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POLICY BRIEF

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Post-2015 development challenges: implications for official development assistance

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The post-2015 development agenda offers the opportunity to gather and deal with the new challenges of poverty, rising inequality and environmental sustainability within the same framework. In this regard, France can make a specific and significant contribution to the debate, given that from an early stage it has placed an emphasis on the problems of inequality and consistently supported the integration of development and environment agendas.

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RECOMMENDATIONS

- There is an urgent need for countries that provide official development assistance (ODA) to ensure consistency between instruments and end results. For France, the alternative is to either provide the necessary means to implement its policies, or to restrict its thematic and geographical ambitions, venturing on just one or two priority intervention areas.
- In any case, France must rethink its *ex ante* ODA allocation model to base it on principles that are more clearly defined and operational than the present ones.
- A third priority is to improve the capacity for collective foresight in a landscape where development funding is rapidly evolving. The ability of development actors to construct public policies that are based on explicit discussions about visions to transform sectors, with a philosophy that promotes learning and dialogues around policies, must be significantly enhanced and sustained. This must be accomplished in all developing countries, including least developed countries.
- Finally, the improvement of the coordination of actors in the field – especially with regard to new public and private donors – must be given unabated priority in the development agenda.

1. POST-2015 DEVELOPMENT CHALLENGES, AN OVERVIEW

The new geography of poverty

Twenty years ago, the poorest countries in terms of per capita income were also those where the largest numbers of poor people were concentrated. Today, two-thirds of the world's poor live in densely populated middle-income countries (MICs), including Pakistan, India, China, Nigeria and Indonesia. A number of MICs are both aid recipients and donors of development aid. Since 2000, the number of poor people living in MICs has reached more than 700 million. This shift is a result of countries changing income category through growth.

Economic growth transforms the geography of poverty. In a scenario of moderate growth and with an unchanging inequality structure – which, like any scenario, is open to question – Sumner (2012) estimated that by 2030, assuming a poverty line of \$2 per day, current and new MICs will account for more than 50% of the poverty distribution across countries.

Rising inequality

The global income inequality between countries has decreased over the last decade for the first time since the eighteenth century, spurred on by the growth of emerging countries – Sub-Saharan Africa being an exception to this trend (Morrisson and Murtin, 2012). Meanwhile, inequalities within countries themselves are on the rise. Income inequalities and, even more so, inequalities of opportunities, represent a major challenge for the twenty-first century that all countries are now facing, both rich and poor (Genevey, Pachauri and Tubiana, 2013).

Additional challenges of sustainability

The negative environmental consequences resulting from our development modes are today subject to numerous measures and are the topic of many reports, the most recent of which include the *Global Environmental Outlook (GEO-5)* (UNEP, 2012) and *Resilient people. Resilient Planet. A Future Worth Choosing*, prepared for the Secretary General of the United Nations (UN, 2012). Echoing *The Limits to Growth* presented by Dennis Meadows to the Club of Rome in 1972, the reports describe the depletion and degradation of natural resources. They warn us against the potential economic and social effects. It is therefore clear that new development models, which are lower in resource use, must be invented and implemented in both the North and the South, given that single-handed approaches look unlikely to succeed. The environment has (once again) become a development issue.

In 2050, the world population is expected to exceed nine billion and overall economic output is

likely to increase by a factor of four compared to today's level. According to OECD scenarios, such a quadrupling of economic output would entail close to a doubling of energy consumption. This would mean that, on a business as usual basis, the share of fossil fuels in the global energy mix would be expected to stabilise around 85%, a level that is absolutely incompatible with the objective of limiting a temperature increase to 2°C.

The physical and economic challenge posed by the depletion and degradation of natural resources is compounded by the political challenge to imagine development trajectories that rapidly decouple from resources that are rare and/or highly polluting. This challenge, like its predecessors, is universal. It requires prospective and consultation work to be positioned very early on in the public policy development cycle, and to take a 'backcasting' approach to problem solving, whereas the conventional method is typically the opposite approach, i.e. predicting the future based on existing trends.

