France's big "but": the DAC reminds France what aid is for

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Date : July 10, 2013

The OECD Development Assistance Committee has recently completed its latest four-yearly peer review of the French aid program. The headline reads, *France: a good donor but must ensure that poor countries get the aid they need*. France is a good donor in one very clear sense: it is the world's fourth-largest donor, spending just over $US12 billion, or 0.46 per cent of GNI, in 2012. However, its generosity gets very short shrift in this quite critical review.

For a start, the review recommends that France should rationalise its complex "institutional system" for aid delivery, thereby cutting transaction costs. It calls on France, like a recalcitrant pupil, to make a "special effort" to maintain its technical expertise and strengthen its field presence. It decries the fact that France devotes only 0.9 per cent of its aid to humanitarian assistance, which is well out of line with other donors' performance and hardly in accordance with France's international burden-sharing obligations. And it says that France should do more to support civil society organisations, gender equality and capacity-building. One gets the impression that things could be going a little better in Bercy.

The review's most interesting findings, however, relate to the big money. The review finds that, since 2008, France has been providing fewer grants and more loans in its ODA mix, with those loans more widely distributed than the grants had been. Since loans tend to be used for infrastructure projects, including climate change mitigation projects, the review argues that "the continuous decrease in the level of grants limits support to social sectors and governance in poor and fragile countries" and recommends that France "not allow these trends to compromise its ability to help reduce poverty in poor and fragile countries". This gels with something we recently learned from a visiting OECD official, in the course of this Devpolicy event, namely that in each of the last two years France has failed to meet a long-standing DAC norm according to which the overall share of grants in a donor's aid program must be at least 86 per cent.

Overall, the review tends to suggest that French aid is at the very least being rebalanced, with a stronger emphasis on transaction-based loan financing for economic infrastructure, and a correspondingly weaker emphasis on country-based grant financing for social development and capacity-building. It might be that we are simply witnessing the first phase of a transition, in which new emphases overshadow old, and that eventually a genuine and possibly beneficial balance will be achieved. Or it might be that we are witnessing a decisive shift in French aid policy toward a more mercantilist outlook and operating model, with perhaps a stronger emphasis on middle-income countries. Time will tell.

Francophones can read the review report here; everybody else will have to rely on the DAC's press release.