A Law, But Still No Changes in France's International Development and Solidarity Policy

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Overview

The French government should:

- Respect France's commitments by devoting 0.7% of its gross national income (GNI) to aid;
- Rebalance the proportion of grants and loans;
- Double the amount of funds channelled through CSOs;
- Strengthen the transparency, accountability and efficiency of French aid; and
- For private actors who are supported by the French Development Agency, strengthen the requirements relating to social, environmental and fiscal responsibility, and human rights.

Introduction

In 2014, France made progress by adopting a law giving guidance for its international development and solidarity policy. Implementing the law, however, is challenging. Funds allocated to aid have continued to follow a downward trend since 2010, falling sharply in 2013, by 9.8%. This decline contradicts the official government rhetoric suggesting that aid amounts have stabilised. The decrease was accompanied by a significant reduction in various budget lines, which represent necessary support for the most vulnerable populations.

A law guiding France's international development and solidarity policy

The year 2014 was marked by the adoption of a law that provided guidance for France's international development and solidarity policy. For the first time in the Fifth Republic, Parliament and civil society contributed to determining the orientation of French development policy.

Throughout the legislative process, Coordination SUD stressed the importance of an ambitious approach to development based on support for reformed development practices, ensuring the consistency of all public policies, respect for human rights, and the regulation of economic and financial actors.

By engaging in this legislative process, France has expressed its willingness and ambition to develop a new dynamic for its development cooperation. However, this dynamic is constantly challenged by the budget plan. The Finance Act for 2015 provides a decrease of 2.78% in ODA allocations and a further decrease of 7.31% until 2017 — seven years of continuous decline of ODA and especially loans.

We know that the funding requirements for the achievement of the post-2015 sustainable development goals (SDGs) will be huge. ODA will represent only a small share of this funding.

However, in this context, the continuation of the decline in French public support appears simply stunning.

In addition, significant effort is still needed to improve transparency in the use of ODA funds in order to increase accountability. It is also essential to review the composition of French assistance in order to give priority to the fight against poverty and inequalities. As such, the importance given by the Government to "economic diplomacy" can only be a worrying trend that raises the risk of more tied aid.

Support for CSOs

Despite their multiple roles in international cooperation as humanitarian and development actors, technical experts, and advocates, French CSOs received only a very modest share (1%) of France's ODA. Non-governmental cooperation remains the "poor relation" of French cooperation. According to a recent survey published by the OECD, the OECD average for the share of ODA channelled through CSOs is 13%.

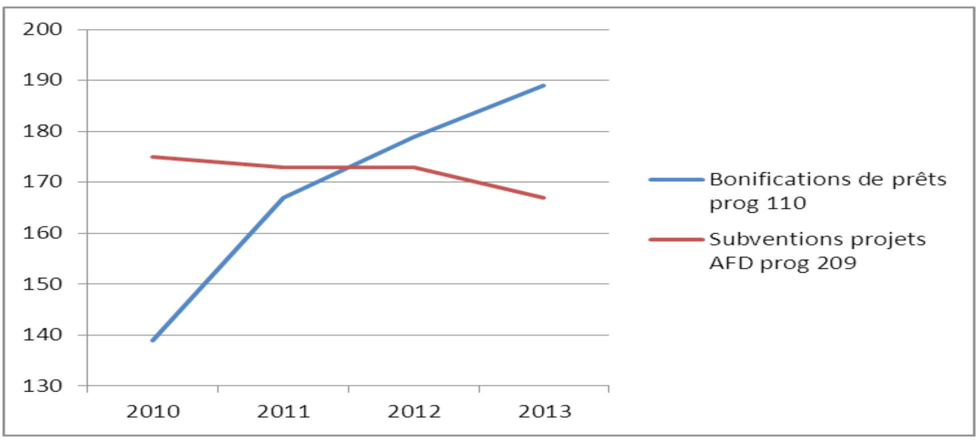
It is essential that France significantly improve its support for CSOs as development actors, creating conditions for cooperation based on true partnership. French CSOs have important programs in the field of international solidarity and development education, working closely with their partners.

