



PROTECTING AID FUNDS IN UNSTABLE GOVERNANCE ENVIRONMENTS:
TOWARDS AN INTEGRATED STRATEGY

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Sedas Nunes Hall, Institute of Social Sciences, University of Lisbon

**The Role of the European Parliament in setting governance
standards in aid recipient countries**

Ana Gomes, MEP

I. The Role of the European Parliament

The role of the European Parliament (EP) in setting governance standards in aid recipient countries can be summarised in one word: **scrutiny**. The Parliament plays an important role in 1) scrutinising the disbursement of development cooperation funds and 2) monitoring governance standards and progress towards democracy in developing countries.

a. Scrutiny of development cooperation funds

Democratic scrutiny enables the EP to make an assessment of all Country Strategy Papers, Regional Strategy Papers and Thematic Strategy Papers and the respective Multi-Annual Action Plans of the **DCI - the Development Cooperation Instrument**, which has a **financial envelope of € 10,057 billion** (excluding thematic funds) **for the period 2007-2013**, covering **47 countries in Latin America, Asia and Central Asia, the Gulf region and South Africa**.

I have participated in this scrutiny. This procedure is carried out by EP working groups, which exchange information with the Commission. After the assessment, the EP may decide to vote on a resolution, when it concludes that the Commission has gone beyond its implementing powers. It has happened on several occasions. In such cases, the Commission must either change the proposed actions or justify why they do indeed serve development purposes. For instance, I remember a case when the EP persuaded the Commission to drop a project related to the development of a gas field in Iraq, considering that this action would not really contribute to fighting poverty, the main aim of the DCI. This shows that the voice of the Parliament matters.

The **EDF - the European Development Fund** is the key instrument through which aid is provided to the **79 ACP (African, Caribbean and Pacific), countries** to which EU Member States are specially bound by the **Cotonou Agreement**. It has **available € 22.7 billion for the period 2007-2013** (corresponding to an average funding of **€3.7 billion per year**). At the moment there is no space for in-depth scrutiny by the European Parliament, because this fund remains outside the Community budget. The Parliament and the Commission have been asking for the so-called '*budgetisation*' of the EDF for some years. And, along with other European Parliament Members, I have been pressing EU Member States to consider this option, now that **the Lisbon Treaty** reinforces democratic scrutiny. This would increase transparency and accountability to European tax payers and also contribute to a more democratic implementation of EU funds in all aid recipient countries.

b. Monitoring governance standards and progress towards democracy in developing countries

The European Parliament also monitors governance standards and progress towards democracy in developing countries.

Members of the European Parliament (MEPs) working in the EP Foreign Affairs and Development Committees constantly **monitor governance-related indicators** in aid recipient countries, such as those implicated in the realisation of the Millennium Development Goals and specifically those involved in respect for human rights and basic freedoms, anti-corruption efforts, justice and security sector reforms, gender equality, management of natural resources, strengthened roles of national parliaments, local authorities and civil society organisations, etc.. These topics are frequently the subject of debates in inter-parliamentary bodies, such as the Joint Parliamentary Assembly ACP-EU, the Euro-Mediterranean Parliamentary Assembly, the Euro-Latin American Parliamentary Assembly or the Inter-parliamentary Delegation to the Pan-African Parliament. A very important tool to monitor progress towards democracy is Election Observation.

II. EU Development Policy and Governance Standards in aid recipient countries

Discussing the role of the EP in setting governance standards in aid recipient countries, I will make a few brief comments on the role of the **European Commission (EC) and Member States**, since they implement development cooperation.

The EC is responsible for ensuring aid effectiveness and promoting good governance in third countries. This responsibility matters even more since the EC has set the goal of channelling half of EU programmable aid through **budget support**. Facing such a challenge, the EC has developed the so-called **Governance Initiative and the Incentive Tranche**, which is a mechanism that gives ACP countries access to additional funding on the basis of their commitment to deliver governance reforms - a total of €2.7 billion from the 10th European Development Fund was reserved for such incentives. Despite some criticism (mainly related to the fact that the tranche is attributed upon *commitment* to pursue reforms, and not after reforms have actually taken place) and controversy regarding the criteria evaluated in the governance profiles (not all criteria are consensual – for example, issues related to the management of migration flows. And I certainly agree with those who defend that human rights should have a more prominent place in the evaluations. Nevertheless, this initiative is a step forward towards positive conditionality, which I believe should guide all EU aid disbursements.

