



Press Release, Brussels, 21 March 2013

## **Who is benefiting from the new European development cooperation policy?**

**Brussels, 21 March 2013.** A group of non-governmental organisations from Europe and Latin America this week<sup>i</sup> raised concerns about new European development cooperation policies – questioning whether so-called ‘blending mechanisms’ are favouring multinational corporations and big banks over poverty eradication.

*“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,”* the NGOs said in a joint statement.

The NGOs<sup>ii</sup> came together on 21 March with MEPs from five political groups at the European Parliament for a conference that focused on the hot button issues of EU blending mechanisms, which mix loans and grants. The conference focused specifically on Latin America – with experts voicing concerns about the lack of transparency of the Latin American Investment Facility (LAIF), the blending facility set up by the European Commission to channel development cooperation to the region.

### **“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?* Tovar followed four cases of projects funded by the LAIF mechanism and found a lack of transparency, poor access to information and a lack of accountability by the European Commission and the European development banks. This 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 said.

### **Development aid versus return on equity**

Tovar reported that, of the four projects he 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 that the European Commission should establish criteria for the selection of projects, where development objectives are more important than the return on equity.

The NGOs attending the conference expressed their profound concern and questioned whether these new cooperation mechanisms that promote the private sector address the main objective of EU development cooperation – which is the eradication of poverty and, in the case of Latin America, social cohesion. They questioned whether the priority was instead being given to return on equity and to opening markets in favour of transnational companies and banks.

The NGOs emphasised that the LAIF needs to have clear guidelines in place that guarantee that affected communities are consulted about each and every specific development project. The LAIF also needs to carry out formal and exhaustive human rights and social and environmental impact assessments, with the participation of civil society, the NGOs argued.

Questioning whether the LAIF and blending mechanisms in general are an effective tool to overcome poverty, the NGOs argued that these concerns need to be addressed before extending these mechanisms any further. Above all, they argued, we need to answer the question: who is the new development cooperation policy benefiting?

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**Notes to the editor:**

<sup>i</sup> The conference, *Aid to the private sector: promoting responsible investments? Latin America as a testing ground*, took place on Thursday, 21 March at the European Parliament. For more information about the conference, please refer to the [conference's invitation](#).

<sup>ii</sup> The organisations involved in the initiative were:

Asociación Latinoamericana de Organizaciones de Promoción al Desarrollo A.C., ALOP

The association of World Council of Churches related Development Organisations in Europe, APRODEV

The international alliance of Catholic development agencies, CIDSE

Iniciativa de Copenhague para Centroamérica y México, CIFCA

The European coalition of development and environmental non-governmental organisations challenging the European Investment Bank, Counter Balance

The European Network on Debt and Development, Eurodad

The political alliance among European NGOs, GRUPO SUR

The International Office on Human Rights - Action Colombia, ODHACO

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