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## **Summary of Working Package 12 – Bilateral Institutions**

### **Introduction**

The numerous multilateral organizations that currently address the Mediterranean Basin cover almost all possible areas. However, the Barcelona Process has been and still it is the best-known Initiative and the one in which most hopes have been placed. Despite some prominent successes, the outcomes have not been as productive as originally expected.

The European Union is not the only actor present in the region. Numerous organizations are acting politically, economically, socially and militarily. These actions are not always coordinated thereby negatively affecting the result of the initiatives. A thorough analysis of the results will help to improve the development of a region that is vital for European interests and for the rest of the international community.

The 13th Working package has addressed the subject of Multilateralism, and it has developed an approach that includes different perspectives. Thus, we find such diverse topics as an analysis of the existing institutional options, the conditionality designs and policy reform and returning migrants and Diasporas, among others.

The paper presented by the Spanish University, "Euro-Mediterranean Cooperation: the Institutional options", discusses the various initiatives in the region, European and non-European. It offers a critical assessment of each initiative and it advances proposals for a more effective system that could help to overcome the current problems afflicting the region.

The French contribution, "The Euro-Mediterranean Partnership: conditionality design and policy reform in a comparative perspective", analyzes the current system of cooperation as well as the different perspectives of policy reforms implemented in the Mediterranean region.

Finally, the paper "Multilateral Institutional Mechanisms for Development through Investments from Returning Migrants and Diasporas" discusses the features of an institutional framework that can enhance the level of investment from migrants and returning Diasporas in Mediterranean Partner Countries. The analysis of the various Mediterranean countries completes this work.

## **Working Paper 1:**

### **“Euro-Mediterranean cooperation: the Institutional options”.**

The Mediterranean basin has traditionally played a strategic role in international relations. Throughout history, the sea has witnessed the creation of multiple links among the different neighbors. From the European standpoint, the region is vital in four main issues: the EU energy policy, unrest in the Middle East and North Africa, pressing migration flows, and increasing militarization. Despite these problems and the widespread tendency to treat the area as a problem rather than as an opportunity, the adoption of the proper cooperation tools could deliver vast benefits to both sides of the Mediterranean.

Soft diplomacy is the best tool to address the current situation in the Mediterranean region. One of the mechanisms inherent to soft diplomacy is the creation of new cooperation tools. During the last decades, policy makers have come to understand that a peaceful environment plays a key role in domestic security. Meanwhile, globalization has diluted borders and shortened distances and physical remoteness does no longer ensure domestic security. It is precisely in this context that several international initiatives that included multiple areas of action were launched in the region. While some of the initiatives are backed by experience, others are new and it is still early to develop an assessment of their outcomes.

The most important initiatives that are currently taking place in the Mediterranean basin are the Euro-Mediterranean Association, the European Neighborhood Policy, the Summit 5+5, the NATO and the Mediterranean, the Organization for security and cooperation in Europe, the Alliance of Civilizations among others.

Among all the initiatives that are already in place, we have selected those that we consider as the most effective; the Barcelona Process, the European Neighborhood Policy, the NATO Dialogue, and the Summit 5+5. The Barcelona Process and ENP are both carried out by the European Union; NATO reflects the United States interests and the Summit 5+5 is an initiative launched by a number of different countries that involves the EU only as an observer.

After analyzing the mentioned partnerships, with its lights and shadows, we have extracted the following outcomes:

First, the most obvious conclusion of the current status of the collaboration framework between Europe and the Southern Mediterranean countries is the large number of mechanisms in place that seek to foster cooperation between both regions. The vast majority of these initiatives was launched before the Barcelona Process and may have, therefore, lost intensity since 1995. Moreover, the multiple layers of cooperation that characterize the process of rapprochement between the two regions has resulted in overlapping goals and instruments therefore jeopardizing the effectiveness of the initiatives.

The flaws of each instrument have resulted in a frenetic search for new alternatives that has complicated the process. In this sense, we recommend: (i) to redirect the efforts towards coordination between the already existing tools; (ii) to consider all the institutional structures in place in order not to launch new overlapping or unnecessary instruments; (iii) to encourage an improved coordination between agencies that takes advantage of the resources in place, and (iv) to create simple and efficient tools that enable information-sharing between the different institutional layers.

