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Who is the new European development cooperation policy benefiting?

Brussels, 21st March 2013. The civil society networks: ALOP, APRODEV, CIDSE, CIFCA, COUNTER BALANCE, EURODAD, GRUPO SUR and OIDHACO, together with European Parliamentarians from five political groups, organised the conference*: "Aid to the private sector: promoting responsible investments? Latin America as a testing ground"*, which took place on Thursday 21st March at the European Parliament.

Representatives of the European Commission and of civil society also participated in this event, of which the objective was to open a dialogue among the different actors involved and generate debate about the recent European Union development cooperation policies. This new orientation gives the private sector a relevant place as a development actor, through blending mechanisms, which mix loans and grants, such as the Latin American Investment Facility (LAIF).

"LAIF is not a transparent mechanism"

Camilo Tovar, economist and researcher on development cooperation issues, presented the results of the study *LAIF, development aid or profitability of investments?* During his research, Tovar followed four cases of projects funded by the LAIF mechanism. Some of his main conclusions and concerns are the lack of transparency, access to information and accountability by the European Commission and the European development banks. The lack of information made his analysis and assessment of the possible impacts related to these projects very difficult. *"Information concerning all kinds of development cooperation projects must be public and accessible, and the role of each actor should be better defined",* he concluded.

Development aid versus return on equity

In his intervention, Tovar reported that, of the four projects studied, only one mentions the eradication of poverty as an objective. He also questioned the role given to the private sector in development cooperation. Multinational companies and European banks are among the main actors and beneficiaries of the LAIF projects. Tovar recommended to the European Commission the establishment of a criterion for the selection of projects, where development objectives are more important than the return on equity.

With regard to this new context, the organisations listed above express their profound concern and question whether these new cooperation mechanisms, that promote the private sector, provide an answer to the main objective of European Union development cooperation which is the eradication of poverty and, in the case of Latin America, social cohesion. Or if, on the contrary, the priority is being given to return on equity and to opening markets in favour of transnational companies and banks.

It was also emphasised that the LAIF needs to have clear guidelines that guarantee that affected communities are consulted, as well as the realization of formal and exhaustive human rights and social and environmental impact assessments, with the participation of civil society. *"We ask the European Parliament to apply its prerogative of democratic control and ensure that the use of European public funds for development cooperation are exclusively channelled to social cohesion and the eradication of poverty*", stated the networks.

To conclude, Latin-American and European organizations questioned the Latin American Investment Facility, and blending mechanisms in general, as an effective tool to overcome poverty. Before continuing to deepen this model and these mechanisms, there is a need to address the problems mentioned and to answer the question: who is the new development cooperation policy benefiting?