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05.11.03 **More aid, debt relief – focus of French cooperation**

(MFI) An increase in official development assistance (ODA), which began in 2003, and an easing of the debt burden of the poorest countries, the majority of which are African, remain focal points in France's economic cooperation with Africa.

The French Foreign Ministry's draft 2006 budget again reflects France's eagerness to live up to its ODA commitments, in spite of financial constraints and government measures of relative austerity. One of the headings, concerning what is described as the "Mission of official development assistance", provides for spending in excess of 3 billion euros by the Quai d'Orsay. The aim is to raise France's ODA in 2006 to 0.47 percent of its gross national revenue (GNI), in order to remain in line with the target of reaching 0.7 percent in 2012.

This is the objective set in 1970 by the United Nations which deemed that aid of this magnitude from rich nations was required to enable the economies of poor countries to take off. But 35 years later only five donor countries – Denmark, Luxembourg, the Netherlands, Norway and Sweden – have actually attained or exceeded this level. The combined ODA/GNI ratio of donors in the OECD's Development Assistance Committee (DAC) barely exceeded 0.25 percent in 2004. The European Union (EU) has committed to providing 0.56 percent of the union's RNB as development aid by 2010. With its target of 0.7 percent in 2012, France should thus be well ahead of the European average.

The UN-sponsored objective not only has the support of non-governmental organisations (NGOs) and the developing countries, but is also endorsed by most donor countries, including the Europeans. The United States, the leading donor in volume terms but opposed to any precise target, is a notable exception. But everybody, including the strongest supporters of replacing aid by private initiative and trade, recognise that, in the context of globalisation, there is a need to avoid a further widening of the gap between rich and poor. Africa, faced with natural calamities, pandemics and conflicts which aggravate its poverty, in spite of its known or potential resources, is at the centre of this new current of solidarity – which is, however, still not enough to help the continent reach the Millennium Development Goals (MDG), including the halving of world poverty by 2015.

A multilateral effort backed by the G8

Meeting in early July 2005 at Gleneagles (Scotland), leaders of the G8, the seven major industrial powers and Russia, renewed their commitments to Africa and – under pressure from host country Britain and France – recognised that *"a substantial increase"* of ODA, combined with other resources, is needed to help poor countries attain the MDG. The commitments by the G8 and other donors, endorsed at the annual meetings of the International Monetary Fund and the World Bank in September 2005, should result in a doubling of ODA flows to Africa by 2010, to around 50 billion dollars compared with 25 billion in 2004. But an increase in overall ODA will not always mean *"new money"* because donors include in their figures both debt relief (for the poorest debtors but also for countries like Iraq), emergency aid (as for the Asian tsunami victims), and technical assistance.

The Gleneagles G8 summit also agreed on a supplementary gesture in favour of the highly indebted poor countries (HIPC) by promising full cancellation of the multilateral debt of the 18 countries – including 14 African states – which had so far completed the HIPC process initiated by the IMF and the World Bank in 1996. These countries will therefore benefit from a 100 percent write-off – instead of 90 percent – of debt owed to the IMF, to the International Development Association (IDA) which is the World Bank's soft loan window for low-income countries, and to the African Development Bank (AfDB). They may be rejoined by early 2007 by a dozen others, including Congo-Brazzaville, Côte d'Ivoire or Sudan, which are emerging from internal troubles or civil wars.

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<u>**France’s ODA and debt relief**</u>

French policymakers have set two key priorities for French policy in this field: firstly, to boost financial flows to developing countries, and secondly, to increase aid efficiency, notably through the reform of cooperation policy initiated in 2004 and multilateral harmonisation of aid delivery. At the Monterrey (Mexico° conference on Finance for development in March 2002, President Jacques Chirac committed France to increase its ODA/GNI ratio to 0.7 percent by 2012, with an intermediary target of 0.5 percent in 2007. French ODA hit a low point of 0.32 percent in 2001 and has recovered to an estimated 0.44 percent in 2005.

France is the leading contributor to the European Development Fund (EDF) and in January 2005 became the main donor to the African Development Fund. It has also increased its contribution to IDA by 41 percent, and has decided to boost its voluntary contributions to UN agencies by 20 million euros annually between 2005 and 2007.

Aid to Africa remains a priority for France’s cooperation; the region receives two-thirds of its bilateral aid, geared mainly toward the achievement of the MDG. A special effort is being made in favour of the least developed countries (LDCs) with a view to raising aid flows to 0.15 percent of GNI by 2012. Within the Priority solidarity zone, France also places special emphasis on francophone Africa and on countries emerging from conflict. French aid targets seven specific sectors: education; water and sanitation; health and combat against AIDS; infrastructure development in sub-Saharan Africa; agriculture and food security; protection of the environment; and the productive sector.

In the highly indebted countries, France has continued a debt reduction process supplementing the HIPC mechanism, by signing new *contrats de désendettement-développement* (C2D), which make it possible for beneficiary states to channel budgetary savings from debt cancellation into spending aimed at reducing poverty, especially in the fields of health and education. This approach is one of France’s specific contributions to the enhanced HIPC initiative, and civil society representatives and local authorities are in principle closely associated with it.

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