Secondly, the key issues that affect the multilateral and bilateral relations between the participants are included in the various initiatives and, therefore, new partnerships are not only unnecessary, but also unproductive. Moreover, establishing new goals would only add complexity to a project that is already endangered by the multiplicity of its objectives. To solve this conundrum we recommend: (i) to adopt fewer but more realistic and specific goals; (ii) to urgently tackle the structural problems that affect the region; (iii) to keep in mind that the tools implemented to address one goal could have a negative impact on different but related objectives. Likewise, the effectiveness of specific measures, such as increased investment, depends on the satisfactory outcome of other measures, and (iv) to create a mechanism that enables the identification, and solution, of structural problems created by the wrong implementation of old measures.

Third, the relative complexity of the institutional setting has resulted in limited readability and visibility. We consider that the process could further advance if each initiative was split up in different levels. In so doing, each level could be initially tested at a specific local scenario and, depending on the outcome, extrapolated to the whole region with a bilateral or multilateral approach.

Fourth, the institutional framework created to address the relations between Europe and the Southern Mediterranean countries has been frequently criticized for its lack of transparency, lack of credibility, and the dominance of Western standards. To tackle these issues, we recommend adopting mechanisms that enhance the transparency of the decision making and negotiating processes. We also suggest the implementation of tools that facilitate the involvement of civil society in all the partner countries and that promote a sense of equal status among the Southern citizens. The disconnection between the Barcelona process and civil society has been acute. It is, therefore, necessary to raise public awareness while promoting the involvement of civil society. This obviously requires to further advance on the fulfilment of the goals included in the first basket-political and security cooperation.

In fifth place, we highlight the role that regionalization should play in the process of cooperation between the two regions. Regionalization has only advanced slowly in the last decade. However, we firmly believe that it should be promoted in order to facilitate the development of horizontal socio-economic and political relations between the Southern countries. Moreover, as other international association and cooperation processes have demonstrated, regionalization can strengthen the bargaining position of the Southern countries, therefore increasing their ability to participate as active members of the Partnership.

Finally, it is necessary to boost the powers given to the Euro-Mediterranean institutions, enabling them to pursue actions if there is a breach in the objectives or activities agreed.

Despite all the flaws and weaknesses identified, the European Union policy towards the Mediterranean appears to be a relative success story, especially when compared with other cooperation initiatives. The EMP and the ENP have created a dense network of interlinks which cannot be compared with any other political initiatives in the Mediterranean. The EU could therefore play a leading role in this area if it is capable of showing the benefits of its soft power approach to the rest of international actors.

## **Working Paper 2:**

### **“The Euro-Mediterranean Partnership: conditionality design and policy reform in a comparative perspective”.**

Conditionality has been used to induce reform. The disappointing results of this technology at the multilateral level (IMF, World Bank) have led to a gradual redesign of aid contract. Three main difficulties were generally identified: the ownership of the reform by the recipient, the temporal horizon of the programs and coordination among donors for effectiveness purposes.

In the same time the EU's Mediterranean strategy developed numerous instruments, including use of trade, cooperation agreements, financial assistance,...The motivations of these mechanisms are also multiple : altruism, building security alliances, economic integration, promoting ideological and cultural values.

So we faced at least a twofold problem of heterogeneity for cooperation in this region: (i) At internal level, the governance of the EU complexity in its Euromed partnership, (ii) At the external level, the compatibility and interaction between EU and multilateral agencies strategies.

Two important features must be identified: one concerning the donor and the other, the recipient: from the donor side, conditionality tries to solve moral hazard; and when there is a loan, conditionality secures repayment and by consequence the quality of assets of the IFI. From the recipient side, two main arguments legitimate conditionality at external and internal level, prenniality of capital inflows and it offers a government some supports to go beyond domestic impediments.

Regarding reform of conditionality design, the old Washington consensus is going to be replaced by a new one: *Stiglitzian Consensus* focusing on poverty alleviation and quality of governance. There is a new analytical and ideological background of international aid focusing on more long term challenges: human progress, sustainable growth and an improvement of the whole governance quality of partnership. But these fundamental adjustments were accompanied by a reflexion on conditionality formal reform.

The question is how to obtain a better governance of aid, both from the recipient and donor points of view. The deep involvement of governments in reforming is generally perceived as a

key factor of aid efficiency. However, the evolution of conditionality during the late 1980s and 1990s didn't go in the right way.

From the donor side, definition of conditions and disbursement process can also spoil aid efficiency. The central idea is to replace conditionality on measures and intermediate goals of economic policy by conditionality on medium and long-term outcomes. This formula would reinforce the responsibility and good management of domestic governments. The relevance of the debate for Euromed perspective can be analyzed under two different positions: Partnership versus asymmetric relationship, and explicit conditionality versus implicit conditionality.

