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Arab NGO Network for Development
شبكة المنظمات العربية غير الحكومية للتنمية

ANND Input: Public Consultation on EU External Financing Instruments

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May 2017

Introduction: Financial instruments as tools to advance EU values on human rights, democracy, and freedom

The European Union is a global actor. Its external actions, related to trade, aid, and development, have a huge impact on several countries. In its external action, the EU aims at promoting democracy, peace, solidarity, stability, and poverty reduction and to help safeguard global public goods. Promotion of human rights stands at the center of EU external policy, despite the fact that EU's founding treaties had no explicit reference to human rights.¹ A turning point for the evolution of human rights and EU external action was the entry into force of the Lisbon Treaty in 2009. In Article 21, the Treaty states that *'the Union's action on the international scene shall be guided by the principles which have inspired its own creation, development and enlargement and which it seeks to advance in the wider world: democracy, the rule of law, the universality and indivisibility of human rights and fundamental freedoms, respect for human dignity, the principles of equality and solidarity and respect for the principles of the United Nations Charter and international law.'*² This positively evolving nature of human rights in external action of the EU is now defined as overarching priority by the High Representative/Vice President Federica Mogherini.³ Furthermore, in 2012, the EU received the Nobel Peace Prize for advancing the causes of peace, reconciliation, democracy, and human rights in Europe.

In this context, external financial instruments can be considered as one of the tools to advance EU

values. Indeed, as the EU notes, *"the instruments give the EU the chance to further reinforce its role on the global stage and promote its interests and values."*⁴

This brief assessment will try to show if these financial instruments really serve their purpose, particularly the European Instrument for Democracy and Human Rights (EIDHR) and the European Neighborhood Instrument (ENI). It will focus on their relevance; effectiveness, impact and sustainability; efficiency; EU added value; coherence, consistency, complementarity and synergies; and leverage.⁵

Focus on external financial instruments: European Instrument for Democracy and Human Rights and the European Neighborhood Instrument

The self-assessment of the European Commission on the EIDHR points out that *"the instrument is about values rather than immediate return on investment"*.⁶ The instrument's main objectives address core values, namely human rights, democracy, and fundamental freedoms. On the other hand, ENI has differentiated priorities, along the same line, but adapted to each country based on the national context. For instance, for Jordan, private sector development and employment remain a priority. For Egypt, addressing poverty is the priority. These priorities are supported by the Association Agendas and Partnership Priorities adopted within the European Neighborhood Policy (ENP) with each country. Both instruments are crucial for the



region. The ENI's total budget was €15.4 billion for the period from 2014 to 2020. It represents 24% of expenditures for the EU's external action, one of the largest. EIDHR, on the other hand, made a significant increase to support democracy and rule of law in the region, following the Arab uprisings, doubling from 17% to 30% from the period 2007-2010 to 2011.⁷

Key concerns regarding these instruments include the following:

1. Promotion of EU values are overshadowed by security and stability concerns

Starting with the Barcelona process in 1995, the parties on both shores of the Mediterranean committed to turning the Mediterranean basin into an area of dialogue, exchange, and cooperation, guaranteeing peace, stability, and prosperity. Both parties from the EU and the Arab region were convinced that achieving this requires a strengthening of democracy, respect for human rights, sustainable and balanced economic and social development, measures to combat poverty, and promotion of greater understanding between cultures. Identified as essential aspects of partnership, programming and planning for the Mediterranean Partnership and later on in the ENP were to contribute to their achievement.

In fact, ENP was revised twice (first in 2011 following the Arab uprisings and then in 2015) and the financial support provided through the external financial instrument, namely ENI had over EUR 15 billion for 2014-2020. However both with regard to the main objectives and considering the development outcomes and remaining challenges of inequality, rights violations we can see that the EU-Arab partnership could not achieve a lot.

