is to be invested (at least 80%).

A.4. Strategy

A.4.a. Build on previous experiences

To contribute to these development objectives, the PSC will build on accumulated experiences, lessons learned, and institutions, relations and mechanisms developed under the framework of the Bilateral Sustainable Development Agreements between The Netherlands and Benin, Bhutan and Costa Rica. In this respect, especially the Type 3 projects are relevant (although The Netherlands disappears as principal partner).

To that affect, transfer of not only the legal and administrative responsibilities for ongoing Type 3 projects from NIPS / KIT, to the PSC Secretariat, but also of archives, project reports etc., would be a significant measure.

A.4.b. Basic features of the implementation strategy

The basic mechanisms and instruments of the operational strategy of the PSC are laid down in the PSC Regulations, undersigned on the 19th of May 2005 in The Hague, between the three

partner countries and The Netherlands. Additionally, the outcomes of the policy consultations for formulation of the draft Multi-Year Plan and Annual Plan 2006, are another important input.

As result, the basic features of the implementation strategy can be summarised as follows:

§ The guiding principles of the PSC will be **equality, reciprocity** and **participation** of all societal stakeholders. Identification of **common interests** is basic, **but not enough**. Assessment of **real added value** for reciprocal projects, and of opportunities for cost-effective and **efficacious cooperation** in each thematic area is **one of the core challenges of the PSC programme**, its feasibility and sustainability.

§ The **National Mechanisms** in Benin, Bhutan and Costa Rica will act as platforms for alliances between government, civil society, academic sector and private sector stakeholders in the partner countries. They will play a important or leading role in:

- Ensuring proper management of the PSC (through their participation in the Managing Board)
- Annual Reporting and Work Plan preparation
- Direct administration of part of the assigned resources from the PSC Fund
- Support formulation of innovative and reciprocal projects, leveraging resources
- Assessment and review of project proposals
- Support PSC intermediate organisations (backstopping, field visits) in the implementation of projects
- Project monitoring and evaluation
- Systematisation of experiences and facilitate learning lessons
- Documentation and publication of best practices
- Promoting debate and policy influencing, in the follow-up of the WSSD, in the organisation of the South-South Policy Consultations, eventually by Joint Declarations on international conferences, and by national communication strategies (operating an own website, for example).

§ The Programme for South-South Cooperation Fund, in short, the **PSC Fund** (made available by the Netherlands Ministry for Development Cooperation, with a total budget of USD 13.2 million), will be the principal financial input for the programme, in this stage.

§ Project proposals will be channelled through the National Mechanisms, which will meet twice a year (May, November) in the **PSC Management Board**. The role of the Management Board, as maximum authority of the PSC, is multiple: (1) develop priority themes, policies and regulations for the PSC; (2) approval of project proposals; (3) monitoring of the PSC by means of approval of (multi-)year plans and reports; (4) report to the Joint Committee.

§ The **Joint Committee** of the PSC will be comprised of the high level representatives of the partner countries and shall provide political support and policy directions to enhance the implementation of the PSC, and the viability, sustainability, and eventually, enlargement of the South-South partnership and concept. At international conferences, they will make the South-South partnership voice heard, eventually, by means of joint declarations.

§ In order to contribute to the development goal of contributing to sustainable development patterns, and to facilitate policy dialogue (both within as between the partner countries), **four main thematic areas** were defined as priority: (1) sustainable tourism; (2) sustainable chains of production and consumption; (3) sustainable use of biodiversity; and (4) sustainable energy and efficient energy use.

- § Enhancing (5) **gender equity** is a cross-cutting fifth theme in the four main thematic areas and in the conceptual sixth theme of promoting South-South Cooperation.
- § Finally, in order to contribute to the sustainability of the South-South partnership, one sixth conceptual theme is added: (6) **promote South-South Cooperation** for Sustainable Development.
- § The four thematic areas, the cross-cutting fifth theme and the conceptual sixth theme, are translated into **six immediate objectives** of the PSC. All activities of the PSC should be oriented towards achieving significant and verifiable outcomes in these themes; which also constitute the basic themes for project eligibility in the three foreseen rounds of “calls for proposals”, in 2008, 2009 and 2010; and for strengthening of the National Mechanisms.

In turn, these outcomes should contribute to the development objectives as stated in Section A.3. This means that a certain consistence, coherence and synergy between results and activities should be pursued, within a shared future vision for development of the thematic areas. The outcomes are important as such (especially for the direct beneficiaries), but should be interpreted as “intermediate” results, within a more **strategic approach** of formulating progressive objectives, with these achieved results as input or departing point.