Changing priorities in France's budget

France must adopt a more transparent and reformed ODA, refocused on development objectives and public interest, and stripped of its "old demons." Indeed, it is clear that ODA has too often been at the service of military, geopolitical, cultural and economic influence.

Moreover, French ODA is too often subject to budget cuts. The stated prioritisation of social sectors in poor countries is not reflected in the French budget effort. The significant increase of loans to middle-income emerging countries, with meagre concessions, has resulted in a diminution of grants funded by bilateral aid. The French Development Agency (AFD) seeks to minimise the cost of state commitments, and focuses on lending to creditworthy countries.

The following graph shows the evolution of grants and concessional loans in France's budget plans since 2010.



The poorest countries find themselves *de facto* excluded from this funding. Sub-Saharan Africa received only 35% of French bilateral aid in 2014. In contrast, France has devoted a growing part of its aid to middle-income countries, using the leveraging effect of subsidized loans with the intention of providing benefits to its own companies.

France's ODA should focus on local and national public policies that contribute to the fight against poverty and inequalities. Only the consistent deployment of grant financing in social sectors ensures the relevance of France's ODA instruments in the fight against inequality in least development countries (LDCs). France's ODA should target countries with the greatest need and with evidence of improving effectiveness.

"Economic diplomacy" and the role of private sector in development aid

A recent report by the European network Eurodad, titled, "A Private Affair" (July 2014), is concerned about the growing power and opacity of operation of development financial institutions (DFIs). This is the case in France, with respect to Proparco (branch of AFD), the European Investment Bank (EIB) at the regional level and at the international level, and the International Finance Corporation (IFC), a subsidiary of the World Bank.

These DFIs have raised capital steadily since the early 2000s. According to Eurodad, by 2015 these amounts should reach US$100 billion on a global scale, equivalent to two-thirds of ODA, with the purpose of funding support for businesses to invest in the South via loans, guarantees or direct and indirect holdings.

The investments in the private sector are not per se incompatible with development, but the fact that the orientation of DFIs essentially favours multinational firms is a problem. Between 2006 and 2010, 50% of this aid was distributed to companies of OECD countries and some even domiciled in tax havens. Forty percent of these grants are for very large companies. One must question the relevance of such investments to the actual satisfaction of social needs.

This orientation for the private sector in donor countries is easily explained if we consider the very low representation of developing countries in the decision-making committees of these institutions, not to mention the absence of consultations with civil society in investment choices. For Proparco, large French and international groups are even directly involved in the capital of the institution.

There are serious shortcomings in terms of transparency and the requirements of social, environmental and fiscal responsibility of DFI support for the private sector.

Moreover, the negative impacts that sometimes result from multinational firm activities on development and the environment cannot be ignored. It is necessary to supervise and regulate these private investments in order to ensure a fair tax contribution and the promotion of human rights.

In France, under the last government, the choice was made to link foreign trade with the Ministry of Foreign Affairs. The Foreign Office now puts economic issues at the forefront of its work. In its paper "The Foreign Ministry for Business,"[1] it is noted that diplomatic and political tools of influence will be mobilized to serve business and the attractiveness of investment in the French territory. This document also noted, "development policy will be better articulated with the French economic interests."

By putting the interests of national private actors at the heart of the French international strategy, which involves a "reallocation of resources and means" to certain sectors or areas — primarily in the so-called emerging high-growth countries — France takes the risk that this priority will overshadow the financing requirements for managing the global commons, improved living conditions and human rights of people in the South.

How will the Government manage the tension between development policy and "economic diplomacy?" What are the consequences for LDCs and the most vulnerable populations?

For Coordination SUD, it is essential to disconnect aid from other purposes than those designed to meet the needs of poor and vulnerable people. The purpose of aid should not be to look for opportunities for French companies, but rather to encourage the development of businesses based in the recipient countries (local small and medium enterprises rather than local subsidiaries of Western multinationals).

Reference

http://www.diplomatie.gouv.fr/fr/squelettes/liseuse_pdf/78140/sources/indexPop.htm