One key reason behind this is the lack of and understanding of equal partnership and lack of mutual accountability within the overall EU-Arab partnership. On the other hand, stabilization and securitization became the key determinants of the EU approach to the region, in light of the migration crisis. EU shifted its approach to a more Euro-centric, security based approach, undermining its international human rights obligations as well as the commitments to sustainable development. EU continued to promote market liberalization measures, free trade, and foreign direct investment in the region, which requires an enabling environment

for business and 'stability' for the sake of economic interests. In this understanding, economic growth was considered the main indicator for development, whereas lack of redistribution mechanisms for this growth was ignored. The policies promoted resulted in the accumulation of wealth and power in elite groups in the partner countries, together with the lack of civic participation, lack of transparency, and endemic corruption.

2. Coherence and complementarity within financial instruments is key but policy coherence for development should stand at the center of EU external action

Policy coherence for development is a legal obligation for the EU according to the Article 208 of the Lisbon Treaty. Particularly important in this regard are EU trade and investment policies that should have clearly defined development objectives through contributing to development of productive sectors and employment generation. Complementarity and coherence preserved within different financial instruments would not achieve much, unless the EU strictly adheres to policy coherence for development in its overall external action.

Tunisia Case: promotion and violation of human rights between EIDHR and the DCFTAs

EIDHR is a strong instrument to promote human rights in Tunisia. The case study published by the EESC on the instrument reveals several positive aspects including that EIDHR puts strong emphasis on creating an environment that is conducive to policy changes with regard to human rights. It acknowledges the role of civil society and the needed support to the civil society to become full partner in the policy making process, including through training on policy processes and research, promoting dialogue, and promoting access to information.⁸ Whereas a direct reading of the instrument would applaud the success for support to civil society capacity building in Tunisia, thus overall human rights promotion, this assessment



remains limited given that despite such advances through the instrument, Tunisia is facing negative human rights impacts through other EU policies directed to the country. The promotion of Deep and Comprehensive Free Trade Agreements (DCFTAs) is key in this context. The revision of the ENP considered DCFTAs as the main tool to promote prosperity in the region, despite several concerns raised by civil society on the lack of safeguards within the framework. Actually the Trade Sustainability Impact Assessment (SIA) for Tunisia itself points out that DCFTAs can breach human rights in practice, and more pressure would be put on human rights than the model states. This is mainly because the Computable General Equilibrium (CGE) modeling of the assessment assumes labor mobility between sectors and does not account for the informal economy exists in Tunisia. However labor reality does not align with these assumptions; labor mobility between sectors is difficult and informal economy is a key challenge in Tunisia; 42-50% of Tunisian workers are in the informal economy.⁹ Therefore the complementarity of EIDHR with other financial instruments in promotion of human rights and support to civil society would remain only a simple step but not bring in genuine results. The EIDHR support to civil society in Tunisia, should accordingly move one step further from strengthening the capacity to ensuring their voices heard in policy-making levels enhancing dialogue, including on EU trade policy directed to the country.

3. Allocation of financial instruments should be considered as a tool to enhance multi-stakeholder dialogues at national level

EU allocation of financial instruments would achieve more if the support is designed, planned and implemented following inclusive and transparent processes. Multi-stakeholder dialogues would be the best opportunities bringing together different stakeholders and discuss these areas/issues to identify key areas/projects that the support would be provided for. Given the shrinking civic space in many countries of the region, the financial assistance

provided by the EU should be an opportunity to create further engagement for civic actors, including trade unions, labor unions, and human rights defenders and so on. Similarly, ad hoc and project-based approach would also bring only limited results. On the contrary, financial instruments should be tools to strengthen the adoption of nationally owned, comprehensive development plans and human rights action plans. Availability and accessibility of timely and adequate information on these instruments would be also key in this regard. For the ENI Regional Strategy, ANND (together with Euromed NGO Platform) made it clear: the initiative of the European Union to include civil society organizations (CSOs) in the discussions on strategy papers of the financial instruments, for instance on the ENI Regional Southern Mediterranean Strategy Paper through an informal consultation launched by EU Delegations at national level or in Brussels was positive. However, the vital role given to CSOs input in the process would be more efficient if the process was not limited by only providing mere feedback at a later stage but with a genuine, inclusive and participatory approach adopted by the EU aiming at elaborating challenges and priorities together with partners with mutual accountability.

