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Peer Review

**DRAFT REVIEW OF THE DEVELOPMENT CO-OPERATION POLICIES  
AND PROGRAMME OF FRANCE**

**(Note by the Secretariat)**

*The attached report has been prepared by the Secretariat for the Peer Review of FRANCE scheduled for 14 March 2000. The examining countries are ITALY and NORWAY. The Main Issues for discussion at the Review will be distributed separately as DCD/DAC/AR(2000)2/08/ADD1.*

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## LIST OF ABBREVIATIONS

ACP	African, Caribbean and Pacific Countries
AEFE*	<i>Agence pour l'enseignement du français à l'étranger</i> (Agency for French teaching abroad)
AFD*	French Development Agency
AIPB*	<i>Aide aux initiatives productrices de base</i> (Aid for basic production projects)
ARIA*	<i>Assurance du risque d'investissement en Afrique</i> (Investment risk insurance in Africa)
BFCE*	French Bank for Foreign Trade
CAEMC	Central Africa Economic and Monetary Community
CCHD	Catholic Committee against Hunger and for Development
CEECs	Central and Eastern European Countries
CEFEB	<i>Centre d'études financières, économiques et bancaires</i> (Centre for financial, economic and banking studies)
CFD*	French Development Fund
CIAD*	Interministerial Committee for Development Assistance
CICID*	Interministerial Committee for International Co-operation and Development
CIMA*	Inter-African Conference on Insurance Markets
CIRAD*	International Co-operation Centre of Agricultural Research for Development
COCODEV	<i>Commission coopération développement</i>
COFACE*	<i>Compagnie française d'assurance pour le commerce extérieur</i> (Commercial credit insurance corporation)
COP*	Committee for Orientation and Programming
COPEP*	<i>Comité permanent d'étude et de programmation</i> (Standing committee for study and programming)
CPOP*	<i>Comité paritaire d'orientation et de programmation</i> (Joint committee for orientation and programming)
CRPO*	<i>Contrat de réinsertion dans le pays d'origine</i> (Contract of reintegration in country of origin)
CSNA*	<i>Coopérants du service national actif</i> (Development workers on active national service)
DAC	Development Assistance Committee
DDCT*	Directorate for Development and Technical Co-operation
DGCID*	Directorate-General for International Co-operation and Development
DGRCST*	Directorate-General for Cultural, Scientific and Technical Relations
DREE*	Directorate for External Economic Relations
DSP*	<i>Documents de stratégie-pays</i> (Country strategy papers)

ECFI	European Community Financial Intermediaries
ECHO	European Community Humanitarian Office
ECIP	European Community Investment Partners
EDF	European Development Fund
EIB	European Investment Bank
ENA*	<i>École nationale d'administration</i> (National school of civil service administration)
EPIC*	<i>Établissement public à caractère industriel et commercial</i> (Public corporation of an industrial and commercial character)
ESAF	Enhanced Structural Adjustment Facility of the IMF
FAC*	Assistance and Co-operation Fund
FASEP*	Fund for Assistance to the Private Sector
FFEM*	French Global Environment Facility
FICT*	<i>Fonds d'investissement des collectivités territoriales</i> (Local government investment fund)
FSD*	<i>Fonds spécial de développement</i> (Special development fund)
FSP*	Priority Solidarity Fund
FSTI*	<i>Fonds de solidarité thérapeutique international</i> (International fund for therapeutical solidarity)
FUH*	<i>Fonds d'urgence humanitaire</i> (Humanitarian relief fund)
GDP	Gross domestic product
GNP	Gross national product
HCCI*	High Council for International Co-operation
HIPCs	Heavily-indebted poor countries
ICB	International competitive bidding
ICRC	International Committee of the Red Cross
IDA	International Development Association
IEDOM*	<i>Institut d'émission des départements d'outre-mer</i> (Bank of issue of the French overseas departments)
IFC	International Finance Corporation
IIAP*	International Institute of Public Administration
IMF	International Monetary Fund
IFS*	<i>Institution financière spécialisée</i> (Specialised financial institution)
JBIC	Japan Bank for International Co-operation
KfW	Kreditanstalt für Wiederaufbau (German development bank)
LICs	Low-income countries
LLDCs	Least developed countries
LMICs	Lower-middle income countries
MEDEF*	<i>Mouvement des entreprises de France</i> (French Enterprises Association)
MEFI*	Ministry for Economic Affairs, Finance and Industry
MFA	Ministry of Foreign Affairs
MICs	Middle-income countries
MSF*	<i>Médecins sans frontières</i> (Doctors Without Borders)

NGO	Non-governmental organisation
NIS	New Independent States of the former Soviet Union
ODA	Official development assistance
OHADA*	Organisation for Harmonisation of African Business Laws
OMT*	<i>Orientations à moyen terme</i> (Medium-term guidelines)
ORSTOM*	<i>Office pour la recherche scientifique et technique en coopération</i> (French scientific research institute for development through co-operation)
PRODEC*	<i>Programme décennal du secteur de l'éducation</i> (Ten-year programme for the education sector)
PRODES*	<i>Programme quinquennal de développement de la santé</i> (Five-year programme of health-care development)
PROPARCO*	<i>Société de Promotion et de Participation pour la Coopération Économique</i> (French development finance institution)
RPE*	Reserve for Emerging Economies
SAH*	Humanitarian action service
SCAC*	Co-operation and cultural action service
SDR	Special Drawing Rights
SGCI*	<i>Secrétariat général du comité interministériel pour les questions de coopération économique européenne</i> (General secretariat of the interministerial committee on matters of European economic co-operation)
SNPC*	<i>Système de notification des pays créanciers</i> (Creditor country reporting system)
STD	Sexually Transmitted Diseases
TOM*	Overseas Territory
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNIDCP	United Nations International Drug Control Programme
UNWRA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
WAEMU	West African Economic and Monetary Union
WAEN	West African Enterprise Network
WFP	World Food Programme
WHO	World Health Organization
ZPE*	Economic partnership zone
ZSP*	Priority zone for solidarity

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\* Denotes French abbreviation

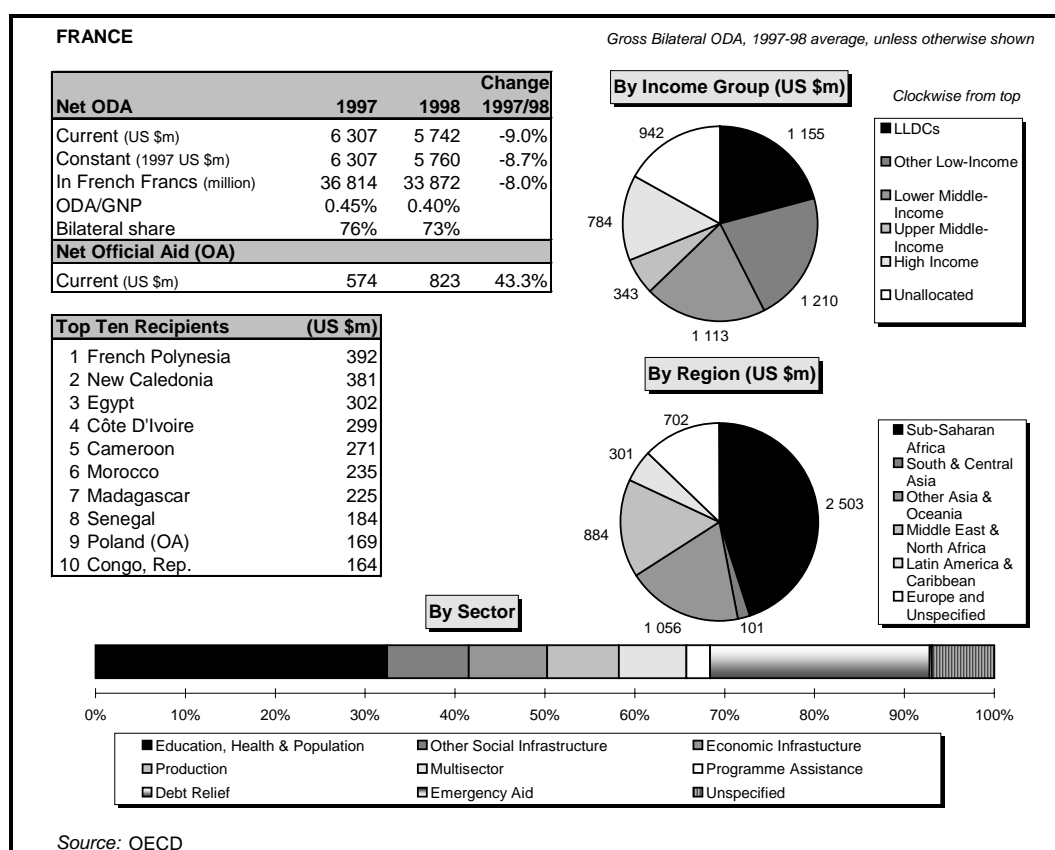
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**Signs used:**

( )	Secretariat estimate in whole or part
-	Nil
0.0	Negligible
..	Not available
...	Not available separately but included in total
n.a.	Not applicable
P	Provisional

Slight discrepancies in totals are due to rounding.

**French aid: overview**

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## SUMMARY AND CONCLUSIONS

### Overview

0.1 Since the previous review France's aid system has undergone an extensive reform, approved by the Council of Ministers (*Conseil des ministres*) on 4 February 1998 and designed to simplify and increase the coherence of the institutional system of development assistance, making it more effective and more transparent.

- The system has been reshaped around two cores, the Ministry for Foreign Affairs (MFA) and the Ministry for Economic Affairs, Finance and Industry (MEFI), wherein are now centred the design, management and supervision of French co-operation. "Finance" continues to play a key role.
- The Interministerial Committee for International Co-operation and Development (CICID) has been set up.
- The High Council for International Co-operation (HCCI) has been created.

0.2 This reform is a response to the recommendations put forward at the last aid review, which had reached the conclusion that there was a need for better linkage of the different types of aid, consolidation of scattered operational services, more emphasis on the basic social sectors and gender equality—as part of a more effective strategy for poverty reduction—and increased partnership with aid recipients.

0.3 All the measures that have been taken are a step forward but, as the French authorities themselves acknowledge, the reform has yet to become fully operational.

- The strategic framework still has to be completed. Poverty reduction is due to become the fundamental objective of the aid system.
- The geographical distribution of aid has to be shaped to the objective of poverty reduction.
- The components of aid have to be readjusted.

0.4 France ranks third among the 22 Member countries of the Development Assistance Committee (DAC) in terms of the absolute amount of its official development assistance (ODA), which totalled \$5 742 million in 1998. Calculated as a percentage of gross national product (GNP), France's performance that year put it in first position among the G7 countries with a ratio of 0.40%; this compares with the arithmetic mean for DAC countries of 0.39%. Notable as this performance is, French aid declined by 32% in current dollars over the four years to 1998. This corresponds to a very significant reduction in the ODA/GNP ratio, which had reached 0.64% in 1994. However, according to the latest ministerial statements, aid will be maintained at its 1998 level—although the fact that the French Overseas

Territories (TOM) cease to be included in the ODA statistics as from 2000 means that the aid share of French GNP will automatically fall by another 0.06%.

## **1. Reform of the institutional system**

### *Dismantling of the Ministry for Co-operation*

0.5 The first step in the reform was to dismantle the Ministry for Co-operation, which had been handling relations with France's former colonies ever since their independence. The latter—along with other countries, mostly African, that had been added over the years—formed what was known as "*le champ*" (or "ambit"). The ministry was absorbed by the Ministry of Foreign Affairs with effect from 1 January 1999. The former ministry's Development Directorate was amalgamated with the Ministry of Foreign Affairs's Directorate-General for Cultural, Scientific and Technical Relations (DGRCST) to form the new Directorate-General for International Co-operation and Development (DGCID). The former State Secretary for Co-operation became the Minister with responsibility for Co-operation and the Francophonie, placed under the authority of the Minister for Foreign Affairs but with personal authority over the co-operation services.

### *Cross-ministry co-ordination*

0.6 The Interministerial Committee for International Co-operation and Development (CICID) was set up for the purpose of ensuring cross-ministry co-ordination, a weak point of the former system. It is chaired by the Prime Minister and serviced jointly by the Ministry of Foreign Affairs and MEFI. The other ministers concerned by co-operation matters are either members of the CICID or associated with its work. The CICID met for the first time on 28 January 1998, one year after it was established. The interval was used to determine the new priority zone of solidarity (ZSP) and to start reflecting on the broad lines of French aid strategy. A working group appointed by the CICID is supposed to produce an annual evaluation report on the effectiveness of France's international co-operation and development assistance.

0.7 The ZSP has been created with the intention of making bilateral aid more selective and focused on the poorest, low-income countries without access to capital markets and where aid can be expected to have a significant impact. The countries initially selected at the first meeting of the CICID in late January 1999 were the former "ambit" countries, to which were added most of the other Sub-Saharan African countries (chiefly English-speaking countries in eastern and southern Africa), the Maghreb countries, Lebanon and the Palestinian-administered territories, the Indo-Chinese Peninsula and the Caribbean. The ZSP is flexible, because the 61 countries in it are only potentially eligible for aid, and also because the list is not definitive: the CICID can alter it each year. From an operational standpoint, the ZSP is covered by the French Development Agency (AFD) and the Priority Solidarity Fund (FSP). The FSP, which is managed by the Ministry of Foreign Affairs, finances programmes of institutional co-operation in the "sovereign" spheres (justice, economic administration, rule of law, defence, police) and in the social development and institutional sectors. As regards countries not in the ZSP (all Latin America and all Asia except the Indo-Chinese Peninsula), cultural, scientific and technical co-operation of a general nature continues unaffected by the reform.

0.8 The broad pattern of aid will be set by the CICID. Its assignment is to ensure coherence of the geographical and sectoral priorities for the different components of French co-operation, notably through the establishment of annual guidelines for global programming. The co-secretariat of the CICID has laid down preliminary strategic guidelines for official bilateral development assistance in a policy paper sent in September 1999 to the AFD, wherein explicit reference is made to the DAC strategy set forth in *Shaping the 21st Century: The Contribution of Development Co-operation*. The stated priorities are as follows: (i) to strengthen productive investment, in order to lay the foundations for sustainable growth through

increased agricultural productivity, financial arrangements to mobilize local savings, and consolidation of essential economic infrastructures; (ii) to enhance institutional capacities, so as to consolidate and entrench the rule of law and democracy; (iii) to contribute to rational management of natural resources and land use; and (iv) to combat poverty by providing improved access for all to basic health care and primary education.

#### *The High Council for International Co-operation (HCCI)*

0.9 The High Council for International Co-operation (HCCI), created in November 1999, is an entirely new addition to the French institutional landscape. Depending upon the Prime Minister, it aims to involve civil society in France's development assistance policy by providing non-governmental actors with a forum for joint reflection. It has 60 members appointed for a three-year term and is chaired by a front-ranking politician. Its independence, as evidenced by the exclusion of government officials in office, allows it to deal with any question falling within its area of competence and to organise its own work. It should bring civil society into the debate on policy settings and content of development co-operation and assistance. Its opinion will be sought by the authorities, notably prior to the parliamentary debate on the subject scheduled for next March. It will submit an annual report on co-operation to the Prime Minister.

#### *Aid implementation by the French Development Agency (AFD)*

0.10 Implementation and direct management of co-operation activities are assigned to qualified agents, the AFD having been designated the central operator. As such it is in charge of most project aid in the context of economic and technical co-operation. It has retained its official status as a public corporation of an industrial and commercial character and a specialised financial institution, which gives it a certain degree of autonomy. Its area of competence has been extended, since it now manages the funds that formerly figured in the budget of the Ministry of Foreign Affairs and State Secretariat for Co-operation in respect of health and education infrastructures.

#### *Reform of the financial protocols*

0.11 The financial protocols or memorandums of understanding have also been reformed. The protocols used to provide countries with block soft loans for subsequent allocation among different projects. The 1998 reform requires that each protocol be negotiated and signed in respect of a specified project that has been assessed by experts in the sector concerned. The protocols comply with the Helsinki disciplines prohibiting concessional financing of commercially viable projects. The relevant appropriations have been grouped into a single fund named *Réserve Pays Émergents* (RPE - Reserve for Emerging Economies), which comes under the heading of ODA but is intended to "enable French firms to acquire strategic export positions". Whereas the former protocols were managed jointly by the finance ministry's Treasury Directorate and Directorate for External Economic Relations (DREE), the RPE is managed by DREE only. A list of some fifteen countries eligible to benefit (essentially non-ZSP countries) is drawn up and reviewed each year. The amounts involved are steadily declining. Protocol credit in 1998 totalled FF 2.7 billion (\$458 million) and was used to finance 26 projects in eight different countries.

#### *The Africa Unit of the Office of the President of the Republic*

0.12 In the context of the reform the Africa Unit of the Office of the President of the Republic is one institutional survivor. Its competence is confined to Sub-Saharan Africa and essentially it manages the inter-head-of-state relations entered into by the French President. The Africa Unit, headed by a counsellor for African affairs, is associated with the processes of cross-ministry co-ordination and decision making for the countries concerned.

## **2. Aid implementation shows that the reform has yet to become operational**

0.13 The reform of French development assistance is a move in the right direction but will take some time to become operational and produce results. The changeover is liable to be made more difficult, despite manifest political will, by the fact that budget options remain unfavourable to even the maintenance of existing aid amounts. Also, the DAC is interested in figures, and the latest available are for 1998. Since the reform only entered into effect in 1999, the new policy being introduced will not show through. Any criticisms should therefore be seen as simply confirming the necessity of the changes expected.

### *The strategic framework still has to be completed*

0.14 The general framework of aid strategy is evolving. This is evident from the six basic aims defined by the Ministry of Foreign Affairs for development co-operation strategy when the reform was launched: (i) the exercise of civic rights in democratic institutions, through establishment of the rule of law and enactment of the principles of democracy; (ii) the achievement of economic sovereignty, through fundamental consolidation of the economy and increased competitiveness; (iii) the reduction of poverty, through the adaptation of education systems to national realities and the modernisation of social welfare systems; (iv) urban development and support for decentralised initiatives; (v) management of the human environment and natural assets; and (vi) promotion of a culture central to evolving societies. The Prime Minister also stressed that aid "must be such as to help the recipient countries to manage their own development" (notion of ownership) and emphasised the need for partnership, a key component of the DAC strategy.

0.15 Yet over and above its development assistance policy, France has an international co-operation policy with wider-ranging objectives. As a permanent member of the United Nations Security Council and a member of G7, France wants to exert an influence in the world, where the French language plays an important role. This was made clear by the Co-operation Minister speaking before the National Assembly when he introduced his budget for 1999: "I shall sum up these priorities for international co-operation as four simple and basic aims: to build up our capacities for influence abroad; to identify and anchor the high achievers in our partner countries; to confirm our position in development co-operation; and to associate civil society with our ambition". There are thus two levels of objectives, which poses the problem of their mutual consistency. And the different policy papers so far produced do not constitute a global strategy involving all the actors in the aid system. So it would be desirable for the CICID to prepare a document outlining France's development assistance strategy, which could be put before Parliament at its forthcoming debate. A policy paper of this kind would specify the ranking and linkage of the different objectives, and would be very useful to the public as well as to the system's operators.

### *Poverty reduction should become the fundamental objective of the aid system*

0.16 Poverty reduction has certainly become one of the objectives of aid, but it is not the ultimate goal. This is largely because three aid cultures coexist: that of the finance ministry, whose essential concerns are macroeconomic equilibrium and the aid return in the form of exports; that of the Ministry of Foreign Affairs, centred on cultural outreach and development of the Francophonie; and finally that of AFD and the former co-operation ministry, which reason in terms of infrastructure-based growth. To date there has been no directive to build the aim of poverty reduction into project choice and design, say at the level of geographic area or sector coverage. The basic social sectors still represent only a tiny share of French aid in the case of primary education and basic health care. The very large amounts earmarked for education are allocated to secondary and especially tertiary education, notably via the imputed cost of university studies in France for students from DAC Part I countries. The changes envisaged here imply an aid shift to the basic social sectors.

*The geographical distribution of aid has to be made consistent with the aim of poverty reduction*

0.17 French bilateral aid is not concentrated on the poorest countries: the least developed countries (LLDCs) received only 22% in 1998 (compared with a DAC average of 24%). The top ten recipients include only four low-income countries (LICs), of which only one, Madagascar, is an LLDC (the other LICs are Côte d'Ivoire, Cameroon and Senegal). Per capita aid has the same pattern, showing the same kind of distortions. The richest countries in terms of per capita GDP, like Gabon and the Congo, receive amounts of aid per capita much larger than those for LLDCs like Burkina Faso and Mali. Aid is very heavily concentrated on the top ten recipients, which obtain 56% of the total, the remaining 44% being dispersed over more than 130 countries.

### **3. An unbalanced compositional pattern of aid**

*Macroeconomic aid is still heavily preponderant*

0.18 Macroeconomic aid in the form of debt relief and structural adjustment assistance accounts for a very large share of French aid. As of 1989 the weight of ODA debt relief has progressively increased. Total macroeconomic aid peaked in 1994 at \$2 756 million (32.6% of total ODA). After the CFA franc devaluation it was possible to reduce the amount and share of adjustment assistance considerably, but implementation of the debt reduction initiative for the heavily-indebted poor countries (HIPC) will bring the figures up steeply; in 1998 the debt relief share alone stood at 18%. France is, with Japan, one of the top two creditors of the group of countries eligible for the HIPC initiative, this being largely explainable by the weight of outstanding French loans to Côte d'Ivoire and Cameroon (\$3.6 billion at end-1998). France strongly supports this initiative, though its implementation is likely to pose problems if it is accompanied, as planned, by a cessation of aid in the form of loans to those two countries. Assuming constant budget resources, the replacement of loans by grants, for the project aid earmarked for Côte d'Ivoire and Cameroon, will mean a project-aid reduction that might extend to other countries, owing to the loss of loan leverage on budget resources.

*Project aid is becoming increasingly residual*

0.19 Project aid is a residual item inasmuch as the other components of French aid are stable or increasing, at least in percentage terms, like aid to TOMs or multilateral assistance. Aid in the form of debt relief has remained at a high level since peaking in 1994. In a context of overall decrease of ODA, the amounts available for the other forms of aid have therefore declined in recent years. Technical co-operation expenditure has been more or less flat—\$2 207 million in 1994, \$2 088 million in 1998—and the decline in structural adjustment assistance has not been steep enough to prevent gross disbursements of project aid from falling in recent years. According to the French Memorandum, total project aid decreased by 47% between 1994 and 1998. This is mainly because it has been crowded out by debt relief.

*Multilateral assistance is focused on European aid*

0.20 Multilateral assistance accounts for one-fourth of French ODA. Its share grew over the three years to 1998, increasing in gross disbursement terms from 20% in 1996 to 21% in 1997 and 24% in 1998. This is a little short of the DAC average (29% in 1998). The ODA share going to UN agencies is well below the DAC average of 7%, since French flows to those institutions in 1998 amounted to only \$120 million, *i.e.* 1.7% of gross ODA disbursements or 7.2% of multilateral assistance. This probably reflects some doubt about the UN system's effectiveness, as well as the recent reduction, and comparatively low level, of voluntary contributions, essentially for budgetary reasons. Contributions to the World Bank and regional development banks, although larger (\$376 million in 1998), represent 5.4% of total ODA compared with a DAC average of 10%. Finally, there is a clear political will to increase multi/bilateral aid.

0.21 France's contribution to European aid, which totalled \$785 million in 1998 (47% of multilateral assistance and 14% of ODA), is easily the largest component of French multilateral assistance. Of this total, 40% represents payments to the European Development Fund (EDF) to finance aid programmes for the ACP countries (Africa, Caribbean and Pacific) and 60% the contribution to the general budget for non-ACP countries. France is the leading contributor to the EDF at 24.3%, while its participation in the European Community's general budget was 17% in 1998. It wants to put a heavier emphasis on this component of its aid, stressing that it should be regarded as partly bilateral. France has been actively concerned with the effectiveness of European aid and the need for reform. In line with the proposals of the Tavernier Report on French development co-operation, France also wishes the principle of subsidiarity to be applied to Community aid. This would mean the designation of lead agencies—by sector and by country assisted—to which Community aid implementation would be delegated.

#### **4. Implementation of the DAC Strategy varies according to goal**

##### *Partnership is developing more on a local ownership basis*

0.22 Participation of recipients has become a major policy thrust, notably for AFD projects related to micro-credit and local development. The former co-operation ministry was likewise involved for a long time in micro-finance projects with a high participatory content. Of all the DAC countries, France is probably one of those with the greatest experience in this domain, where many such projects have now reached the stage of financial equilibrium and autonomy. Furthermore, in the wake of the CFA franc devaluation a Special Development Fund (now renamed the Social Fund) was set up to finance small locally designed projects. Finally, the move towards decentralisation in a growing number of countries has led to the creation of local investment funds, many with AFD support, which are largely managed by members of local civil society. But this type of assistance still accounts for only a very small share of project aid.

0.23 France is seeking to develop partnership with aid recipients. But the former "*Orientations à Moyen Terme*" (medium-term guidelines) drawn up by the former co-operation ministry have not yet been replaced by country strategies, and the joint commissions that continue to meet every three years have not opened up any real dialogue on strategy. The country strategy papers due to be produced will not be discussed with recipient countries and will remain internal government documents. However, it is planned to draw up framework agreements on partnership, in consultation with the assisted countries, along the lines of the trial agreements already negotiated and appended to the minutes of certain joint commissions. This will be a step forward, provided that the agreements are founded on the development strategies of the partner countries.

##### *Good governance*

0.24 France is an ardent advocate of the rule of law as an essential condition for sustainable development. It has engaged in very active co-operation to promote the rule of law, in the context of administrative capacity and local development. France has thus acquired considerable experience and know-how in areas like support to democratic institutions and the electoral process, training of magistrates, co-operation in matters of security and police training, and administrative co-operation including support for the decentralisation process. This institutional co-operation, which is divided among a great many actors, would be improved by closer meshing to make it better co-ordinated and more visible.

##### *Promotion of gender equality is still insufficient*

0.25 It is certainly intended to do more to promote gender equality, but no tangible progress has been made as yet. Building gender equality concerns into the aid effort still constitutes a challenge. But there is

an awareness of the problem in the AFD, where suitable directives are expected to be approved some time in 2000. A very great deal remains to be done—especially in the Ministry of Foreign Affairs, which seems to favour projects that target women—before the gender equality issue is recognised as such. A clear-cut position, a definite strategic resolve and a strengthening of institutional capacities seem to be lacking.

### *Environment*

0.26 The environment is recognised as an important concern but not consistently built into aid policies. Rational management of natural resources and land use constitutes one of the four strategic aims of the DGCID Development Directorate. Teams of specialists in the Ministry of Foreign Affairs and AFD design specific environmental preservation projects. However, systematic integration of the environment issue appears difficult. Significant moves towards this end have been made in the AFD as part of policy, but in the Ministry of Foreign Affairs such moves seem to be the result of personal efforts rather than policy directives. It should be noted that substantial progress has been made by the French development finance institution *Société de Promotion et de Participation pour la Coopération Économique* (PROPARCO), which has adopted the standards applied by the International Finance Corporation (IFC), and by the French global environment facility, which has worked to introduce the environmental dimension into development programmes.

### *Promotion of the private sector*

0.27 This is one of the strong points of the French aid system. Promotion of the private sector is effected chiefly through PROPARCO, a 68%-owned subsidiary of ADF, the remainder of its equity capital being shared among different partners in the private sector. PROPARCO's activities, venture capital provision and banking, are not reported to the DAC as ODA. PROPARCO conducts its activities with recognised professionalism, providing capital (in the form of equity investment or loans) for the local private sector either direct or, in the case of small businesses, through banks and financial institutions.

### *Sector-wide approaches*

0.28 These are regarded with some scepticism, even though the AFD assists sector-specific programmes on the basis of case-by-case analysis. The aid authorities take the view that the requirements for successful sector-wide approaches are seldom met: existence of a single sectoral strategy determined by the government of the recipient country, close co-ordination among the donors concerned, harmonisation of procedures, and so on. By contrast, project aid seems simpler to implement and is generally of good quality. The fact that three-fourths of ODA project aid is made of loans tends to be an advantage in that this type of financing makes it necessary to ensure viability and durability of the projects funded. France is arguing for a new conception of project aid, consistent with the sectoral and budgetary approaches, in which projects are components of sector-specific programmes.

### *Aid evaluation*

0.29 Progress still needs to be made here. At present, aid evaluation is shared among three units, in the Treasury Directorate, the Ministry of Foreign Affairs and the AFD, none of these units being independent of its superior authority. Assessments are outsourced, except in the AFD, where the evaluation budget is very small and all the relevant work is done in-house. Furthermore, recipients are not generally involved in the process, and the evaluation findings are often treated as confidential, even vis-à-vis recipients. Transparency is low: external circulation is the exception in the Treasury and limited in the AFD, but seems to be the rule in the Ministry of Foreign Affairs. Explicit procedures of evaluation feedback for the design of new projects seem to exist only in the AFD.

## 5. Coherence of development assistance policy

### *Development assistance and commercial objectives*

0.30 Development assistance may be inconsistent with commercial objectives and vice versa. Theoretically, French bilateral assistance is tied aid, even if the wording of the origin clause that formalises this feature permits the financing of goods and services originating from franc zone countries or other assisted countries, on terms that may vary according to the instruments used. Aid tying is admittedly practised by many DAC countries, but it does lead to cost overruns, by restricting the playing field in competitive bidding where only a very small number of firms can compete. Protocol-linked assistance is governed by a constant concern with the "return to aid", whereby aid must open up export markets for French firms.

### *Development assistance and cultural outreach*

0.31 Aid can also serve as a tool of cultural outreach policy. France carries with it a great history, which explains the world presence of the French language and culture. Part of French aid is therefore related to cultural outreach. This is particularly apparent in the countries that were not in the former co-operation ministry's "ambit" but are now in the ZSP. In these countries the international co-operation activities conducted by the embassies are essentially cultural, scientific and technical. This type of assistance is not related to poverty reduction and the DAC Strategy, but it is reported as ODA under the rules in force. Educational co-operation, notably through the French education system abroad, focuses primarily on the high achievers in the countries concerned. The Ministry of Foreign Affairs has a culture of international co-operation. Its absorption of the former co-operation ministry has given it the opportunity to acquire an aid culture also. Activities to develop local cultures in assisted countries should also be mentioned.

### *Development assistance and investment in the oil sector*

0.32 Development assistance policy and energy independence policy are difficult to bring into line. Like other industrialised countries, France has supported the efforts and projects of its big oil companies, notably through the provision of ODA or, more directly, government subsidies and guarantees for production projects in the oil countries concerned. A recent report by the National Assembly's foreign affairs committee entitled "*Pétrole et éthique, une conciliation possible*" (oil and ethics, a possible reconciliation) is critical of this policy. It states (p. 201): "In Africa, the oil bounty has not helped development. In Angola and Congo-Brazzaville the heads of state have used it to buy arms. In Gabon, Cameroon and Nigeria it is hard to see what the oil rent has been used for, since those countries' debt has increased, their populations have become poorer, and their infrastructures are in a deplorable state. Continuance of dictatorships, corruption, latent violence, recurrent violation of human rights and damage to the environment—such is the sorry record of oil production in the whole of Africa, part of Latin America and certain countries in Asia".

0.33 Arguing for greater coherence, the report states (p.203): "Parliament should be informed of the decisions to provide public subsidies and guarantees for oil production projects, since it considers the present rules on conditionality to be inadequate. Those rules, based on economic criteria, take insufficient account of the social and environmental impacts of oil production. The French Development Agency cannot continue to participate in the financing of oil projects in indebted countries which use oil revenues to buy arms, which manage those revenues opaquely and do not enter them in the budget, or which pledge future oil output as loan collateral. Good governance and human rights observance must be the precondition for supplying official aid to oil projects...[Furthermore] the existence of a double standard in the observance of human rights, anti-corruption laws and social and environmental standards is not

acceptable. It is France's duty to encourage the spread of anti-pollution conventions, to combat social 'dumping' and, with its partners, to tackle corruption".

#### *Development assistance and human rights*

0.34 Better account is taken of the relationship between development assistance and the promotion of democracy and human rights. France is the country of human rights and has always been an ardent defender of them. Yet for a long time development assistance made no room for this concern. A change of direction occurred in 1990 when the French President, speaking at the La Baule conference, established a linkage between receipt of aid from France and democracy in the recipient countries. This linkage was reasserted in what came to be called the "Balladur doctrine", which was formulated in September 1993 and sought to reserve aid for countries that were correctly governed, at peace with themselves and democratic. In the few years since then, France has been developing activities to promote good governance, democracy and the rule of law, including on a regional basis.

0.35 In Togo, French co-operation has been both suspended and, as is now the case, reduced. But cessation of aid is sometimes difficult to envisage in the franc-zone countries, where it might lead to economic collapse with consequences for a country's whole system. Since 1995 "democratic conditionality" has been more pragmatic and no longer applies to all types of assistance, but only to direct aid to a State (thus not penalising the population). France broadly supports the decisions of the European Commission, which has become stricter on democracy and human rights since the revision of Lomé IV, and it has strengthened its action in this sphere during the last few years.

## **6. Involvement of French society**

### *Information of public opinion and awareness-raising*

0.36 There is no systematic policy for informing and educating public opinion and making it aware of development issues, the need for aid and French strategy in this regard. The authorities are of the opinion that this is not their responsibility but that of NGOs. Nor is there any specific budget for developing this type of activity. This puts France at a fairly far remove from average DAC practice.

