

Mr. Roberto Ridolfi
Director, Sustainable Growth and Development
Directorate-General for International Cooperation and Development
Rue de la Loi 41
1040 Brussels

Subject: Joint CSO letter concerning the establishment and implementation of the EU External Investment Plan

Dear Mr. Ridolfi,

Brussels, 9 September 2016

As follow up to the External Investment Plan consultation held on the 29th of August by the European Commission, the undersigned organisations would like to elaborate on our key concerns.

We welcome the exploration of new aid modalities, yet we note with concern that this comes at a time when the integrity of European development aid as a tool to fight poverty and inequality is under pressure, in particular as a result of migration control policies and a rapidly increasing role of the private sector in development. We are concerned that the EU External Investment Plan (EIP) risks weakening this integrity still further.

1) The EU EIP is set in the context of European security and migration control

The EIP was launched as part of the Partnership Framework, as also stated in the EC press release of the 7th of June 2016. It was therefore confusing that during the consultation event, the EC conveyed that the EIP was de-linked from the Partnership Framework even though the EIP is described as being part of it, including in the background note to the consultation event. We would appreciate further confirmation on what are the underlying objectives and rationale of the EU EIP, and how these are linked to the EU's migration control policy.

In this context, it is important to note that:

- i. Irregular migration and forced displacement aren't the same.** The background note to the EU EIP talks about "irregular migration" and "forced displacement" when stating that the EIP will help tackle "root causes". But the root cause of migration is human nature – it is only irregular when defined that way by authorities. Thus there are different means for regulating migration, but speaking of root causes of migration is not meaningful. Root causes of forced displacement, meanwhile, must be addressed through strategies that address crises and chronic problems holistically and not only from the perspective of a single impact (people fleeing). Forced displacement requires a three-pronged approach that: 1) addresses the needs of affected populations from a rights-based approach, including host communities; 2) provides durable solutions; and – importantly – 3) aims at preventing and resolving the crises and conflicts that drive displacement in the first place. We are concerned that the EU EIP with its focus on supporting private investment through Financial Institutions or private entities is not the best way to support this three pronged approach. Instead, such measures risk being counterproductive, causing more harm than good if local governance and operating contexts are not adequately taken into account, especially in fragile and conflict-affected countries.
- ii. Framing** Development as a short term "solution" to the "problem" of migration is a fatally flawed approach. Migration can importantly contribute to development, as acknowledged in the 2030 Agenda for Sustainable Development, but it must be accompanied by adequate

policies. Evidence suggests¹ that increasing human development in less developed countries is generally associated in the short term with higher, rather than lower, levels of mobility – both emigration and immigration. There is a lot of rhetoric about the need to "tackle the root causes" of migration, which doesn't take account of the mixed nature of migratory flows and the fact that voluntary mobility itself should be viewed as a good thing. Migration contributes to innovation, economic growth and personal development and should not be stifled. The EU EIP should acknowledge the positive correlation between migration and development and, together with other relevant EU policies, it should contribute to prevent conflicts, tackle inequalities, create local opportunities for a safe and dignified life, so that people can choose whether to migrate or not.

2) Development aid is a tool to fight poverty and inequality, not to support foreign private sector entities

In the May 2014 Council Conclusions, the EU reaffirmed its commitment to a rights-based approach to development cooperation. When involving the private sector in development, within the EU EIP or other instruments, the EC should actively promote alternative business models which are structured to keep more value with local workers and producers² and represents a more 'humane economy'³. In seeking to leverage or co-finance programmes with the private sector, the EC must ensure that financial and development additionality are demonstrable, risks for people and the environment are effectively minimized, women's rights and economic opportunities are effectively promoted, and the public sector is not undermined but rather strengthened. Special measures are also needed to ensure that the local private sector and SMEs are not crowded out in favour of large international companies, and so-called beneficiaries can participate in decisions affecting their life at all stages. Last but not least, as expressly recognised in last June Council conclusions, corporate respect for human rights is indispensable to achieve the SDGs.⁴ Promoting and financially supporting a greater corporate presence in developing countries in the absence of an adequate legal framework that guarantee corporate accountability and transparency, and ensure justice for victims of corporate malpractice may incentivise exploitation and human and labour rights violations, rather than promoting a dignified life with more and better jobs.

In this context, it is important to note that:

- i. By pooling public resources and using ODA to subsidise private companies predominantly owned and domiciled in OECD countries, blending diverts aid from public investments, making less money available for those. **Public investment, rather than blended finance of which the financial⁵ and development additionality remains suspect, is often a better way of supporting private sector development in developing countries⁶.** International public flows, such as ODA, can help reduce the barriers to private sector

¹ *Inter alia*: de Haas, Hein: "Migration transitions: a theoretical and empirical inquiry into the developmental drivers of international migration", *Working Papers*, International Migration Institute. University of Oxford: 2010.

