

DEVELOPMENT AID CSR AS A GUIDING PRINCIPLE

FRANCE, A MAJOR PLAYER IN DEVELOPMENT AID

France is an influential player in terms of international development assistance. **It is the third largest donor in the G7 and the French Development Agency (AFD, Agence Française au Développement) does more than any other bilateral donor.**

In this context, the new programming law on community development and the fight against global inequalities¹ **will serve to increase its influence by raising the rate of aid from 0.37% to 0.55% of gross national income (GNI) in 2022.**

The focus will be on **grants rather than loans** to the most vulnerable countries (18 countries in sub-Saharan Africa, and Haiti) and in sectors such as environment and climate, gender equality, crisis management, access to human rights, health, education, food security and water management.

France is once again proving to be ambitious in development aid

A SHARP DECLINE IN THE PRESENCE OF FRENCH AND EUROPEAN ECONOMIC PLAYERS AND COMPANIES FROM BENEFICIARY COUNTRIES IN PUBLIC DEVELOPMENT AID CONTRACTS

The observation is damning; major equipment manufacturers in the water sector have experienced a massive drop in projects in African countries financed by France (the majority of which come from the French Development Agency) since 2010. The drop is 80% for the water sector. This observation is shared by the major French and European public works companies, which are no longer able to compete.

Indeed, numerous project files financed by the French Development Agency are no longer followed up by French and European companies due to imbalanced competition. Furthermore, when responding to these cases, they have to use products from Asia. Companies in the beneficiary countries are also not really in a position to respond to tenders.

The presence of French players (construction, engineering, services, equipment manufacturers, etc.) is declining in exports in all sectors due to imbalanced competition with Asian rivals.

A REALITY: ASIAN COUNTRIES PRACTICE TYING (WITH RULES OF ORIGIN) AND ARE LESS DEMANDING IN TERMS OF CSR CRITERIA

Large countries, particularly in Asia, use international aid with rules of origin. Because they are not members of the Development Assistance Committee, they are not obliged to untie their development aid. Similarly, external institutions that are not members of the Development Assistance Committee (the Islamic Development Bank (IDB), the Arab Bank for Economic Development in Africa, Saudi Arabia, Kuwait and Taiwan) practice tying. The doctrine of the untying has considerably weakened the level of exports of French and European groups, weakened the companies in the beneficiary countries and allowed for the rise of large state-owned companies in emerging countries, particularly in Africa.

1. LAW No. 2021-1031 of 4 August 2021 on programming for community development and the fight against global inequalities.

DEVELOPMENT AID CSR AS A GUIDING PRINCIPLE

Major Asian countries impose rules of origin in their development assistance projects, which totally excludes European countries.
Moreover, due to the absence of CSR criteria, they have a majority share in large drinking water projects financed by France and EU countries.
This is a major distortion of competition that contributes to France's loss of economic influence.

European offers with CSR criteria are of higher quality and more sustainable and profitable in the long term for the beneficiary countries.

The longevity and durability of the solutions provided by European construction companies and water companies provide beneficiary countries with durable infrastructure and reduced maintenance costs, thereby reducing operating costs in the long term.
The concepts of full life cycle costing and overall environmental value as required by the European public procurement rules contribute to the economic profitability of better-quality European offers. Low maintenance, durable construction and adherence to deadlines are the main strengths of European offers.

A high quality, durable European offer including CSR criteria, using a significant proportion of local subcontracting, ensures profitable investment thanks to a longer lifespan and reduced maintenance compared to "low-cost" offers with deadlines that are too often not met.