### *NGOs*

0.37 French NGOs are very active in humanitarian aid and development assistance and in some cases have a very considerable outreach, as again evidenced recently by the award of the Nobel Peace Prize to *Médecins Sans Frontières* (MSF). But France is right at the end of the line of DAC countries as regards both direct support to NGOs and the aid share distributed through NGOs. Even if there is a desire for dialogue, via the *Commission Coopération Développement* (COCODEV) and now via the HCCI, this does not translate into use of NGOs as intermediaries in the management of official aid. The NGOs put it down to official distrust of their capabilities and the durability of their activities. The major French NGOs therefore have to obtain their funding from their own members, the Brussels Commission and even other governments. Funding allocated to NGOs by the Ministry of Foreign Affairs in 1998 totalled no more than \$15 million, representing 0.3% of ODA.

### *Decentralised co-operation*

0.38 Decentralised co-operation is a rapidly developing aid item that the French government is trying to promote and co-ordinate. Under legislation passed in 1992 French local communities (regions, departments and communes) may engage in international co-operation activities, and many have eagerly

seized this opportunity, so much so that the aid amounts involved are estimated at about \$170 million for 1998. These sums are not reported to the DAC as ODA, although the reporting rules applying at present do not preclude this. Co-operation of this type is between one civil society and another, one town and another, one region and another, and as such is performed in a spirit of partnership and local ownership of the aid received. But the very rapid and sometimes rather untidy growth of initiatives has alerted the French government to the need to act as co-ordinator and facilitator where it is represented in the field. Accordingly, special officers are being appointed in the co-operation services of embassies.

## **7. Synthesis and recommendations**

On the strength of the foregoing analysis, the DAC congratulates France on having:

- 1) Introduced the reform of the institutional system.
- 2) Maintained an aid volume equal to the average for DAC Members.
- 3) Set up the HCCI, which should permit an increased involvement of civil society in aid debates.
- 4) Manifested the will to play a more active part in the international debate on development.
- 5) Encouraged decentralised co-operation, which is set to become a distinct component of development assistance.

The DAC recommends that France:

- 1) Use the increased fiscal revenues generated by the return of stronger growth to increase the volume of aid, notably to offset the withdrawal of the TOMs.
- 2) Utilise the CICID to draw up rapidly and make public a strategy outline focusing on poverty reduction, containing a ranking of objectives and capable of serving as a reference to all actors in the aid system.
- 3) Review the consistency of the ZSP in such a way as to tighten it around a smaller number of countries, and select the priority recipients in such a way as to refocus aid on the poorest countries and those pursuing appropriate policies.
- 4) Set in place rapidly, for the priority recipients, country strategies that are discussed with the partners and made accessible to the public.
- 5) Take the necessary measures to prevent project aid from decreasing further, once the new debt cancellations resulting from its contribution to the HIPC initiative become effective.
- 6) Continue the process of reducing aid supplied by the MEFI in the form of financial protocols.
- 7) Increase the aid earmarked for the basic social sectors, in particular by augmenting the resources allocated to the AFD for this purpose.
- 8) Continue the efforts begun to systematically integrate the concern of gender equality into all aid activities.
- 9) Improve the aid evaluation system, at present very fragmented, with a view to enhancing evaluation independence, transparency and feedback.
- 10) Consider the advisability of introducing a specific policy of public opinion information and awareness raising.

## CHAPTER 1

### STATUS OF FRANCE'S DEVELOPMENT ASSISTANCE AND REFORM OF THE FRENCH CO-OPERATION SYSTEM

France's system of development assistance has recently undergone a major institutional reform. The reduction in the volume of aid, along with some uncertainty about development assistance strategy, is making it more difficult to implement poverty alleviation policies in the field. The present system also has a number of objectives that may be partially at variance with the strategy in certain areas. Increasing participation by French civil society through consultative bodies may help the system to move ahead in the right direction.

#### 1. Basic figures

##### *1.1. France is still one of the foremost donor countries*

1. France ranks third among the 22 DAC Member countries in terms of the absolute amount of its official development assistance (ODA), which totalled \$5 742 million in 1998. This placed it behind Japan and the United States and just ahead of Germany. Calculated as a percentage of gross national product (GNP), France's performance that year put it in first position among the countries of the Group of Seven (G7) with a ratio of 0.40%; this compares with a DAC country average of 0.24%.

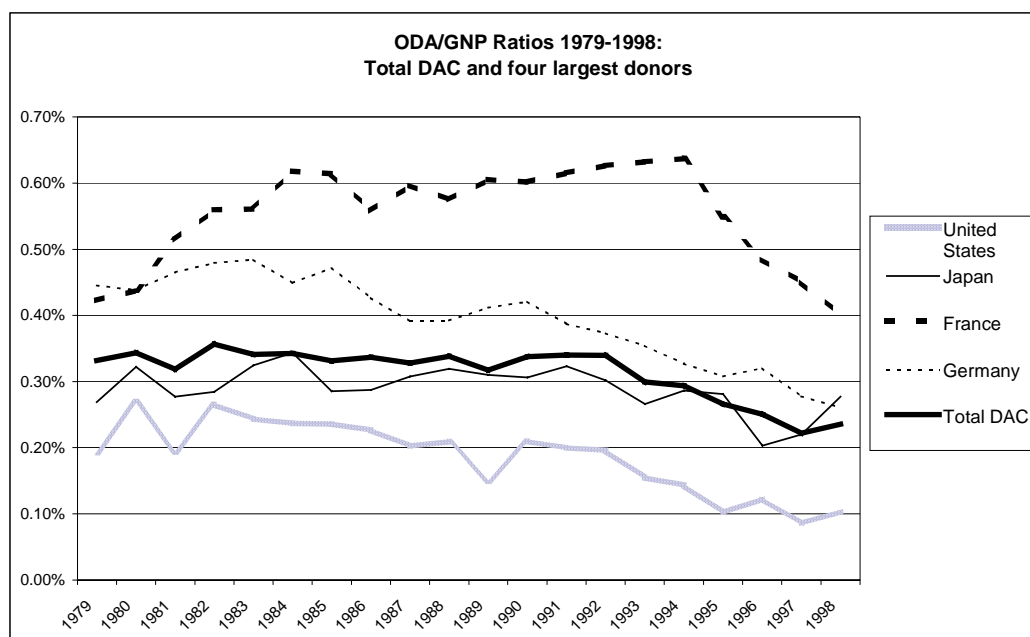
##### *1.2. But its ODA has declined significantly in recent years*

2. Notable as the aforementioned performance is, French aid declined by 31% in constant 1997 dollars over the four years to 1998 (the dollar appreciated by 6.25% against the franc over that period). This corresponds to a very significant reduction in the ODA/GNP ratio, which had reached 0.64% in 1994. Admittedly that figure was a peak, due to increased aid accompanying the CFA franc devaluation in January 1994. But Graph 1 below, which shows the trend in the ODA/GNP ratio for the four leading donors over the past twenty years, shows that France's ratio had remained close to 0.60% since 1984. ODA in current dollars fell by 9% in one year, between 1997 and 1998. Part of this downturn can be attributed to budget austerity in compliance with the convergence criterion set by the Maastricht agreement. It does not seem possible to cite "aid fatigue", since a 1999 opinion poll showed that 64% of French people were in favour of an increase in ODA.

3. In 1999, ODA should show an increase of FF 1.7 billion (about \$280 million), which would hold the ODA/GNP ratio at 0.40%. In 2000, on the other hand, it is set to decline by FF 1.7 billion, back to the nominal amount in FF recorded in 1998. This would bring the ODA/GNP ratio down to 0.37%, a figure which does not allow for the fact that as of 2000 the DAC ceases to take into account ODA flows to the Overseas Territories (TOM). These flows averaged \$775 million in 1997-98 (in constant 1997 dollars, see Table II-4), *i.e.* 17% of total bilateral ODA or 0.06% of French GNP. The ODA/GNP ratio might therefore fall to 0.31% in 2000. The French authorities have informed the OECD Secretariat and the examiners

(review team) that it is not planned to offset the exclusion of the TOM from the aid statistics by additional flows to developing countries. They have also stated that the new initiative to reduce the debt of the heavily indebted poor countries represents a very considerable financial effort for France (estimated at \$7 billion), which will be very slowly fed through to ODA accounting.

Graph 1. Aid performance of the four leading donor countries



Source: OECD.

## 2. Reform of the development assistance system

### 2.1. Context and objectives of the reform

4. A reform of France's system of development assistance had been under discussion for more than twenty years and the subject of numerous reports. It was always postponed because of the underlying political issues concerning France's relations with its former colonies and more generally its African policy, which lay largely in the hands of the Ministry for Co-operation and the Presidency of the Republic. The devaluation of the CFA franc in January 1994, likewise long delayed, may have been a trigger but was not followed by any immediate effect. But the advent of a new government in June 1997 seems to have been the turning point, and the Prime Minister's general policy statement contained the announcement that France would embark upon the essential reform of the co-operation system.

5. Reform was approved by the Council of Ministers (*Conseil des Ministres*) on 4 February 1998. The introductory press release, basically a policy paper, stressed the shortcomings of the system in place, answering some of the criticisms made by the DAC at its previous aid review in 1997. This document stated essentially that the French co-operation system was marked by a certain institutional confusion and a division of competence among many actors; that policy making was merged with policy implementation, the State being the direct operator of numerous co-operation programmes; that the system did not always meet the criteria of effectiveness and evaluation that must apply to the allocation of public resources; and finally that it tended to obscure a policy that was central to France's international action.

6. The document placed the reform in the context of French external action, which has to diversify in today's changing world. It is in line with the DAC approach, since it stresses that development co-operation is an instrument of poverty reduction and must focus on the neediest populations, while helping to establish the macroeconomic, financial and institutional conditions for growth. The same document states that development co-operation promotes the rule of law and democracy. It also says that co-operation with the French-speaking countries is an essential component of France's external action, "intrinsic to the values of democracy, rule of law and culture shared in all its richness and diversity", and that the countries concerned "must be an area of co-operation that is linguistic and cultural, but also economic, social and political".

7. The press file also stressed partnership, noting that France's partners must objectively define and set about implementing their own strategies. "It will then be for us to determine with them the best way of sustaining and supporting those strategies. In this way it will be possible to move from a relationship of assistance to one of contractual endeavour." Finally, it was emphasised that, in a country where the State has a preponderant presence, development co-operation must move outside the sphere of central government and involve society as a whole, by way of private initiative and the action of citizens through organisations of international solidarity, local authorities, business circles and trade associations.

8. In light of these objectives, the reform of France's aid system has four main thrusts: (i) strengthening the unity of design and co-ordination of France's international co-operation effort, by grouping within two core ministries—Foreign Affairs (MFA) and Economy, Finance and Industry (MEFI)—the functions of design, monitoring, evaluation and supervision of bilateral and multilateral co-operation in the spheres of economic, scientific, cultural and technical co-operation, humanitarian action and decentralised non-governmental co-operation; (ii) improving efficiency and modernising procedures, with a clear distinction between policy making and technical implementation which can be entrusted to specialised agencies and operators; (iii) promoting partnership and enhancing complementarities as a result of making co-operation with each country the subject of partnership and development agreements; and (iv) making the co-operation effort more intelligible by broadening the involvement of civil society through increased policy and operational dialogue with elected representatives and co-operation personnel.

## **2.2. *Institutional changes: overview***

9. Given these goals, the government set up the Interministerial Committee for International Co-operation and Development (CICID) to establish policy guidelines for French development assistance and international co-operation. The system was consolidated around two hubs, the Ministry for Foreign Affairs (MFA) and the Ministry for Economic Affairs, Finance and Industry (MEFI). The government merged the services of the Ministry of Foreign Affairs and the State Secretariat for Co-operation and the Francophonie, and reformed the financial protocols administered by MEFI. It also redefined the activities of the *Agence Française de Développement* (AFD - French Development Agency), making it a central operator and entrusting it with the bulk of bilateral development assistance, focussed essentially on a priority zone of solidarity (ZSP). Finally, it announced that relations with the countries concerned would be put on a contractual basis, and provided for the creation of a High Council for International Co-operation (HCCI).

### 2.3. *Creation of the Interministerial Committee for International Co-operation and Development (CICID) and its first consequences*

#### 2.3.1. *Establishment of the CICID*

10. The CICID was established on 4 February 1998, by Decree in the Council of Ministers, for the purpose of ensuring cross-ministry co-ordination. It replaced the Interministerial Committee for Development Assistance (CIAD), set up two years earlier and having achieved little of note in this area. The CICID is chaired by the Prime Minister. Its members include the Minister for Foreign Affairs, the Minister for Economic Affairs and Finance, the Minister for Co-operation and nine other ministers who are *ex officio* members, while others may sit if they are concerned by the business on the agenda. A representative of the President of the Republic also takes part.

11. By virtue of its membership the CICID is a policy-making body in keeping with the important role assigned to it. As the Prime Minister stated: "The CICID now has a leading role in the design, management and supervision of French co-operation. It will aim to obtain a global view of France's international co-operation, thus making it possible to redefine, on a fully informed basis, the ranking of our priorities year after year." Specific aims of the CICID are to:

- Define the *Zone de Solidarité Prioritaire* (ZSP - priority zone of solidarity) comprising the countries on which bilateral aid will be concentrated;
- Establish guidelines for the objectives and instrumentalities of international co-operation and development assistance policy, both bilateral and multilateral;
- Ensure coherence of the geographical and sectoral priorities for the different components of French co-operation, notably through the establishment of annual guidelines for global programming;
- Ensure continuous monitoring and evaluation of aid relative to the targets set.

12. Meeting frequency is important to the CICID's mode of operation. The founding decree states that the CIDC shall meet at least once a year. Between meetings the Minister for Foreign Affairs and the Minister for Economic Affairs and Finance work as the secretariat of the CICID. Early in 1999 Mr Tavernier, a member of Parliament, submitted to the Prime Minister a report on French development co-operation in which he proposed that "everything be done to see that the CICID meets several times a year, say quarterly". To date the CICID has met only once, at the end of January 1999, which means that the day-to-day performance of its functions falls to the senior civil service. Thus, by delegation, the Director for Strategy, Programming and Evaluation of the Directorate-General for International Co-operation and Development (DGCID) in the Ministry for Foreign Affairs, and the Head of the European and International Affairs Service in the Treasury Directorate of the finance ministry, actually serve as the co-secretariat. Since the CICID has no staff of its own, it is in fact the civil service which has to co-ordinate, as was the case in practice, but more informally, before the creation of the CICID.

### 2.3.2. *The CICID has defined the priority zone of solidarity and the first elements of a strategy*

#### The priority zone of solidarity (ZSP)

13. The ZSP was defined in February 1998 as the geographic area in which ODA provided "on a selective and concentrated basis can be expected to produce a significant effect in economic terms (leverage) or political terms (French-speaking countries essentially); the area comprises the countries least developed in terms of income and without access to the capital market". The list of countries concerned was drawn up at the first meeting of the CICID in January 1999. Automatically included were the 37 countries within the "ambit" of the former Ministry for Co-operation and as such eligible for appropriations from the *Fonds d'Aide et de Coopération* (FAC - Assistance and Co-operation Fund). To these were added a good number of countries in Sub-Saharan Africa, mostly English-speaking countries in eastern and southern Africa, since the "ambit" already included the Portuguese-speaking countries. But the ZSP does not include Botswana, Lesotho, Malawi, Swaziland, Somalia, Sudan and Zambia. The ZSP also includes the Maghreb countries, Lebanon and the Palestinian-administered territories, the three countries of the Indo-Chinese Peninsula and the Caribbean. Most of these areas had already been covered by the AFD but not by the former Ministry for Co-operation. In the case of the Caribbean, regional considerations associated with the proximity of the French West Indies departments led to the inclusion of Cuba, the Dominican Republic and the Lesser Antilles. The same considerations explain the presence of countries like Mauritius, Seychelles and Surinam. Nigeria was added to the list following free elections that brought back a democratic system of government. The full list of ZSP countries will be found in Annex III.

14. The ZSP is flexible, since the 61 countries in it are simply potential recipients of assistance, which is not guaranteed to them, and the CICID can alter the list each year. The aim is to do away with the notion of automatic entitlement which sometimes prevailed in relations with the Ministry for Co-operation and was seen as one of the latter's negative features. Framework agreements for development partnership are due to be signed with ZSP countries as from the first half of 2000.

15. From an operational standpoint, the ZSP countries will be covered by the *Fonds de Solidarité Prioritaire* (FSP - Priority Solidarity Fund), which took over from the FAC on 1 January 2000 with the exclusive assignment of financing programmes of institutional co-operation in "sovereign" spheres (justice, economic administration, rule of law, armed forces, police). The ZSP is also covered by the AFD. As regards the countries not in the ZSP—*i.e.* all Latin America except Surinam and all Asia except for the Indo-Chinese Peninsula— cultural, scientific and technical co-operation of a general nature has not been affected by the reform.

#### First elements of a strategy

16. In September 1999 the co-secretariat of the CICID sent a policy paper setting out strategic guidelines for official bilateral development assistance to the Director-General of the AFD, and signed jointly by the Director-General of the *Direction Générale de la Coopération Internationale et du Développement* (DGCID - Directorate-General for International Co-operation and Development) and the Head of the European and International Affairs Service of the Treasury Directorate. The sector-specific priorities identified by the co-secretariat of the CICID, which made explicit reference to the DAC Strategy set forth in *Shaping the 21st Century: The Contribution of Development Co-operation*, are as follows:

- To strengthen productive investment, in order to lay the foundations for sustainable growth through increased agricultural productivity, financial arrangements to mobilise local savings, and consolidation of essential economic infrastructures;

- To enhance institutional capacities by supporting regional, national and local development strategies. Assistance will focus on regional integration, particularly in the definition of common sector-specific policies. At the national level, the aim will be to strengthen the rule of law and governmental capacity to work for the development of populations. Finally, it will be sought to establish or strengthen devolved or decentralised local government.
- To contribute to rational management of the territory and natural resources, with a view to sustainable resource management and control of urban growth.
- To provide improved access for all to basic health care and primary education.

17. The first of these priorities represents the traditional area of intervention of the AFD: development of infrastructures and the productive sector. The second, concerning institutional development, was already covered to some extent by the AFD. The third emphasises the environmental dimension of development, already the subject of AFD internal directives. But the fourth priority is new and central to the issue of poverty alleviation.

#### **2.4. *The High Council for International Co-operation (HCCI)***

18. The HCCI entered into operation at the end of November 1999. This institution is perhaps one of the reform's most innovative elements, given that it had no prior equivalent in the French co-operation system and that it brings to the centre of the stage an actor, civil society, whose role hitherto has been very peripheral but is now likely to evolve greatly. The importance of the HCCI can be gauged by the fact that one year elapsed between the decision to create it and its actual establishment, by decree of 10 February 1999, and that many more months were required in order to appoint all its members.

19. The Chair of the HCCI, appointed by the Prime Minister, is a front-ranking politician, member of Parliament, former minister and former General Secretary of the Office of the President of the Republic. The 60 members of the HCCI are appointed by the Prime Minister for a term of three years. Most of them represent associations of international solidarity or their federations, and fifteen are persons chosen by reason of their authority in matters of development assistance and cultural, scientific and technical co-operation. The HCCI is likely to be a highly independent body. It excludes government officials in office, it is authorised to deal with any question falling within its area of competence and it organises its own work, all of which guarantees freedom of thought. Unlike the CICID, it also has a small support staff and facilities making for easier operation.

20. The assignment of the HCCI is to contribute to thinking on policy stances for international co-operation and development assistance by bringing civil society into a debate until now confined to top-ranking civil servants and officials concerned by the subject. In addition to being a mouthpiece for civil society, it should help to associate the general public with international co-operation, a role that government has difficulty in playing. Its opinion will be sought by the authorities and it will provide the Prime Minister with an annual report on co-operation, the first one being delivered possibly before the parliamentary debate on the subject scheduled for March 2000. This, incidentally, will be the first parliamentary debate on international co-operation in over ten years. The HCCI may therefore help to conquer bureaucratic inertia and bring the new settings for development assistance policy into effect, especially since these are now closer to the concerns of civil society and imply greater convergence between the action of central government and that of the increasingly important players represented by non-governmental organisations (NGOs) and local authorities.

## **2.5. *Streamlining of the system around two cores and absorption of the Ministry for Co-operation by the Ministry of Foreign Affairs***

21. The two cores of the system are the Ministry of Foreign Affairs and co-operation, and the MEFI, each of which combines, in its own sphere, the functions of definition, management or management supervision and monitoring of French co-operation.

22. The key feature of the reform has been the dismantling of the Ministry for Co-operation, which was displaying a strong political will to normalise relations with Africa almost forty years after the independence of the former colonies. It was thought time to do away with an institution referred to as the ministry for the colonies and regarded as a symbol of France's special relations with the countries concerned. The Ministry for Co-operation was formally abolished on 1 January 1999. This posed an operational challenge inasmuch as the ministry and the Ministry of Foreign Affairs had been working towards a "geographic" amalgamation that would have made the former the basis of an "Africa Directorate" in the MFA. But the political authorities considered that this method would have risked perpetuating the Ministry for Co-operation. So they decided to proceed quite differently and merged the MFA's Directorate-General for Cultural, Scientific and Technical Relations (DGR CST) with the ex-ministry's Development Directorate and its Geographical Co-ordination and Studies Service to form the Directorate-General for International Co-operation and Development (DGCID), which has world coverage. Similarly, the managerial departments (budget, personnel) were merged with their opposite numbers in the MFA.

23. The outcome of the amalgamation finally made is that the DGCID now combines staff previously performing fairly different functions, with very different cultures. On the one hand, there are the career diplomats, trained in geopolitical analysis, with a relatively short-term approach to international co-operation in the context of France's foreign policy. On the other, there are the officials known as "developers", untenured as well as tenured, with very different backgrounds and having experience of and concern with long-term development. This means that the same unit, say the health office of the *Direction du Développement et de la Coopération Technique* (DDCT - Directorate for Development and Technical Co-operation), has to work in the context of international co-operation with countries like Australia and the United States, for the purpose of inter-hospital co-operation, and at the same time in the context of poverty alleviation for the purpose of developing primary health care in the LLDCs of the ZSP. Thus, in practical terms, the exercise is a difficult one. Its success is not a foregone conclusion, which is why some senior civil servants are giving themselves two years in which to draw up a first assessment and decide whether adjustments need to be made to the reform.

## **2.6. *The AFD is now the central operator of bilateral assistance***

24. The *Caisse Française de Développement* (French Development Fund) has been renamed the *Agence Française de Développement* (AFD), a designation more in keeping with the role of central operator assigned to it by the reform and which implies that it is now in charge of most project aid in the context of economic and technical co-operation with the ZSP countries. The reform has clarified the role of the AFD and its linkage with other aid providers, but has not substantially altered the nature and pattern of its activities. The official status of the AFD is still that of a statutory public corporation of an industrial and commercial character and a specialised financial institution, which gives it a certain degree of autonomy and allows it greater operational flexibility than that of government bodies.

25. The AFD continues, on own account, to fund productive projects, both public and private, in a variety of sectors: agriculture, water supply, fishery, energy, transport, tourism, telecommunications, urban infrastructure, and financial systems. It also continues to manage, on behalf of the State, the structural

adjustment assistance decided upon by the government. The new element is that its assignment has been broadened to include financing of health and education infrastructures by delegation of appropriations from the Ministry of Foreign Affairs, though as yet for token amounts, as will be seen further on. Consequently, the FSP managed by the Ministry of Foreign Affairs has been reduced in scope relative to the former co-operation ministry's FAC, which it has replaced. It now only funds programmes in the institutional and sovereign sectors (justice, rule of law, economic administration, defence, police), as well as for social and cultural development and research.

## **2.7. Reform of the financial protocols**

### **2.7.1. Protocol project-aid**

26. Until 1998 the countries outside the ambit of the Ministry for Co-operation could receive funding from the French Treasury in the form of block soft loans put at their disposal under a *protocole d'accord* or memorandum of understanding and subsequently to be used to finance different projects, hence the term *protocole financier* or financial protocol. These protocols were reformed in 1998. The basis used here was to define, alongside the ZSP, a *Zone de Partenariat Economique* (ZPE - Economic Partnership Zone) to which the renovated financial protocols would apply, together with a *Fonds d'Aide au Secteur Privé* (FASEP - Fund for Assistance to the Private Sector), this being better suited to development financing for emerging economies. A new procedure for protocol management was introduced with the creation of the *Réserve Pays Émergents* (RPE - Reserve for Emerging Economies).

27. As stated in the document released to the press at the first meeting of the CICID, the financial protocols continue to be handled by the MEFI, which "seeks today to support French businesses abroad in order to strengthen the French economic presence in the world, notably by means of the RPE". To ensure that funds are used more effectively, the reform requires that each protocol be negotiated and signed in respect of a specified project that has been thoroughly assessed by experts in the sector concerned. A country-specific block approach has thus become project-specific. A list of fifteen or so countries eligible for the RPE is drawn up each year. Essentially it comprises China, Egypt, India, Indonesia, Kazakhstan, Turkey and South Africa, but certain ZSP countries may also receive protocol funding: these are the three Maghreb countries, South Africa and Vietnam (which had already been receiving such assistance prior to the reform).

28. The RPE counts as ODA in that it complies with the OECD rules that prescribe the minimum grant element for loans provided and prohibits "soft" financing of "commercially viable" projects. The financial protocols have always had two aims. Since the introduction of the RPE the emphasis is on commercial support for French enterprises, but development assistance is not neglected. The French authorities believe that the encouragement of French economic presence and corporate investment in developing countries is an effective way to help them. Projects are chosen by mutual agreement with the borrowing country for the purpose of development assistance. They are no longer managed jointly by the Treasury and the *Direction des Relations Économiques Extérieures* (DREE - Directorate for External Economic Relations) but only by DREE. The basic purposes of the protocols, available for projects involving the major French enterprises internationally active, are (i) to enable those enterprises to establish commercial footholds or strategic technological references, (ii) to facilitate co-financing, with bi- or multilateral partners, of projects substantially involving French enterprises, and (iii) to compete with bilateral aid from other countries that would prevent the award of contracts to French enterprises.

29. The actual operation of the protocols (disbursements) is effected in the ZPE by NATEXIS, a bank formed by the merger and privatisation of the *Banque Française du Commerce Extérieur* (BFCE - French Bank for Foreign Trade) and *Crédit National* (government-owned lending institution). In the five

ZSP countries eligible for protocols this function is performed by AFD. Lending under protocol has declined steeply since 1994. The commitments of \$458 million in 1998 were for the financing of 26 projects in eight countries. The average per project was thus approximately \$18 million. The main sectors concerned were transport (45%), water supply (20%), energy (11%) and environment (8%). Net disbursements have likewise fallen steeply, from approximately FF 3 billion (\$540 million) in 1994 to FF 560 million (\$95 million) in 1998.

2.7.2. *Additional funds for studies and assistance to the private sector (FASEP)*

30. These funds, which form part of commercial support for French enterprises, are two in number:

- The "*FASEP-études*" has been augmented. It finances—by way of grants or repayable advances—feasibility studies, technical assistance and institutional co-operation upstream of export or investment projects abroad. Since 1996 it has provided FF 400 million in such funding for 160 projects for 120 enterprises in some fifty countries. Unlike the RPE, the FASEP may intervene in all countries outside the ZSP and in the ZSP countries eligible for RPE funding.
- The "*FASEP-garantie*" has been set up. It has been in operation since 1999 and provides support for the private sector. It takes the form of a guarantee fund of FF 300 million to assist the development of majority-owned subsidiaries of French small businesses abroad, by guaranteeing the equity investment made by the parent company or venture capital companies or by guaranteeing the loans made to the subsidiaries by local banks. This fund serves businesses with less than FF 3 billion turnover which have projects in emerging economies. *FASEP-garantie* is an instrument currently at a very experimental stage and does not necessarily involve ODA.

## CHAPTER 2

### GENERAL FRAMEWORK OF DEVELOPMENT ASSISTANCE POLICY

#### 1. A plural strategy

##### 1.1. *An evolving strategic framework*

31. The previous DAC review in early 1997, prior to the change of government in June of that year, stressed the distance that separated France's strategy stance from that of the DAC, particularly with regard to the fundamental objective of poverty reduction. The February 1998 press release shows a change in France's position. A distinction is made between development co-operation and cultural, scientific and technical co-operation, the former being founded on solidarity "with a special focus on countries which are experiencing the greatest difficulties, which have embarked on challenging policies, and which have the closest political ties with France". Development co-operation strategy has been assigned seven basic aims for the years ahead: (i) the exercise of civic rights in democratic institutions; (ii) achievement of economic sovereignty; (iii) poverty reduction and basic needs satisfaction; (iv) urban development and support for decentralised initiatives; (v) management of the human environment and natural assets; (vi) promotion of a culture central to evolving societies; and (vii) development on a regional level. With regard to poverty alleviation, which has clearly become one of the system's key objectives, it is stated that "the major areas of human development continue to be education, health, nutrition and advancement of women, the common denominator being the reduction of inequalities and exclusions". Two subsidiary objectives are emphasised: to adapt education systems to national realities, notably through promotion of basic education, and to modernise social welfare services, *inter alia* through support for local health services.

32. The speech made by the Prime Minister in June 1999 at the Annual Bank Conference on Development Economics (ABCDE-Europe) confirmed this approach. Without referring explicitly to poverty reduction, he said "there can be no true economic progress without social progress. Democracy, human rights and sound management of public affairs are fundamental factors of development. Development assistance must therefore focus on education as a factor of long-term growth. Aid must set out to reduce inequalities and benefit the most disadvantaged populations". This is fully in line with the DAC strategy, as are the subsequent statements that "aid must be such as to help the countries concerned to manage their own development", which presumes its appropriation by the recipients, and that "it must be linked with human rights advancement, gender equality and establishment of the rule of law. Nor can there be sustainable development without preservation of the environment and biodiversity and without safeguard of the rights of future generations. These are the priorities which France intends to observe in its development assistance policy". Other statements stress the importance of partnership, a key component of the strategy promoted by the DAC.

33. The previous chapter mentioned the MFA-MEFI policy paper drawn up by the CICID co-secretariat; it was sent to the AFD in September 1999 by the MFA and the Treasury, as the joint sponsoring authority of the CICID. The document contains four strategic guidelines to which AFD is asked to refer. The first three, already mentioned in Chapter 1, need not be recalled here, but the fourth

should be emphasised for its new focus: "to provide improved access for all to basic health care and primary education". It thus targets the two social sectors central to the DAC's objective of poverty reduction. It remains to be seen whether the means exist to translate this new aim into fact.

## 2.2. *But ambiguities remain*

34. First of all, the earlier-mentioned policy document of February 1998 places cultural, scientific and technical co-operation on the same level as development co-operation and, naturally enough, assigns objectives to it that are fairly far removed from poverty reduction. The guidelines laid down by the Interministerial Committee for International Co-operation and Development cover both international co-operation (including with developed countries, the emphasis being on cultural, scientific and technical co-operation) and development assistance. The Prime Minister's statement of February 1998 notes that cultural co-operation is central to the special French approach and founded on the "will to use the language and culture as a means of influence and international outreach". The major priorities are: "to anchor talent by way of training and prospects; to promote economic interests, notably through scientific and technical co-operation; to promote the French language; and to develop cultural, scientific and technical co-operation based on partnership with foreign countries, in a context of synergy that encompasses culture in its widest sense." The coexistence of these two separate approaches to co-operation raises the question of their mutual consistency and the possibility of relating them to common objectives.

35. The CICID has a central role to play in this regard, since aid strategy is its domain. It is required to ensure the coherence of the geographical and sectoral priorities for the different components of French co-operation, notably through the establishment of annual guidelines for global programming. Thus, in addition to drawing up the list of ZSP countries, the CICID is supposed to establish the strategic guidelines for bilateral ODA. But it is now two years since the aid reform took effect, and the CICID has still not brought out a basic reference document outlining an operational strategy for the system's different agents and for the public. It may be that this absence of position taking is due to the government's desire to wait until the HCCI has made its first pronouncements on the matter. It could also be that the difficulty lies in the plurality of strategies corresponding to the different cultures and different aid instruments that continue to coexist in the system.

36. Certain NGOs are of the opinion that there is no real French strategy for development assistance. This view seems just about defensible only in the case of the financial protocols, the documented objective of which, as has been seen, is primarily to facilitate commercial penetration by French businesses. In practice—as certain researchers and others have pointed out—the project aid operators (AFD or teams from the ex-Ministry for Co-operation) follow an implicit strategy based on an "engineering culture", a strategy sometimes referred to as "Keynesian". The strategy rests on the idea that development stems primarily from the accumulation of capital—material or human—the aim therefore being to stimulate development by setting up infrastructures and assisting human resource growth. This indeed corresponds to what for decades has been the practice in French co-operation with the "ambit" countries. But the facts seem to show that the relevant efforts, while constituting the necessary conditions for development, were not sufficient conditions. Even when this strategy has brought about a certain economic growth, it has not led to a sufficient reduction of the poverty which itself is a curb on development

37. This strategy, moreover, coexists with another, that of international co-operation—a tool whose objectives go well beyond the economic development of partner countries. France is a permanent member of the United Nations Security Council and a member of G7. This, like the role of the French language and the influence of history, explains why its international co-operation policy is much broader than its ODA policy and cannot be equated with it. As the minister responsible for co-operation stated in November 1998 before the National Assembly when presenting his budget for 1999: "I shall sum up these

priorities for international co-operation as four simple and basic aims: to build up our capacities for influence abroad; to identify and anchor the high achievers in our partner countries; to confirm our position in development co-operation; and to associate civil society with our ambition." The first two priorities correspond to an aid culture predominant in the Ministry of Foreign Affairs before it absorbed the Ministry for Co-operation and based on the idea that cultural outreach, through spread of the French language and culture, can itself constitute a factor of development.