² See examples on page 24 in [Oxfam's 3-year update of the Behind the Brands work](#). See also ActionAid report [What a way to make a living. Using industrial policy to create more and better jobs](#), March 2016.

³ See [The Time is Now. Building a human economy for Africa](#), Oxfam. 2016.

⁴ http://www.consilium.europa.eu/en/press/press-releases/2016/06/20-fac-business-human-rights-conclusions/?utm_source=dsms-auto&utm_medium=email&utm_campaign=Council+conclusions+on+business+and+human+rights

⁵ The European Court of Auditors Special Report 16 (2014) on the use of blending found "for 15 of the 30 projects examined by the Court, there was no convincing analysis to show that a grant was necessary in order for the loan to be contracted (...). Depending on the case concerned, there were indications that the investments would also have been made without the grant". See: http://www.eca.europa.eu/Lists/ECADocuments/SR14_16/SR14_16_EN.pdf

⁶ Romero, MJ. *A dangerous blend? The EU's agenda to 'blend' public development finance with private finance*. 2013. Available at <http://eurodad.org/files/pdf/1546054-a-dangerous-blend-the-eu-s-agenda-to-blend-public-development-finance-with-private-finance.pdf>

investment, through investing in essential services, such as health, education, agriculture or infrastructure. The lack of public investments in these areas remains an important barrier to private sector growth in many developing countries.

- ii. **No sufficient social, environmental or human rights safeguards are yet in place to ensure that private finance in development reaches its stated goals.** It is crucial to ensure the Financial Institutions and private entities involved in the EU EIP have the right aims. Commercial interests should not supersede developmental goals. Despite the potential in having a larger role for the private sector in development, there are huge risks associated with mixing private finance with public development funding.
- iii. **Private finance tends to be much less transparent and accountable than public aid funding,** as shown by the experience from EU's blending facilities⁷. This threatens the quality of aid. The EC needs to not only respect and implement their own commitments but ensure that the Financial Institutions and private entities that they give funding to, sign up to and respect the Busan development effectiveness principles particularly on ownership and alignment. The European Parliament was clear on this in their report on the role of the private sector in development, 2016 which states "*all blending operations must be fully consistent with development effectiveness principles, such as ownership, accountability and transparency*".⁸ It will be essential to conduct regular monitoring and evaluation as well as provide solid evidence of positive impacts of blended finance, including financial and development additionality.
- iv. **Civic space is often reduced in developing countries, and even more so in fragile and conflict-affected areas.** As stressed by the UN Special Rapporteur on Freedom of Assembly, for businesses the enabling environment is typically much better than it is for associations.⁹ The EU and partner countries must share responsibility and accountability for their joint efforts in partnership, and development cooperation should as much as possible align with national strategies that have been planned, formulated, and discussed by developing country governments, parliamentarians and – importantly – together with citizens and civil society. This requires empowering the citizens of partner countries and their governments to work together to develop their priorities to fight poverty, social injustice, climate change and inequality. The role of civil society and civic space needs to be fully integrated into the EIP.

Based on the above, we call on the European Union to:

- Change the narrative around migration and forced displacement to better reflect the complex reality of causes and consequences of human mobility. In particular, framing development as a "solution" to the "problem" of migration is a false premise that diverts the debates and actions around migration in the wrong direction.
- De-link the EU EIP from European migration control policies and short-term foreign policy objectives. Development cooperation must be based on the needs and the rights of recipients and not used as foreign policy leverage or concentrated geographically on the basis of strategic interests.
- Ensure full transparency and accountability of the EIP, and ensure sufficient social, environmental and human rights safeguards and legal framework are in place prior to the implementation of the initiative.
- Set the EU EIP within the Busan development effectiveness principles framework to ensure that all partners comply.
- Ensure the Financial Institutions and private entities using finance from the EU EIP have the right aims, i.e. that they prioritise development outcomes over commercial interests.

⁷ Ibid. 6

⁸ <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+TA+P8-TA-2016-0137+0+DOC+PDF+V0//EN>

⁹ http://freeassembly.net/wp-content/uploads/2015/09/A_70_266_ENG.pdf

- Focus on small and medium size companies owned and domiciled in the recipient countries so they are the ones benefiting from blended finance projects, including under the EU EIP.
- Establish regular monitoring and evaluation systems to demonstrate the financial and development additionality of the EU EIP as well as other EC blending facilities involving public ODA.
- Ensure the EU EIP seeks to empower the citizens of partner countries and their governments to work together to develop their priorities to fight poverty, social injustice, climate change and inequality, and to reduce conflict.

We are happy to discuss further any of the points raised in this letter. Thank you for your consideration.

Yours sincerely,

Natalia Alonso, Deputy Director of Advocacy & Campaigns, Oxfam International
Jesse Griffiths, Director, Eurodad
Laura Sullivan, Europe Regional Director, ActionAid International
Alexandra Makaroff, EU Representative, Plan International
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