LET US DEFEND OUR VALUES WITH TWO PRIORITIES:

A) SYSTEMATIC INTEGRATION FOR FRENCH OFFICIAL DEVELOPMENT ASSISTANCE LOANS:

These criteria should include:

- ▶ **Respect for human rights and the prohibition of forced labour**
- ▶ **Respect for labour and trade union rights**
- ▶ **The fight against corruption**
- ▶ **Respect for health and safety at work**
- ▶ **Respect for the environment**
- ▶ **Sustainability and durability of investments**



DEVELOPMENT AID CSR AS A GUIDING PRINCIPLE

B) REQUIRING EUROPEAN ORIGIN FOR DONATIONS FUNDED BY FRANCE

Donations from France can benefit from rules of European origin as do most major OECD countries*. Like other European countries, France must urgently integrate the European restriction in the context of donations, as permitted by European and OECD rules.

**Organisation for Economic Co-operation and Development*

FOCUS ON THE PROGRAMMING LAW ON COMMUNITY DEVELOPMENT AND THE FIGHT AGAINST GLOBAL INEQUALITY

PRACTICAL FOCUS:

FOR IMPLEMENTATING CALLS FOR TENDER

- *Mandatory inclusion of these criteria in tender documents for beneficiary countries*
- *Publication of explanatory guidelines and instructions by AFD on CSR requirements and how to integrate them operationally*
- *Performance indicator as a percentage of the number of tenders with CSR criteria*

ATTACHED GLOBAL PARTNERSHIP FRAMEWORK REPORT

What law no. 2021-1031 of 4 August 2021 on programming for community development and the fight against global inequalities states.



Photo credit: AdobeStock

Strengthening trade capacity for inclusive and sustainable economic growth.

France also supports respect for fundamental rights and social and environmental standards through generalised schemes of preference and through these trade agreements, with the systematic inclusion of binding commitments regarding the proper ratification by third countries of the relevant international conventions and in particular of the Paris Climate Agreement and ILO conventions. In addition to Aid for Trade, France provides vital technical assistance to ensure the products involved in the various projects are sustainable.

In partner countries and with other donors, it promotes the inclusion of social and environmental responsibility criteria in public procurement and, where appropriate, their reinforcement for public contracts that already include them.

DEVELOPMENT AID CSR AS A GUIDING PRINCIPLE



Photo credit: AdobeStock

What will it achieve?

Promoting the notions of social and environmental responsibility in selection and award criteria for public development aid contracts financed by French development agencies, particularly those concerning the protection of the environment, respect for labour law, trade union rights, the prohibition of forced labour, non-corruption and human rights. It will encourage companies bidding for these contracts to better respect values in line with the principles of development aid, such as United Nations Global Compact criteria and its ten universally accepted principles relating to human rights, labour standards, the environment and the fight against corruption.

This will help strengthen the virtuous dynamic of CSR criteria and make public procurement and development aid a real tool for sustainable development.

These criteria will also allow contracts to be considered in terms of their overall cost rather than the initial cost of supplies and works. Indeed, the issues of sustainability, product life cycle and maintenance costs must also be taken into account, as stated in the report attached to the bill with regard to the "vital technical assistance" that France must provide "to guarantee the sustainability of the products concerned by the various projects".

In addition, in all OECD countries, strict Social and Environmental Responsibility (SER) rules apply to companies, particularly with regard to the fight against corruption, respect for labour law (and trade union rights) and the environment. On a voluntary basis and for certain sensitive projects (environmental, access to water, sustainable development, etc.), some OECD countries introduce restrictive criteria (geographical criteria, CSR, respect for human rights, prohibition of forced labour, labour law, etc.) in selection criteria for calls for tender on public development aid contracts. These conditions are not taken into account by some major emerging powers.

FOCUS ON THE WATER SECTOR

Currently, nearly 2.1 billion people lack access to safe drinking water and 4.5 billion people lack access to sanitation, and nearly 40% of the world's population will face water shortages by 2050.

As parliamentarians will confirm, water and sanitation are at the heart of the challenges of "economic development, health, food security and better nutrition, education and gender equality, environmental preservation and adapting to climate change, the social, economic and political stability of our societies, and the preservation of security and peace throughout the world. "



Photo credit: AdobeStock