38. This plurality of objectives, understandable as it is, poses the problem of how they are to be ranked. Consequently, it would be desirable for the CICID to prepare and issue—admittedly after the public debates judged necessary, but in a reasonably short space of time—a document that specifies the key objectives of France's development assistance policy, together with the principal means that will be used to attain them and the implementing arrangements. Among other things, this would bring into better focus the problems of mutual consistency that inevitably arise, as will be seen below. Perhaps the HCCI could be helpful here.

## **2. Geographic allocation of aid ranges from concentration to dispersion**

39. The geographical breakdown of French aid is a reflection of France's external policy, being at once fairly concentrated, over a small number of countries and Africa, and rather thinly spread over a large number of other countries.

### **2.1 Chief aid recipients and TOM share**

40. The list of the top ten recipients of French aid has not changed since the last DAC review, with the sole exception of Madagascar, which has now replaced Vietnam and is in seventh place (average 1997/98, see Table I-4). Aid is concentrated on these countries—increasingly over the past decade, since the top ten's share of total allocated bilateral assistance in 1997/98 was 56% compared with 53% in 1992/93 and 48% in 1987/88.

41. In 1997/98 two TOMs, French Polynesia and New Caledonia in that order, became the top two recipients of French aid, whereas three years earlier they were in fourth and third places respectively. The amounts they receive have varied very little (respectively \$392 million and \$381 million at current prices in 1997/98). But the amounts received by the next three main recipients—Egypt, Côte d'Ivoire and Cameroon—have decreased. Rather surprisingly, Egypt, which is not in the ZSP, has replaced Côte d'Ivoire as the leading non-TOM recipient. This can be explained by the large-scale financial protocols concluded with Egypt, where the AFD is not present, but it does pose a problem of coherence as far as the ZSP is concerned. It should be remembered that the ZSP was defined only in 1999, and annual fluctuations for a given country, like Egypt, may be wide depending on whether debt cancellation or protocol lending is decided upon. The remaining top ten recipients in 1997/98 were Morocco, Madagascar, Senegal, Congo-Brazzaville and Algeria in that order.

42. The TOMs' share of French bilateral assistance has grown slightly over the past few years, given that they were receiving stable amounts in an overall allocation that was decreasing. New Caledonia and French Polynesia obtained 16.8% of the bilateral aid allocated in 1997/98. The bulk of this aid (92%) was earmarked for expenditure on education and concerned amounts reported as ODA, which represent only a part (46%) of total transfers from metropolitan France to those territories. Official transfers to New Caledonia and French Polynesia—budgetary aid, in fact—amounted to \$825 million and \$838 million respectively in 1998, *i.e.* nearly one-quarter of their gross domestic product (GDP)<sup>1</sup>. The singularity of the

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1. Source: *Rapport annuel 1998 de l'Institut d'émission d'outre-mer*.

TOMs, in terms of their share of French aid, came to an end, however, on 1 January 2000 when they were removed from Part I of the DAC List. But the special-status "territorial collectivity" of Mayotte, which is classed as a middle-income country (MIC), will remain on the list. In 1997/98 it was in 11th place among French ODA recipients with \$103 million.

## **2.2. *Africa's share remains large***

43. The importance of Africa as a focal point has always been a specific feature of French aid. The share assigned to the African continent, and in particular to Sub-Saharan Africa, remained fairly stable overall from 1993 to 1997, even though the absolute amounts decreased in roughly the same proportions as total aid. However, this share declined significantly in 1998. Thus between 1993 and 1997 Africa's aid share fluctuated around 68% of allocated bilateral assistance, falling to 62% in 1998. The share for North Africa did not decline and even increased at the end of the same period, from 15% in 1997 to 18% in 1998, but the Sub-Saharan share fell from 53% in 1997 to 44% in 1998. In absolute value, the decline was even more pronounced, with aid to Sub-Saharan Africa falling by 22% from \$2 527 million to \$1 980 million in terms of gross disbursements.

44. Does the decline in the African share in 1998 reflect the intention to normalise relations with the African countries, which is clearly one of the basic ideas of the French co-operation reform? It does not seem so, since the decline appears attributable primarily to the decrease in structural adjustment aid and debt cancellation, which had reached very high levels following the CFA franc devaluation in 1994 and which the devaluation's relative success made less necessary. This decline is judged to be non-structural. The growth in the number of potential Sub-Saharan recipients should mean, too, that concentration on Africa will continue. Furthermore, the African share will grow automatically now that TOMs have been removed from the aid statistics. The outcome, possibly a little artificial, should be an increase of French aid concentration on Africa as from 1 January 2000.

## **2.3. *Aid dispersion is liable to increase***

45. Despite a definite intention to avoid thin spreading of aid, the fact remains that the 44% of French aid not going to the top ten recipients was spread over more than 130 countries in 1997/98. This tendency towards dispersion is liable to be accentuated by the decision to have a ZSP distinctly larger than the former "ambit". In a context of aid reduction, increased dispersion would run counter to the stated objective of improving the effectiveness of aid by concentrating it on a restricted number of countries. Growth of the number of recipients may thwart that objective by preventing aid from attaining a critical mass in each country and by increasing the relative cost of the institutional machinery employed.

## **2.4. *The breakdown of aid by recipient category reveals distortions***

46. A consideration often cited by the French authorities to explain how aid contributes to poverty alleviation is its concentration on the poorest countries. Undeniably the ZSP list contains a large number of low-income countries (LICs) and most of the LLDCs (41 out of 48), which constitute a sub-category of LICs. But the important thing is not just their being on the list, but the amounts of ODA, in both absolute and relative value, that actually go to the countries concerned. Here it is noteworthy that the top five recipients of bilateral aid includes—apart from the two TOMs—one MIC (Egypt) and two LICs (Cameroon and Côte d'Ivoire) but no LLDC, and that the top ten include only two more LICs: Senegal and Madagascar. The latter country is also the only LLDC among the top ten.

47. The share of bilateral aid going to LICs as a whole provides confirmation, given that it amounted in 1998 to 48% against a DAC average of 55%. Furthermore, the share has declined significantly since 1994, when it stood at 58% (see Table II-3). Within this category, the LLDC share remained stable over the same period, amounting to 22% of allocated bilateral assistance in 1998 as in 1994, compared with a DAC average of 24%. In French GNP equivalent the LLDC share was only 0.07%, including aid via multilateral institutions (see Table I-6), well short of the international target of 0.15% supported by France. Moreover, in absolute value and real terms (constant 1997 US dollars), the amounts received by LLDCs declined by 30% between 1994 and 1998. Aid to other LICs (not LLDCs) declined very steeply during the same period: the amounts they received fell by 50% (from \$2 293 million in 1994 to \$1 154 million in 1998) and their share of bilateral assistance decreased from 36% to 26%.

48. Per capita aid has followed the same trend. The leading recipients over time (annual average for the period 1992-97) are also the richest countries. Leaving aside the TOMs and Mayotte, it is Gabon, whose per capita GDP was \$4 471 in 1997, which heads the list with FF 484 per inhabitant per year, followed rather closely by the Congo (per capita GDP: \$849) with FF 363. At the same time, LLDCs like Burkina Faso, Mali and Madagascar, with per capita GDP of only \$229, \$246 and \$251 respectively in 1997, received ODA flows that were much smaller: respectively FF 60, FF 51 and FF 64 per inhabitant per year on average over the same period. Admittedly these figures belong to the past, but they clearly show that much remains to be done if practice is to match intentions. Equally to the point is the fact that the large amount of aid received by countries like Gabon and the Congo does not seem to have improved their social indicators to any great degree. As an example, Gabon is ranked 53rd among the 174 countries figuring in the 1999 UNDP report on human development for its real per capita GDP (purchasing power parity basis), but only 124th for its human development indicator. Life expectancy at birth there is lower than in Mali or Madagascar.

### **3. Macroeconomic aid**

49. Macroeconomic aid, in the form of debt relief and structural adjustment assistance, accounts for a very large share of French aid. One of its special features is the considerable amount of aid provided in the form of loans. Until the decisions announced at the La Baule conference in 1990 the AFD provided no grants and the entirety of its aid was provided as loans. Only then was it decided no longer to lend to the states in LLDCs, a decision later extended to the LICs (countries eligible for loans from the International Development Association - IDA), so as not to create fresh debt. It should be noted that the budgetary difficulties of the franc zone countries prior to the CFA franc devaluation, and then the need to ensure the devaluation's success, led France to supply large amounts of structural adjustment funding, in the form of loans for the principal middle-income countries (MICs). In doing so, it created a fresh debt that soon became impossible to manage. Cancellation of that debt, under the augmented HIPC scheme, will provide the countries concerned with budgetary scope to be used for purposes of poverty reduction: here France has drawn closer to international positions. But this cancellation will pre-empt considerable budget resources, at the risk of reducing the share available for project aid. The risk is heightened by the fact that the aid extended to beneficiaries under the HIPC scheme will not be in the form of loans but grants, since France has pledged not to create new debt (at constant budgetary cost, more funding can be provided as loans than as grants).

#### **3.1. *Strenuous debt reduction efforts***

50. In 1989 France went ahead with a first round of debt cancellation, referred to as Dakar I, in respect of credit extended on ODA terms to 35 countries of Sub-Saharan Africa. In 1994, in conjunction with the CFA franc devaluation, France cancelled all the remaining debt of 10 franc zone LICs and half the

outstanding ODA debt of the four countries that were MICs prior to the devaluation: Cameroon, Congo, Côte d'Ivoire and Gabon. This second unilateral cancellation round is referred to as Dakar II. Independently of these two rounds of limited geographic coverage, France—which services the Paris Club—has continued, in agreement with the other Paris Club creditors, to reschedule the debt of developing countries reviewed by the Club.

51. Again in connection with debt reorganisation, France made a key contribution to the new Statistical Reporting Directives approved by the DAC in 1999. Basic agreement has been reached on reporting new reorganisation operations in a lump sum. But there is still a problem with past operations, reported year by year: the available data undervalue flows and overvalue outstanding debt, not only in the OECD statistics but also in the publications of international bodies that use these data. Given France's method of reporting in terms of annual flows, the weight of ODA debt relief has progressively increased both in absolute value and as a percentage of total aid. The corresponding amounts of ODA (rescheduling of ODA debt plus cancellations) rose from \$375 million in 1989 to a peak of \$2 035 million (FF 11 298 million) in 1994, representing 22% of gross ODA disbursements in that same year and 31% of net bilateral ODA. Subsequently, the amounts declined by 40%, but even so reached \$1 236 million (FF 7 291 million) and 18% of gross ODA disbursements in 1998 (30% of net bilateral ODA), as shown in Table II-2.

### 3.2. *Structural adjustment assistance*

52. Structural adjustment assistance (classed as programme aid) was for a long time, in the former "ambit countries", supplemental to the macroeconomic adjustment programmes financed by the International Monetary Fund (IMF). It was supplied mostly, but not exclusively, to the franc zone countries, before being virtually reserved for them, with only a few exceptions (Djibouti, Guinea and Madagascar), after the CFA franc devaluation. In the franc zone it consisted of budgetary aid for the countries concerned. Pending the devaluation, which was somewhat overdue, adjustment assistance increased in the early 1990s. Commitments totalled \$821 million in 1992 and \$587 million in 1993, before declining progressively from a post-devaluation figure of \$476 million in 1994 to \$127 million in 1998 (AFD annual reports). In terms of net disbursements, structural adjustment assistance fell from \$585 million in 1994 to \$54 million in 1998, a decrease of 90%.

53. This emergency macroeconomic assistance was a necessary though not sufficient condition for putting the recipient countries back on the path to growth and development. It continued to be supplied in the form of loans (with a grant element of 35%) in the franc zone's four leading economies: Cameroon, Congo, Côte d'Ivoire (although they became LICs after the devaluation) and Gabon. The amounts involved were substantial: \$204 million in 1994 and \$240 million in 1995 (commitments) for Côte d'Ivoire alone. In addition there was the usual project aid, which meant that these countries soon ran up the amount of debt that had just been cancelled.

### 3.3. *Overall result and prospects*

54. When structural adjustment assistance is added to debt relief, total macroeconomic aid peaked at \$2 756 million (FF 15 301 million) in 1994, representing 32.6% of total ODA and 41.7% of bilateral ODA. Subsequently, the amounts and shares of adjustment assistance have declined appreciably, as indicated above, but implementation of the debt reduction initiative for the heavily-indebted countries (HIPC), according to the terms approved by G7 at the recent meeting in Cologne, is likely to bring the figures back up. It is planned to cancel 90% of the bilateral debt of the countries concerned, a huge amount.

55. The magnitude of outstanding bilateral debt in the countries concerned by the HIPC initiative is partly due to the conditions in which the debts of the leading franc zone countries were cancelled, but mainly to the fact that France has continued to lend them very large amounts. From 1990 to 1997 gross loan disbursements to those countries totalled \$6 148 million (compared with \$3 320 million in the case of Japan). Thus France is, with Japan—and far ahead of Germany and the United States—one of the top two creditors of the group of countries eligible for the HIPC plan. At end-1998 France's total claims on those countries amounted to \$8 167 million, compared with \$8 805 million for Japan (\$2 712 million and \$2 572 million for Germany and the United States respectively).

56. By way of example, France's ODA claims on its two main debtors among the HIPCs scheduled for debt cancellation—Côte d'Ivoire and Cameroon—amounted respectively to \$2 082.5 million and \$1 518.8 million at end-1998 (figures including previously rescheduled debt). Since these two countries are also heavily in debt to the World Bank and the IMF, which are senior creditors, France has little prospect of being repaid. Apart from its support for the HIPC initiative in general, France has argued in particular for the inclusion of Côte d'Ivoire and Cameroon in the scheme, since this should enable them to ease the debt service constraint on their budgets (debt service may represent 40% of Côte d'Ivoire budget expenditure in 2000) and at least to repay their multilateral creditors.

57. Meanwhile, Côte d'Ivoire announced at the beginning of January 2000 its decision to cease to meet its debt obligations to external creditors. This decision is liable to affect that country's eligibility for the HIPC initiative and has caused France to think again about how to continue its co-operation with Côte d'Ivoire. Assuming nevertheless that the difficulties can be ironed out and that both Côte d'Ivoire and Cameroon become eligible for the HIPC initiative, there will be two consequences. First, the debt relief share of French aid will probably increase again, although the ODA debt cancellations will feed through slowly to ODA accounting. Second, the commitment not to create fresh debt for recipient countries and therefore to assist them only by grants, to which France has subscribed, will probably entail a high budget cost for France (in the case of countries like Côte d'Ivoire, Cameroon and the Congo). The consequence would be a decrease of fresh funding in real terms and hence a reduction of project aid in their direction. In both cases, macroeconomic aid will further crowd out project aid, although the budgetary scope created by debt cancellation should considerably outweigh the decrease in project aid. In the framework of the Cologne initiative, France has joined the position that this budgetary leeway must be used to promote development.

#### **4. Project aid: a residual item**

58. Some components of French aid are stable or increasing in percentage terms, like aid to TOMs and multilateral assistance. And, as seen above, macroeconomic aid—especially debt relief—has remained at a high level of aid percentage after peaking in 1994. In a context of overall decrease of ODA, and leaving aside the minor items (food aid, emergency and distress relief, support to NGOs), the amounts available for the other forms of assistance have therefore declined in recent years. With technical co-operation expenditure remaining more or less flat—\$2 207 million in 1994, \$2 088 million in 1998 (see Table I-2—the result has been a steep fall in gross disbursements of project aid and structural adjustment assistance. In terms of ODA share, programme aid has admittedly declined more steeply than project aid (from 28% of ODA in 1994 to 14% in 1998, against 14% and 10% respectively for project aid). Despite the fall in structural adjustment assistance, project aid is becoming increasingly residual.

59. For project aid and structural adjustment assistance combined, gross disbursements amounted to \$3 054 million in 1992 (constant 1997 US dollars). Nineteen ninety-two was chosen as the base year in order to avoid the effects of suspension of disbursements to several franc zone countries prior to the devaluation (because of their repayment arrears) and the 1994 peak in debt relief expenditure. This total

declined to \$1 250 million in 1998, a fall of 59% in six years. In terms of net ODA disbursements the decline was even steeper, from \$ 1 223 million in 1994 to \$41 million in 1998 or a fall of 96.7% (see Table I-2).

60. The decline in programme aid owing to the earlier-mentioned reduction in adjustment assistance is likewise considerable, especially if the year 1992 is also taken as the baseline (the amount of structural adjustment commitments fell from \$821 million in 1992 to \$127 million in 1998). But this fall was not offset by a rise in project aid. AFD commitments for ODA project financing in foreign countries fell instead from FF 4 022 million (\$760 million) in 1992 to FF 2 899 million (\$491 million) in 1998 (source: AFD annual reports, tables on trend of project aid by type of financing), *i.e.* a reduction of 28% in six years (or 35% in dollar terms). Gross loan and subsidy disbursements to foreign countries (ODA and non-ODA combined) declined from FF 6 188 million (\$1 116 million) in 1994 to FF 4 098 million (\$695 million) in 1998, a 38% reduction in four years. This last amount is equivalent to 10% of France's gross ODA and equivalent to only 56% of the \$1 236 million booked that year for debt relief.

61. The decrease in French aid has thus mainly concerned programme aid and project aid. Other items like technical assistance have remained relatively stable. But there can be no doubt that project aid is being crowded out by debt relief. And this project aid is generally of good quality, owing to the acknowledged expertise of the AFD teams, their long-standing experience of the countries concerned and their presence in the field through a network of agencies (see Chapter 3). Given that the AFD's coverage has been extended to new countries while its resources are dwindling, the financial constraints have become very heavy, especially as regards intervention in the non-franc zone countries, with a tendency for aid to be thinly spread.

## 5. Multilateral aid

### 5.1. Main aggregates and management of multilateral aid

62. Multilateral assistance (which includes Community aid) has long been a comparatively stable item of French aid. In recent years it increased slightly: in ODA gross disbursement terms it varied between 20% and 21% of the aid total from 1994 to 1997. It remained stable between 1997 and 1998 at \$1 557 million (current US\$), but its share of gross ODA disbursements over that period rose to 24%, compared with a DAC average of 29% to which it is now drawing closer. This trend reflects the fact that the amounts allocated to multilateral aid have decreased less than those earmarked for bilateral aid. Flows to the European Community represent nearly half the multilateral aid total (47% in 1998), while contributions to the UN agencies account for 7.2% and contributions to the World Bank Group and regional development banks for 23%. The remainder goes to special funds (African Development Fund, Global Environment Facility, etc.). It may be noted, though, that France has withdrawn from certain institutions like the Common Fund for Commodities and the African Solidarity Fund, a generally firmer line being taken with organisations of this type. It also finances the IMF's Enhanced Structural Advancement Facility (ESAF). Over and above year-to-year fluctuations essentially connected with the ESAF, multilateral contributions to UN institutions and the development banks have declined steeply. Community aid has increased proportionately, remaining stable in volume terms.

63. Where the aid budget is concerned, the finance ministry is responsible for 93% of multilateral aid. It pays the contributions to the European Community, the World Bank group and the regional development banks, as well as the balance going to other multilateral agencies. That balance was very large in 1998, when France paid out \$261 million (FF 1 540 million) as its contribution to the ESAF of the IMF. The Ministry of Foreign Affairs pays the contributions to the UN agencies, which amounted to only

\$120 million in 1998, *i.e.* 7% of multilateral aid or 2% of total gross ODA. It also contributes to the trust funds set up in a number of institutions, including those outside the UN system.

64. In principle, management of multilateral aid is the responsibility of the Ministry of Foreign Affairs—except in the case of the development banks, where authority rests with the finance ministry. In practice, however, management is on a cross-ministry basis. Flows to the UN institutions are co-managed on a case-by-case basis, for example with the Health Minister in the case of the World Health Organization. EC aid is managed jointly by the Ministry of Foreign Affairs and MEFI, co-ordinated by the General Secretariat of the Interministerial Committee on matters of European Economic Co-operation (SGCI), which is under the direct authority of the Prime Minister. SGCI provides co-ordination between the different government departments concerned. Under the reform, the Ministry of Foreign Affairs now has one post in the office of the French executive director at the World Bank (where the AFD has been represented since 1980), and it is still planned to have the same arrangement in the French delegation to the DAC.

65. The general line of French policy regarding multilateral aid, for countries where France plays an important role, is to focus on co-ordination of activities and complementarity between bilateral and multilateral financing. Elsewhere the aim is rather to augment the impact of French assistance by a better linkage to multilateral financing or by making more use of the multilateral approach, especially community-based, in the interests of rationality and increased visibility.

## 5.2. *Contributions to institutions in the UN system*

66. Flows to UN institutions amounted to \$120 million in 1998, *i.e.* only 1.7% of France's gross ODA disbursements, which is very much lower than the DAC average of 7%. This reflects some scepticism about the effectiveness of the UN system and its different agencies, as evidenced by the fall in voluntary contributions to the programmes of those agencies, though strictly budgetary reasons played a part too. Voluntary contributions amounted to only \$31 million in 1998 (FF 180 million). France's aim where the system is concerned is to increase the effectiveness of French contributions and hence that of the system's institutions. So it is possible that voluntary contributions will be raised again. France is also giving some more thought to multi/bilateral co-operation, which there is a political will to develop. It is therefore planned in future to review the effectiveness of the different agencies. However, an increase in multi/bilateral aid would be difficult, primarily because the funding of experts through international organisations entails extra overhead costs. Another difficulty is that these organisations are somewhat distrustful of bilateral experts in administrative areas and of field projects with a strong French presence.

## 5.3. *Contributions to the EC*

67. France's contribution to European aid accounts for nearly half of French multilateral assistance and 14% of French ODA. In 1998 it amounted to \$782 million. Part of this contribution is channelled through the EC budget, to which France contributes 16.5%, and goes to finance the major co-operation programmes, other than for the African, Caribbean and Pacific countries (ACP). The part destined for the ACP is channelled through the European Development Fund (EDF), to which France contributes a larger share, namely 24.3%, being anxious to maintain the EDF funding level in real terms. France is thus the leading contributor. European aid recently came in for a great deal of criticism, notably from the DAC, and France has set out to improve its effectiveness, on the basis of a joint policy statement with Germany and the United Kingdom that had a major impact on the reforms announced at the meeting of development ministers in May 1999. Furthermore, in connection with the renewal of the Lomé Convention with the

ACP countries, France gave its backing to a change in the process of resource allocation to recipient countries through the introduction of greater flexibility and performance assessment.

68. New measures are likely to be taken in 2000, along the lines advocated by France, which seeks to:

- Develop operational co-ordination in the field.
- Designate lead agencies by sector and by country, following a pilot experiment under way in South Africa to draw up the multi-year aid programme.
- Enhance aid complementarity by increased use of joint funding and delegated management of funds (delegated project management has already been introduced with AFD in Cameroon).

#### **5.4. *Contributions to the World Bank and regional development banks***

69. These have decreased continuously since 1995, from \$649 million down to \$375 million. Yet they concern institutions in which France wants to maintain a presence. In the case of the World Bank, this is because of the latter's activities in Africa and the franc-zone countries. Here France, with its expertise and particular competence on the subject, wants to be able to influence the Bank's policies. In this context and to strengthen this influence in major decision making, the "Tavernier Report"<sup>2</sup> (see Annex IV) proposes increased formal consultation among European countries within the Bretton Woods institutions. In any event, close permanent contact is being maintained with the World Bank, essentially by the Treasury but also, in operational matters, by AFD and the Ministry of Foreign Affairs. The Tavernier Report stresses that the returns to aid also play a part: "For market share, France is well placed. Ranking second to the United States, it receives about twice its stake in the Bank's capital in the form of contracts awarded to French firms". Finally, it may be noted that the French Parliament, deeming that it was insufficiently informed about the activities of the World Bank and the IMF, asked that it be given annual reports on their role and activities. The first report was handed in by the government in 1999.

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2. *La coopération française au développement*, Yves Tavernier, report to the Prime Minister, 1999.

## CHAPTER 3

### AID MANAGEMENT AND IMPLEMENTATION

#### 1. Introduction

##### 1.1. Overview

70. The previous DAC review of French aid stressed the institutional system's complexity, but the reform recently introduced has brought necessary and welcome changes that have simplified and rationalised the system. Allowing for the magnitude of French aid and its very extensive coverage, aid management and implementation are still somewhat dispersed nevertheless. The players involved are: (i) the two core ministries of finance and foreign affairs, which not only define aid policy but also manage, monitor and supervise aid after evaluating its results; (ii) the AFD, which is the central operator; and (iii) the other ministries and agencies concerned with aid and the Africa Unit of the Office of the President of the Republic. The division of tasks among these players and their respective roles need to be described, along with the procedures for aid programming and evaluation and for support to the private sector.

#### 2. The division of tasks among the principal players

Table 1. Breakdown of ODA (excluding TOMs) in 1998

FF million				
	MEFI	Ministry of Foreign Affairs	Other ministries and administrative costs	Total
<b>Bilateral aid</b>	<b>6 944</b>	<b>5 718</b>	<b>7 142</b>	<b>19 804</b>
<i>of which:</i>				
- Debt cancellation and consolidation	4 168	-	.	
- Treasury grants and loans}				
- AFD }	2 776			
- Ministry of Foreign Affairs		5 718		
<b>Multilateral aid</b>	<b>8 477</b>	<b>708</b>	-	<b>9 186</b>
<i>of which:</i>				
- EC aid	4 613	.		
- Dev. Banks and Funds	2 324	.		
- ESAF of the IMF	1 540	.		
- UN institutions	-	708		
<b>Total</b>	<b>15 421</b>	<b>6 426</b>	<b>7 142</b>	<b>28 990</b>
Percentage	53%	22%	25%	100%

Source: *État récapitulatif des crédits concourant à la coopération avec les États en voie de développement* (summary statement of development co-operation credits - appendix to finance bill).

## **2.1. *The reform will lead to a better balance of responsibilities***

71. The reform has brought aid responsibilities into better balance by creating, alongside the finance ministry, a foreign affairs core and giving them joint authority over the central operator AFD. But the finance ministry continues to play a key role, possibly more so than in any other country. The summary statement of development co-operation credits appended each year to the finance bill provides an illustration (see Table 1 above). This statement concerns budget allocations only and has not yet been amended to reflect the new situation.

## **2.2. *The MEFI***

### **2.2.1. *The Treasury plays a key role***

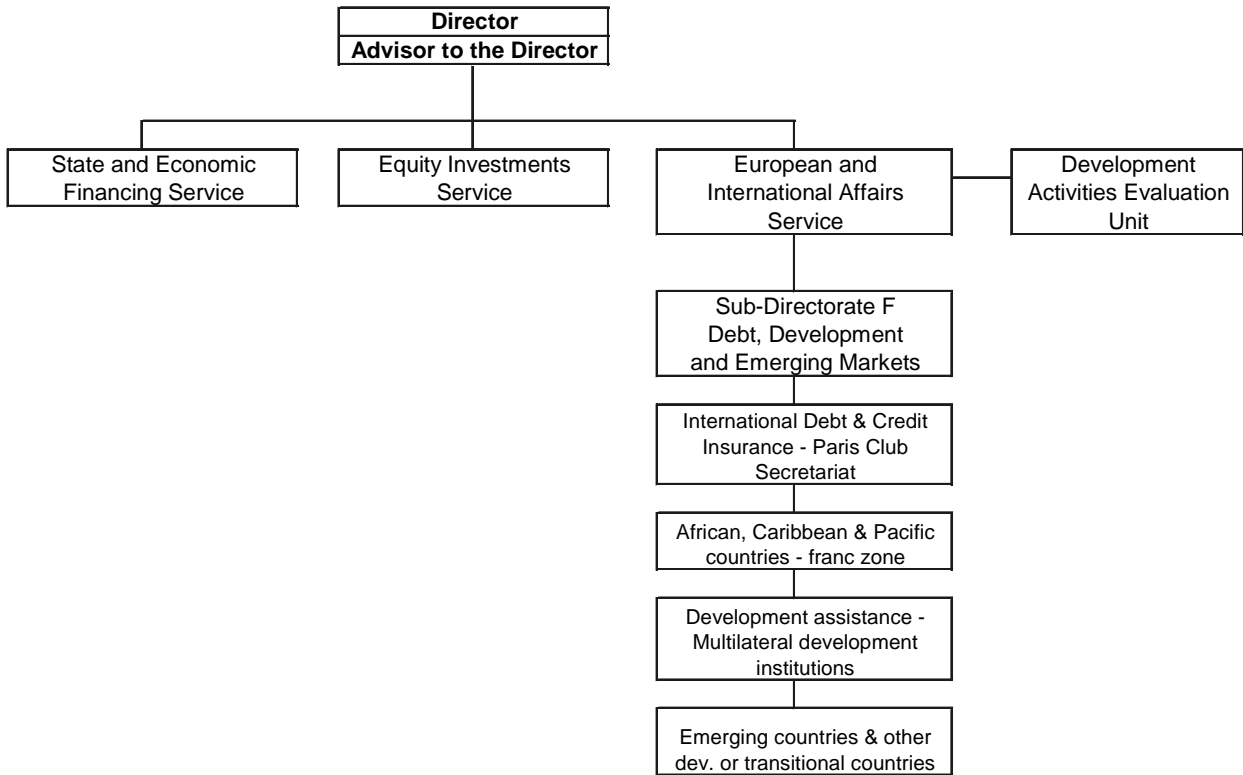
72. In the aforementioned statement, consistent with Annex 9 of the Tavernier Report, the AFD is bracketed with the finance ministry. The Treasury exercises authority over the AFD, jointly with the foreign affairs ministry. The appropriations allocated to the AFD are decided by the government and approved by Parliament. All the grants resources managed by the agency come from the Ministry of Foreign Affairs budget. The Treasury decides how the resources allocated to the AFD are to be apportioned among the different funding instruments (annual commitment ceilings) and determines the split between the TOMs and foreign countries, which gives it a major influence. This is reflected in the final figures for 1998 (corresponding to the DAC statistics) which have been appended to the finance bill for 2000. These show that bilateral aid controlled by the finance ministry amounted to \$1 177 million (FF 6 944 million), or 35% of total non-TOM bilateral assistance. In contrast, the Foreign Affairs/Co-operation core had \$969 million (FF 5 718 million) or a 29% share, the other ministries and administrative costs accounting for the remaining 36%. As regards multilateral aid, 93% (\$1 437 million out of \$1 557 million) was handled by the Treasury and the remaining 8% (\$120 million for the UN institutions) by the Ministry of Foreign Affairs. If bilateral and multilateral assistance are taken together, the total amount of aid controlled by the Treasury amounted to \$2 614 million (FF 15.4 billion) or 53% of the non-TOM total of \$4 914 million, compared with 22% for the foreign affairs core (cf. Table 1).

### **2.2.2. *Organisation and responsibilities***

73. Pursuant to the reform, the Treasury concentrates on aid orientation and management control and delegates the tasks of implementation and execution. It has three services and seven sub-directorates. Sub-Directorate F is in charge of development assistance and comprises four bureaux (see Organisation Chart 1 hereafter): Bureau F1 - International debt, credit insurance and Paris Club secretariat (15 staff); Bureau F2 - African, Caribbean and Pacific countries, franc area (9 staff); Bureau F3 - Development assistance and multilateral development institutions (10 staff)—this bureau handles the DAC monitoring system; and Bureau F4 - Emerging economies and other developing or transitional countries—this covers the Commonwealth of Independent States, the Balkans and Turkey, the countries of North Africa and the Near and Middle East, the Asian countries and the countries of Latin America and the Caribbean. Bureau F4 (12 staff) also deals with Treasury loans and the reserve for emerging economies.

74. There is also the Development Activities Evaluation Unit (3 staff), which is directly accountable to the Head of the European and International Affairs Service. Finally, the Treasury is represented abroad by financial agencies in certain French embassies. There are a few of these agencies in the emerging economies. As is already the case in Morocco, they are progressively being merged with local offices of the DREE, which is now in sole charge of the financial protocols. In the context of ODA, the Treasury representatives deal with debt relief activities in the emerging economies.

Chart 1. Treasury Directorate



Source: Treasury.

75. In the aid sector, some 50 government officials in all, including secretarial staff, thus handle aid amounting to FF 15 billion—or even more than FF 20 billion (\$3.4 billion) if the TOMs are included. The Treasury's Bureau B4 handles France's financial relations with its overseas territories. The power this represents is considerable, like in the case of any supervisory authority.

76. The Treasury plays a key role in the decision making of the AFD's supervisory board. It is the Treasury's representative, usually one of the financial counsellors for Africa, who leads missions, also involving a foreign affairs representative and an AFD officer, and called “tripartites”, in which considerable amounts of structural adjustment assistance for eligible countries are negotiated in just a few days. Furthermore, the Treasury normally heads the French delegations in the World Bank Consultative Groups. Finally, the Treasury represents France in the DAC and on the Board of Directors of the World Bank; the French executive director performs the same function in the IMF. Until the aid system's reform, the French E.Ds' office had never had a representative of the former co-operation ministry or of the Ministry of Foreign Affairs.

77. The Treasury officials are generalists, whose basic analytical thinking inclines towards the macroeconomic approach to aid. In this frame of reference another constituent of aid culture is the need to obtain a return from aid, this being apparent from the finance ministry's recent evaluation report on French aid to Morocco.

### 2.3. *The Ministry of Foreign Affairs and the DGCID*

#### 2.3.1. *Statistics*

78. In 1998 the Ministry of Foreign Affairs controlled 29% of bilateral aid (\$969 million). As regards multilateral aid, it has full authority only for contributions to UN institutions, which amounted to \$120 million that same year or 8% of all multilateral aid. If bilateral and multilateral aid are taken together, the total amounts to \$1 089 million, or 22% of non-TOM aid, or again 19% of all ODA including TOMs. Competence for European aid is shared with the MEFI.