The National Mechanisms, Management Board and Joint Committee, will work together with other stakeholders to develop this future vision and strategic approach of the thematic areas, in the concrete context of the partner countries. Systematisation of experiences in the three partner countries, and consultation of conceptual papers, documentation, data and statistics, guidelines etc. (to a great extent, widely and freely available in the partner countries, and from specialised development organisations and agencies, research centres, and “think tanks”, through the Internet), will be the main input to work out, widely discuss and improve **future visions** on the main thematic areas. These in turn will be a main input for visualising a more **coherent trajectory** of projects, consultations, systematisation, research and policy dialogue, to improve the operational strategies of the PSC.

- § Furthermore, a set of **Basic Criteria** and a set of **Specific Project Criteria** for eligibility have been formulated, as integral part of the PSC regulations. (included in the Guidelines for Reciprocal Projects).

The first set refers to basic compulsory conditions project proposals must comply with. The second refers to quality criteria for project proposal assessment, centred on 4 main themes: (1) expected contribution to the process of sustainable development; (2) valorisation of the application of the guiding principles (equality, reciprocity, participation); (3) expected results and impact; (4) financial aspects of the proposal. The score on these criteria will be the basis of project approval by the Management Board.

The Basic Criteria and the Specific Project Criteria for project eligibility are closely linked to the development goals of the PSC.

- § In the identification, proposal, implementation and monitoring of projects and activities, a **participatory process** and bottom-up approach will prevail, firmly centred on the immediate and strategic interests of poor people **as actors**: enhancing their livelihoods, improve their perspectives, strengthening of their organisations. Investments will concentrate on **creating opportunities**; as well as **improving their response capacity** to existing opportunities, providing better access to assets, technologies for sustainable natural resources management, technical assistance and business development services, markets, and financial services.

- § Investment in **learning mechanisms**, systematisation, feedback with stake-holders, and adequate **two-way accountability** mechanisms (both to beneficiaries / actors as donors and other facilitators of inputs) will be of crucial interest for enhancing true partnership based on confidence, and sustainability of the PSC initiative. The regular policy dialogues and consultations between stakeholders in the partner countries will be fuelled by the outcomes of project reporting and evaluation in a bottom-up approach.
- § PSC activities and projects will draw on best practices, technologies and experiences **already accumulated** in each thematic area, widely available on Internet sites of a variety of research institutions “of excellence” and “think tanks” (guidelines, training materials, policy papers, research reports, statistics, and so on).
- § The PSC will actively **involve in networking** with government, private, research and civil society institutions in third countries in the North and the South, whose **experiences, market relations, knowledge, services** etc. are highly relevant for achieving concrete results in the thematic areas.

A.4.c. Global time-frame

The global time-frame of implementation of the PSC strategy is three years. Before embarking on the implementation of the Multi-Year Plan as such, the convenience of a Start-up Phase of six months is envisaged.

A.5. Beneficiaries / actors

- § It is expected that the **direct beneficiaries** of the PSC projects will be inhabitants of the partner countries, that will act as protagonists in the development of concrete projects and activities, identified, carried out and monitored in a participatory way. Rural communities, women, small tourism firms, consumers, users of energy and actors that depend directly on a sustainable use of natural resources and biodiversity, will be amongst the principal beneficiaries / actors of the PSC. Project activities will be orientated towards issues such as capacity building, organisation (enhancing existing social capital), technology development, improving market access, small investments in physical assets, and so on.
- § Second, a wide array of **intermediate** or **participant organisations** will be **indirectly** benefited. These can be grass-root organisations of the direct beneficiaries (like community organisations, cooperatives, associative enterprises, marketing boards); governmental and non governmental institutions or development organisations; local governments; academic and research institutions; and private sector companies or firms. Institutions and organisations that could play a facilitating role in project formulation, provision of services (like training, technical assistance and business development services), market access, financial services, technology transfer, research, and so forth, in concrete alliances for project implementation. Through their commitment and participation, it is expected that they will be able to strengthen capacities, accumulate knowledge, improve the quality of future services, and position themselves as reliable partners for service delivery.
- § Third, the **National Mechanisms** will be benefited, and also the National Mechanism of Costa Rica that will act as Secretariat of the PSC. Strengthening of their capacities and professionalisation will enhance their role as facilitator for project implementation, and as platform for building alliances for sustainable development, between government, civil society and private sector. Their role could extend beyond the PSC time-span, if they succeed in finding ways as to guarantee their organisational sustainability and financial stability. (As for example, in the current scenario’s for the credit-fund in Costa Rica).