2. IMPLICATIONS FOR THE ALLOCATION OF OFFICIAL DEVELOPMENT ASSISTANCE

An increase in financing needs

To tackle a growing number of challenges with a fixed official development assistance (ODA) budget is a difficult task. The reorientation of developmental trajectories in response to the aforementioned challenges and constraints tends to increase the need for financing from developing countries. It forces us to reconsider the place of aid in a broader and more coherent portfolio of financing sources and instruments. It is vital to have the widest possible diversity of financing instruments available to be able to address the growing number of challenges that are raised by the development and heterogeneity of situations in the countries and households that receive assistance.

The revision of allocation criteria

From the UN's perspective of an objective of zero extreme poverty in 2030, should assistance be targeted towards poor populations whatever the country or, conversely, should aid be allocated according to the incidence of poverty, that is to say, should aid be targeted towards poor countries to the exclusion of others? Is it not the case that a poor person in an MIC has a greater chance of escaping from poverty than a poor person in a poor country (Guillaumont, 2013)? On a very practical level, should the member countries of the OECD's Development Assistance

1. Backcasting is to describe a desirable (and sustainable) future and then to define (flexible) strategies to achieve it.

Committee (DAC) intervene to reduce poverty in MICs and, where appropriate, what instruments should be used? As highlighted by Tomasi (2014), the answer to this question has important implications for the legitimacy of aid in donor countries: at a moment when they are faced with a prolonged slowdown in growth, widening deficits and increased domestic poverty, targeting assistance towards MICs with high growth could have a long-term affect on popular support for aid policies.

A reversal of the rationale behind aid instrumentation, shifting towards loans at the expense of donations

The current rationale—more loans, fewer donations—that we see being applied in France is reaching its limits because it is not accompanied by genuine selectivity, due to a lack of an effective definition of the allocation criteria. Moreover, this approach isolates so-called ‘aid orphans’, i.e. countries at the margins of global ODA. According to DAC calculations, in 2011 eight countries appeared as aid orphans, that is to say they received a volume of ODA per capita that was well below the average of what they could claim on the basis of the allocation criteria in force among bilateral and multilateral donors: all of these eight countries identified were among the least developed countries (LDCs) (Madagascar, Malawi, Bangladesh, Gambia, Guinea, Niger, Togo and Nepal). Aid orphan countries are largely those that do not receive French aid due to the reduction of subsidies and/or grants caps per country. Ultimately, the aid instrument is a fundamental determinant of the geography of assistance. What will happen to aid orphan countries in the development financing portfolio after 2015?

3. SCOPE AND LIMITATIONS OF FRENCH AID'S REACTION TO THE CHALLENGES

Valuable experience for addressing the challenges

France benefits from an experience of some 70 years of development history and practice, based on priorities that are more than simply the fight against extreme poverty and a series of Millennium Development Goals (MDGs): a general objective of sustainable development and reducing inequalities; an approach based on universality and law; giving consideration to the development of public policies in recipient countries, differentiated on geography and fragility criteria. French public development aid integrates international priorities and principles, with a certain “je ne sais quoi”, more unique and more tuned in to contemporary development challenges. The post-2015 development agenda

now incorporates some of the concerns that French assistance had already identified; France now has to demonstrate its ability to not only accurately identify and describe problems before other countries have seen them, but also to provide practical and sustainable solutions in the field.

PROGRESSIVELY RATIONALIZING AND ENSURING THE COHERENCE OF ASSISTANCE ECOSYSTEMS

For twenty years, efforts have been made by aid institutions to rationalize the mechanisms of intervention, measurement and the improvement of ODA performance. In France, such efforts have translated into a Europeanization and multilateralization of assistance and, eventually, into an increased porosity between assistance ecosystems. In 2012, 65% of net French ODA was bilateral, 19% was European and 16% was multilateral – while the share of EU aid accounted for only 10% in 1993; its proportion has therefore doubled in 20 years. The 65/16/19 percentage distribution is however misleading and masks the reality of the extraordinary collapse of the bilateral means of French cooperation, since the French bilateral device now has in practice a one and only main instrument: the loan.²