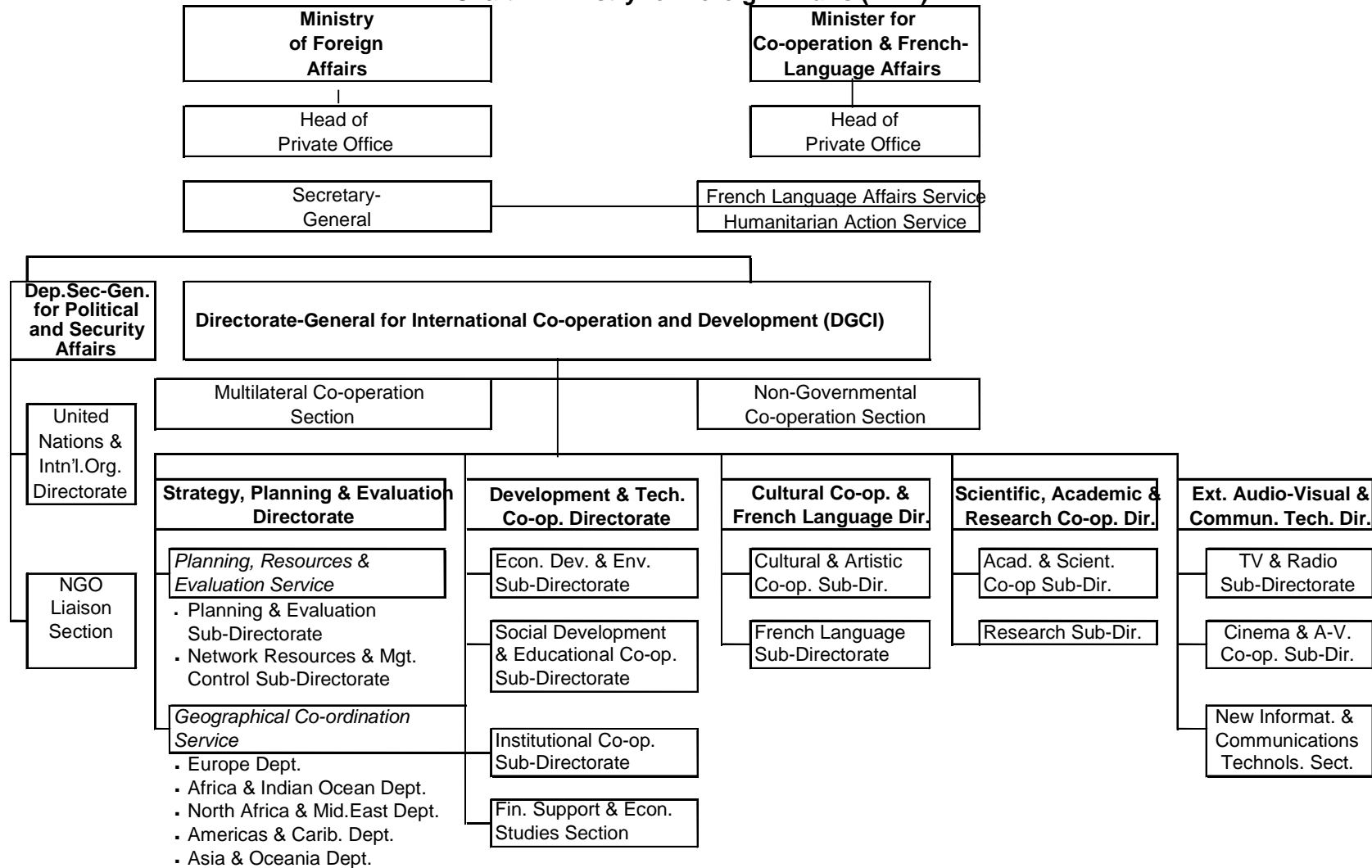
#### 2.3.2. *Organisation and responsibilities*

##### Central government

79. The DGCID is a complex general directorate in that it has a horizontal structure. Its name clearly indicates the duality of its approach: international co-operation **and** development. It is at the interface between cultural co-operation and development assistance, the latter being regarded as one aspect of international co-operation. The DGCID has a staff of about 550, nearly two-thirds of whom come from the former co-operation ministry. As shown in Organisation Chart 2, it has two main sections and five directorates. The two sections, under the immediate authority of the Director-General, are for multilateral co-operation and non-governmental co-operation. The roles played by the five directorates require some additional comment.

80. The **Strategy, Planning and Evaluation Directorate** has a staff of 170. It comprises the Planning, Resources and Evaluation Service and the Geographical Co-ordination Service, the latter containing five geographical departments that cover the whole world. The Directorate does not frame strategies itself but oversees sector- and zone-specific policies. Its Resources Sub-Directorate manages the network abroad, i.e. the co-operation and cultural action services (SCAC) that operate in the French embassies, together with cultural and co-operation establishments and the technical assistance personnel, whose numbers have been declining steeply for some years but still totalled 3 111 persons in 1999 in the ZSP countries (excluding the French educational establishments abroad, military personnel and development workers on active national service or CSNA).

Chart 2. Ministry for Foreign Affairs (MFA)



Source: Ministry of Foreign Affairs.

81. The **Development and Technical Co-operation Directorate** (DDCT) to some extent replicates the operational directorates of the former co-operation ministry but with broader geographical coverage. It has a staff of 140. The Directorate's strategic priorities are the promotion of diversified and less vulnerable economies, rational management of natural resources, poverty alleviation, and promotion of the rule of law. It manages the Priority Solidarity Fund (FSP), which has replaced the Assistance and Co-operation Fund (FAC) for the financing of investment projects and is at the disposal of all the directorates. The amounts of funding are set to stabilise: programme authorisations (multi-year) increased from FF 2 297 million in 1998 to FF 2 304 million in 1999, but should stay at FF 2 300 million in 2000 (about \$350 million); disbursement appropriations (annual) decreased from FF 2 024 million in 1998 to FF 1 798 million in 1999, and the forecast for 2000 is FF 1 944 million.

82. The DDCT has laudable aims. It seeks (i) to rehabilitate the strategic approach; (ii) to make the policy approach progress from aid dependency to partnership; (iii) to encourage delegated aid management; (iv) to develop a more selective approach based on criteria of quality; (v) to strengthen operational co-ordination with other bilateral and multilateral donors; (vi) to improve communication; and (vii) to concern itself with regional policies. But the means with which to carry out these intentions remain limited.

83. Through its three sub-directorates—Economic Development and Environment, Social Development and Educational Co-operation, and Institutional Co-operation—the DDCT takes charge of technical assistance. In 1999 this assistance comprised 3 942 teachers in the ZSP, one-third of them (1 269) being placed at the disposal of the assisted countries (the other two-thirds, *i.e.* 2 673, serving in French educational establishments abroad). Aside from education, which is still the most important sector, the other important areas of technical assistance are (i) economy and finance; (ii) employment and health care; and (iii) agriculture, livestock farming and rural engineering, with respectively 417, 394 and 332 technical assistants in the ZSP. The emphasis is shifting increasingly from substitutive technical assistance to project-specific assistance with a view to sustainability. For example, technical assistance in education is focusing more and more on vocational and teacher training.

84. The **Cultural Co-operation and French Language Directorate** oversees, among others, the *Agence pour l'Enseignement français à l'étranger* (AEFE), a statutory administrative body which runs the network of French educational establishments abroad. Financial supervision of the AEFE, which has a budget of FF 2.2 billion (\$373 million), is exercised by the finance ministry (as in the case of all statutory administrative bodies). The purpose of AEFE is to contribute to the outreach of French language and culture, in particular through teaching of foreign students. In 1999 French teaching abroad employed 7 658 persons, essentially teachers, 3 867 of whom in DAC Part I countries. The proportion of "national" (non-French) students in French educational establishments abroad in 1998-99, all geographical areas taken together, amounted to 46%. Only high-income families are able to pay the tuition fees required by French schools abroad (about \$200 a month per child). But these fees cover only part of the cost of the education provided, which is therefore subsidised. The subsidies (primary education only) are apportioned according to the number of foreign pupils in each school, and are reported to the DAC as ODA in the case of Part I countries. Subsidies totalled \$63 million in 1998-99 (FF 371 million), according to AEFE figures.

85. The role of the **Scientific, Academic and Research Co-operation Directorate** is more one of co-ordination than of direct intervention. Here it should be explained that the secondment of higher education teachers to countries receiving technical assistance in that form has been replaced by short-term teaching assignments. Also, it is through largely autonomous research institutes that major flows of ODA are channelled: in 1988 these flows amounted to \$200 million (FF 1 182 million) in payment appropriations and \$35 million (FF 209 million) in programme authorisations.

86. Finally, the **External Audio-Visual and Communication Technologies Directorate** has a sizeable budget for co-operation with various radio and television channels. In 1998 its subsidies to audio-

visual operators (*Canal France International, Radio France Internationale*) totalled \$91 million (FF 538 million) reported as ODA. In 1999 these subsidies increased to FF 576 million.

#### Embassies and devolved services

87. Ministry of Foreign Affairs aid is managed locally by the SCACs, which are now in the French embassies since the reform. These services have a total staff of 350 expatriate officials in the ZSP countries. According to the summary statement of development co-operation appropriations, the cost of devolved services abroad was FF 1 718.5 million in 1999, for a geographic area exceeding the ZSP and comprising all developing countries (Part I of the DAC list).

## **2.4 The AFD**

### *2.4.1 Status and areas of competence*

88. The reform of the aid system has affected the AFD through the recognition of its function as central operator. This has ratified a pre-existing situation in which the authorities already made very considerable use of the agency, but has also conferred new responsibilities. The AFD has retained its status as a public corporation of an industrial and commercial character, which means that it is not strictly part of the government sector, even if the State does own all its equity (AFD personnel are thus not civil servants). The agency thus has some autonomy, especially since it is at the same time a specialised financial institution governed by the Banking Act of 1984 with all the consequent obligations, notably as regards account keeping and publication and observance of prudential ratios (*e.g.* exposure diversification). This explains why, for example, French ambassadors cannot sign AFD financing agreements. The AFD's status allows it to be more flexible than the government sector in conducting its activities, but at the same time creates numerous constraints.

89. The AFD is under the joint supervision of the Ministry of Foreign Affairs and the finance ministry, which are represented on the agency's supervisory board, chaired by one of France's top-ranking finance officials. The Ministry of Foreign Affairs has three representatives on the board, including the Director-General of the DGCID, who inherited the post belonging to the former co-operation ministry. The finance ministry has two representatives, one from the DREE, the other from the Treasury. The government has a sixth representative in the person of the director for social, economic and cultural affairs in the State Secretariat for Overseas Territories. The board's other members are three eminent persons chosen for their knowledge of economic and financial matters, three members of the French parliament (two deputies and one senator) and two elected members of the agency's staff. The board decides the AFD's commitments and their conditions, and the accounts are submitted for its approval. It delegates part of its powers to specialist committees in the case of funding below FF 60 million.

90. The Director General of the AFD is appointed by the Council of Ministers on the proposal of the finance minister, after consultation with the other ministers concerned. The finance ministry sets the annual ceilings for the agency's borrowing and lending in the different categories of assistance. For the bulk of assistance on ODA terms, the Treasury establishes the amount of subsidies needed to bridge the gap between the cost of the resources obtained by the AFD on the capital markets and its loan rates, thus determining the margin required to meet the agency's running costs. However, for certain items of assistance on ODA terms which the AFD refinances by way of Treasury loans, the annual ceilings are determined by finance bill provisions approved by Parliament. These ceilings used to be set in September-October for the following year. But increasingly frequently they are set during the year and amended in the light of budget regulations, as in the case of the other statutory bodies. The Treasury underwrites AFD debt issues, which explains the agency's AAA rating by the credit rating agencies and enables it to borrow on

the best terms. Finally, the Treasury (through Bureau F2 and the *ad hoc* Interministerial Committee) fixes the amount of the agency's payroll, on the understanding that its annual budget is approved by the supervisory board. Like other statutory bodies, the AFD is thus subjected to continuous *ex ante* monitoring by the finance ministry, and also to *ex post* monitoring by the Banking Commission and the Court of Audit. Generally speaking, the weight of AFD supervision has increased in recent years.

91. The geographic area of AFD intervention has been defined as the ZSP, which in fact has somewhat modified the agency's coverage. In theory, if not in practice, it previously included the ACP countries, hence nearly all the countries of Sub-Saharan Africa. Similarly, with the exception of Vanuatu, the AFD no longer covers the fifteen countries comprising Papua-New Guinea and the micro-states of the South Pacific, where it was able to intervene until 1998. Outside the ZSP, the agency is able to intervene sporadically in other countries at the request of its supervisory authorities. For example, it was recently asked to provide assistance to Kosovo, though for only a small amount (FF 30 million).

92. The AFD has an extensive range of activities. On its own account, it finances public and private job-creating projects in different sectors of production and economic infrastructure: agriculture, rural water supply, fishing, industry, tourism, and also energy, urban water supply, transport, telecommunications and urban infrastructure. It also concerns itself with financial systems, an area in which it has done much over the past ten years to promote micro-credit, among other things. On behalf of the State, the AFD manages the structural adjustment assistance (loans or subsidies) prescribed by the French government. Likewise on the State's behalf, the agency serves as the secretariat of the French Global Environment Facility (FFEM) and manages the financing of the IMF Enhanced Structural Adjustment Facility (ESAF). Finally, it manages certain public financial assistance on behalf of different ministries (notably health). The aid reform has extended the AFD's activities to financing of health and education infrastructures, but the amount allocated to it for this purpose by the Ministry of Foreign Affairs in 1999 was only \$12 million (FF 75 million).

#### 2.4.2 *The organisation and operations of the AFD*

93. There is also an AFD group, which includes the PROPARCO subsidiary, specialising in private-sector promotion and financing, the *Centre d'études financières, économiques et bancaires* (CEFEB), which provides a one-year course in financial disciplines for trainees from the developing countries, and two currency-issuing institutions—one for the overseas departments (*Institut d'émission des départements d'outre-mer*, IEDOM) and the other for the overseas territories (IEOM). This does not facilitate analysis of employment figures. With respect to the AFD alone, the most recent annual report indicated as of 31 December 1998 a staff of 1 161, with 599 at headquarters and 562 based overseas. Overseas staff comprised 138 expatriates (119 in agencies and 19 providing technical assistance) and 424 locally recruited employees. But these figures overestimate the number of people working in the area of aid because they comprise an indeterminate but significant number of people working on DOMs, in Paris and in the field. Beginning in the year 2000, staff serving in the TOMs should also be deducted from the ODA headcount. The AFD's costs of intervention are low, since its aggregate overheads amounted in 1998 to only FF 740 million, or 8% of the FF 9 258 million in gross disbursements (including FF 7 000 million on its own account), and 1% of its own loans outstanding, which totalled FF 70 billion (\$11.9 billion) at 31 December 1998. The cost of the network is very low, since in 1998 it amounted to only FF 228 million, or 0.33% of outstanding loans.

94. Organisation Chart 3 of the AFD comprises five geographical departments, including one covering DOM-TOMs, and a Mediterranean Department created in 1999. The fact that there are only two departments in charge of Africa, plus one for Asia, the Caribbean and the Pacific, shows that the AFD is pursuing the transformation that has gradually led it away from its initial specialisation, which was essentially on sub-Saharan Africa. The geographical departments generally comprise an economic and

financial division and one or two technical divisions, with the exception of the DOM-TOM department. The Mediterranean Department has a unit that manages protocols in Morocco and Tunisia, and the Asia, Caribbean & Pacific Department has a unit in charge of delegated appropriations. A sixth operational department—the Social Projects Department—was created in 1999 to oversee infrastructure projects in the areas of education and health care. In addition, there are eleven functional departments. It may be noted that evaluation is handled by a division of the General Auditing Department.

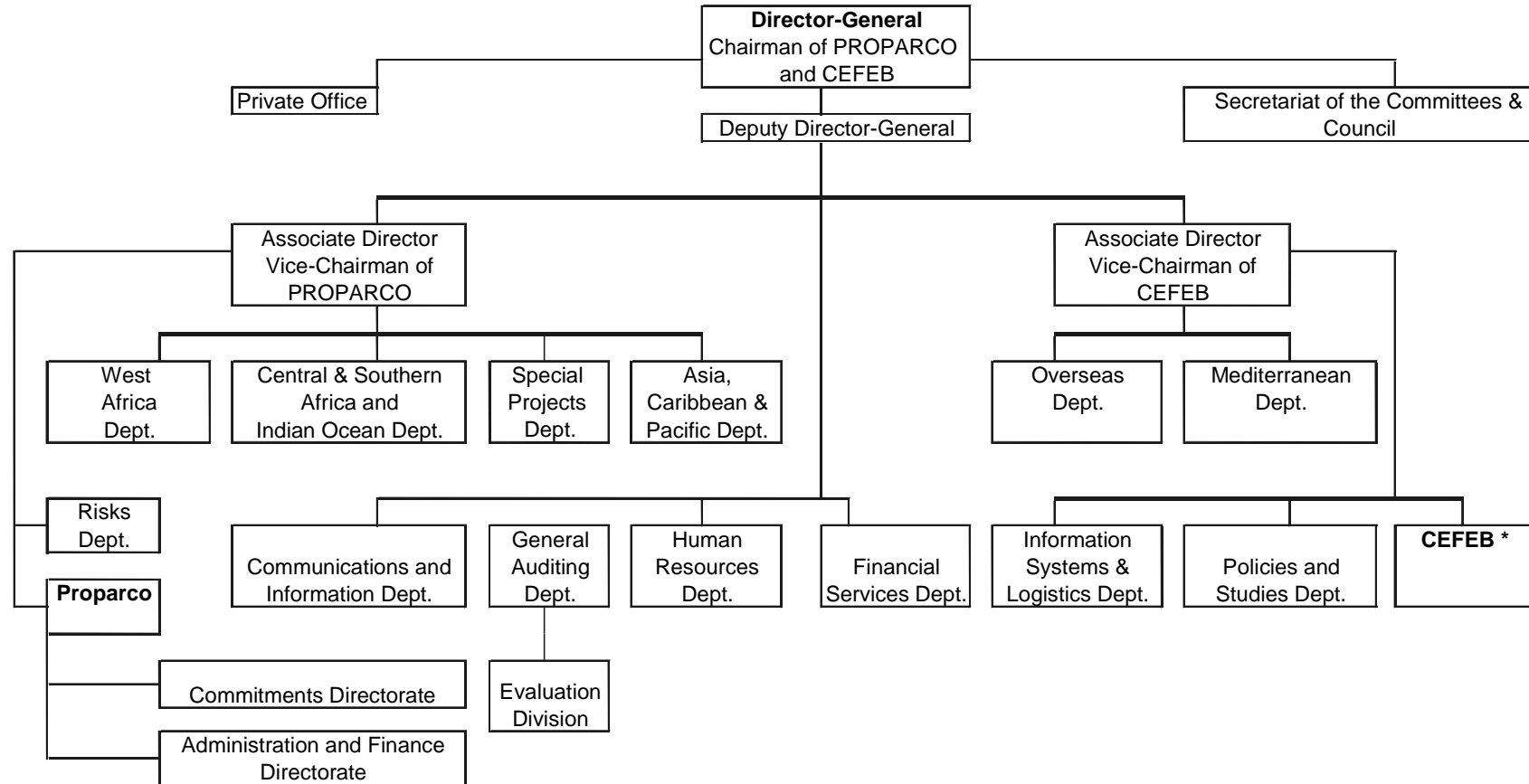
95. The AFD boasts a very comprehensive range of financial products, from subsidies to market loans, including dollar-denominated and floating-rate loans, to cater for the characteristics of the country in question [LLDCs, LICs or middle-income countries (MICs)], the relevant sector, the project's economic viability and the nature of the borrower (State, public enterprise or private company). The AFD can also set up loan guarantees for foreign States. One might wonder whether these arrangements are not too complex, because they entail a wide variety of intervention variables (such as interest rates, maturities, and grace periods). Because of this, situations have arisen wherein physical investments of the same type have been financed with four different instruments in the same year, depending on the countries concerned—which impairs the transparency of aid.

96. The strength of the AFD, as compared with other, equivalent institutions such as Germany's *Kreditanstalt für Wiederaufbau* (KfW) or the Japan Bank for International Co-operation (JBIC), has always been ascribed to its network of local agencies, which give it a presence in the field (the first agency having been founded in 1947). At 31 December 1998 there were 43 agencies, representative offices and outposts, including 35 abroad and three in the TOMs. The AFD's other strength is its staff, who are recruited and managed according to the rules of the private sector. The staff combines a great many professional profiles because of a wide diversity of training backgrounds and origins. It is generally considered to be competent and experienced. The concentration of engineers and economists is very substantial, however, considering the new objectives of aid.

97. For several years there has been a certain tendency to reinforce the staff of headquarters functional departments. Given the burden of its tasks and the stepped-up controls to which the establishment is subjected, the headquarters size seems sufficient overall. In contrast, visits in the field have shown that the agencies' expatriate staff is barely adequate: for years their numbers have stayed flat (or even diminished, if the decrease in technical assistance posts is taken into account), despite the opening of new agencies and representative offices (which was therefore done via redeployment), and 80% of the agencies have no more than two expatriate staff.

98. Despite the flat headcount, the agencies' tasks have expanded over the years because of a desire for greater formalisation, implementation of control procedures and evaluation intended as much to provide accountability as to enhance the effectiveness of aid, and because of the need to factor in new concerns (environment, gender issues, etc.). Furthermore, more time must be devoted to aid co-ordination activities. The result of these trends has been a certain backsliding in the decentralisation of responsibilities and decision-making. The directors of local agencies now report to the directors of the geographical departments, and headquarters has assumed a greater role in directing the project cycle since an operational steering committee was set up in 1997.

Chart 3. French Development Agency (AFD)



Source: AFD. Annual Report, 1998.

## 2.4.3 AFD activities

99. As indicated in Chapter 2, the course of AFD activities in the developing countries has been affected by the reduction in project aid (see summary Table 2 below, taken from the most recent annual reports). Figures for 1993 and 1994 are not significant, because they straddle the devaluation of the CFA franc and featured a very high level of programme aid (not indicated). The table also shows that in ODA terms subsidies and loans to States continued to account for the bulk of operations, with non-sovereign loans (direct loans to public enterprises) still in a minority. Inclusion of non-sovereign loans at near-market conditions (absent from the table) would not fundamentally alter this.

Table 2. Project aid trends by type of financing

In FF million

	1992	1993	1994	1995	1996	1997	1998
Subsidies	1 386	1 271	1 142	1 071	956	993	1 013
Concessional loans	2 636	1 743	2 154	2 855	2 274	2 789	1 886
- of which: to States	1 879	1 037	1 515	1 927	2 274	1 863	1 633
- of which: non-sovereign	757	706	639		466	926	253
Total	4 022	3 014	3 296	3 926	3 696	3 782	2 899

Source: OECD.

100. In this context of a decline in ODA activities *per se*, the AFD is faced with a number of challenges. First, for the first time in its existence, strategic orientations have been officially and formally assigned to it by its supervisory bodies. Yet the AFD's corporate culture has long been rooted in pragmatism, prompting its units to focus on objectives directly linked to the success of projects viewed in their own right, but rarely in the context of a country strategy, let alone an even wider strategy.

101. Now, projects must from the outset be identified and formulated within a strategic framework. In addition, they must systematically incorporate concerns for reducing poverty and promoting male-female equality. This is likely to cause the Agency to complete its shift to a corporate culture focused more on adherence to much broader principles, and thus subject to much broader constraints. But the AFD may also have to cope with a further reduction of its resources, and thus of its options for intervening with concessional terms, especially if its loan appropriations for Côte d'Ivoire and Cameroon are replaced by appropriations for grants, the amounts of which would be much smaller because of the far higher budgetary cost involved. Moreover, the Agency's ability to make non-sovereign loans to its traditional borrowers—large public utilities (energy, water, rail transport, etc.)—seems to be diminishing, because the AFD lends to them at its own risk and without the approval of the States concerned, and the finances of these borrowers are in many cases shaky.

102. One solution that the AFD has considered is delegated administration of European resources (of EU, or even bilateral, origin, the KfW having concluded such an agreement with the AFD). More generally, the AFD aims to develop co-financing arrangements and receive management mandates (e.g. agreements signed with the IFC, EIB, etc.). Another option is financing at market terms of the private infrastructure that is springing up in the same sectors, developing co-financing or syndication most

commonly used in such operations. The AFD's comparative advantage stems from its knowledge of the countries concerned, and of sectoral strategies. Insofar as its subsidiary for the private sector, PROPARCO, is already a player here (although its loans are limited to FF 180 million for any one borrower), it might be necessary to clarify how roles would be split between the two institutions.

## 2.5 *Other aid players*

### 2.5.1 *Other ministries*

103. Other ministries engage in official development assistance activities. Each ministry can develop aid programmes on a modest scale. When it visited Morocco, for instance, the review team met with representatives of the Ministry of the Interior, the Ministry for Social Affairs and the Ministry of Infrastructure (General Secretariat for the Sea), which were each administering small programmes outside the SCAC. Before the creation of the AEFÉ, the Ministry of National Education was a major element in the system. The approach to the problem was altered when the AEFÉ was created in 1990 and its budget taken over by the Ministry for Foreign Affairs.

### 2.5.2 *Research institutes*

104. Apart from those of the MFA and the Finance Ministry, the largest budget is that of the research institutes, which are supervised by the Ministry of National Education, Research and Technology. The budget for these institutes' aid activities in 1998 was FF 1 182 million (\$200 million). The two largest research institutes are the International Co-operation Centre of Agricultural Research for Development (CIRAD) and the Development Research Institute (IRD)—the successor to the Office for Co-operative Scientific and Technical Research (ORSTOM).

105. In October 1996, the National Co-ordinating Committee for Development Research (CNC) submitted a report proposing a re-orientation of French development research. It identified the existing strengths: a global presence, a considerable stock of experience, significant innovations and implementation of national and regional research systems. But the report also called attention to weaknesses: a lack of strategy (no thematic or geographical priorities) and co-ordination by the supervisory bodies, the separation of decision-makers and researchers, the vast thematic and geographic disparity of research, isolation from the rest of the scientific community, the growing unsuitability of modes of co-operation with southern countries and the scant international impact of the research. It therefore concluded that a serious revision of the research system was in order.

106. While the report recommended that the specialised development research bodies be maintained, it found that they needed to be changed. In particular, it was proposed that they take on a function of strategic thinking and co-ordination, and of organising dialogue between decision-makers and researchers (improving their training, reviewing the conditions of expatriation and redefining researchers' functions and working conditions). It also proposed tailoring aid methods to new requirements, implementing co-operation contracts, helping to train southern researchers, facilitating their return to their institutions and supporting those institutions. Lastly, it proposed publication of an annual report on the state of play in a given area of development, creation of genuine international campuses in France and development of a strategy of European and international alliances. Three years after the report was submitted, it is not certain that the recommended changes have taken place.

### 2.5.3 *The Africa Unit of the Office of the President of the Republic*

107. The Africa Unit of the Office of the President of the Republic plays a discreet but important role in France's development assistance policy, and more specifically in French policy for sub-Saharan Africa.

The unit is headed by a counsellor for African Affairs and has been incorporated into the interministerial co-operation and decision-making processes for the countries concerned. As the Prime Minister has pointed out, the President himself has kept a close eye on aid reform and has given it his approval. A representative of the President of the Republic takes part in the CICID's work, but in any event the unit is consulted for any governmental decision that might affect France's relations with the countries with which it deals.

### **3. Aid programming**

#### **3.1 *Programming per se and the budget process***

108. There is no comprehensive medium-term aid programming, even if such programming is done for a number of some sub-sectors. Apart from the Treasury Directorate, none of the system's players have an overall vision of a mechanism that remains fairly fragmented, as is clearly shown by the summary statement of appropriations for co-operation with developing States. Lastly, one element that can be difficult to programme is the burden of debt relief: an agreement with the IMF followed by consideration by the Club of Paris and the granting of generous rescheduling terms can result in a significant increase in budgetary cost.

109. Unforeseen budgetary expenditure can also mean cuts to the aid budget during the course of the year. Given the mandatory nature of certain expenses, resulting in particular from international commitments, it is project aid that usually bears the brunt of such reductions.

#### **3.2 *Country strategies***

110. Before the aid reform, and for "ambit" countries only, medium-term orientations (MTOs) had been prepared in the field since 1985 by the Co-operation and Cultural Action Missions in co-operation with AFD agencies and central administrations. These MTOs were then vetted by an Orientation and Programming Committee (COP), of which ADP was a member. There was nothing of the sort, however, for countries dealt with by the Ministry for Foreign Affairs, which would appear to have had a lesser degree of strategic awareness. But these MTOs were not discussed with partners, and the documents had become ponderous and overly detailed as a result of pressure from the volume of aid on offer, and they were hardly ever implemented. Moreover, in the "ambit" countries there were joint commissions, having equal numbers of representatives from France and the partner country, which met approximately every three years. These commissions discussed the orientation and allotment of aid and produced minutes signed by both parties—minutes that looked far more like catalogues than like strategic documents. For a number of other countries, like Morocco, a Standing Committee for Study and Programming (COPEP), comprising representatives of the beneficiary country, met yearly to assess ongoing actions and discuss actions to come.

111. Since the reform, the new mechanism has been under construction. First, MTOs are to be replaced by country strategy documents (CSDs), which will be flexible, adaptable and more streamlined than in the past, but will not be discussed with partners or incorporate any programming of actions. These documents, prepared by the embassy under the authority of the ambassador, who will consult the AFD, will trigger a dialogue with the central government and receive interministerial vetting, following an as yet undetermined formula, since the COP no longer exists. But they will remain internal government documents. They will have one section on assessment and analysis and another on aid policy orientations, with a timeframe of three years.

112. The procedure of joint commissions meeting every three years will be maintained and extended to all of the ZSP countries. Between these meetings, the COPEP formula is expected to be generalised. Lastly, there are plans to formulate “framework partnership agreements” with all of the ZSP countries; these would be truly joint documents, prepared at no pre-arranged frequency, which could be revised when it was felt this was necessary. They would be signed by both parties. Framework partnership agreements have been in existence since 1998 with a number of countries in the form of an annex to the minutes of joint commission meetings. At this stage, however, no country strategy has been formulated, and none could therefore be presented to the review team. Some of them should be completed by the end of the first half of 2000, however. Similarly, a framework partnership agreement with Morocco is believed to be at an advanced stage of preparation.

113. One might wonder whether a strategic approach is compatible with the CICID’s desire, as expressed in February 1999, to favour project-centred thinking for the sake of aid effectiveness. The CICID’s statement is indeed unequivocal: “Development assistance projects and actions are selected on their own merits. This precludes any programming by beneficiary country, in order to avoid substantiating a subscription approach. This principle will apply to bilateral actions financed in the priority zones for solidarity”. This statement seems incompatible with the very idea of a country strategy, which may explain the decision not to discuss this with partners. This attitude is nevertheless a fairly great departure from the partnership approach advocated by the DAC.

114. This CICID directive is also a likely explanation for the attitude of the AFD, which deems that its interventions can only be consistent with the country strategies defined by its supervisory bodies. Insofar as none exist, and that the AFD can hardly function without a minimum of programming, the agencies are asked at the very beginning of each year for three-year projections, which are validated by headquarters. These are generally accompanied by strategic guidelines in the form of proposed two- and three-year orientations under the responsibility of local agency directors. However, the review team noted during its visits in the field that these internal documents, which do not have country strategy status, were not conveyed to the embassies. The projections are then adjusted continuously by the Commitments Committee in line with the availability of resources and their level of utilisation.

#### **4. Evaluation of aid**

115. The three main players in French aid each have an evaluation service, although each one has its own objectives and its own methods. Despite a determination to move closer to the DAC’s principles for aid evaluation, much progress must still be made, in particular as concerns the independence of mechanisms, the participation of beneficiaries, the dissemination of results and the incorporation of lessons to be learned from them. The AFD has a systematic mechanism, in the form of an evaluation guide outlining procedures for methodology, retroaction and performance evaluation. The Treasury Directorate and the DGCID also have methodological documents based on the same principles.

116. In connection with the 1999 reform, the three units have taken concrete steps to improve internal consultations, with the launch of joint “country” evaluations, the first of which, on Viet Nam, being scheduled for March 2000. Moreover, within the CICID, an annual report evaluating development assistance will be prepared by a working group and then submitted to Parliament.

##### **4.1 *The objectives of evaluation***

117. Throughout the French aid system, retrospective evaluations are designed primarily as instruments for improving operational activities. In contrast, use of the results of the evaluation for information policy purposes or to share experience with other partners in development is still limited.

Evaluations of financial protocols include the rate of return on exports of beneficiary French companies as one of the evaluation criteria. The AFD's own evaluation work must also contribute to the process of checking how resources are being used.

#### **4.2 *The split of the evaluation organisation***

118. The Treasury's evaluation unit, consisting of two managers, conducts 15 evaluations per year, making use of outside consultants. With the reform of the protocols and the shift from a per-country envelope to a project approach, the evaluation system was strengthened with the introduction of project monitoring procedures. Evaluations by sector and by country were carried out to ascertain which interventions were most effective, in the areas of water and health care in particular. An evaluation of the aid awarded to Viet Nam is in progress. No evaluation of macroeconomic instruments has as yet been conducted, in particular as concerns unilateral debt cancellations.