§ Fourth, the **Joint Committee** of the PSC will benefit from the programme, provided that commitment and effective communication mechanisms are in place. Successful experiences are inputs to share new viewpoints and bring the debate on sustainable development to other levels, both national and international. Successes attributable to the PSC, could fuel arguments for further exploring the potential of South-South partnerships for sustainable development, with a potential role for the Joint Committee as protagonist.

§ Fifth, in a later stage, the **wider community** in the three partner countries could indirectly benefit from the PSC: provided that useful experiences are generated; that best practices are replicable in the partner country or -in a modified way- in other partner countries; or that best practices could be scaled-up in better sector or territorial policies; that stronger alliances for sustainable development and empowerment in the partner countries will lead to better policies and strategies; that more people and organisations acquire consciousness and the will to act to bring about changes and innovations favourable to sustainable development; and so on.

A deliberate strategy should be worked out to achieve this, with appropriate instruments (for example, for systematisation of experiences, communication strategies), and “tactics” (for enhancing public relations and policy influencing). It is an illusion that this type of outcomes will “emerge automatically”.

A.6. Policy framework

For the Programme for South-South Cooperation on Sustainable Development, the following sets of policy frameworks are relevant:

§ The global policy framework, determined by international treaties and conventions on biodiversity, management of natural resources, wetlands, poverty reduction, climate change etc., mainly product of UN hosted international conferences, and subscribed by the PSC partner countries.

§ The Strategic Partnership Agreement between Benin, Bhutan and Costa Rica, signed the 31th of August, 2002 in Johannesburg.

§ National policies, strategies and legal frameworks in the partner countries Benin, Bhutan and Costa Rica, especially related to the four main themes, conceptual theme and cross-cutting theme (tourism, production and consumption chains; biodiversity; energy; gender; international cooperation, sustainable development in general).

§ The policy framework, priorities and on-going commitments for development cooperation of the Netherlands Government.

§ Last, but no least, the regular policy dialogue and consultations between the stakeholders in the partner countries, should articulate these above mentioned policy frameworks with the generated experiences within the PSC practice, also taking advantage of policy guidelines and concepts worked out by specialised research institutions and “think tanks”. These dialogues will also be crucial for identifying fruitful ideas for reciprocal projects.

A.7. National resources in the partner countries / other resources

The PSC Fund will not be the only input for the programme, but serve as lever for mobilisation of other resources.

§ It is expected that the direct beneficiaries and protagonists of the approved projects, will make their assets available to a great extent for project implementation. First of all, as human resource and actor, with all the human capital, skills and capabilities accumulated, and probably to a great extent, as labour force. Second, by making available other assets they own or control: land, natural resources, installations and other physical assets, and also their social capital resources (family ties, community organisations, associative enterprises etc.).

§ Likewise, the intermediate and participating organisations will also offer their knowledge, networks, skills physical installations etc. for project implementation. To this effect, contracting is needed. Contracting of experienced professionals, technicians and researchers, citizens of the partner countries, is far more cost-effective than hiring expensive consultants from the North; and contributes to local capacity building of people and organisations that remain in the country. Assets that the PSC can take advantage of; expenses in this respect could be seen as investments with a certain return.

§ It will depend to a great extent on the ability of the National Mechanisms and Joint Committee if additional resources could be mobilised for the PSC; in the face of the long term development goals of the Strategic Partnership between Benin, Bhutan and Costa Rica; and in favour of their own sustainability as National Mechanisms. This is basically a question of promoting commitments and co-responsibilities for sustainable development.

First of all, in their role as platforms for broadening alliances for sustainable development, promoting interest and local partnerships amongst a variety of stakeholders (government institutions, civil society, private sector, academic institutions).

Second, in mobilising national financial, human and physical resources (for example promoting co-responsibility and co-financing in project implementation; or for staffing, housing, equipment, transportation and communication facilities of the National Mechanisms).

Third, exploring interest for the PSC initiative amongst the donor community (multilateral, bilateral, and non governmental co-financing agencies).

To this effect, adoption of high quality standards in projects, investment in transparent and agile monitoring and accountability mechanisms, promotion of values and practices concerning true participation, transparency, partnership, respect for different identities, conflict management, negotiation processes etc. are extremely important, because these create confidence, the principal fundament for jointly embarking on change processes. Building-up credibility and good performance of the National Mechanisms in the implementation of the PSC is to be seen as investment in their own future.

Pursuing organisational sustainability and financial stability should be incorporated from the start, as part of the implementation strategy of the PSC. Experiences of the PSC should be capitalised in a pro-active way for this purpose.