Partnership versus asymmetric relationship: the Euromed partnership seems different by nature with IFI's framework. In one hand, we have a partnership with supposed symmetric relationship between countries, with joint decision-making and mutual commitment. In the other hand, the IFI develop an advice function with an incitation scheme permitting economic reform in a suitable way. The relationship is far from symmetric as the underlying model is external and the non-compliance of performance criteria leads to financing suspension or secession.

Conditionality has also affected the enlargement process, revealing strong asymmetries between the parties involved. While Central and Eastern European countries shared a sense of there being no alternative to EU membership if future stability and prosperity were to be assured, the EU, in spite of an increasing commitment to enlarge, did not provided guarantees or timetables.

Explicit conditionality versus implicit conditionality: The actual distinction between IFI's conditionality and EU's practices is that in the first case, the concept of conditionality is explicit and a clear technology of "gains and threats" tries to deal with standard results of the principal-agent model. In the second case, the concept of partnership doesn't permit directly this coercive approach but an implicit conditionality really exists.

The same difficulties arise with international cooperation instruments and with EU's aid supporting policy reform at regional level. The current debate turns around two major components: restructured conditionality and extended conditionality.

Concerning the policy reform in MENA countries a general overview shows that despite its geopolitical importance, the MENA region's influence in the global economic system remains weak. The region faces a broad range of developmental challenges. The overall business climate remains weak with significant obstacles in doing business, especially in starting a new one, investors' protection and enforcing contracts. Deficiencies in governance are visible. Political fragmentation, recurring conflicts, and authoritarian rule have hampered the development of democratic institutions and remain major obstacles to economic reform.

The MENA countries have benefited from the boom in oil and other commodity prices, the strong global economy and improved policy frameworks, the regional growth exceeded 6.3% in 2006, the highest performance during the last five years. In order to sustain the economic growth and bringing per capita income closer to the emerging countries, reduce poverty and unemployment, there are required structural reforms in the financial and public sector systems.

Driven by the challenges of sustainable development, of rising macroeconomic stability and of improving the quality of governance in the MENA region, international organizations (European Union, World Bank, Organization for Economic Co-operation and Development, United Nations, United States Agency for International Development, etc.) offer financial support and assistance through international programs.

European Union programs offer support into area of security, stability, democracy, political dialogue and economic cooperation. World Bank came to offer financial support for projects that alleviate poverty and promote social and economic development. Therefore, these two main initiatives in the MENA region are consistent and complementary to each other. In the area of good governance, some new organizations like OCDE, UN, IRI came to support the dialogue between policy makers and other countries or international organizations, the transparency, the governance reforms. At this level, the programs in the region complement each other and are coherent one to another. Some partnerships between different organizations are established in order to sustain the development of the MENA region

The EU has proposed an intervention logic which puts great emphasis on economic liberalization and an opening up to international trade. However, several elements indicate that, if strongly inspired by liberal views, the EMP is not following strict neo-liberal logic,



and there are reasons to believe that, compared to the status-quo, the ENP offers value added in so far as it can be expected to provide: (i) stronger political incentives for economic reform in the neighbouring countries (NCs) (ii) and a series of practical advantages that would be expected to speed up and ease implementation of pro-growth policies.”

At external level, there are numerous programs and institutions acting in MENA region for policy advice purpose. This can be seen as an advantage considering the great challenges faced by this area, but it could become a major problem if coordination is lacking, with emerging potential caveats and inefficiencies.

Concerning conclusions, (I) it's important to remind what is at stake in this whole complex process of EuroMed partnership: a common area of peace and stability, an area of shared prosperity mainly through free trade, human resources development, better understanding between culture and exchange between civil societies. (II) The EuroMed debate is that of a political offer between strict integration and lack of concern or benign neglect. The EU's has to reinforce its ability to develop an external policy complementary to enlargement that is effective in promoting transformation and reform and (III) EU is not acting solely in this region and others institutions develop programs and help in implementing reforms and projects. It's a matter of interactive strategy and the arising questions are: is EU offering a credible alternative and competitive reform management process (weak cooperative game between EU and IFIs)? Or the search of efficiency is putting forward convergence and synergy with IFIs (strong cooperative logic but loss of sovereignty for EU)?