119. The MFA inherited the evaluation mechanism of the Ministry for Co-operation. The Programming, Resources and Evaluation Service, with its staff of seven, evaluates programmes and policies; in 1998, it enjoyed a significant FAC appropriation of FF 10 million earmarked for ZSP countries and FF 1.5 million for other countries. Projects are evaluated internally by the relevant geographical units, using operating appropriations. Wider-scale evaluations, such as evaluations of programmes, instruments or countries, are made by outside consultants according to DAC rules. FAC projects are evaluated systematically for projects exceeding FF 10 million (about \$1.5 million), but with regard to the FSP all projects are going to be evaluated.

120. At the AFD, the division in charge of evaluation is subsidiary to the General Auditing Department, which in turn reports to the Agency's Directorate-General, like the other headquarters directorates, whereas DAC guidelines would suggest it should report directly to the Supervisory Board. The department's remit also covers internal auditing and management control. The division employs five managers, the head of division, three evaluators and a person in charge of project completion reports. Despite limited resources, the goal is to evaluate one out of six projects, within two to three years of completion. Evaluations seek to assess the quality of a project's design and execution, and to gauge the extent to which objectives were met, their impact and their viability. Since 1994, a completion report (SRAP) is prepared for all projects within six months after they are terminated. Thematic analyses have been prepared on the basis of completion reports and a number of retrospective evaluations in a number of sectors, such as urban transport, water and purification, energy and so on. Evaluations are submitted to the Evaluation Committee, on which all of the AFD's operational managers are represented. The Committee submits its conclusions and recommendations to the AFD Supervisory Council. Each year the Council devotes one of its sessions to evaluation.

#### **4.3 *Measuring performance and overall assessment***

121. The AFD alone prepares an annual report on its evaluation work, ascertaining how its financing has performed and ensuring that the results of the evaluations are incorporated into ongoing and future activities. Out of all of the projects evaluated between 1993 and 1997, 54% were rated satisfactory or very satisfactory.

122. In the three organisations, progress still needs to be made in bringing aid evaluation in line with DAC recommendations. The evaluation units are not independent vis-à-vis the hierarchy of the organisation. Moreover, the AFD only rarely avails itself of outside expertise to conduct its evaluations. Beneficiaries are not systematically brought into evaluations that concern them. In addition, results are also considered confidential, in many cases even for the beneficiaries of the financing being evaluated. At the

Ministry of Finance, evaluation reports for projects financed in connection with protocols are restricted to internal use, although plans for releasing summaries of evaluation results are currently under study. At the AFD and the MFA, outside dissemination is still limited. Public access to the reports themselves is rather theoretical, even if a list of them is available on the AFD Internet site. The AFD is the only organisation to publish the main findings of its evaluation work, on a bimonthly basis, in the *Lettre de l'évaluation*, although the information released is not complete.

123. It can be seen that the AFD is opening up somewhat in connection with the co-financing of multilateral projects and so-called "cross-evaluations". For instance, the AFD has evaluated a Japanese project, while the Japanese agency has evaluated a French project. In some cases, the AFD has brought in NGOs to help evaluate small-scale local projects with a substantial participative dimension. The MFA also seems willing to update evaluation practices. In the future, a number of evaluations ought to be carried out directly at the country level. In Cape Verde, a joint evaluation has just been performed with project partners, and such an approach is expected to become the rule for all of the ZSP countries, supported by evaluation training. Lastly, plans to conduct joint evaluations have been made with a number of other bilateral agencies (Germany, Japan and the United Kingdom).

## **5. Aid to the private sector**

124. Aid to the private sector is a major, and interesting, aspect of French assistance. Acknowledging the failure of a vision of State-driven development, France has gradually developed a very comprehensive approach to support for the private sector, ranging from improving the private sector environment, which falls within the MFA's orbit, to provision of a varied range of financing options, which is handled by the AFD group, and particularly its specialised finance company subsidiary, PROPARCO (*Société de Promotion et de participation pour la coopération économique*).

### **5.1 MFA support for the private sector**

#### *5.1.1 Promoting regional economic integration*

125. Considering that the thinness of domestic markets was one of the obstacles to the development of private enterprises, France has lent active support to regional integration experiments, especially in the franc zone. After the creation, in 1994, of the West African Economic and Monetary Union (WAEMU) and the Central African Economic and Monetary Community (CAEMC), for the purpose of expanding internal markets, France contributed to the launch of regional integration projects, the objective being to improve the institutional and legal context of countries in the area to foster a resumption of domestic and foreign investment. The most significant of these projects were the Organisation for the Harmonisation of African Business Laws (OHADA), which is discussed in Chapter 4, and the Inter-African Conference on Insurance Markets (CIMA), which seeks to harmonise insurance market law and institute better supervision of companies in the insurance sector.

#### *5.1.2 Improving the climate for productive activity*

126. The former Ministry for Co-operation intervened to stimulate financing for the productive activities of very small enterprises (VSEs), the needs of which are unheeded by commercial banks, lending support for set-up and development and promoting the viability of decentralised financial systems to supply short-term credit. The AFD has also been highly active in this area, which since aid reform has been its alone. In all, French aid to this sector totalled FF 652 million (\$110 million) between 1987 and 1997, 76% of which was committed by the AFD and 24% by the Ministry for Co-operation-MFA.

127. Support for training for businesses and entrepreneurs is another specific area, involving encouragement for enterprises to band together to tackle common problems. Foremost among these is occupational training, by which entrepreneurs can improve their skills in the use of new production, management and information technologies. Another focus of aid has been to promote foreign investment in Africa and market expansion, in particular by improving mechanisms for gathering and disseminating information. One example of this is the aid provided for an interesting initiative—the creation in October 1998 of the an Internet site to promote investment in the franc zone (<http://www.izf.net>), aimed primarily at investors.

128. On a more institutional level, and in certain countries such as Senegal, French aid has provided support for national-level actions intended to improve the business environment through technical support for officials in charge of implementing economic policies and regulatory reforms. It has also sought to increase the involvement of private operators in economic policy-making by supporting the West African Enterprise Network (WAEN), in the creation of which the Club du Sahel played a leading role, and which, *inter alia*, engages in lobbying efforts. The Network is a contact of choice for financial and institutional bodies, thus enhancing co-operation between governments, donors and private partners.

## **5.2 The AFD Group's support for the private sector**

### **5.2.1 Interventions by the AFD proper**

129. The AFD itself can intervene on behalf of the private sector to subsidise initially unprofitable activities; primarily, this involves support for decentralised financial systems or certain components of local development projects. However, the mechanism of aid for basic production projects was dismantled, as stated earlier. Apart from a lack of staffing in the field, it was also a victim of a rise in non-payments stemming, in franc zone countries, from the doubling of borrowers' debts after the CFA franc was devalued. Moreover, a number of the corresponding disputes have yet to be settled. The AFD has also intervened directly in a number of major financial restructuring operations associated with privatisation, the amounts of which exceeded the ceiling for PROPARCO interventions. But the bulk of its support for the private sector is provided through PROPARCO.

### **5.2.2 PROPARCO's role and interventions**

130. Founded in 1977 and originally devoted solely to venture capital, PROPARCO was transformed in 1990 into a finance company authorised to make loans. Its share capital is FF 450 million (\$76 million), split between the AFD (69.44%) and 40 private shareholders. PROPARCO provides equity or debt financing in a variety of different ways, including share purchases, shareholders' current account financing, convertible bonds, equity loans and subordinated debt. Its equity interests in newly created firms (45% of all investments) or existing firms are always minority stakes and are intended to be divested when the firm in question reaches maturity. It also acquires shares in national and regional investment funds, which leverage its action by investing in smaller enterprises. In 1998, 14 equity investments were approved, representing a total of FF 70.3 million (\$12 million) in ten foreign States and one DOM. At 31 December 1998, the portfolio had a gross value of FF 296.8 million (\$50.3 million) spread over 109 companies and investment funds. Provisions were constituted to cover 20.3% of that amount. The financial sector was the main beneficiary of such financing (42.1%), followed by the agro-industrial sector (21.1%).

131. PROPARCO's loans are denominated in francs, euros or dollars; their maturities can be as long as 15 years, with repayments deferred for up to five years. Interest rates are very near-market. The average size of the loans (FF 37.8 million, or \$6.6 million) means that they are reserved for companies of a certain size. However, in order to reach small businesses, PROPARCO does a great deal of intermediation with

local banks, with which it enters into framework bank refinancing agreements, extends them dedicated lines of credit or signs multi-product agreements with them. It can also help small businesses through financial leasing companies. In 1998, 28 loans were approved in 16 countries, totalling FF 1 084.1 million, or \$184 million), just under the 1997 level (FF 1 086 million). The financial sector received 57.5% of these commitments and the infrastructure sector 23.1%. At 31 December 1998 there were 286 loans outstanding, totalling FF 2 058 million (\$349 million).

132. PROPARCO can also intervene by making loan guarantees, either directly, or via the Investment Risk Insurance in Africa (ARIA) guarantee fund or the Guarantee Fund for Private Investment in West Africa (GARI). The company can also tap a variety of project preparation funds for financing pre-investment research, and it can arrange business training grants for the firms it finances. PROPARCO intervenes with special funds managed on behalf of the European Union through the European Community Investment Partners (ECIP) mechanism. It also has resources from a venture capital credit line of the European Investment Bank (EIB) and from the European Community Finance Institutions (ECFI) fund.

133. PROPARCO adheres to the principle of subsidiarity by supplying resources to investment projects that could not materialise for lack of support from other financial establishments, or in cases where other lenders have decided to limit funding because of their risk-diversification policies. This explains the company's high proportion of co-financing. Independently of the co-financing operations, which account for a majority of interventions outside the banking sector, PROPARCO signed two major agreements in 1998. The first, with EIB, involved an overall financing capacity of 20 million ECUs, while the other, with *Société Financière Internationale* (SFI) for \$20 million, was to enable PROPARCO and SFI to provide equal co-financing for projects of small and medium-sized enterprises in Africa, researched and monitored by PROPARCO.

134. PROPARCO can assist any local business, regardless of the nationality of its officers, and even when no French firm invests in it, as long as that business contributes to the development of the country in question. This, combined with the very broad range of its financing instruments, gives the company great flexibility. At most, one might note that this very diversity of its means of action generates a certain complexity. Although its activities are not reported as ODA, PROPARCO plays a very useful role in fostering private sector development. The visit to Morocco showed the importance that a successful intervention could have in terms of job creation. The only remaining limitation on its interventions, in countries which do not have regular trade links with France, is the tying of aid, which in some of these countries can cause the company to forgo certain operations for lack of competitive French suppliers. Yet the fact that South Africa ranks fourth among beneficiary countries, after Morocco, Tunisia and Côte d'Ivoire (these four countries accounting for 51% of outstanding loans) shows that, in some cases, derogations to the rule of French or franc-zone origin are granted fairly flexibly. Lastly, the impossibility of lending in local currencies can also reduce the scope of its interventions in countries beset by exchange rate problems. In any event, exchange risk must be borne by the company's borrowers, which tends to encourage export projects.

135. In September 1999, PROPARCO took part, with a \$10 million equity investment, in the launch of the largest fund for the financing of private infrastructure projects ever created in Africa. The fund, known as AIG (American Insurance Group) African Infrastructure Fund, is endowed with \$418 million. The SFI has invested \$75 million, and European funds have provided a total of \$75 million. The latter have appointed PROPARCO to represent the group of European institutions.

## CHAPTER 4

### STRATEGY OF THE DAC AND CROSS-CUTTING ISSUES

#### 1. Reducing poverty has become a goal of French aid but has yet to be operationalised

##### 1.1. *Poverty reduction as an element of aid strategy*

136. The last DAC review, undertaken a few months after adoption of the DAC's Strategy for the 21st Century, noted that poverty reduction was not an explicit priority of French development assistance, even though the aid programme clearly had an impact in that area. Indeed, a case study of French aid was carried out as part of an overall study of donor policies and practices with regard to poverty alleviation, and was subsequently published by the DAC in November 1999 under the title *DAC Scoping Study of Donor Poverty Reduction Policies and Practices*. This study also noted that poverty alleviation was not formally recognised as the main goal of French policy towards development co-operation, even though most agents working within the system were convinced that this was an implicit objective to which they felt committed and to which their activities contributed.

137. In response to the criticisms made by the DAC, a Working Party made of representatives of administrations and the AFD drew up a policy guideline on poverty in December 1997. This note appears to have drawn the conclusion that, despite the fact that poverty reduction was not readily perceived as an aid objective, many aid practices and instruments had a positive content and impact in this respect. But the scope of the note was apparently limited to the potential contribution that aid policies and instruments could make to poverty reduction, and failed to identify the nature, intensity and characteristics of their impacts or to analyse projects through the use of specific indicators.

138. Since the reform of French co-operation policy first began the situation has changed. Chapter 9 of the information report drawn up in February 1998 by the MFA's Directorate for Co-operation and the Francophonie, and presented by the two Ministers, addresses French co-operation policy and sets out the six strategic policy directions chosen for development co-operation over the next few years (see Chapter 2, section 1). The third of these is "reducing poverty and meeting basic needs". The report stresses that "the major themes of human development remain those of education, health, nutrition or the promotion of women, and, as a common denominator, reducing inequality and exclusion". The implicit inference is that poverty may be defined as the exclusion of access to health services, education and proper nutrition.

139. This approach towards poverty reduction has two objectives. The first is to "tailor education systems to the national environment", notably by "promoting basic education that is closer to the cultural identity, concerns and resources of populations and governments, which represents the first step in a major overhaul of educational and training systems". The second is to "modernise systems of social protection" and is based on the premise that "official health aid is aimed at reforming health systems in order to improve disease prevention and access to health services. Such reform primarily consists in revitalising or

creating local healthcare services, promoting a policy of providing essential and generic medication, fostering greater awareness of management costs in the hospital sector, the recruitment and training of health personnel, and efforts to combat, also in social terms, the main contagious diseases (malaria, tuberculosis, HIV/AIDS).” Furthermore, ten years after the World Summit for Children, it has been decided to step up measures aimed at mothers and children in the social and health sphere. A project entitled “Child and mother project” will therefore be initiated in the year 2000. As part of this project, France is pursuing its traditional objectives (reducing infantile and maternal morbidity and mortality, preventing disabilities, physical and psycho-social development of children) and reinforcing policy directions to which priority has been given (combat against HIV/AIDS, sexual exploitation of children, female genital mutilation, trafficking and exploitation of children).

140. What was termed by the co-secretariat of the CICID as “an initial exercise in general strategic planning of official development aid” gave rise to the guideline document addressed to the AFD. The fourth priority in terms of sectoral policy is to “improve access to all basic health-care services and to basic education”. Although the guidelines do not refer explicitly to poverty reduction, this fourth priority is a central component of the measures mentioned by the DAC as necessary for the implementation of poverty reduction strategy. Indeed, the co-secretariat of the CICID asked that one of the first meetings of the Supervisory Council of the AFD in 2000 place discussion of these priorities on its agenda.

141. With regard to the MFA and the DGCID, the Directorate for Development and Technical Co-operation (DDCT) has designed its programmes of action for 1999-2000 around four strategic pillars, the third one being efforts to combat poverty and meet basic needs. This pillar is linked directly to four programmes of action in the following areas: health, social development, school teaching and literacy, technical and vocational training, and more indirectly to two other programmes, one relating to agricultural and food security policies and the other to economic and financial support.

## ***1.2 Poverty reduction and the targeting of aid: the weight of basic social sectors remains extremely low***

142. Previous chapters have shown that much still remains to be done to redirect the main components of France’s development assistance towards reducing poverty. If multilateral aid, amounting to around a quarter of development aid, is discounted, debt relief accounts for around 20% but should start to rise again when the HIPC initiative is implemented in accordance with the terms agreed in Cologne. In time this new initiative can be expected to increase the impact on poverty reduction, and indeed the link between debt relief and measures to reduce poverty will be both explicit and measured by means of suitable indicators. The visit to Morocco revealed an interesting arrangement for converting debt into public investment in an underdeveloped region of the country. Unfortunately this 1996 experiment has not been repeated and subsequent debt conversions have been “conventional”, i.e. they have taken the form of private investment by French companies.

143. The largest component of the budget consists in technical co-operation, which accounted for 30% of gross development aid disbursements in 1998. This component is largely made up of contributions to the education sector, commitments to which amounted on average to USD 1 602 million in 1997-1998, i.e. 29% of gross commitments of allocable bilateral development aid. Moreover, in 1998 75% of expenditures on education corresponded to technical co-operation and, conversely, 55% of all technical co-operation disbursements were to the education sector. Despite this, the contribution of this expenditure to poverty reduction is extremely small in that it is not aimed at basic education, or at any rate this is what the figures reported to the DAC would seem to indicate (cf. Table II-5).

144. Ninety-two per cent of the aid to New Caledonia and French Polynesia reported by France consists in expenditure on school education, amounting to USD 744 million in 1998, although primarily in the form of aid for secondary education. The removal of aid to French overseas territories (TOMs) from the statistics from 2000 onwards will result in a sharp decline in the education item. Moreover, disbursements of USD 63 million were reported for the education of national pupils in French primary schools located in DAC Part I countries. In practice, this sum would seem to have been reported under the heading "unspecified level of education". The Secretariat's mission to Morocco showed that this aid, which is disbursed through the French school network by the AEFÉ, is targeted on elites who have the means to pay for their children's education (almost USD 2 000 per year per pupil in the primary school system). It is therefore part of a strategy of promoting the use of French and gaining the support of elites.

145. The lack of sufficiently detailed statistical data means that little information can be gleaned from the various other items composing the education sector. It can nonetheless be noted that disbursements of USD 380 million were reported for post-secondary education in 1998 (DAC Table 5). However, this sum is lower than the cost of teaching foreign students in France, which amounted to FRF 2 470 million (on the basis of 88 450 students at FRF 28 000 a year) or USD 419 million (DAC Table 9). The amount allocated to higher education grants amounted to FRF 545 million (USD 101 million) for 10 000 students.

146. The health sector is reported as having benefited on average from USD 193 million of commitments in 1997-1998, i.e. 4% of allocable bilateral development aid. But basic healthcare received merely USD 4 million, according to the figures which do not necessarily distinguish between sub-sectors. France is still a very long way from achieving the objective of the 20/20 initiative which aims to devote 20% of development aid to basic social sectors, but then it did not subscribe to the initiative.

147. Gross disbursements for project aid and programme aid, excluding technical co-operation, accounted for 18% of gross development aid disbursements, i.e. USD 1 250 million in 1998. These disbursements were for projects financed by either the Finance Ministry on the basis of protocols, by the MFA in State sectors apart from that of technical co-operation, or by the AFD. It has already been noted that projects based on protocols are inherently not aimed at poverty reduction. Furthermore, the projects financed by the MFA primarily relate to scientific and cultural co-operation, *inter alia* in the broadcasting sector.

148. The projects likely to have a direct impact in terms of poverty reduction include projects to provide water supplies in villages, which account for a non-allocable share of the amounts reported under the heading water supply and sanitation but which probably correspond to the share of grants, i.e. USD 24 million (or 0.44% of allocable bilateral development aid) out of the USD 126 million reported under this item in 1998. Account might also be taken of the financing of micro-credit projects, an area in which AFD and French co-operation have been particularly active and which has undeniably proved to be effective, although this sector is not allocable in declarations. At all events the amount of aid from which it has benefited does not appear to be more than USD 100 million over the past ten or so years. Lastly, the FRF 75 million (barely USD 12 million) allocated to the AFD in 1999 for the funding of health and education infrastructure are purely symbolic since they account for 0.22% of French development aid.

149. There would therefore seem to be merely a minimal share of the aid that has been reported to the DAC that can be considered to be have been allocated with the express aim of reducing poverty. Admittedly this primarily reflects the inadequacy of the statistics, which make it impossible to track the commitments really designed to target poverty within each operation. Secondly, it reflects the gradual nature of the adjustment in the aid system, which obviously cannot be expected to accommodate a radical shift in objectives from one day to the next. But the question then arises as to what elements in the aid system are responsible for such a situation, since they are likely to ensure that it endures.

### Box 1. **France and efforts to combat AIDS**

The fight against AIDS -- which today has become a symptom of poverty, exclusion and lack of education -- is also a fight for development since it is in the poorest countries, and particularly Africa, that the largest number of victims of this pandemic are living and dying. French co-operation has made combating AIDS a priority. In over ten years France has devoted no less than USD 100 million to the fight against AIDS. France has adopted a global approach to this problem, in co-ordination with other bilateral and multilateral partners, including UNAIDS the joint programme of the United Nations. Working on the principle that effective measures to combat AIDS go well beyond the medical field, France has very rapidly mobilised resources to ensure that actions at the medical, social and preventive levels are more effectively integrated. The priority sectors for action are as follows:

- Safe blood transfusions.
- Prevention through information campaigns.
- Medical treatment of opportunistic and related diseases/
- Social support to avoid those afflicted being rejected by society.
- Research applied specifically to Africa.

Recent advances in the treatment of AIDS cannot but raise the issue of how to make such treatments available to poor countries that cannot afford to pay for them despite having the largest number of affected people. It is for this reason that in 1997 France launched the idea of creating an international drug-therapy solidarity fund. The aim of this initiative was to mobilise the international community to provide access to treatment to people living with AIDS in the South. The initiative received immediate backing from the G8 countries as well as the European Parliament, which in 1998 passed an amendment to increase the EU budget line for AIDS programmes. The first trial project was launched in Abidjan in 1998 with the provision of treatment to 20 000 pregnant women to prevent them from passing on the virus to their unborn child.

### **1.3 Elements creating inertia in the system**

150. One point that is considered to be crucial to the successful alleviation of poverty since the publication of the World Bank aid assessment report (by P. Collier and D. Dollar) is the concentration of aid on the poorest countries and on those pursuing good macroeconomic and sectoral policies. The first element of inertia from this standpoint is the current focus of development aid in that only 22% of France's aid goes to LLDCs and the main beneficiaries include countries such as Côte d'Ivoire, Cameroon, Madagascar or the Congo whose policies are not generally held to be among the most successful.

151. The second point is of a cultural nature. The main actors in the system are working to an agenda that is not directed towards poverty reduction. The Ministry of Finance has an aid culture primarily geared towards maintaining major equilibria with regard to all aid with a macro-economic content, namely debt relief and structural adjustment. It places the emphasis on the return on aid for financial protocols, which in fact are now drawn up by the DREE. The teams to have emerged from the former MFA, on the other hand, have an aid culture which is based on cultural dissemination and development of the French language and in which aid is seen as co-operation between one administration and another. Solely the teams from the former Ministry of Co-operation and the AFD have a developers' culture in which technical aspects usually take precedence over social ones. Substantial efforts must therefore be made to gradually alter this mind-set and move aid culture in a new direction. These efforts should in particular embrace a change in recruitment procedures and in the profile of staff. This has already been the case at the AFD which has recruited competent staff for the new department of social projects in charge of education and health.

152. Besides increasing the share of aid allocated to basic social sectors, the objective should be to modify the aid management system so that it systematically takes account of poverty reduction. Most of the aid systems in DAC Member countries still have much progress to make in this respect and the French system is no exception to the rule, primarily because there is no incentive within the system, in terms of prospects for career advancement, for officials to consider poverty alleviation as a priority. This is particularly true in the case of diplomatic staff, who since the reform are now called upon to monitor a larger share of aid.

153. Secondly, the way in which aid is managed does not make the task any easier. There are no instructions or operational directives, not even in general terms, with regard to poverty reduction apart from a simple “sectoral guideline”. Nor is special training available in poverty reduction, and no provision appears to have been made to assess the skills of existing staff in order to determine training needs in this area. The recentralisation in progress at the AFD might also prove to be in contradiction with an increased effort in the area of poverty reduction, which is generally easier to put into practice in the field. Incorporating gender equality into programmes is a very useful step towards integrating poverty reduction into projects, but it still remains at an initial stage at the AFD and has been given a low priority at the MFA. Moreover, as in the case of most aid systems, there is no series of indicators in the French system which would allow performance in meeting objectives to be monitored and thus lessons to be drawn from past actions. Lastly, the level of beneficiary countries and the current lack of country strategies preclude the integration of poverty reduction into strategies or specific objectives for different aid components.

154. The components of a programme of action aimed at giving priority to poverty reduction can be inferred from the above analysis. If it might seem an arduous task to put in place such a programme, this is because much time has been invested in reforming the system. But the reform is now at such an advanced stage that it should be possible for the system to meet this new challenge as the political will seems to exist. The reform should be carried forward by the many actors in the system who are convinced of the need to build on the restructuring of the system through a reform of the policies pursued and their implementation.

## **2. Partnership is a stated objective whose implementation can be improved**

### ***2.1 The directions lent by the reform***

155. Establishing new relations with development partners was clearly presented, by as early as January 1998, as one of the main objectives of the reform of the aid system. The outline document issued in February 1998 argued in favour of a new mode of co-operation by stating that “co-operating means working together in a free but demanding dialogue. In many cases this will mean abandoning the idea of assistance in order to forge a genuine partnership based on priorities expressed in terms of sustainable development and the promotion of human rights and democracy.”

156. The same document went on to say that within the ZSP co-operation with each country would proceed under a “partnership and development agreement”. This agreement must specify, within a multi-annual framework, the various domains concerned (development, cultural actions, military co-operation, control of migratory flows, etc.) and the procedures for implementing and monitoring co-operation. It was expected that this contractual procedure would be routinely used by joint commissions, enlarged to include all public and private actors in co-operation.

## 2.2 *Implementing partnerships at the highest level has been delayed*

157. No partnership and development agreement has been put in place to date. While at the same time the old system of joint commissions has continued to function, the composition of these commissions has been altered to include representatives of civil society and the private sector. However the report issued by joint commissions is not a binding commitment for France (the AFD, which is not part of the administration, only has observer status).

158. This system does at least allow aid to be planned, to some extent, but without leading to the development of genuine strategies, which was the reason for which the Ministry of Co-operation decided to put in place medium-term objectives subject to a policy guidance and planning committee (COP) from 1985 onwards. Nothing like this existed before at the MFA. These policy guidelines were not shared with partner countries and were therefore not discussed with them.

159. Although this limitation is freely recognised, there are no plans either to negotiate the “country-strategy document” meant to replace the medium-term objectives with partners or to take account of the partner’s strategy, even if this still remains feasible. The initial country-strategies will have to be formulated but will be set out in an internal document that will not be published, which cannot but weaken the integration of French aid into the strategy pursued by partner countries and, *vice versa*, the ownership by these partners of French aid and thus the benefits of the partnership with local authorities.

## 2.3 *Partnerships at the lower levels are nonetheless progressing*

160. Through a presence in the field over many years, French co-operation has long forged partnership links in terms of the design and execution of projects with aid recipients. In the case of the AFD in particular, the appropriation of projects by aid beneficiaries has always been a feature of the procedures governing its interventions. The latter are based on the principle that the beneficiaries of projects are the prime contractors and, as such, are responsible for project execution and implementation. In particular, they issue calls for bids, sign contracts and follow up on contract performance. As a bank, the AFD cannot be both a lender and the body responsible for carrying out the project at the same time. The same system was kept in place when the AFD began to give grants to the LICs from 1990 onwards.

161. This principle allows close relations and an ongoing dialogue to be maintained throughout the project implementation stage with local project managers, who will be helped, when necessary as part of the project, in the task of prime contractor when the complexity of projects is beyond their abilities. The distinctive characteristics of aid through loans also encourages the same relations to be maintained throughout the project’s reimbursement period and therefore facilitates the monitoring of performance. It enables additional remedial measures against any problems that might arise. This is another explanation for the widely acknowledged quality of the projects funded by the AFD. It should not be inferred from this that the projects funded by the MFA are necessarily of lower quality in terms of partnerships, but the fact is that, apparently for reasons relating to budget law, they are implemented by the SCACs (who order expenditure and let the corresponding contracts) and not by the beneficiaries. The AFD is the agent who takes care of disbursements for investment expenditure of the FAC, now the FSP.

162. The previous aid review had noted the diversification taking place among partners in beneficiary countries. This diversification has continued apace, as may be seen, for example, from the Secretariat’s visit to Mali. Both the SCAC and the AFD have forged links with local communities, associations and the private sector, notably through the development of local co-operation (“*coopération de proximité*”). The latter has grown in particular since the creation in 1994 of the Special Development Fund (SDF) which was superseded in May 1996 by the Social Development Fund, the aim of both funds being to finance small

projects launched by local actors. The introduction of this instrument, against which the sole criticism that can be levelled is its low level of funding and the lack of guarantee that it will remain in place, coincided in Mali, as in many other developing countries, with the emergence and increased importance of civil society and the proliferation of associations.

163. One sector where great progress has been made with the participatory approach and ownership by beneficiaries is that of water supplies for villages. The AFD has developed an original methodology for the design and implementation of projects which involves working closely with village water-user committees. Women generally play an important role in such committees and in recent years this methodology has been adopted by other donor agencies. The funding of micro-credit projects has also accompanied the development of partnerships, particular in the case of women's associations. Similarly, the process of decentralisation in Mali has been accompanied by the creation of local development funds managed on a participatory basis by the population and cofinanced by the AFD and other donor agencies. Lastly, the remarkable growth in decentralised co-operation has given rise to the creation of numerous partnerships between local authorities at regional or municipal levels, sometimes with central government backing.

#### **2.4 *Partnership with other donor agencies is a strong point of the system***

164. As noted above, France enjoys good relations with multilateral donor agencies. From the standpoint of projects there are many cofinanced projects in place with the World Bank, particularly in countries within the franc area. Any disagreements that may exist are extremely limited and usually relate more to the pace and contents of certain reforms supported by the Bank than to the principle of reform, as in the case, for example, of the liberalisation of the cotton industry in sub-Saharan Africa or the coffee/cocoa industry in Côte d'Ivoire. The AFD has signed a co-operation agreement with the Bank under which the two institutions will hold regular consultations.

165. Many projects are cofinanced, more with the World Bank than with regional development banks. Cofinancing arrangements are also common with the European Commission and the European Development Fund, and above all between the AFD and the European Investment Bank (EIB). In 1998, 32% of the AFD's project commitments were on a cofinancing basis (no statistics are available on cofinancing by the MFA, which would seem to be far less developed). Moreover, in the same year PROPARGO signed two agreements with the IFC and the EIB (see above) for the funding of SME-SMIs in the private sector. Other agreements have also been concluded with the Interamerican Development Bank and the Islamic Development Bank.

166. Relations with bilateral donor agencies are also good. There is institutional co-ordination between Members of the European Union in the form of regular meetings in the field between ambassadors and the Commission's delegate. Besides exchanges of information on the programmes managed by the different parties, such meetings can attempt to establish common positions on aid problems in the countries concerned, but rarely lead to cofinancing arrangements which are less frequent in bilateral than in multilateral relations. Furthermore, there are frequent contacts between the Minister of Co-operation and his counterparts from other countries that are members of the DAC. The small number of staff in the field and the increase over the past few years in the number of co-ordination meetings in all the areas covered by aid programmes have resulted, however, in France sometimes failing to attend certain meetings and thus not participating in debates on certain themes. Persons spoken to during field visits have regretted this absence.

167. The AFD maintains extremely close relations with the KfW. It has strengthened these links and formalised them by signing a co-operation agreement with the KfW. This agreement provides in particular

for increased identification and cofinancing of projects and conducting on an *ad hoc* basis of common evaluations, which is already the case. It also provides for exchanges of expert appraisals of development policy, particularly with regard to efforts to combat poverty. Lastly, it provides for continued exchanges of personnel with the KfW, as has been the case for several years now. The AFD has for many years developed an active policy of staff exchanges with a certain number of multilateral and bilateral donor agencies (some ten or so officials were made available in this way in 1998).

### **3. Sectoral approaches are not excluded**

168. France has for many years channelled its interventions through a project approach. This does not mean to say, however, that sectoral considerations were not taken into account in projects. They were often incorporated into projects at the stage when sectoral policy was being decided, as has recently been the case for urban development, agricultural policy and AIDS, areas in which MFA-AFD working parties have developed strategic documents. Through the use of cofinancing arrangements, particularly with the World Bank, AFD projects have frequently been part of a sectoral approach, as in the transport sector. In contrast, the sectoral approach in the sense in which it is now understood is more ambitious since it consists in having all the donor agencies in a given sector finance the sectoral programme of a government in the form of general budgetary aid that is not assigned to specific components.

169. France does not exclude the possibility of adopting this new approach to the allocation of at least part of its aid. Such an approach closely matches the new principles that France wishes to inform its development aid policy, notably at the level of the DGCID. Aid managers acknowledge that it is a good idea to allow States to frame their sectoral policies, but consider that the difficulty then lies in the problems posed by implementation of those policies in practice, notably because the procedures applied by the various donor agencies need to be harmonised.

170. The field visit to Mali showed that France, while not in the vanguard, was playing a part in the sectoral approaches adopted in this country. France's participation is primarily ensured through the SCAC, which is taking part in the five-year health development programme (PRODES) as well as the ten-year education sector programme. In the first case the SCAC's action consists in assuming responsibility for the components relating to support for the health sector and support for human resource development, which has prompted it to adapt its technical co-operation system which has been directed away from hospitals towards institutional support. In the second case the SCAC provides support for the training of Malian managers in the sector. The SCAC and the AFD are also involved in the decentralisation currently in progress in Mali and the national project to give support to communes, for which they provide technical and financial support. The AFD will contribute to the investment fund for territorial authorities (FICT), into which the funding supplied by the various donor agencies will be transferred. This follows on from its participation for the past six years in a pilot project in three of the country's 46 districts. Even though these approaches do not perfectly match the ideal form of sectoral approach, they are tending to converge towards that ideal and the positive attitude towards them on the part of France is worth noting.