The European Union is the largest aid donor. In 2008, the EU provided €49 billion Euros in Official Development Assistance (ODA) - approximately 60% of all global aid. If the EU wants to preserve its credibility as a donor, its Member States must comply with the promises made in terms of ODA and **the EU must not close its eyes to human rights abuses or bad governance**, when aid disbursements are decided. For example, Ethiopia - an ACP partner bound by

the human rights clauses in the Cotonou Agreement - is an outrageous example of double standards: while preaching good governance, the EU ignores serious breaches of human rights committed by the government in this "aid darling" country that receives considerable funding from the EU.

Obviously, it is not only up to the EU to take action.

The Member States, who are themselves responsible for aid disbursements, also play an important role. And, therefore, national parliaments must scrutinise such aid disbursements.

Consider the case of Portugal: a 2007 OCDE report on the application of the Anti-Bribery Convention in Portugal, underlined the low level of awareness of IPAD staff concerning the foreign bribery offence and their duty to report on any criminal offence to the prosecuting authorities, as well as the absence of guidelines or training on the identification and reporting of corruption abroad. The OCDE therefore recommended *"that Portugal take awareness raising measures targeting IPAD staff and IPAD public and private sector partners about issues related to the offence of foreign bribery, including on prevention, detection and reporting"*.

III. Looking ahead

We are now at a crossroads of EU external action: the ongoing creation of the **European External Action Service** (EEAS) is a unique opportunity to put good governance and human rights at the centre of EU external action. That will require an EEAS properly staffed with experts in governance and human rights, with adequate weight in the institutional structure, both in Brussels and in the EU Delegations throughout the world.

In the European Parliament we are doing what we can to improve scrutiny of governance standards in aid recipient countries. But that also requires improvement of governance standards in the EU itself.

. That is why the EP last month passed a **Written Declaration**, initiated by myself and other colleagues, about the EU's efforts in the fight against corruption.

And I have, in conjunction with other MEPs from different countries and political groups, launched an **Anti-Corruption Petition**, which *"urges the European Commission and Member States to propose legislation and to come forward with mechanisms to fight corruption in general and in particular in EU relations with third countries"*. This petition proposes various concrete actions to fight corruption with regard to developing countries, such as:

- *"The EU should strengthen monitoring mechanisms to ensure that EU development aid, including budget support, is used in a transparent and accountable manner by the governments that receive it."*

- *The EU should publish what it gives, providing timely, accessible, relevant, uniform, disaggregated and easy to understand data on aid disbursements.*
- *The EU should better coordinate its efforts to halt tax evasion and the illicit financial activities that are made possible through use of "offshore heavens" and advocate, at the global level, for strict regulation and control of off-shores.*
- *The EU, the US and other partners should share a list of officials (and their immediate family members) against whom there is credible evidence of corrupt activity; targeted individuals should be ineligible for ownership of property in EU Member States and the assets of targeted individuals held in European bank accounts should be frozen".*

I encourage you to sign this petition at www.stopcorruption.eu and get as many EU citizens to do it, as well.

IV. Conclusion

To conclude, let me point out that we are talking about fighting corruption at a time of an unprecedented global and European economic and financial crisis. A crisis that, actually, stems from a crisis of values and ethics. And without strong values and ethics you are left with a recipe for more corruption, not the means to fight it.

But any crisis also offers an opportunity to leap forward: economic governance and more effective democratic accountability are the challenge we face now in the EU. And that means both inside the EU, as well as in the relations of the EU with other countries. That is obviously bound to influence our strategy towards governance standards in aid recipient countries.