4. Commitment to mutual accountability must be at the center of financial instruments

Advancing human rights cannot be a demand-supply relationship between the EU and the Arab partner countries. It can neither be a tool for conditionality under more for more or less for less principle. In this regard, whereas any conditionally attached to financial instruments would clash with development effectiveness principles, lack of mutual accountability would also hamper efficiency of the EIDHR and ENI. Providing financial support through these instruments would not allow EU to transfer all burden to the partner country, rather EU should be accountable on the outcomes achieved. A genuinely established partnership is at the center to achieve development outcomes from these instruments when accompanied by EU policy practices respecting development effectiveness principles, remain transparent and inclusive in policy-making processes are vital.



Egypt Case: EU accountability on poverty reduction in light of ENI prioritizing poverty alleviation despite promotion of neo-liberal policies promoted by the IMF

ENI has three priority areas identified for 2014-2016 period in Egypt. They include:

- Poverty Alleviation, Local Socio-Economic Development and Social Protection;
- Governance, Transparency and Business Environment;
- Quality of Life and Environment

Poverty alleviation has around 40% of the indicative budget that was allocated to develop the capacities of the Government of Egypt in social policy formulation and delivery of social transfers to reduce regional disparities. However it is also the EU, adopting a neo-liberal policy approach and promoting IMF policies in the country that has negative impacts on poverty reduction, economic and social rights

of the poor. Back in 2013, the European Council President was even linking EU grants to the IMF deal to be signed.¹⁰ Van Rompuy then pushed for the IMF \$4.8 billion loan arguing that it would boost investor confidence in the Egyptian economy and will open the door for further economic aid packages. He was clearly indicating EU grants to be dependent on the IMF deal to be signed. Yet, as elaborated in depth by Mahinour El Badrawi and Allison Corkery from the CESR, the IMF loans come at the expense of rights. The latest deal signed in November 2016 for \$12 billion loan, supports economic reform plans that includes: “reduce public spending, including by reforming the civil service and by reducing the public sector’s role in the provision of subsidized social services.”¹¹ The analysis clearly indicates the burden put on the poor, with ‘unprecedented rise in inflation.’ In this context whereas the overall poverty alleviation objective of ENI is positive, EU’s accountability on all policies implemented should be considered for a real impact from the financial instruments.¹²

1 [http://www.europarl.europa.eu/RegData/etudes/IDAN/2015/554168/EPRS_IDA\(2015\)554168_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/IDAN/2015/554168/EPRS_IDA(2015)554168_EN.pdf)

2 <http://www.lisbon-treaty.org/wcm/the-lisbon-treaty/treaty-on-european-union-and-comments/title-5-general-provisions-on-the-unions-external-action-and-specific-provisions/chapter-1-general-provisions-on-the-unions-external-action/101-article-21.html>

3 During the launch of the Joint Action Plan on Human Rights and Democracy 2015-2019, HRVP Mogherini noted “Human rights will be one of the overarching priorities of my mandate, a compass in all relations within EU Institutions, as well as with third countries, international organizations and civil society.” http://europa.eu/rapid/press-release_IP-15-4893_en.htm

4 http://ec.europa.eu/europeaid/funding/about-funding-and-procedures/where-does-money-come/external-action-financing-instruments_en

5 These are the main issues Public Consultation focuses on.

6 https://ec.europa.eu/europeaid/sites/devco/files/pc-ext-financ-instru-eidhr_en.pdf

7 https://ec.europa.eu/europeaid/sites/devco/files/report-delivering-on-arab-spring-201112_en_0.pdf

8 <http://www.eesc.europa.eu/?i=portal.en.rex-opinions.34769>

9 <http://www.globalfairness.org/about-gfi/news-reports/latest-news/197-gfi-holds-conference-in-tunis-on-integrating-informal-sector-into-the-formal-economy>

10 <http://english.ahram.org.eg/NewsContent/3/0/62776/Business/0/EU--billion-grant-dependent-on-Egypt-IMF-loan-Van-.aspx>

11 <http://www.brettonwoodsproject.org/2017/02/egypts-new-imf-deal-comes-huge-price-tag-human-rights>

12 *ibid*



The Arab NGO Network for Development works in 12 Arab countries, with 9 national networks (with an extended membership of 250 CSOs from different backgrounds) and 23 NGO members.

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