### **4. Actions in favour of good governance and the rule of law**

#### **4.1 General framework**

171. France has always championed the idea that construction of the rule of law and an efficient administration was one of the conditions for sustainable development. Encouraging good governance of public affairs amounts to respecting the principles on which it is based, namely transparency, predictable and clear rules, acceptance of internal and external controls. It also requires public institutions that are

capable of ensuring security, creating an environment in which the private sector can thrive, and making basic social services available. France directs its actions both towards international regulations and within the framework of bilateral aid. However, it is not easy to measure France's efforts quantitatively because of the reform of France's aid system. No statistics are available and it is therefore not possible to take full account of institutional co-operation, which is now wholly dealt with by the MFA. The data are still fragmented between the various actors concerned. However, in 1997 administrative co-operation in the broad sense of the term amounted to FRF 1.05 billion (USD 250 million). A figure of FRF 686 million (USD 114 million) is also given for all projects relating to administrative co-operation (in the strict sense) and urban and decentralised development at the end of 1998, but this figure does not cover all of France's activities in this area.

172. It is the Sub-directorate for institutional co-operation of the DGCID at the MFA which is responsible for managing actions to promote good governance and the rule of law. Its responsibilities are divided between three offices responsible respectively for the rule of law, administrative engineering and local development; there is also a mission in charge of financial support and economic policies. However, the Ministry for Economic Affairs, Finance and Industry (MEFI) also conducts training activities with regard to customs and tax. These co-operation activities are diverse, but training plays a major part in them.

173. France's actions to help the international environment evolve, particularly with regard to efforts to combat corruption, non co-operation jurisdictions and money laundering, is another instrument of France's policy to promote the rule of law and good governance. In 1997 France, together with 34 partner countries of which 29 members of the OECD, signed the OECD convention on combating bribery of foreign public officials in international business transactions<sup>3</sup>. France has not yet ratified the convention as the draft legislation to ratify and transpose the convention is being passed between the two parliamentary assemblies. Furthermore, France played a very important part in assessing the DAC's *Anti-corruption proposals for aid procurement contracts*<sup>4</sup>. The Minister of Finance took several decisions in order to implement this text, and in particular anti-corruption provisions were inserted into aid procurement contracts issued by the AFD and into financial protocols. Under the convention, the borrower or the beneficiary must give an undertaking that contracts (contracts or orders financed by the lender) will not give rise to charges for special business expenses (SBE) and that they will provide the lender with all requisite documentation regarding the conditions under which the contract is carried out. It has been emphasised in a DAC study that the AFD's anti-corruption system is one of the most stringent.

## 4.2 Rule of law

174. The office responsible designs projects in the field of the rule of law, good governance and the training of magistrates. These activities have a first component which is respect for public freedoms and human rights and which is organised around three types of action: support for democratic institutions, promotion of human rights and support for the legal system. The second component addresses security. Support for democratic institutions primarily takes the form of assistance in the organisation of free elections, which is the outcome of strong demand, and collaboration with parliaments, both the elected representatives and civil servants. Promotion of human rights partially overlaps with the above activities and consists in actions with regard to the penal administration but also at the level of civil society through

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3. *The OECD convention on combating bribery of foreign public officials in international business transactions* was signed on 17 December 1997 by 34 countries, of which 29 OECD Member countries, and entered into force on 15 February 1999. It has been ratified by 19 countries.

4. *Anti-corruption proposals for aid procurement contracts*. DAC recommendation endorsed at its high-level meeting on 6 and 7 May 1996.

support for NGOs involved in defending human rights. Lastly, the first component also extends to support for the legal system through training programmes for magistrates, legal system civil servants, and support for documentation or the dissemination of information. The creation of the *Organisation pour l'Harmonisation en Afrique du Droit des Affaires* (OHADA) is one of the projects to emerge from this policy (see Box 2).

175. Co-operation in the area of security and the fight against major crime primarily consists in police training. French co-operation is helping the introduction of civil police services capable of ensuring democratically the security and civil protection of the population, maintaining public order and ensuring that institutions function in accordance with public liberty and human rights. Actions to strengthen capacities are taken in three areas: efforts to combat urban delinquency and restore local police forces, creation of special units to maintain order in accordance with procedures based on the rule of law, and efforts to combat major crime. However, this primarily judicial system can only be viable if it is based on effective and strong administration, which France wants to ensure through administrative co-operation in the strict sense of the term.

**Box 2: Organisation for the Harmonisation of African Business Law (OHADA)**

This organisation was set up in 1993 under a treaty signed in Port Louis. Its purpose is to promote, from an economic standpoint, the initial development, regional integration and legal and judicial security required for investment. This must be achieved by meeting three specific objectives: provide the signatory States with simple, modern business legislation that is tailored to their economies; promote arbitration as an instrument for settling contractual disputes; and to help with the training and specialisation of magistrates and legal auxiliaries.

This treaty has currently been signed by 15 States: Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Congo, Côte d'Ivoire, Equatorial Guinea, Gabon, Guinea Bissau, Mali, Niger, Senegal and Togo.

The treaty provides the organisation with the following institutions: a Council of Ministers, which is the prescriptive body and which by unanimous decision adopts "uniform acts" directly applicable in each country's domestic law; a common Court of Justice and Arbitration which gives its opinion on draft uniform acts and which acts as an appeal body (in the place of national courts of appeal) in all matters regarding harmonised business law; a permanent secretariat which drafts the acts adopted by the Council of Ministers; and a regional magistrate training school.

### 4.3 *Administrative co-operation*

176. Administrative co-operation primarily consists in the provision of experts on a permanent or temporary basis, training and re-training, supply of computer support, and consultancy services. In 1999, the number of seconded officials in charge of administrative co-operation in the field may be estimated at 300. The main objective of administrative co-operation is to improve the efficiency of public management. This policy gives priority to "administrative engineering" operations as part of an overall approach and is pursued in three directions: redefining the role of the State, including issues relating to the decentralisation of the administration; the efficiency of public services, with regard to both State functions and the major social and economic functions; creating a professional civil service.

177. However, a guideline note issued in June 1999 commented on the lack of coherence and visibility in French administrative co-operation. This is due to not only the large number of actors but also their desire to remain autonomous, a situation that is exacerbated by the fact that the French co-operation is not

subject to any assessment. In 1997, at the request of the Prime Minister, an interministerial group drew up proposed improvements in the form of two alternative proposals: creation of a co-operation agency, a public administrative body which would be responsible for the management of all resources and programmes; or creation of a lighter structure providing the operators with harmonised facilities. Neither proposal was adopted and the DGCID was designated as initiator and regulator. Moreover, the guideline note also drew attention to the fact that French supply does not properly meet the expectations of aid recipients: low demand for training at the *Ecole nationale d'administration (ENA)* or the *Institut international d'administration publique (IIAP)*; limited use of French management procedures in reform processes. However, it is not French expertise that is being challenged but rather the failure to specify the area of intervention, the lack of clarity in geographical priorities, and poor co-ordination and evaluation. It is therefore logical to support recommendations which attempt to ensure that actions are more coherent, partnerships are more operational and monitoring and evaluation carried out on a more regular basis.

#### **4.4 Local development**

178. Against a background of administrative reform in partner countries, France is currently anxious to improve the co-ordination of the movements towards decentralisation and deconcentration which are both helping to strengthen local management. Specialised training in local services and training for local civil services are being organised in order to meet local needs. The annual disbursement for this type of co-operation amounts to FRF 120 million (USD 20 million). More specifically, priority has been given to three areas where capacities are to be enhanced: administrative structures, financial capacities and strategic planning. The strengthening of the administrative and technical structures of local authorities consists in putting in place the national legislative and regulatory framework, training elected representatives and managers, and organising government controls. Strengthening financial capacities and the ability to mobilise resources consists in aid for the reorganisation of local taxation, the creation of an urban management database and access to borrowing. Lastly, support for the formulation of local development strategies and information policies aims to generate a genuine growth dynamic among local citizens. This co-operation is partly due to the particular efforts made by French local authorities whose knowledge and practices can be readily adapted to their counterparts in aid recipient countries.

### **5. Gender equality**

179. French co-operation was slow to address the issue of gender equality, and the lack of gender mainstreaming can be felt in the field. There does not seem to be any clear strategy towards French co-operation initiatives aimed specifically at women. This strategy appears to have largely disregarded the question of the capacity of French institutions (particularly the MFA) to take account of the issue of gender equality in all of their activities. Even if achieving gender equality is the main objective of certain projects, the strengthening of capacities in this area and the introduction of internal incentives for this issue to be taken into account do not appear to be seen as priorities. Factors which might ensure that greater account is taken of the issue of sexual equality such as the will to change, the existence of incentives and verification systems that provide a clear idea of the approaches actually adopted by staff, and recognition and approval of those who have adopted such approaches appear to be lacking from French co-operation policy. It is for this reason that, while it is worth noting the initial decisions recently taken by directorates, the work that has begun in this area must be continued.

180. In 1998, 29% of AFD projects took account of gender equality. This figure is partly attributable to the pragmatic approach and persuasive skills of a single person employed full-time by the AFD since 1998, since there is still no system whereby this theme is automatically taken into account by all officials that is yet in place. However, the institution has decided to examine this issue at greater depth by setting

up a working party, assisted by outside experts, which will produce a policy note and then adopt operational directives by the end of 2000. This process should help for gender mainstreaming into the project cycle. Indeed, the AFD has already organised two training seminars each involving some fifteen or so persons. The results have shown the differences in working culture between the relatively common technical and economic engineering approach of operational staff and gender expertise requiring a more sociological basis. In terms of evaluation, integration of the issue of gender equality is at an experimental stage, two trial assessments have made use of expertise in this area and a resolution passed by the evaluation committee makes it mandatory for gender equality to be integrated into all participatory development projects.

181. The efforts made by the social development office at the MFA to integrate the gender approach into development projects remains very difficult, if not impossible, to assess even though some results are already available. Apart from the FRF 5 million allocated to “implementation of the Beijing Programme of Action”, there is no general system to monitor trends and investment in this area in the field (notably measurement of progress in the sectoral projects relating to health, education, rural development, the environment, micro-credit, enhancing the decision-making power of women) nor even any impact in terms of information or training work from the Ministry. One full-time employee is the “gender policy adviser” and must make up for the lack of any genuine institutional memory in this area. Moreover, the review team missions to Mali, Morocco and Vietnam reveal that no account is taken of gender in aid programmes. The MFA is expected to have drawn up a strategy document by the end of 2000 which will specify procedures for gender mainstreaming into development projects. Major efforts have been made to increase the participation of African women in international conferences and to enhance African expertise capacity. There is also a stated desire to clarify and communicate the position of France, which places very great emphasis on legal considerations and the efforts made to ensure effective implementation of laws and regulations, and which differs slightly from the international consensus on this subject. This is done principally through publications and translations of handbooks, by increasing the number of French delegates to international conferences and by distributing these handbooks to missions in the field. Trial projects have been carried out to promote the role of women in development; the support project for the dairy industry around N’Djamena in Chad is an interesting example in that it is aimed at modernising the industry without weakening the role of women.

## **6. The environment in French co-operation**

### **6.1. General framework**

182. The framework for France’s policy and actions with regard to the environment primarily rests on the rational management of territorial and natural resources and protection of the environment. These are the two necessary conditions for sustainable development, a concept that is central to France’s position in this area. France’s environmental policy in Africa is therefore primarily directed towards promoting forms of natural resource management that will ensure sustainability. The main thrust for action is therefore as follows: draw up criteria for action that are environmentally friendly, notably with regard to international agreements; develop projects whose objectives are clearly aimed at protecting or improving the environment; develop cofinancing arrangements with the FFEM (see box 3); increase environmental assessment activities; propose training and courses to raise environmental awareness to all officials in the French administration. Lastly, the AFD must revise the instructions in its procedures manual to ensure that the environment is systematically taken into account at all stages in project planning and implementation.

183. The responsible authorities formulate strategies which the AFD must implement. The AFD is also responsible for developing capacities in the environmental field solely within the framework of specific projects; the MFA is responsible for providing institutional support.

184. Fish stocks, rainforests, water resources, fauna and biodiversity are key activities of the MFA. Five to six officials work in the environment and natural resources management office. This staffing level has remained stable despite the substantial increase in the office's geographical scope of responsibility, which now includes the ZSP. This office has two tasks to perform: the first is to take account of environmental considerations in development projects; and the second is the design, implementation and follow-up of institutional support projects in the environmental field. This latter activity comprises three main types of action: support for the framing of sectoral policies and institutional, legal and regulatory frameworks; fostering skills at the local level; and the development of tools for environmental policy management. The funding for the activities of this office over the period 1993 to 1999 amounted to FRF 545 million (USD 92 million).

185. The AFD has organised its efforts to protect the environment in development projects into four areas: water resources, territorial management, town planning and industry, and the development of renewable energy sources. The funding of assistance for projects of high environmental value in 1998 amounted to FRF 991 million (USD 168 million).

## 6.2. *Strategic approaches*

186. The desire to formulate strategies with precise objectives and accountability obligations in key areas of the environment has largely been translated into practical actions since the last aid review by the DAC.

### **Box 3: Le Fonds français pour l'environnement Mondial (French global environment facility (FFEM))**

France has allocated considerable resources to conservation of the global environment and was a major force behind the creation of the Global Environment Facility (GEF). Over the period 1990-2000-2001, France contributed FRF 880 million to this instrument.

Furthermore, in 1994 France set up a bilateral instrument known as the *Fonds français pour l'environnement mondial* (FFEM). Focusing on the areas of biodiversity, efforts to combat global warming and the protection of international waters, the FFEM is designed to encourage innovative approaches tailored to meet the constraints of Sub-Saharan countries and to increase French influence within the GEF. Funding for the FFEM (FRF 440 million for the period 1994-1998) is in addition to that of the APD and France's contribution to the GEF.

Like the GEF, the FFEM provides support for the additional cost of development projects associated with protection of the global environment. This support amounts on average to 25% of the total cost of projects. By mid-November 1999, the FFEM's portfolio contained 90 projects worth a total of FRF 617 million in commitments. 44% of the projects relate to global warming, 29% to biodiversity, 14% to desertification and forestry, and 14% to the protection of international waters; 46% of these projects are in Africa.

An evaluation published by the FFEM at the end of the start-up phase (1994-1998) emphasises that the FFEM has effectively provided France with expertise regarding protection of the global environment and the linkage between such protection and development.

In contrast, France's efforts to encourage French institutions to incorporate this theme into their projects have been less successful. The evaluation report recommends that case studies of the FFEM's experiences should be made more widely known to other players. Simplification of GEF procedures and closer involvement of the GEF in the various project-planning stages are also recommended.

In support of these recommendations, major efforts were made as of summer 1998 to encourage the appropriation of the FFEM by French development aid actors, to simplify intervention procedures and criteria and, lastly, to make the FFEM's activities part of a multi-annual strategic framework approved by the different scientific and institutional partners concerned.

187. For example, in 1999 the DDCT at the MFA issued a report entitled *Changement climatique et la coopération avec les pays du Sud*<sup>5</sup> setting up proposed strategies. Designed to integrate local development priorities and the challenges relating to the global environment, they are based on three principles: i) equity, through the sharing of efforts to combat global warming; ii) prevention, through the drawing-up of a typology of development projects according to their impact on global warming; and iii) adaptation, which requires research into the means of remedying the adverse impacts of global warming. Issues such as water and management of fisheries and forestry resources were also targeted in the MFA's proposed strategies. However, more detailed analysis and sustained efforts to implement these strategies still remain to be undertaken.

188. Furthermore, France has mobilised itself to combat desertification in Africa, an area in which France is in the vanguard and to which it has committed approximately FRF 850 million (USD 144 million) since the signing of the related international convention in 1994. The concerted efforts of the MFA, the Ministry of territorial development and the environment, the AFD and the FFEM have three main objectives: upgrading of local skills, participation of the populations concerned, and the co-ordination of international commitments. The effort to combat desertification is now one of the integrated criteria of French co-operation programmes and has been enhanced through the will to develop knowledge and expertise in this area.

### 6.3. Co-ordination between institutions

189. The reform has not yet improved co-ordination between the various actors responsible for the environment, which at the MFA is dealt with by three different offices. The first two, which are responsible for the negotiation and follow-up of international conventions respectively, were part of the MFA prior to the reform, which has not affected them. The third, which came from the former Ministry of Co-operation (Environment and natural resource management bureau) is responsible for designing projects with "environmental" themes.

190. Thus even if these three offices achieve significant results for their respective areas of responsibility, there is no internal or public document which provides an overview of all of the MFA's activities in this domain. Furthermore, because of the almost total lack of institutionalised co-ordination between the MFA and the Ministry of the Environment, it is impossible to determine the extent of France's aid programmes for environmental protection, or to benefit, even at the internal level, from any real exchange of know-how and information.

191. Although the MFA is called upon to give its opinion on AFD projects, the design of AFD projects does not benefit from joint analysis by the two institutions, thus precluding any profitable

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5. *Changement climatique et coopération avec les pays du Sud. Propositions de stratégie.* Working paper issued by the DGCID/DCT, Ministry of Foreign Affairs, September 1999.

exchange of know-how. The FFEM has an important role to play in this respect because it can substantially enhance dialogue and the sharing of experience by bringing together in its steering committee all of the institutions involved in development and the environment.

#### **6.4. Taking account of the environment in development projects**

192. Since the last aid review, there are few signs that action or decisions have been taken with regard to taking account of the environment in MFA projects in that in many cases the paragraph devoted to the environment in project design reports is left blank. Notable progress has been made, however, in areas where the issue of the environment and development is particularly sensitive such as agriculture, animal husbandry and urban development, sectors where much analysis has been carried out. In 1988, an AFD working party drew up a series of recommendations on how the environment could be more closely integrated into the Agency's actions. These recommendations concern the compliance of the AFD's actions with the commitments and international agreements to which France is a signatory, enhancement of the environmental assessment of projects through improvements in the project cycle, more effective use of FFEM resources and a general improvement in communication and the exchange of information. This has given rise to the following: i) organisation of a unit to deal with the environment and the management of natural resources, to which the AFD has decided to assign four persons; ii) the introduction of a routing slip which should allow the environmental aspects of each project to be monitored and to strengthen the environmental assessment system; iii) inclusion of a section on the environment in the annual report; and iv) the introduction of internal training courses. It is important to note that PROPARCO uses the same procedures and standards for the design and monitoring of projects as the SFI, which is a laudable innovation.

### **7. Population policy**

193. In previous years, France's contribution to population policies has been very limited, in line with a stance of non-intervention in a domain considered to fall within the scope of the national sovereignty. As part of the implementation of the Programme of Action of the Cairo Conference (1994), France has committed itself to increasing its support for the United Nations Fund for Population Activities (UNFPA), to which it contributed FRF 7 million (USD 1.1 million)<sup>6</sup>. This amount is higher than in previous years (between 1995 and 1997 France contributed between USD 650 000 and USD 785 000 a year, which was equivalent to 0.03% of France's contributions to multilateral organisations and 0.5% of those to United Nations organisations<sup>7</sup>).

194. However, this attitude, which perhaps reflected the fact that the impact of demographic factors on development had been underestimated, appears to be changing. At the Special Session of the General Assembly of the United Nations to review and appraise implementation of the Programme of Action of the International Conference on Population and Development, held in New York from 30 June to 2 July 1999, France recognised that population growth "was the factor which had the greatest influence on development policies, particularly in the view of the fact that it was usually accompanied by poverty, illiteracy, lack of infrastructure and, in some cases, malnutrition or poor health"<sup>8</sup>. In its statement the French government

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6. Ministry of Employment and Solidarity, Ministry of Foreign Affairs. France's contribution to the extraordinary session of the General Assembly called to review implementation of the programme of action of the International Conference on population and development. United Nations, New York (3 June to 2 July 1999). Ibid, p. 17.

7. *1999 Population Action International*. Online report by SealRock Design and Consulting.

8. Ministry of Employment and Solidarity, Ministry of Foreign Affairs.

declared that development policies “must ensure that populations benefit from major improvements in living conditions and in the conditions for human and social development. All this concerns immigration, education, employment, the environment, regional development and reproductive health.”

195. The same document describes France’s stance on these issues and proposes a strategy to meet the challenges posed by the interaction between population and development. Among the objectives are the introduction of broader family and reproductive health programmes and the adoption of a global approach to women’s health: improved nutrition, prevention of anaemia and malaria, staggered births, etc. Efforts to combat AIDS and sexually transmitted diseases (STDs) received particular attention. The other areas mentioned include the changeover from intensive farming to sustainable agriculture, environmental protection, education and training (particularly of girl children), control of urban growth and population movements. The document also refers to equality between men and women as a decisive factor in sustainable development.

196. As part of this work, funding of FRF 10 million has been committed to two trial projects implemented by the UNFPA in Côte d’Ivoire and Madagascar. Family planning plays a major role in these projects, together with the prevention of STDs, AIDS and abortion. Other programmes are aimed more specifically at efforts to combat AIDS, in collaboration with other international organisations including UNICEF and the European Development Fund.

197. These latest figures and the new strategy that France appears to be willing to adopt towards population and development are a step towards greater openness and greater involvement of French co-operation in areas that until now had been severely neglected. Field missions have nonetheless shown that much progress remains to be made to raise the awareness of French co-operation workers in issues relating to family planning in general and reproductive health in particular (see box 4).

## **8. Humanitarian aid**

198. Humanitarian aid does not as yet have a particularly high profile in France’s aid policy despite the fact that it is fast becoming a central component of French foreign policy. Most of France’s humanitarian aid is channelled through international organisations. In 1998, France’s mandatory contributions to international organisations amounted to USD 32 million and voluntary contributions to USD 68 million, whereas the contribution to the European Community Humanitarian Office (ECHO) amounted to USD 16 million (i.e. 18% of the total EU budget). Relations with international organisations UNHCR, UNWRA, WFP, UNICEF, UNDP and ICRC) are monitored by the Directorate of the United Nations and international organisations at the MFA.

199. The Humanitarian Aid Department (SAH) attached directly to the Secretary-General of the Ministry of Foreign Affairs is responsible for bilateral relations. The department administers the humanitarian emergency fund (FUH) which in 1998 had a budget of USD 17 million. This budget rose to USD 47 million in 1999, of which USD 36 million was for the Balkans. Humanitarian aid attachés are posted to a number of embassies and have the task of monitoring situations that require constant humanitarian vigilance. They are also responsible for managing French aid during emergencies and for helping to select projects submitted by NGOs to the SAH for cofinancing. The restructuring that followed the 1999 reform now provides greater continuity between the emergency and reconstruction by virtue of the link that was put in place with DGCID. The specialised and highly experienced teams provided by France’s civil security bodies allow France to intervene rapidly and efficiently in the event of an emergency. Moreover, these interventions are often accompanied by training in the field which allows know-how to be transferred to local teams.

200. France actively co-operates with NGOs specialised in emergency aid. The funding assigned to NGOs can take the form of co-financing for projects or the funding of operations where services are supplied. FUH credits assigned to the co-financing of NGOs in 1998 amounted to 21% of the total resources of the fund. Public subsidies account for only a minimal share of NGO budgets since the latter wish to maintain their independence and indeed also have access to co-financing by international organisations. Studies are currently being made of how co-financing procedures could be reorganised in order to shorten schedules and improve procedures for the allocation of funding. Despite a few difficulties at that level, a spirit of partnership has been forged by public and private actors. In emergency situations, the French government provides logistic support for NGOs and protection for aid workers. In exchange, the NGOs, because of their practical experience, are a source of useful information on how the situation in the field is progressing.

#### **Box 4. Co-development: at the interface between co-operation and development policy**

Co-development policy concerns both development co-operation policy and the control of migration flows. The idea was initiated by Lionel Stoléru, a minister in the government of Raymond Barre in 1977, who introduced the project known as “Stoléru’s million”, which consisted of giving a bonus of FF10 000 to foreign workers in return for their leaving France permanently together with their families. Since then, this concept has been developed and is now revitalising co-operation policy by using migration to further international solidarity, coupling the monitoring of flows and development projects. It marks a radical change in co-operation and immigration policies by focusing on their interrelations and the long term. This scheme was announced by the Minister for Employment and Solidarity on 4 November 1998 following a ministerial study of this project. There are also plans to propose co-development policy at the European level, as part of the Euro-Mediterranean Partnership (the MEDA Programme).

The innovative idea of co-development is to train foreigners in France and employ them in their own countries in development projects on the basis of these countries’ needs. To this end, co-development policy is prepared in close collaboration with the partner countries. It is aimed at enabling migrants established in France to return to their country of origin in order to contribute to its development, and at organising this process through joint co-development agreements between France and the country of origin. The agreements are prepared by joint committees, and commit France and the main migration countries (Morocco, Mali and Senegal) bilaterally to including co-development in their co-operation policies. At the individual level, “re-employment contracts in the country of origin” (CRPOs) are proposed to the beneficiaries of this policy, who receive skill training in France in preparation for their re-employment. Six months after their return to their country of origin, if they have found permanent employment, they are issued with a visa allowing them to travel freely in France. This last element is a key innovation, for it is the first time that the possibility of a return to France has been envisaged in this kind of policy. The estimated cost per migrant is FF 35 000 (US\$ 5 800), and there are between 3 000 and 5 000 potential beneficiaries. The OMI has already committed FF 114 million (US\$ 19 million).

Co-development is based on three approaches:

- Support for project aid: technical support for preparing individual projects, support to migrants’ associations and associations of retired executives, access to credit and training, and organising the return to the country of origin.
- Migrants’ savings: it is very difficult to transfer savings into the local banking system because of lack of confidence in banking institutions. Projects to support the existing banking system are being envisaged.

- Re-employment training: this promotes the return of students and migrants on the basis of the needs of the country of origin and mobility training improves the skills of those who qualify for this programme. It comprises vocational training programmes, co-development grants, co-development volunteers and training project contracts.

In addition, this policy involves other partners from civil society, such as migrants' associations active in the country of origin, large corporations and SME/SMIs that do business in these countries, and local and regional authorities involved in decentralised co-operation. By involving these actors fully, co-development contributes to recognising the role migrants' associations and local and regional authorities play in development assistance.

However, so far there have been fewer than 20 returns and apparently not all the agreements have yet been signed. Foreigners without papers who were denied immigrant status under the Chevènement Circular are also eligible for this programme, but because of the politically sensitive circumstances these individuals who potentially qualify for this programme are particularly reluctant to take advantage of it. For this reason, those who established this programme argue that it will take some time before more significant results can be seen.

## CHAPTER 5

### THE COHERENCE OF DEVELOPMENT ASSISTANCE POLICY

#### 1. Development assistance and the tying of aid

##### 1.1. *Tying aid reduces its effectiveness*

201. Virtually all of France's bilateral aid, except for debt relief, is tied to the procurement of goods and services originating in France, or recipient countries, and France therefore considers it to be partially untied. But it is not considered as partially untied under the DAC definition, for to qualify as such most developing countries would have to be eligible. Nevertheless, this "clause of origin", as it is also known, is worded so as to allow French aid to cover the local costs of projects without limitation, except in the case of financial protocols, which generally set a ceiling on such costs. However, investment financed through aid generally involves the importation of capital goods that can only be supplied by French firms (when they are unable to do so, exemptions from the clause of origin are generally granted, with the approval of the Adviser for Commercial Affairs). Furthermore, these capital goods are often in fields in which competition among French companies is relatively limited or non-existent, or can be circumvented through agreements between companies. In addition, in some sectors or sub-sectors there is only a single company, which can raise costs substantially and obviously lessens the effectiveness of aid.

202. A report submitted to the Prime Minister by Yves Marchand in 1996 entitled *Afro-realism: An urgent call for a new enterprise policy in Sub-Saharan Africa*, considered that the following disadvantages of tied aid justified its abolition:

- Tied aid restricts the recipient country's freedom, without guaranteeing the quality of the products concerned.
- It slows down the aid process because of the complexity of supply-source verification (since most industrial goods contain imported components, it is the criterion of overall value added, the bulk of which must be of French origin, that was selected in practice, but this is difficult to verify).
- Captive markets are not a good commercial reference for firms *vis-à-vis* their clientele.
- The untying of aid at the EU level would certainly be advantageous for France.

203. Four years after this proposal, it must be admitted that nothing has been done to untie aid, even though all the system's actors are convinced that this is a necessary step. But the lobby of the major French corporations and of the *Mouvement des Entreprises de France* (MEDEF), through the DREE, seems sufficiently powerful to have been able to block all attempts to do so thus far.

## **1.2 *The DAC initiative on untying aid to the LLDCs***

204. In 1998, the High Level Meeting of the DAC approved the decision to work on a recommendation on untying aid to the LLDCs. Since then, DAC Members have agreed on a number of the recommendation's provisions, in particular the list of most of the ODA activities to be covered and the provisions for ensuring transparency and equality of treatment. However, a full consensus could not be reached at the 1999 High Level Meeting.

205. France laid down four conditions for its joining the consensus on a draft recommendation:

- Maintaining the level of aid to the LLDCs is a key concern for France. It considers that the aid effort in favour of the LLDCs is insufficient and that further reduction would be unacceptable. France cannot be satisfied with the draft recommendation's commitment to maintain ODA levels to the LLDCs and to ensure that aid allocations to the LLDCs will not decline as result of this initiative. Instead, France proposes an incentive mechanism defining an eligibility threshold for the untying of aid. This envisages that only those DAC member countries whose ODA/GDP ratio to the LLDCs is equal or superior to a certain threshold, which might be fixed at the average of DAC Member countries, i.e. 0.03%, would untie their aid between themselves.
- The complete exclusion of technical co-operation is considered to be another essential condition in order to preserve a sense of national involvement in development assistance in public opinion and among policy-makers in donor countries.
- Food aid must be covered, since there is no justification for excluding it as it is a genuine form of development assistance. Any recommendation must therefore provide for covering this type of aid on the basis of a well-defined timetable.
- European Community aid should be excluded from the coverage of the recommendation.

206. At the 1999 High Level Meeting, DAC Members expressed their commitment to continuing to work towards a recommendation, an objective supported by the annual OECD Ministerial meeting and the G8 Summit in Cologne. A substantial majority of DAC Members do not share France's views on untying. These Members are in agreement on the basis of a consensual recommendation, focusing on the similarities between the different approaches proposed by Members or groups of Members. But considerable efforts are still required to meet the concerns of the other Member countries and reach a consensus at the High Level Meeting in May 2000. France's position will be decisive to the success of the efforts to reach a consensus in DAC on this major initiative for improving the quality of aid to LLDCs, in line with the DAC's partnership strategy.

## **2. *Development assistance and cultural policy***

### **2.1. *The cultural dimension of French co-operation policy***

207. France considers that the cultural dimension is an essential component of its international co-operation policy. The importance that it attaches to this dimension is based on the view that globalisation is a factor that exacerbates cultural competition. The document presenting the aid reform contains an analysis in this regard that underscores the risk of a dominant culture being spread by the market economy, possibly prompting reactions of rejection. It observes that the market-based approach has now expanded beyond the audio-visual sector to new fields, such as the higher education market.

208. This document also points out that the “cultural” field is continually expanding. Starting from the initial core of the fine arts and language, it has progressively broadened to include scientific and technological knowledge and then, with the audio-visual sector, the field of entertainment. It has subsequently spread to the field of sports, so that culture now encompasses the overall image of a country. Similarly, the number of actors has multiplied, with many entities becoming involved, such as multilateral organisations, local and regional authorities, NGOs, foundations, companies, universities and other ministries. Lastly, there has been a diversification of the means of transmitting culture, new media having been added to the traditional transmission networks (cultural institutes, primary and secondary schools).

209. In a world that must remain multi-polar, the Francophonie is considered to be an essential component. It has to constitute an area of linguistic and cultural co-operation that is capable of meeting the key challenges of the modern world, such as the information society, Internet and the audio-visual sector. The document referred to above also stresses the fact that “if they are to be dynamic, societies must be able to have a cultural project that gives equal emphasis to creative initiatives and national cohesion. Openness to the modern world, coupled with values of solidarity and sharing, explain the attachment to the aim of promoting the culture of the French-speaking world. But it must now be convincing to the elites in these countries as well as responsive to the needs of their populations”. This approach explains why the full title of the minister in charge of aid is the Minister for Co-operation and the Francophonie.

210. In the eyes of those responsible for co-operation, this analysis justifies placing cultural co-operation on the same level as development co-operation. In particular, it justifies the fact that “in the present competition situation, one of the priorities must be to strengthen the media and support the audio-visual sector abroad. The new information and communications technologies, which are indispensable tools for conveying knowledge, sharing know-how and providing training, will also receive special attention. They should facilitate access to scientific and cultural information for all development actors and to the exchange that they expect the Francophonie to be able to provide”. The network of cultural institutions, centres and *Alliances Françaises* plays a key role in this regard.

## **2.2. Implementation of cultural policy**

211. In the field, cultural co-operation takes many forms. As the same document again points out: “relying on the world’s foremost network, which is highly operational and field-based, cultural, scientific and technical co-operation carries out co-operation projects, participates in university programmes, organises cultural events and sponsors numerous exchanges of grant-holders, trainees and experts on the basis of mutual interest”. In practice, however, it is very difficult to determine the share of cultural co-operation in France’s ODA, since it is not listed among the sectors into which the ODA reported to DAC is broken down. It is likely that some of these amounts are not reported to DAC, that some are reported as non-sector allocable aid (the annual average of non-sector allocable aid was US\$ 113 million in 1997-98), and that most are reported under education. Chapter 4 described the main components of this very important segment of French aid, in particular educating foreign pupils in French primary schools, the costs incurred in enrolling foreign students in the French higher education system and scholarships and grants. As part of the effort to promote French higher education, a new agency called Edufrance has just been set up. By bringing together the MFA and the Ministry for National Education, it should play a role in professionalising the international initiatives of French universities.

