

Preparing for the 2012 UN Development Cooperation Forum  
*Luxembourg High Level Symposium – 18 & 19 October 2011*  
**“Working together to increase the development impact of aid”**

PANEL 3 – Using Aid as a catalyst for Foreign Direct Investment (FDI)

**Objective:** *assess how to use aid to attract foreign private flows that support the MDGs and national development priorities. Discuss issues related to the role of the private sector in development cooperation.*

**CSO Statement – by Olivier Consolo, director of CONCORD**

**Introduction:**

Thanks to the organizers (UN & Luxembourg Government) for associating CSO representatives at each Panel.

From what I have heard all around the day, it seems that the “for-profit private sector” will end with poverty. This is good news! Sorry to be ironic and above all skeptical. It is a serious assumption.

But first we might ask ourselves: why these old strategies set in the 80s by International Financial Institutional (IFIs), have not yet delivered poverty eradication? Why are they back to the front?

We don't see anything “new” in the recent new orientations of donors... including from the last week “agenda for change” of the EU... Nothing really new!

**7 short comments & remarks that sum up the concerns of CSO (not just in Europe):**

1. From background notes circulated for this symposium, 30% of current ODA is already channeled through support to private sector, support to FDI and infrastructures. But those figures remain very un-transparent. Few questions. Can we access to these data? What do we learn from this Aid modality? What are the for-profit private sector “aid and development effectiveness guiding principles”? CSO have been asked by donors to develop their own framework since 2005... Can we answer these questions BEFORE deciding to increase the share of ODA going through support to FDI and for-profit private sector?
2. As MsMigiro, deputy secretary general of the United Nations, reminded us this morning, ODA is primarily supposed to deliver Poverty Eradication. CSOs might see the link between FDI and Growth, but we don't see the explicit link between FDI and Fight against poverty. This is not an idealistic aspiration. Aid instruments and policies have clear objectives, among which the fight against poverty is the main one. Then, showing and demonstrating impact in fighting poverty is not ‘optional’, it is a binding provision of Development Cooperation!  
Let remind that 75% of poor people today are living in middle income countries... meaning countries that have been performing very well on “growth” levels for the last 15 years. This trend might lead to legitimate questions about the link between growth and poverty reduction!?
3. As Nuria Molina raised it this morning, ODA should not be used to cover risk of OECD companies. There are other mechanisms that exist since decades, within multilateral/regional banks and at national level in donor countries.
4. Support to “for-profit private sector” should be mainly targeting local and national firms, enterprises and actors from partner countries. Today a big part of resources goes to support transnational business in developing countries.

5. We are worried that the international community has dramatically limited the possibility for developing countries to regulate FDI, leading to significant tax exemptions, as raised by M. Culpeper earlier this afternoon.
6. We see in this trend of using ODA to boost FDI a way of re-tying Aid. In times of crises, donors' governments want to see their firms benefiting from development cooperation... This is totally in contradiction with the Paris declaration principles and commitments. Emerging donors' own practices are increasingly quoted as an excuse to push for re-tying of Aid.
7. We are concerned that support to FDI often leads to the privatization of public services, as it has been the case the 30 last years. With which results on the access to public services for poor people? Are we learning something from the past?

**Two final remarks:**

- We invite you to look at the recent video from Oxfam that has been presented yesterday to the European Investment Bank. A video about an investment into pine and eucalyptus plantations by a UK firm in Uganda, with support from EU Aid and which led to the expulsion of thousands of persons living in the area... Is it what we have in mind when we talk about "using aid as catalyst for FDI" (the title of this panel discussion)? What are the complain mechanisms that donor countries are setting up to allow local communities and Human right defenders to raise those realities from the field?
- From our experiences in the field, raising the impact of Aid should be done by INVESTING IN PEOPLE. In the millions of people that take concrete initiatives at local level (economical, social and political initiatives). **They are the private sector we want ODA to support!**  
This support should also show a clear focus on women and girls (both for Aid and within private sector)... A dimension that was almost absent from ALL debates today (with the exception of the panel on microfinance)!

Thanks for your attention.