Concerning recommendations, (I) *Policy reform aid versus project aid*; the second aspect should become a high priority because it's not very easy to maintain durable political mobilization only with concepts, painful reforms and long term macro outcomes. (II) *Real partnership versus implicit conditionality*; an ambiguity or an hesitation is perceived in the EuroMed dialogue, a clarification is needed about the actual nature of relationship (symmetry or asymmetry) between EU and its neighbourhood. (III) *Positive conditionality versus negative one*; we need to leave the penalty-performance logic and to enter a positive discrimination for countries going ahead at steady pace. (IV) *Specialization and subsidiarity of institutions and processes*: macro level and policy reform for IMF/WB and regional level and institutional or structural convergence for Euromed. (V) *South-south integration or cooperation* as a prerequisite or permissive condition of a real Euromed partnership.

### **Working Paper 3:**

#### **“Multilateral Institutional Mechanisms for Development through Investments from Returning Migrants and Diasporas”.**

The objective of this study is to discuss the features of an institutional framework that can enhance the level of investments from returning migrants and Diasporas in Mediterranean Partner Countries (MPCs) in relation to the cooperative framework with the European Union, knowing that the latter overall process is now expanding to become the Union for the Mediterranean Area. This objective is achieved mainly through using the existing literature on this subject.

This is another opportunity where multilateral and domestic institutions could be designed and implemented in order to foster and monitor investments of returning migrants and Diasporas to their countries of origin. This is also another opportunity to show that institutional solutions and frameworks for the purpose of channelling and promoting investments will vary with the environments and with the types of destination, host countries and local territories. In the context of the MPCs, institutions are again related to the existing infrastructure promoted in each country and its relationship to new instruments and means suggested to accelerate investments of returning migrants and Diasporas.

Up to now the MPCs have been developing to different degrees, localised, national, public and non-governmental organizations (NGOs) that capture, among others, investments and enterprise creation. Also, in countries of destination, different public and NGOs are attempting to create engines for the mobilisation of individual and joint ventures. But two major observations can be made at this stage. The first one is related to the low rate of mobilisation of investments while the second is related to the absence of links between the two sets of institutions.

The missing links are institutional mechanisms that can be promoted under international and national organisations from both the public and private sides. These new mechanisms are likely to be adjusted to account for the local features of each zone and returning migrants and Diasporas. These adjustments are also likely to account for the cultural features, the dimensions related to language, the levels of skills accumulated and the attractiveness of different geographical areas and communities.

The multilateral institutional set up is assumed to be an important engine for information that is required to be relevant and accurate and addresses the above dimensions. They include economic, financial, social and political information that can enhance the levels of decision making and outcomes related to investments in host countries. This is directly related to the factors that support migration decisions.

As seen in previous studies and mainly in the contributions of GO-EuroMed, people migrate because of the existence of large gaps between MPCs and the developed countries. These gaps are not related only to economic and financial differences but also to social and political factors. All improvements and changes in these gaps between the Northern and Southern countries are to be identified and communicated perfectly to potential returning migrants and Diasporas. Accurate information and communication can become a central issue in the function of the new institutional and multilateral framework.

Furthermore, the overall institutional multilateral arrangements can be adapted to local territories to account for those that prefer to invest in their original localities. This requires more investigations that are likely to feed the informational framework with investments possibilities as well as with the current and potential development of new niches in series of local economies of each of the countries composing the MPCs.

Territorial research as devoted for local development besides the other links with local and differentiated incentives can lead to the promotion of further development opportunities. The positive changes taking place in the overall economy, in sectors as well as in the global and local political and social sides are important additions to the development of investments from returning migrants and Diasporas. These positive features are to be efficiently communicated to the target population through the use of multilateral, national and local institutions.

In conclusion, it is recommended that sending and receiving countries should facilitate the portability of social and economic benefits in order to support circular and return migration. Easing circular migration would permit the development of business between home and host countries and thus ensure a successful return in the home country.

To promote both circular and return migration, government of sending and receiving countries should aid migrant associations and Diaspora, in particular territories with the participation of all partners.

Projects by migrants in relation to local territories deserve particular attention. They relate remittances and other forms of transfers with the promotion of local development. Northern and Southern economies of the Mediterranean areas can jointly with other international organizations support this new institutional mechanism. The support can be on research and diffusion of information that is useful for enterprise creation and promotion of local development. This institutional framework is consistent with the trends taking place not only in the North but also in MPCs.

Regionalisation and territorial development are major drivers for the overall economic and social development. This is a way of enhancing and accelerating the efforts of sending countries to promote and sustain local and global development with ensuring poverty alleviation. This creates new promising opportunities in the South with the reduction of migration possibilities.