212. The difficulty in making an overall estimate is also due to the fact that the French presentation of the budget does not match the breakdown of the different DAC sectors. According to the categories listed in the report appended to the 1999 budget recapitulating appropriations for co-operation in 1998, appropriations to the MFA in this field in the initial Finance Act were as follows: subsidies to public institutions, FF 504 million (US\$ 85 million); cultural, co-operation and research institutions abroad,

FF 225 million (US\$ 38 million); cultural and scientific co-operation, FF 1.12 billion (US\$ 190 million); and subsidies to audio-visual operators, FF 538 million (US\$ 91 million). Expenditure on development research, which forms part of the budget of the Ministry for National Education, Research and Technology, amounted to FF 1.17 billion (US\$ 200 million). In all, total expenditure on cultural co-operation very broadly defined, but consistent with France's conception thereof, can be estimated at just over FF 6 billion, or approximately US\$ 1 billion and 17 to 18% of France's ODA.

### 2.3. *Cultural co-operation: complementarity or coherence*

213. On-site visits confirmed the diversity of the initiatives suggested by the information provided above. In fact, this diversity raises a problem, for it means that cultural co-operation is highly fragmented among many small initiatives and small projects. Even though they all are aimed at promoting France's cultural policy, they do not seem to be adequately co-ordinated or to form part of an overall plan.

214. Other programmes of a cultural nature are aimed at promoting local cultures (see Box 5). However, these cultural development initiatives are carried out through the same channels used to promote the international cultural policy of France abroad and in the French-speaking world, i.e. the extension of French culture. This twofold responsibility can create confusion, at least in the perception of other development actors, which complicates the comprehension and visibility of cultural development. What is more, although cultural development and cultural co-operation in the broad sense are in no way at odds with development co-operation, one may well wonder how these activities are directly related to poverty reduction. Furthermore, most of those we met in the field agreed that cultural co-operation and poverty reduction require separate approaches and, even though the two types of initiative are complementary, they cannot be combined within a single basic objective.

#### Box 5. Aid to cultural development

**The French position.** Traditional development aid is insufficient without additional measures to strengthen the capacity of developing countries to modernise. Consequently, culture is intimately connected with development inasmuch as it determines these countries' ability to adapt to change, and especially to the change triggered by the development process. In fact, artists often treat themes dealing with the changes in the society in which they live and become spokespeople for their compatriots. Development cannot be lasting unless society perceives it as a positive process and accepts the forms it is taking and unless it contributes to social cohesion. Artistic creation, the appreciation and promotion of a people's cultural heritage and active involvement in audio-visual media are all part of the development process. So it is the ambition of cultural development to make the cultural sector one of the actors of social development.

The identity of the peoples of the world and their resulting diversity are an essential aspect of the French conception of development and are promoted by international co-operation. One of France's objectives is to enable its partner countries to resist the globalisation and homogenisation of cultures. Furthermore, culture is one of the means of enabling the population to participate directly in development. Together with support for democratic institutions, freedom of cultural expression is a means of promoting democracy and good citizenship. Consequently, culture, which is seen as a key aspect of social and economic development, has a very important place in French co-operation.

Lastly, culture is an economic sector open to civil society and individual initiative that contributes to job creation and requires relatively little capital.

**The objectives of cultural development.** The objectives of cultural development are to help countries design and implement a cultural policy, to promote cultural goods in sub-regional and international markets, to support private creation initiatives (such as cultural enterprise incubators) and to promote the training and professionalisation that are the essential to pursuing an artistic career.

**The actors of cultural development.** The policy of supporting cultural development is implemented in the field by French cultural centres, bi-national cultural centres, *Alliances Françaises*, technical assistants and experts working in co-operation projects and actors in the field of intercultural dialogue. Technical assistants are part of national structures and appear in the organisation charts of the national Ministries of culture. They operate within the framework of a letter of engagement, drafted jointly with the host country, and thus come under two separate sets of administrative authorities.

**Nevertheless, a number of questions remain unresolved.** French initiatives in this field are still not fully consistent with those of multilateral development agencies and an effort should be made to ensure that they are more complementary. In addition, these activities are not currently being evaluated since the criteria for such an evaluation have still to be defined.

An example of aid to cultural development is the project for supporting the production, promotion and diffusion of the performing and visual arts of contemporary Africa, for an amount of FF 17 million (US\$ 2.8 million). This project made it possible to found the “Sanga” African dance festival organised by the Association “*Afrique en création*”. Described by the French press as an “historic event”, this festival was preceded by extensive preparation and workshops throughout Africa, and involved some 60 dance companies from Tunisia to South Africa; it “revealed to the rest of the world African artistic expression as a combination of tradition and modernity”. Following the third festival held in November 1999, the winning African dance companies were able to go on a European tour.

Mention should also be made of the support granted to the Hanoi Ethnographic Museum and to African museums.

### **3. Investment in the oil sector: the inconsistencies**

#### **3.1 *The National Assembly's recent information report***

215. To ensure a secure supply of energy, and of oil in particular, has always been a challenge for the industrial countries. Like other countries, France has therefore supported the efforts and projects of the major French oil companies, particularly by granting development aid or more directly official aid and guarantees for projects to exploit hydrocarbons in producer countries. This largely explains the magnitude of the development aid -- over and above the financing and guarantees directly provided by oil companies - - received by countries such as Gabon or the Congo, and even by Angola in the early 1990s, or the inclusion of Nigeria in the ZSP.

216. A parliamentary fact-finding mission recently examined these issues. Its investigations were prompted by the proposal that a commission of inquiry be established to take stock of the activities of the company Elf-Aquitaine and its subsidiaries in African countries and their impact on France's relations with these countries. The report, approved by the National Assembly's Foreign Affairs Committee, was published in November 1999. It is entitled *Reconciling Oil and Ethics*, and is critical of how oil companies intervene in developing countries and of the support they receive from the French Government.

217. The report analyses the impact of oil on France's African policy, and "calls for more transparent management of relations between France and Africa in the name of ethics and the interests of France and its companies in these countries". It considers "that in Africa, the revenues generated by oil have not contributed to development, for heads of state have used them to buy arms in Angola and Congo-Brazzaville. In Gabon, Cameroon and Nigeria, it is difficult to say how oil revenues were used, since the debt has grown, the populations have become poorer and infrastructures are in a deplorable state. Dictators maintained in power, corruption, latent violence, repeated violations of human rights and deterioration of the environment -- this is the sorry record of oil operations in all of Africa, part of Latin America and certain Asian countries".

218. The report also points out that some of these countries have scant respect for human rights and that corruption is rife in major international oil contracts, which are rarely awarded without paying large commissions. Lastly, the exploitation of oil is often harmful to the environment, mainly but not exclusively in producer countries. The report concludes by stating, *inter alia*, that "the parliamentary mission considers that all too often an "exception" has been made when oil has been involved (in Burma, Nigeria, the Congo and Cameroon), for, whatever the amount of funds invested and the quality of projects, development and poverty reduction are not easily reconciled with the existence of armed rebellions, latent civil wars and corrupt dictatorial regimes".

### 3.2 *The report's recommendations favour a more coherent approach*

219. The report states that "the rules of conditionality of official aid granted to oil projects must be applied more stringently. The mission considers that the economic interest of an oil project is not in itself an adequate criterion in terms of development and poverty reduction. For the official aid granted by French institutions to oil projects in the ZSP to be effective, the rules of conditionality must be strengthened upstream, by requiring that the recipient country have adopted legislative measures to include oil revenues in the budget before disbursing the aid, and by ensuring that aid is managed transparently, that parties injured by the exploitation of hydrocarbons receive compensation and that environmental standards have been put in place".

220. To achieve greater coherence, the report recommends "that Parliament be informed of decisions to grant official aid and guarantees to projects for the exploitation of hydrocarbons, as the rules of conditionality currently in force appear to be insufficient. Being based on economic criteria, they do not take the social and environmental impact of the exploitation of oil sufficiently into account. The *Agence Française de Développement* cannot continue to help finance oil projects in indebted countries that use these oil revenues to purchase arms, that manage them opaquely without including them in the budget or use future production as collateral to obtain loans. Good governance and respect for human rights must be the prerequisites for granting official aid for projects of this kind". The report also considers that "the existence of a double standard regarding respect for human rights, anti-corruption laws and social and environmental standards is not acceptable. France must encourage the extension of anti-pollution agreements, combat social dumping and co-operate with its partners in fighting corruption".

221. Lastly, the parliamentary mission suggested encouraging dialogue between multinationals and associations for the defence of human rights. It recommended that a body be created to monitor the enforcement of social and environmental standards by firms, and that a human rights bureau be established in the Ministry for Foreign Affairs to provide interested firms with information on such ethical issues and to liaise with NGOs.

#### **4. Development aid and policies for defending democracy and human rights**

222. France is the home of human rights and traditionally defends them vigorously. But in 1990, with the President of the Republic's la Baule speech, there was a change in policy that established a link between eligibility for French aid and democracy in the recipient country. In this perspective, France has placed increasing emphasis on good governance and promotion of democracy and the rule of law, including on a regional basis. The link between aid and democracy was reaffirmed in what was known as the "Balladur doctrine", formulated in September 1993, which sought to ensure that aid was only provided to countries that were correctly managed, enjoyed civil peace and had democratic regimes.

223. This "democratic conditionality", which makes the granting of aid, or at least the amount of aid, conditional upon the recipient country's respect for democratic principles, began to be applied at that time, to Togo in particular, where co-operation was suspended. In 1995, the doctrine shifted due to a more flexible interpretation of democratic conditionality. This interpretation, which is shared by other DAC Members, consists of considering that conditionality does not apply to all types of aid, but only to direct aid to governments, i.e. only budgetary aid in the broad sense (together with structural adjustment aid). However, all forms of project aid (including in the form of aid to government) may be maintained because it is considered to be primarily of benefit to the population.

224. This greater flexibility seems to go together with a determination not to become involved in complex situations, but to stand back and take stock. In some cases, such as Togo, French co-operation has been slowed down, as is currently the case. But it is sometimes difficult to envisage stopping French aid in franc area countries, where it might lead to an economic collapse that would have systemic consequences. The French position is aimed instead at fostering the process of democratic change. France also generally supports the decisions of the European Commission, which has become more stringent in this regard since the revision of the Lomé IV Convention. It has reinforced its own action in this field in recent years. However, the composition of the ZSP raises some questions regarding the application of democratic conditionality.

## CHAPTER 6

### DEVELOPMENT ASSISTANCE, INVOLVEMENT OF THE FRENCH PUBLIC

#### 1. Informing public opinion and building awareness

225. France has no formal policy on informing public opinion or building public awareness of development issues. The French Government does not consider this its primary responsibility, despite strenuous demands for greater transparency from non-governmental actors. Some progress has been made recently, with the launch of several Internet sites giving extensive information on France's main development assistance instruments. The *Tavernier Report* recommended more active promotion of France's efforts and hence an improved public communication policy, as a legitimate duty of the public authorities towards taxpayers. However, there is no specific budget allocation for expanding development information and education activities: these are considered the province of NGOs and as activities that should therefore be self-financed, although it is possible to obtain co-financing for development education projects (which accounted for a little over US\$ 2.5 million in 1988). While little effort goes into information dissemination and development education, the government does attach great importance to the policy of decentralised co-operation through local authorities and to its influence on public opinion. As well as this, the creation of the High Council for International Co-operation (HCCI) should help to increase the involvement of civil society in discussions on development policy and make a useful contribution to raising public awareness generally.

226. Parliament has relatively little influence on French aid policies. The last time parliament debated French aid, other than in annual budget discussions, was in 1989. However, there is a consensus on maintaining high levels of aid. Reports giving in-depth analyses on aid issues and proposing ways forward for French co-operation are submitted regularly to the Prime Minister. The *Tavernier Report* on French development co-operation in 1998 and, more recently, the report on oil companies at the end of 1999 are good examples. Indeed the report by Deputy Tavernier recommended that the government draft an annual report on co-operation policy for debate by parliament. It had also proposed that a Parliamentary Commission be set up specifically to look at co-operation issues, which currently were addressed by the Foreign Affairs Commission. When the Interministerial Committee for Development Assistance (CICID) was set up, a working group was appointed to draft an annual report evaluating the effectiveness of aid for submission to the National Assembly. A parliamentary debate on international co-operation and development assistance, based on the HCCI report, has been scheduled for March 2000.

227. A large sector of the French public does not appear to be particularly concerned by development issues. True, various opinion polls have shown that the public is more concerned with increasing poverty and marginalisation in France. However, a closer study of the French public reveals a large number of activities and different initiatives that show the public is interested in development. The *Comité Catholique contre la Faim et pour le Développement*, CCFD, has been conducting an annual public opinion poll – known as the International Solidarity Barometer – for the past 10 years or so. The results of the 1999 poll confirm that the greater openness towards an international dimension noted in previous years is still a growing trend. For instance, 64% of those surveyed wanted an increase in development aid. The most

striking increase was in relation to development in the poorest countries, which 26% of those surveyed considered a priority (as opposed to 15.5% in 1998).

228. In 1997, networks representing actors in non-governmental and decentralised co-operation organised *Assises de la Coopération et de la Solidarité Internationale* (the Co-operation and International Solidarity Conference). Over 2000 people representing international solidarity organisations, parliament, trade unions, local authorities and the government were involved in the preparation for this event for nearly 18 months. The objective, at the dawn of the 21<sup>st</sup> century, was to rethink the guidelines for French co-operation, based on the premise that global change over the last decades calls for new attitudes and that it was now necessary to give new impetus to the debate between public and private actors. The final recommendations of the Conference focused on the need to centre action around the following concepts:

- Transparency, in order to ensure that dialogue takes place and that all actors are accountable for their actions;
- Consultation, to ensure greater consistency of action;
- Tailoring of policy instruments and tools, so that policies and co-operative initiatives will be more effective and have a lasting impact;
- Communication, in order to foster public understanding of these commitments and a new sense of citizenship.

229. The HCCI could be a forum for continuing the dialogue, first begun in 1997.

## **2. Development assistance and civil society: the role of NGOs in the French system**

230. France has a great many non-governmental organisations that are active in the field of development co-operation. Most of them -- depending on their objectives or affinities -- are grouped into six umbrella groups, which are recognised by the government as partners in co-ordinating bodies. Some of these groups are also members of a national federation *Coordination Sud*, which represents a great many of the major French NGOs.

231. Meetings of the NGOs and government are held at the Development Co-operation Commission (*Commission Coopération Développement*, CCD or CoCodev). The CCD is a joint consultative body, which brings together government and voluntary sector representatives concerned with international co-operation and development assistance. It is a forum for discussion, debate and work, which allows private and public actors to compare their approaches and define areas of action in which they can be mutually supportive. The creation of the Joint Committee for Orientation and Programming (*Comité Paritaire d'Orientation et de Programmation*, CPOP), in 1995, enabled the CCD to play a bigger role in decisions on objectives and priorities for allocating the annual budgets earmarked for the voluntary sector. Recent initiatives by the CCD include the 1997 development conference mentioned above, and a survey it conducted in 1998 on the resources and expenditure of French NGOs in 1995 and 1996.

232. The activities of French NGOs are constantly expanding. According to the CCD survey, the NGOs mobilised resources of over US\$ 660 million in 1996, an increase of 49% on the early 1990s. The voluntary sphere is highly concentrated and almost 80% of all resources are raised by the 20 most active organisations. The share of official resources is increasing – 44% in 1996, compared with 35% in 1991 – although the share of central government is still very small (less than 1% of all French ODA). In fact, close on 70% of the official resources available to French NGOs came from external sources (mainly the

European Union and the United Nations, along with some bilateral aid from the United States and other member states of the European Union). Moreover, the French Government is encouraging French NGOs to submit applications for co-funding to the European Commission, so that the share of Community co-financing allocated to French NGOs will more closely match France's overall share of the Community budget.

233. In addition to the normal procedures for the co-funding of NGO projects, to which the government may contribute up to 50%, the "new contracting procedure" applies to the following three types of activity:

- Priority programmes, which consolidate the activities of several associations into a single programme, the financial dimension or geographical or sectoral impact of which requires joint formulation and implementation. Priority programmes are eligible for government subsidies of up to 75% of their total cost.
- Goals agreements, which aim to establish multi-year programmes covering similar types of projects under a partnership arrangement between an organisation and the authorities.
- Partnership grants, which enable associations in the North to design organisation and management training programmes for officials of Southern programmes.

234. Co-financing by the French Government in 1998 totalled US\$ 41 million (see Table 3). This total was 20% less than in the previous two years, but had shown a sharp increase up until 1995. In 1998, 197 field projects or development education projects had received co-financing totalling approximately US\$ 19 million. For field projects, co-financing under the normal procedures amounted to 62% of the total envelope as opposed to 38% under the new contracting procedures. This is less than the 50% threshold proposed by the CCD and less than NGOs – which welcome the flexibility that partnership grants, for example, afford – had expected. Support for volunteers is still an essential component of aid granted to NGOs (US\$ 22 million, essentially for social security contributions for a total of 2 583 volunteers in 1998), despite the fact that its share of the total has fallen from 61 to 54%.

Table 3. **Decision to finance NGOs**

Type of finance	No. of decisions	Total (in US\$ million)
<b>Classic co-financing</b>	163	13
Field initiatives	120	9
Development education	25	3
Various initiatives in France	18	1
<b>New contracting procedure</b>	34	6
Partnership grants	19	1
Goals agreements	5	2
Priority programmes	10	3
<b>Voluntary sector</b>	14	22
<b>Total</b>	211	41

235. The government contact point for NGOs is now the *Bureau des organisations de solidarité internationale* (Bureau for International Solidarity Organisations, which reports to the *Mission pour la coopération non gouvernementale* (Non-governmental Co-operation Section of the Directorate-General for International Co-operation and Development, DGCID). The Section's main responsibility is to process applications for co-financing from NGOs. The CCD and the newly created HCCI are the consultative bodies for private and public actors. However, more openness is needed at operational level, if there is to be a genuine partnership and a real exchange of information between the private and public actors. The move to open up joint commission briefing sessions to the NGOs and local authorities helps involve them in this exercise, though the arrangements could be improved. A number of embassies now have a humanitarian attaché, who is also a contact point for French NGOs working in the countries concerned. The SCAC in Mali and Vietnam has created a post for a decentralised co-operation and NGO co-ordinator. In an innovative move by the AFD, NGOs are now being included in some field activities. The development of decentralised co-operation since 1992

### **3. The development of decentralised co-operation since 1992**

236. In France, decentralised co-operation dates back to the 1982 Decentralisation Acts and since 1992 has been governed by the local administration of the Republic Act, which empowers local authorities to "conclude decentralised co-operation agreements with foreign territorial authorities and with groupings thereof, within their spheres of competence and subject to France's international commitments". Decentralised co-operation consists of co-operation between a French territorial authority and its counterparts in a developing country. While the primary aim is to develop a partnership with local communities in developing countries, a secondary aim of decentralised co-operation is to ensure that the French public becomes more interested and more involved in development co-operation. Local authorities in France first became involved in development aid -- through twinning schemes -- in the 1970s, and their initiatives were purely humanitarian in the beginning. Their example was followed by the *Départements* in the 1980s, following the introduction of the Decentralisation Acts, and by the Regions following the 1992 Acts, which provided a legal framework for external actions.

237. No detailed record is kept of all decentralised co-operation initiatives. Rough estimates put the totals mobilised by the local authorities at as much as US\$ 200 million per year. The figures given by the various territorial authorities are not always reliable as there are no standard criteria and they may count economic aid in with commercial aid (support for foreign investment by firms). However, the amounts committed by local authorities are increasing, while the volume of ODA is decreasing. Including these sums in ODA figures could have a positive impact on the figures for France's overall contribution to co-operation and development.

238. The French Government is encouraging the growth of decentralised co-operation, mainly by co-financing a number of projects. The Decentralised Co-operation Bureau, which comes under the DGCID's Non-governmental Co-operation Section, is responsible for processing applications for co-financing from local authorities. In 1998, 248 projects totalling some US\$ 33 million received co-financing of approximately US\$ 1.7 million. Local authorities can also draw on European Union credit for decentralised co-operation, although in practice the possibilities are limited: in the period 1996-1998, four projects submitted by local authorities received a total of US\$ 1.2 million in Community co-financing. This type of co-financing is still difficult to obtain since, under the requirements, only joint operations involving local authorities from different European Community countries are eligible.

239. The local authorities co-ordinate with each other through the National Commission for Decentralised Co-operation, involving the various ministries concerned with development activities and representatives of local authorities. The recent establishment of working groups to look into evaluation

and co-financing should help the Commission's operations to be more effective. A number of support networks for decentralised co-operation have been set up, such as the *Association des maires de France*, the *Association des régions de France*, or *Cités Unies de France*. The same commitment to informal co-ordination can be seen among the elected representatives of France's "green" parties, which played a leading role in developing this type of co-operation.

240. It would seem that decentralised co-operation is attracting steadily wider interest from the French public and recipient countries as well as from government bodies, which recognise the qualitative difference that decentralised co-operation can make. The fact is that local authorities have managed to achieve a great deal with small-scale projects by reducing their operating costs to a minimum. However, their real contribution has been in establishing links between authorities and building personal relationships between partners, enabling them to provide a direct response to the needs of people in the developing countries. French local authorities have had long experience in managing community services and they have a great deal to offer their partners, not just from the technical point of view, but in setting up management and follow-up methods that involve the local public through community networks and trade associations. This makes decentralised co-operation an effective tool in assisting the process of decentralisation in developing countries (see Box 6).

241. The new French co-operation system which originated with the 1998 reforms has improved dialogue between local authorities and central government: local authorities are now involved in the joint commissions and represented on the HCCL. In a number of cases, annual "country" meetings are held, to enable the various local authorities working in a given country to compare their experiences and to encourage new synergies. In Vietnam, this process has the direct support of the embassy, one of whose staff from the SCAC has specific responsibility for decentralised co-operation. As a general rule, the relevance and effectiveness of local authority efforts would be enhanced by the implementation of country policies that could serve as a frame of reference for co-ordinating their activities.

**Box 6. The Nord-Pas de Calais region and the Vietnamese provinces of Thua Thien Hue and Quan Nam Da Nang**

Decentralised co-operation has developed extensively in Vietnam over the last few years – although the financial resources actually invested in it are still small, around US\$ 3 million per year. Ten or more regions as well as a number of towns in France have developed co-operation programmes with regions and towns in Vietnam.

Among these is the Nord-Pas de Calais region, which started running decentralised co-operation programmes, totalling some US \$ 5 million per year, with regions of Mali, Senegal, Vietnam, Poland and Belarus as far back as 1993. The region's goal is to allocate 1% of its budget to international co-operation. It elected to focus its initiatives on regions of poor countries that were open to democracy and had either common cultural or language ties with France or large communities living in its territory. The region also devoted a major share of its effort to development education, highlighting the interdependence of the countries of the world.

In Vietnam, the Nord-Pas de Calais region works closely with its partners on environmental management and protection. In Da Nang city, a study of the sewage treatment system led to the reclamation of a marshy area through the revival of a traditional technique called "lagooning", which seems to be very cost-effective and could be of interest to other development agencies. The technique involves constructing bunds in the catchment basin and planting them with vegetation, to slow the water flow and encourage natural purification by the combined action of sunlight and plants. Through the partnership between institutions faced with the same problems, co-operation with the province of Thua Thien Hue on regional planning and development, for instance, resulted in the establishment of an environment service for Hue city and the introduction of a waste treatment tax, which the population was willing to pay for an improved public service. This result at an institutional level is a far from negligible achievement, considering the poor progress made by most programmes to support public administration reforms at national level.

## ANNEX I

### ESSENTIAL CHARACTERISTICS OF FRENCH AID

#### 1. ODA volume and outlook

1. The volume of French official development assistance – US\$ 5.74 billion in 1998 – makes France the third largest donor of all 22 DAC Member countries, after Japan and the United States. As a percentage of gross national product (GNP) – 0.40 percent in 1998 – France was still in the vanguard of DAC donors (average 0.24%), ranking first among the G7 countries and sixth among DAC Members overall, behind Denmark, Norway, the Netherlands, Sweden and Luxembourg.

2. Nonetheless, this remarkable performance by France should not conceal the downtrend that began in 1995, i.e. a reduction of 32% in current US\$. Expressed as a percentage of GNP, the decrease -- from 0.64% in 1994 -- is substantial. This said, budget cuts have had no impact on multilateral aid, which saw its share (in terms of gross disbursements) increase over the past three years, from 20% in 1996 to 24% in 1998. Excluding European aid, multilateral aid has declined in volume and in percentage terms. Community aid, stable in volume, has risen in percentage terms.

3. Various ministerial statements, for instance at the CICID meeting in early 1999, have asserted that France intends to maintain aid at 1998 levels in nominal terms over the next few years. According to budget projections, aid may quite possibly increase in 1999 as a result of a combination of two factors: France's efforts in the form of grants to the Balkans, and debt cancellations in a number of countries in 1999. However, from the year 2000 onwards, when some French overseas territories (TOMs) will cease to be included in ODA totals<sup>9</sup>, there will automatically be a further decline of 0.06% in French aid as a percentage of GNP. ODA disbursements to the TOMs accounted for 17% of total aid on average over the past three years.

4. The volume and make-up of French ODA, along with other official flows and private financial flows to developing countries and economies in transition, are reported to the DAC by the Treasury Directorate. The Treasury gathers data from the statistical services of the various ministries and institutions involved in financial transfers to developing countries and countries on Part II of the DAC List and it aggregates them by major category according to the DAC reporting rules. This compilation entails substantial effort, given the wide variety of players and instruments that French aid involves, and as a result data transmission to the Treasury in the first instance and subsequently to the DAC can fall seriously behind schedule. Despite close contact between the French government services concerned and the Secretariat on ways of improving the situation and the development of a computerised data collection and transmission system by the Treasury – which is still not operational – little progress has been made since the last review. The data that France reports under the Creditor Reporting System (CRS) cover only half of its ODA commitments; the average for DAC donors was over 80% in 1998. However, direct contacts

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9. During the DAC's three-yearly review of the list of aid recipient countries, it was decided that New Caledonia and French Polynesia – high-income countries according to World Bank indicators – would be transferred to Part II of the DAC list (DCD/DAC(99)26), 10 July 1999).

between the Banque de France and the Secretariat have resulted in a substantial improvement in the reporting of private financial flows.

## **2. Multilateral contributions**

5. The gross amount of French official development assistance distributed through multilateral organisations came to US\$1.66 billion in 1998, or 24% of aggregate ODA. This is lower than the average for DAC Member countries, which was 29%. Multilateral contributions were less affected by the budget cutbacks of the last three years, resulting in a rise in the share of multilateral contributions from 20% in 1996. In recent ministerial statements, France has reasserted its resolve to take a higher profile in international organisations, concrete examples of which are: hosting annual meetings of the Inter-American Development Bank and the ABCDE World Bank Conference in Paris in 1999; creation of trust funds; personnel exchanges between the French Development Agency and other development banks.

6. The largest beneficiary of French multilateral aid is the European Commission, which generally receives nearly half of France's aggregate multilateral disbursements (exactly 47% in 1998, i.e. US\$ 785 million). In 1997, the percentage rose to a record 58%, following the role played by France in the latest negotiations on Community co-operation policy at the Cannes Summit in 1995. At that time, France undertook to finance nearly one-quarter of the 8<sup>th</sup> European Development Fund (EDF) and became its leading contributor for the period 1996–2000. France will hold its contribution steady, at 24.3%, for the 9<sup>th</sup> EDF.

7. France, alongside Japan, is the largest contributor of interest subsidies (SDR 250 million) to the IMF's Enhanced Structural Adjustment Facility (ESAF, or Growth and Poverty Reduction Facility as it is now called), and the second largest contributor to the loan account (SDR 750 million). Disbursements to the ESAF totalled US\$ 261 million in 1998.

8. In 1998, decisions were taken to replenish the resources of the International Development Association (IDA), to increase the capital of the African Development Bank (AfDB), and to replenish the African Development Fund (AfDF). The same year also saw an agreement on resources for the Special Operations Fund of the Inter-American Development Bank. France's capital contributions to the development banks totalled US\$ 37 million in 1998. Contributions to the concessionary funds of these institutions totalled US\$ 402 million.

9. Disbursements of compulsory contributions to the specialized agencies of the United Nations amounted to approximately US\$ 100 million in 1998. Voluntary contributions allocated to the general resources of six United Nations funds or programmes<sup>10</sup> totalled US\$ 22 million in 1998. They rose to US\$ 28 million in 1999, an increase of 27%, in recognition of the reform efforts of each of these agencies.

## **3. Geographical breakdown and aid for overseas territories**

10. The geographical breakdown of French aid shows that it is highly concentrated on Africa, which received 62% of gross disbursements in 1998. By way of comparison, the average for DAC Member countries was 36% in 1998. The historical ties between France and Africa explain the high percentage. The concentration should be even higher as of the year 2000, when some of the overseas territories will be withdrawn from Part I of the DAC list. However, this does not preclude a steadily wider geographical spread. Africa's share has in fact been declining and a more detailed breakdown shows that the share of aid

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10. United Nations Development Programme (UNDP), United Nations Fund for Population Activities (UNFPA), United Nations Children's Fund (UNICEF), World Food Programme, United Nations Environment Programme (UNEP) and United Nations International Drug Control Programme (UNDCP).

going to sub-Saharan Africa fell from 49% in 1996 to 44% in 1998 (after a surge to 53% in 1997) while that of North Africa remained steady at 18%. The French authorities noted that the decline was one-off, due to a lower volume of debt cancellation than expected. Côte d'Ivoire, Cameroon, Madagascar, Senegal and the Republic of the Congo are among the ten top recipients of French aid. As with many other countries of sub-Saharan Africa, France is often the largest donor of bilateral funds and its share can account for up to 50% of total aid. The largest recipient was Egypt, which received 7% of aggregate gross disbursements in 1998, but that is a temporary development. As Egypt is not one of the countries in the ZSP, France will be faced with something of a challenge in the future if it is to realign its aid allocations on policy guidelines.

11. The three overseas territories (New Caledonia, French Polynesia and Wallis and Futuna) receive a large share of French aid, along with the Territorial Collectivity of Mayotte. The share of disbursements to Oceania, almost entirely allocated to New Caledonia and French Polynesia, rose from 15% in 1996 to 19% in 1998. French Polynesia and New Caledonia alone receive 17% of gross disbursements and are the two leading beneficiaries.

12. Another characteristic of French aid is that, compared with the average for DAC Member countries, Asia and Latin America receive a relatively small share. In 1998, Asia's share was 7% of gross disbursements (compared with an average of 39% for all DAC donors), while Latin America's was 8% (DAC average, 13%).

#### **4. Breakdown by income level**

13. While a large share of French bilateral aid goes to Africa, where there is a high concentration of least developed countries (LLDCs), 22% of French bilateral ODA is allocated to the least developed countries and 26% to low-income countries. These percentages are slightly lower than the DAC averages, 24% and 31% respectively. They also appear to be slightly down on the percentages for 1996, 23% and 28% respectively. As a proportion of GNP, French bilateral ODA to LLDCs, including aid channelled through multilateral institutions (see Table I-6), amounted to only 0.07%, which falls quite a bit short of the international target of 0.15% set by the United Nations and DAC. It should be noted, however, that it is slightly above the DAC average (0.05%). Conversely, aid to high-income countries rose from 15% in 1996 to 18% in 1998 (DAC average, 3%).

14. Closer analysis of the geographical breakdown shows that, in per capita terms, the main recipients of French aid are among the richest group of countries. Gabon (per capita GDP, US\$ 4 471 in 1997) heads the list with aid of FF 484 per capita per year, followed by the Congo (per capita GDP, US\$ 849) with FF 363. At the same time, aid flows to countries like Mali (per capita GDP, US\$ 246) or Burkina Faso (per capita GDP, US\$ 229), both classified as LLDCs, were far lower at FF 51 and FF 60 per capita per year over the same period.

#### **5. Sectoral breakdown**

15. In 1997-1998, 42% of commitments were allocated to infrastructure and social services (Table I-5), which is much higher than the DAC average of 31%. A more detailed breakdown shows that education alone received 29% (DAC average, 11%), but no information is available on the percentage allocated to primary education. However, it should be borne in mind that French aid to finance activities in the education field, with the emphasis on the teaching of French, is provided more with a view to international co-operation than with a view to alleviating poverty.

16. The sectoral breakdown of bilateral aid was also characterised in recent years by the significant share of debt restructuring. In terms of gross disbursements, this share has fallen back considerably after

peaking in 1994 (see Chapter 2, section 3.1) but it remains substantial at 25% of commitments in 1997/98. In comparison, the DAC average was 10% (Table I-5). Programme assistance, consisting primarily of aid for structural adjustment, fell substantially from 15% in 1992/93 to 3% in 1996/97, bringing it closer to the DAC average of 6%. This sharp decline can be put down to the end of aid for structural adjustment programmes undertaken following the devaluation of the CFA franc.

17. The share of infrastructure projects in total bilateral ODA fell sharply, from 20% in 1987/88 to 9% in 1997/98 while the share of investment in the productive sectors fell from 16% to 8% over the same period. Emergency aid was virtually non-existent at only 0.2% of France's bilateral commitments in 1997/98, compared with a DAC average of 6% in 1996/97. Support for NGOs was also negligible compared with other DAC Member countries and accounted for only 0.2% in 1997/98 (DAC average, 2%).

## **6. Aid to CEECs/CIS**

18. In 1998, France was the second largest supplier of funds (after the United States) to Central and Eastern European Countries (CEECs) and to the Commonwealth of Independent States (CIS) of the former Soviet Union. Net bilateral and multilateral disbursements were up 4% on 1995. They totalled US\$ 780 million in 1998, but had fluctuated considerably over the last three years. Multilateral contributions channelled through the European Union accounted for 40% of net disbursements to the CEECs/CIS in 1998.