Beyond instruments alone, Europeanization is embodied in the European Consensus on Development, adopted in 2005 and which sets out the values, objectives and principles to be put in practice by the European Union and its Member States in their development policies (development assistance being a shared competence between the EU and its Member States since the entry into force of the Lisbon Treaty in December 2009), but also in the coordination between the Member States and the European Commission (including through a code of conduct on complementarity and division of labour) and in joint programming. This has become a high priority work stream for the coming years.³

A lack of vision and strategic leadership

However, efforts of rationalization, measurement and performance improvement for ODA have had the paradoxical effect in France to maintain, if not increase, the complexity of institutional

2. The bilateral share mentioned here (65%) includes the ‘In Donors costs’ (reception of refugees, costs of foreign students in France, administrative costs, etc.) and debt cancellations, i.e. all expenses which (1) do not result in a flow of funds to developing countries and (2) do not participate in the financing of public policies in developing countries.

3. The aim is to build on the good practice of the division of labour between donors and to develop a joint European response based on national strategies of partner countries. Visibility of EU support will be enhanced. This exercise was launched in 2012, on a voluntary basis, in view to its generalization in the next multiannual financial framework (2014-2020).

arrangements for aid, with French ODA now characterized by multiple goals, shrinking resources and a division of responsibilities and leadership between the two supervisory administrations (foreign affairs and finance) and a pivotal operator (French development agency, AFD), which has ultimately contributed to the dispersion of strategic and political leadership at both bilateral and multilateral levels.

The inconsistency between means and ends

The diversity of aid instruments has long been the added value of French assistance, which is consistent with the diversity of the country's objectives and its geographic reach. Today, grants and technical assistance have virtually disappeared and, to put it bluntly, France does not give itself the means to implement its own policies and cannot meet the increased number of targets assigned to ODA. Can France still find the means and the will to be a credible actor in cooperative aid efforts in poor and fragile countries and/or sectors of human development and governance – which require subsidies – through channels that are at the same time European, multilateral and bilateral? Will France seek to recreate this diversity of resources, in support of its policy priorities that could form the basis of the post-2015 development agenda? Or will it admit to being incapable of doing so? If the latter is the case, then France must restrict its geographical and thematic ambitions and make a difficult decision on the identification of one or two priority areas of intervention.

4. OUR RECOMMENDATIONS TO ENHANCE THE RESPONSE CAPACITY OF ASSISTANCE

The first matter of urgency for ODA-providing countries is to ensure consistency between the means and the ends, and in the example of France, to restore the means of its policy or to further streamline it. In this case, according to the latter option: to refine the concept and implementation of differentiated partnerships, to limit and simplify the priorities on the basis of a clear added value in the overall portfolio of financing for development. At the other extreme, France may consider whether to expand its budgetary margins for manoeuvre within the French Treasury's 'programme 110' to halt its slide down the ranks of contributors to international financial institutions and, as a corollary, its loss of influence in determining the priorities of these institutions.

The second matter of urgency is to strengthen the collective capacity for foresight in a development funding landscape that has been rapidly changing for ten years. This capacity of development actors to support the construction of public policies through explicit discussions about ideas on ways to transform sectors, with a philosophy that promotes learning and dialogues around policies, must be significantly increased, and in all developing countries, including LDCs. The diversity of solutions and national trajectories must be reintroduced into the design of public policies of aid-receiving countries, regardless of their income level.

Increasing coordination and reducing fragmentation among donors are the priorities outlined by the Paris Declaration on Aid Effectiveness (2005). The lack of coordination encourages the creation of trust funds and project aid, and thwarts the French ambition to strengthen public policies. Coordination of actors in the field – especially with new public and private donors – is an intangible priority on the development agenda.

Finally, the clarification of what must be included within ODA is inseparable from the above-mentioned high priorities and from the choices that will be made about the role allocated to assistance in the post-2015 financing portfolio. ■

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