19. The main beneficiary in 1998 was Romania, which received 23% of aid flows, followed by Russia (18%), Poland (17%), Bulgaria (13%) and Hungary (10%). Aid to Romania increased from US\$ 15.2 million in 1997 to US\$ 102 million in 1998. Aid to Poland, which had headed the list of recipient countries for some time and had benefited from substantial debt forgiveness in 1993/1994, declined sharply. Other countries such as the Ukraine and the Czech Republic appear to be receiving a growing share of French aid.

20. Bilateral ODA operations, i.e. assistance to countries on Part I of the DAC list<sup>11</sup>, amounted to only 4% of total flows to the CEECs/CIS and totalled US\$ 17 million in 1998. The breakdown by sector was 18% for social infrastructure (12% for education) and 9% for debt forgiveness disbursements, with the remainder distributed among other sectors as shown in Table II-2.

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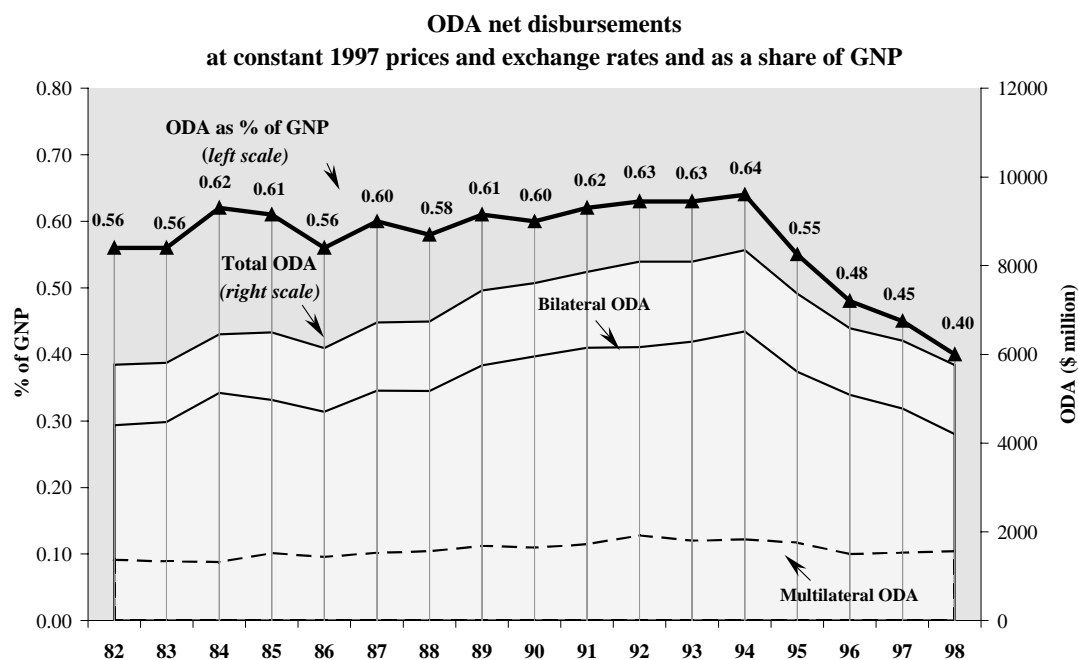
11. Albania, Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan and Uzbekistan.

**ANNEX II**  
**STATISTICS OF AID AND OTHER FLOWS**

Table II-1. Total financial flows

France	Net disbursements						
	1982-83	1987-88	1994	1995	1996	1997	1998
<b>Total official flows</b>	<b>3 315</b>	<b>6 571</b>	<b>9 250</b>	<b>9 256</b>	<b>7 879</b>	<b>6 975</b>	<b>6 374</b>
Official development assistance	2 979	5 356	8 466	8 443	7 451	6 307	5 742
Bilateral	2 283	4 125	6 611	6 429	5 754	4 777	4 185
Multilateral	696	1 232	1 855	2 015	1 697	1 530	1 557
Official aid	n.a.	n.a.	650	770	711	574	823
Bilateral			344	365	417	306	495
Multilateral			305	404	294	269	327
Other official flows	336	1 214	134	43	- 284	94	-191
Bilateral	336	1 214	134	43	- 284	94	-191
Multilateral	-	-	-	-	-	-	-
<b>Grants by NGOs</b>	<b>33</b>	<b>106</b>	<b>280</b>	<b>280</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Private flows at market terms</b>	<b>7 054</b>	<b>- 424</b>	<b>2 106</b>	<b>5 910</b>	<b>15 031</b>	<b>12 956</b>	<b>9 744</b>
Bilateral: of which	6 891	-1 057	2 168	6 297	15 031	12 956	9 744
Direct investment	668	680	1 911	2 464	4 904	5 873	8 767
Export credits	3 194	-1 697	- 33	615	888	- 472	145
Multilateral	164	633	- 63	- 387	-	-	-
<b>Total flows</b>	<b>10 403</b>	<b>6 252</b>	<b>11 635</b>	<b>15 447</b>	<b>22 910</b>	<b>19 930</b>	<b>16 118</b>
<i>for reference:</i>							
ODA (at constant 1997 \$ million)	5 789	6 729	8 350	7 370	6 590	6 307	5 760
ODA (as a % of GNP)	0.56	0.59	0.64	0.55	0.48	0.45	0.40
Total flows (as a % of GNP) (a)	1.96	0.68	0.96	0.81	1.14	1.00	0.59

a. To countries eligible for ODA.



Source : OECD.

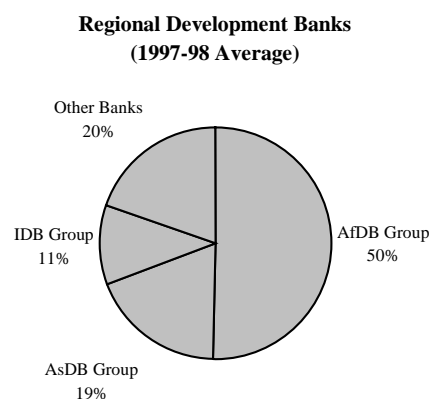
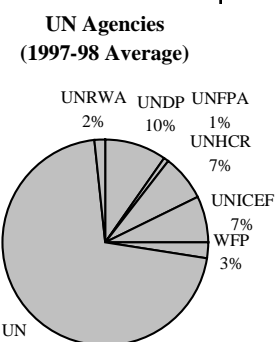
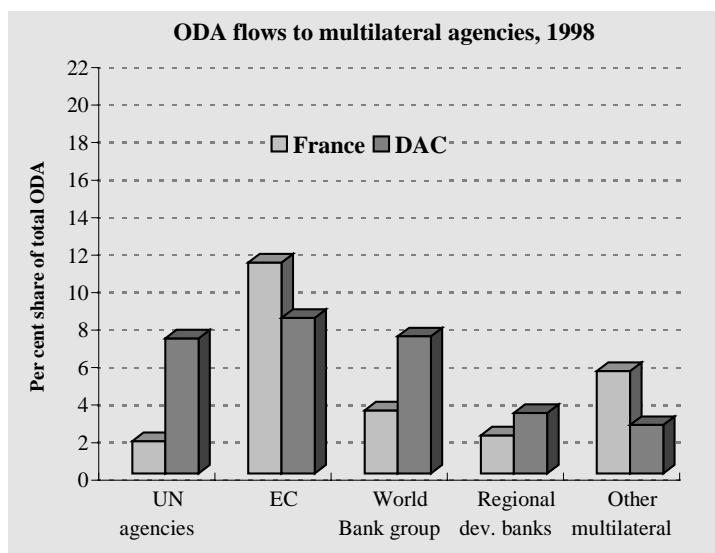
Table II-2. ODA by main categories

France	Constant 1997 \$ million					Per cent share					Total DAC 1998%
	1994	1995	1996	1997	1998	1994	1995	1996	1997	1998	
	<b>Bilateral</b>	<b>7 492</b>	<b>6 454</b>	<b>6 094</b>	<b>5 807</b>	<b>5 306</b>	<b>80</b>	<b>79</b>	<b>80</b>	<b>79</b>	
Project and programme aid											
Grants	611	610	551	488	498	7	7	7	7	7	13
Loans	1 583	1 312	1 112	900	752	17	16	15	12	11	16
Technical co-operation	2 207	2 205	2 213	2 172	2 088	24	27	29	30	30	22
Developmental Food aid (a)	72	55	62	49	52	1	1	1	1	1	2
Emergency and Distress relief (a)	121	121	85	71	89	1	1	1	1	1	5
Action relating to debt	2 035	1 390	1 293	1 568	1 236	22	17	17	21	18	6
Core support to NGOs	19	21	20	-	22	0	0	0	-	0	2
Administrative costs	273	276	268	267	272	3	3	4	4	4	5
Other grants	572	464	491	291	297	6	6	6	4	4	2
<b>Multilateral</b>	<b>1 829</b>	<b>1 758</b>	<b>1 501</b>	<b>1 530</b>	<b>1 663</b>	<b>20</b>	<b>21</b>	<b>20</b>	<b>21</b>	<b>24</b>	<b>29</b>
UN agencies	161	98	129	114	120	2	1	2	2	2	7
EC	903	859	747	881	785	10	10	10	12	11	8
World Bank group	439	430	426	292	235	5	5	6	4	3	7
Regional development banks (b)	237	136	129	131	141	3	2	2	2	2	3
Other multilateral	89	235	70	111	382	1	3	1	2	5	3
<b>Total gross ODA</b>	<b>9 321</b>	<b>8 212</b>	<b>7 595</b>	<b>7 337</b>	<b>6 969</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Repayments	- 971	- 843	- 1 005	- 1 030	- 1 209						
<b>Total net ODA</b>	<b>8 350</b>	<b>7 370</b>	<b>6 590</b>	<b>6 307</b>	<b>5 760</b>						
<i>For reference:</i>											
Aid channelled through NGOs	-	-	-	-	-						
Associated financing (c)	-	-	-	-	-						

a. Emergency food aid included with Developmental Food Aid up to end 1995.

b. Excluding EBRD.

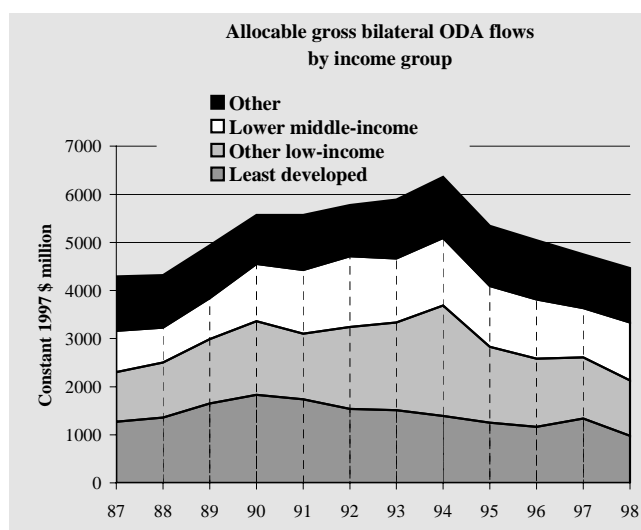
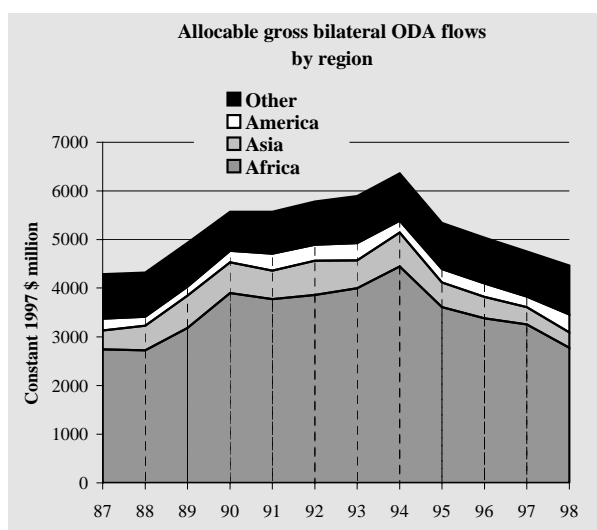
c. ODA grants and loans in associated financing packages.



Source : OECD.

Table II-3. Bilateral ODA allocable by region and income groups

France	Gross disbursements										
	Constant 1997 \$ million					Per cent share					Total DAC 1998%
	1994	1995	1996	1997	1998	1994	1995	1996	1997	1998	
<b>Africa</b>	4 449	3 607	3 383	3 256	2 775	70	68	67	68	62	<b>36</b>
Sub-Saharan Africa	3 446	2 686	2 496	2 527	1 980	54	50	49	53	44	<b>28</b>
North Africa	1 003	920	887	730	795	16	17	18	15	18	<b>8</b>
<b>Asia</b>	690	514	436	352	317	11	10	9	7	7	<b>39</b>
South and Central Asia	191	118	110	115	88	3	2	2	2	2	<b>14</b>
Far East	500	396	326	237	229	8	7	6	5	5	<b>24</b>
<b>America</b>	243	273	276	217	366	4	5	5	5	8	<b>13</b>
North and Central America	107	115	102	88	239	2	2	2	2	5	<b>7</b>
South America	136	158	175	129	127	2	3	3	3	3	<b>7</b>
<b>Middle East</b>	120	103	116	110	116	2	2	2	2	3	<b>4</b>
<b>Oceania</b>	799	815	779	776	842	13	15	15	16	19	<b>5</b>
<b>Europe</b>	62	32	53	45	52	1	1	1	1	1	<b>4</b>
<b>Total bilateral allocable</b>	<b>6 364</b>	<b>5 343</b>	<b>5 042</b>	<b>4 755</b>	<b>4 468</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Least developed</b>	1 395	1 255	1 164	1 336	978	22	23	23	28	22	<b>24</b>
<b>Other low-income</b>	2 293	1 568	1 419	1 270	1 154	36	29	28	27	26	<b>31</b>
<b>Lower middle-income</b>	1 404	1 274	1 229	1 028	1 201	22	24	24	22	27	<b>35</b>
<b>Upper middle-income</b>	456	414	435	347	340	7	8	9	7	8	<b>6</b>
<b>High-income</b>	792	811	777	775	796	12	15	15	16	18	<b>3</b>
<b>More advanced developing countries</b>	24	22	18	-	-	0	0	0	-	-	<b>-</b>
<i>For reference:</i>											
<i>Total bilateral</i>	7 492	6 454	6 094	5 806	5 305	100	100	100	100	100	100
<i>of which: Unallocated</i>	1 128	1 111	1 052	1 050	837	15	17	17	18	16	22



Source : OECD.

Table II-4. Main recipients of bilateral ODA

*Gross disbursements, two-year averages*

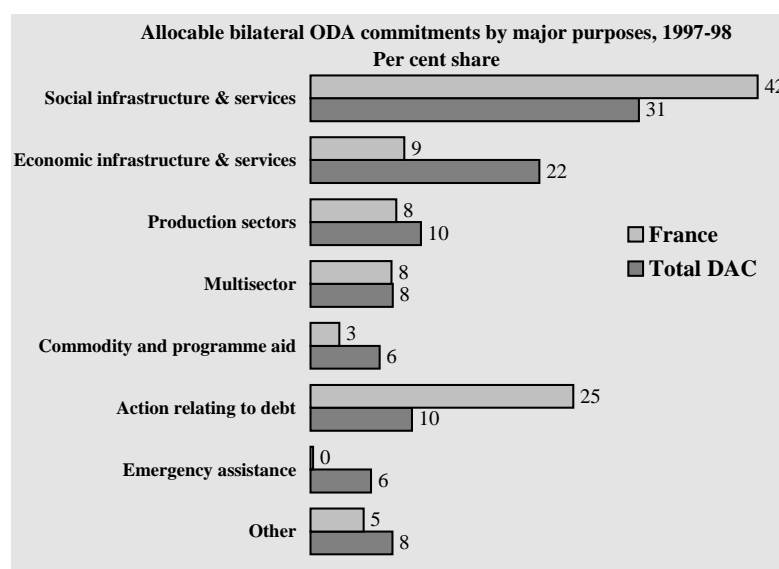
France	1987-88			1992-1993			1997-1998				
	Current \$ million	Constant 1997 \$ mn.	Per cent share	Current \$ million	Constant 1997 \$ mn.	Per cent share	Current \$ million	Constant 1997 \$ mn.	Per cent share		
French Polynesia	324	407	9	Côte d'Ivoire	555	556	10	French Polynesia	392	393	9
New Caledonia	288	363	8	Cameroon	468	468	8	New Caledonia	381	382	8
Morocco	191	241	6	New Caledonia	385	386	7	Egypt	302	303	7
Côte d'Ivoire	191	240	6	French Polynesia	347	347	6	Côte d'Ivoire	299	300	6
Senegal	181	227	5	Egypt	281	281	5	Cameroon	271	271	6
<b>Top 5 recipients</b>	<b>1 175</b>	<b>1 477</b>	<b>34</b>	<b>Top 5 recipients</b>	<b>2 037</b>	<b>2 038</b>	<b>35</b>	<b>Top 5 recipients</b>	<b>1 646</b>	<b>1 649</b>	<b>36</b>
Madagascar	110	138	3	Morocco	260	260	4	Morocco	235	235	5
Cameroon	105	132	3	Senegal	243	243	4	Madagascar	225	225	5
Egypt	91	115	3	Algeria	215	215	4	Senegal	184	185	4
China	90	113	3	Indonesia	159	158	3	Congo, Rep.	164	164	4
Congo, Rep.	87	110	3	Madagascar	153	153	3	Algeria	129	129	3
<b>Top 10 recipients</b>	<b>1 659</b>	<b>2 085</b>	<b>48</b>	<b>Top 10 recipients</b>	<b>3 067</b>	<b>3 067</b>	<b>53</b>	<b>Top 10 recipients</b>	<b>2 583</b>	<b>2 587</b>	<b>56</b>
Gabon	80	101	2	Burkina Faso	134	134	2	Mayotte	103	104	2
Central African Rep.	78	98	2	Guinea	132	131	2	Niger	95	95	2
Chad	75	94	2	China	128	127	2	Tunisia	94	95	2
Mali	72	91	2	Tunisia	106	106	2	Gabon	82	82	2
India	72	90	2	Niger	105	105	2	Burkina Faso	73	73	2
<b>Top 15 recipients</b>	<b>2 036</b>	<b>2 558</b>	<b>59</b>	<b>Top 15 recipients</b>	<b>3 671</b>	<b>3 670</b>	<b>63</b>	<b>Top 15 recipients</b>	<b>3 030</b>	<b>3 035</b>	<b>66</b>
Niger	70	87	2	Gabon	101	105	2	Mali	72	72	2
Algeria	68	86	2	Mauritania	95	102	2	Guinea	69	69	2
Guinea	67	84	2	Mali	94	96	2	Viet Nam	68	68	1
Congo, Dem. Rep.	61	76	2	Chad	93	93	2	Mozambique	58	58	1
Burkina Faso	61	76	2	Central African Rep.	87	93	1	Chad	51	51	1
<b>Top 20 recipients</b>	<b>2 362</b>	<b>2 968</b>	<b>69</b>	<b>Top 20 recipients</b>	<b>4 140</b>	<b>4 158</b>	<b>71</b>	<b>Top 20 recipients</b>	<b>3 349</b>	<b>3 354</b>	<b>73</b>
<b>Total (131 recipients)</b>	<b>3 429</b>	<b>4 308</b>	<b>100</b>	<b>Total (144 recipients)</b>	<b>5 835</b>	<b>5 834</b>	<b>100</b>	<b>Total (144 recipients)</b>	<b>4 605</b>	<b>4 612</b>	<b>100</b>
Unallocated	925	1 164		Unallocated	1 021	1 021		Unallocated	943	944	
<b>Total bilateral gross</b>	<b>4 355</b>	<b>5 472</b>		<b>Total bilateral gross</b>	<b>6 856</b>	<b>6 854</b>		<b>Total bilateral gross</b>	<b>5 548</b>	<b>5 556</b>	

Source : OECD.

Table II-5. Bilateral ODA by major purposes

Commitments, two-year averages

France	1987-88		1992-93		1997-98		Total DAC per cent
	\$ million	Per cent	\$ million	Per cent	\$ million	Per cent	
<b>Social infrastructure &amp; services</b>	<b>2 381</b>	<b>45</b>	<b>2 081</b>	<b>38</b>	<b>2 296</b>	<b>42</b>	<b>31</b>
Education	1 347	26	1 510	28	1 602	29	11
of which: basic education	-	-	-	-	-	-	1
Health	317	6	156	3	193	4	4
of which: basic health	-	-	-	-	4	0	1
Population programmes	235	4	-	-	0	0	2
Water supply & sanitation	75	1	97	2	155	3	6
Government & civil society	179	3	105	2	49	1	4
Other social infrastructure & services	227	4	212	4	297	5	4
<b>Economic infrastructure &amp; services</b>	<b>1 039</b>	<b>20</b>	<b>710</b>	<b>13</b>	<b>482</b>	<b>9</b>	<b>22</b>
Transport & storage	384	7	197	4	217	4	9
Communications	315	6	148	3	53	1	1
Energy	284	5	237	4	156	3	8
Banking & financial services	11	0	15	0	8	0	1
Business & other services	44	1	114	2	48	1	2
<b>Production sectors</b>	<b>848</b>	<b>16</b>	<b>755</b>	<b>14</b>	<b>440</b>	<b>8</b>	<b>10</b>
Agriculture, forestry & fishing	586	11	465	9	343	6	8
Industry, mining & construction	246	5	200	4	62	1	2
Trade & tourism	17	0	35	1	35	1	0
Other	-	-	55	1	-	-	0
<b>Multisector</b>	<b>396</b>	<b>8</b>	<b>494</b>	<b>9</b>	<b>416</b>	<b>8</b>	<b>8</b>
<b>Commodity and programme aid</b>	<b>254</b>	<b>5</b>	<b>823</b>	<b>15</b>	<b>148</b>	<b>3</b>	<b>6</b>
<b>Action relating to debt</b>	<b>138</b>	<b>3</b>	<b>221</b>	<b>4</b>	<b>1 350</b>	<b>25</b>	<b>10</b>
<b>Emergency assistance</b>	<b>-</b>	<b>-</b>	<b>80</b>	<b>1</b>	<b>13</b>	<b>0</b>	<b>6</b>
<b>Administrative costs of donors</b>	<b>185</b>	<b>4</b>	<b>263</b>	<b>5</b>	<b>260</b>	<b>5</b>	<b>6</b>
<b>Support to NGOs</b>	<b>-</b>	<b>-</b>	<b>23</b>	<b>0</b>	<b>12</b>	<b>0</b>	<b>2</b>
<b>Total bilateral allocable</b>	<b>5 240</b>	<b>100</b>	<b>5 451</b>	<b>100</b>	<b>5 466</b>	<b>100</b>	<b>100</b>
<i>For reference:</i>							
<i>Total bilateral</i>	<i>5 770</i>	<i>81</i>	<i>5 761</i>	<i>76</i>	<i>5 579</i>	<i>78</i>	<i>71</i>
<i>  of which: Unallocated</i>	<i>530</i>	<i>7</i>	<i>309</i>	<i>4</i>	<i>113</i>	<i>2</i>	<i>4</i>
<i>Total multilateral</i>	<i>1 326</i>	<i>19</i>	<i>1 865</i>	<i>24</i>	<i>1 594</i>	<i>22</i>	<i>29</i>
<b>Total ODA commitments</b>	<b>7 096</b>	<b>100</b>	<b>7 625</b>	<b>100</b>	<b>7 173</b>	<b>100</b>	<b>100</b>



Source : OECD.

Table II-6. Comparative aid performance

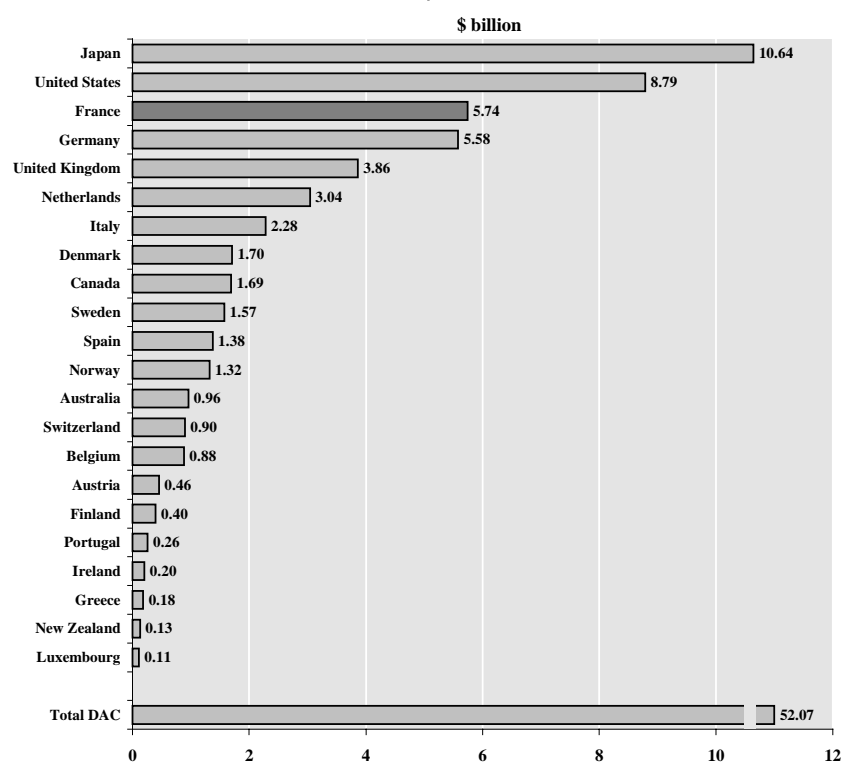
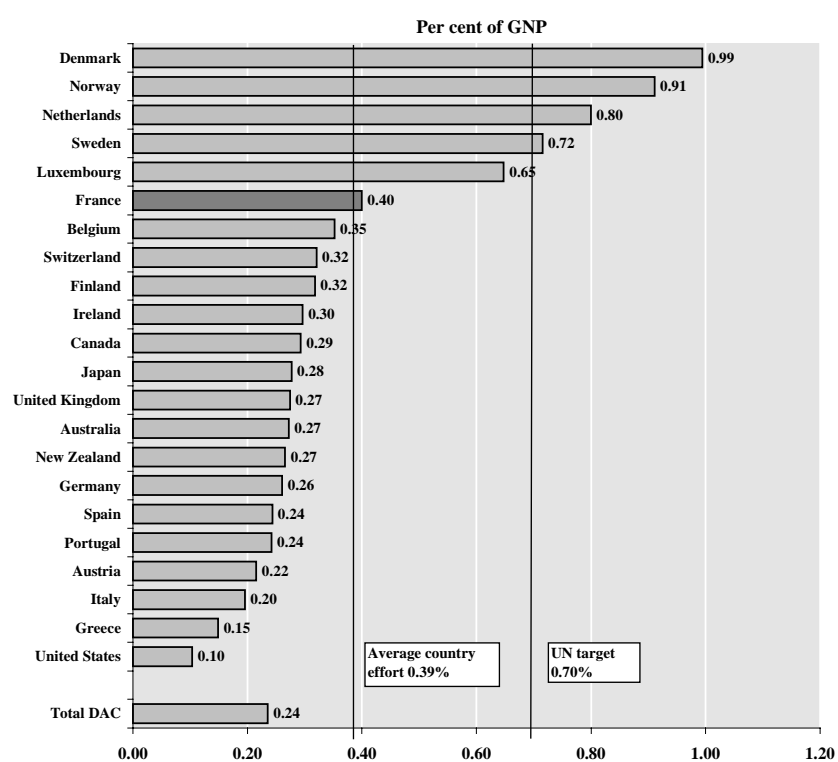
	Official development assistance			Grant element of ODA (commitments) 1998 % (a)	Share of multilateral aid 1998				ODA to LLDCs Bilateral and through multilateral agencies 1998		Official aid	
	1998		92-93 to 97-98 Ave. annual % change in real terms		% of ODA		% of GNP		% of ODA	% of GNP	1998	
	\$ million	% of GNP			(b)	(c)	(b)	(c)			\$ million	% of GNP
Australia	960	0.27	-0.3	100.0	21.7	18.4	0.06	0.04	16.5	0.04	1	0.00
Austria	456	0.22	-2.6	94.9	36.0	18.4	0.08	0.04	18.9	0.04	191	0.09
Belgium	883	0.35	-0.8	99.6	39.2	17.1	0.14	0.06	27.5	0.10	68	0.03
Canada	1 691	0.29	-3.9	100.0	28.6		0.08		20.0	0.06	157	0.03
Denmark	1 704	0.99	3.8	100.0	40.5	34.0	0.40	0.34	32.5	0.32	118	0.07
Finland	396	0.32	-5.6	99.8	47.3	30.9	0.15	0.10	26.4	0.08	82	0.07
<b>France</b>	<b>5 742</b>	<b>0.40</b>	<b>-5.7</b>	<b>92.2</b>	<b>27.1</b>	<b>13.5</b>	<b>0.11</b>	<b>0.05</b>	<b>17.5</b>	<b>0.07</b>	<b>823</b>	<b>0.06</b>
Germany	5 581	0.26	-4.7	97.2	37.5	15.3	0.10	0.04	20.9	0.05	654	0.03
Greece	179	0.15	..	..	64.7	14.3	0.10	0.02	3.8	0.01	15	0.01
Ireland	199	0.30	19.8	100.0	37.8	13.1	0.11	0.04	45.6	0.14	-	-
Italy	2 278	0.20	-12.7	99.8	69.4	38.4	0.14	0.07	35.8	0.07	243	0.02
Japan	10 640	0.28	-0.8	81.3	19.6		0.05		14.6	0.04	132	0.00
Luxembourg	112	0.65	18.2	100.0	31.3	14.4	0.20	0.09	26.0	0.17	3	0.02
Netherlands	3 042	0.80	2.3	100.0	29.9	19.8	0.24	0.16	26.4	0.21	130	0.03
New Zealand	130	0.27	3.9	100.0	24.3		0.06		21.1	0.06	0	0.00
Norway	1 321	0.91	2.7	99.6	28.1		0.26		37.3	0.34	52	0.04
Portugal	259	0.24	-1.2	96.9	31.8	8.8	0.08	0.02	54.5	0.13	22	0.02
Spain	1 376	0.24	0.3	90.3	39.1	12.2	0.10	0.03	9.1	0.02	5	0.00
Sweden	1 573	0.72	-3.7	100.0	33.8	27.7	0.24	0.20	28.4	0.20	105	0.05
Switzerland	898	0.32	-2.1	100.0	29.5		0.09		29.3	0.09	76	0.03
United Kingdom	3 864	0.27	0.6	100.0	44.8	23.2	0.12	0.06	25.8	0.07	435	0.03
United States	8 786	0.10	-8.3	99.1	31.8		0.03		15.2	0.02	2 726	0.03
<b>Total DAC</b>	<b>52 068</b>	<b>0.24</b>	<b>-3.5</b>	<b>93.5</b>	<b>32.4</b>	<b>22.8</b>	<b>0.08</b>	<b>0.05</b>	<b>20.7</b>	<b>0.05</b>	<b>6 040</b>	<b>0.03</b>
Memo: Average country effort		0.39										

*Notes:*

- a. Excluding debt reorganisation.
- b. Including European Community.
- c. Excluding European Community.
- .. Data not available.

Source : OCDE.

Graph II-1. Net ODA from DAC countries in 1997



Source : OECD.

**ANNEX III**

**LIST OF COUNTRIES BELONGING TO THE PRIORITY ZONE OF SOLIDARITY IN 1999**

**Near East:** Lebanon, Palestinian-Administered Territories.

**Northern Africa and Indian Ocean:** Angola, Benin, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Chad, Comoros, Congo, Côte d'Ivoire, Democratic Republic of Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gabon, The Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Liberia, Madagascar, Mali, Mauritania, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, São Tomé e Príncipe, Senegal, Seychelles, Sierra Leone, South Africa, Tanzania, Togo, Uganda, Zimbabwe.

**Indo-Chinese Peninsula:** Cambodia, Laos, Vietnam.

**Caribbean:** Cuba, Haiti, Lesser Antilles, Dominican Republic.

**Latin America:** Suriname.

**Pacific:** Vanuatu.

*Source:* French memorandum.

## ANNEX IV

## TAVERNIER REPORT: SUMMARY OF PROPOSALS

**1. Political approach**

- Organise an annual debate in Parliament.
- Create a development commission in the National Assembly.
- Make the CICID a dynamic and powerful body.
- Give French aid a national and international audience.

**2. European approach**

- Do not put the ACP countries at a disadvantage.
- Focus aid on the neediest countries.
- Radically alter the European Union's interventions in the countries receiving its aid.
- Make subsidiarity apply.
- Emphasise aid to regional integration.
- Watch over the Commission's new structure.

**3. Approach to other forms of French aid**

- Halt the decline in France's multilateral contributions, notably to the UN institutions.
- Ensure that a European model of development is recognised by the Bretton Woods organisations.
- Schedule aid to the priority zone of solidarity without delay.

**4. Approach to public opinion and aid intermediaries**

- Increase still further the involvement of local government in France's ODA effort.
- Increase the involvement of non-governmental organisations.

**5. Intellectual and scientific approach**

- Win acceptance for a European (if possible) development model.

**6. Budgetary approach**

- Maintain a sufficient level of ODA.
- Do not fail to assist those whose capabilities and qualities it is desired to use.

**7. Administrative approach**

- Improve the circulation of information.
- Strengthen cross-ministry review, via the SGCI, of all projects and programmes including IMF and World Bank.