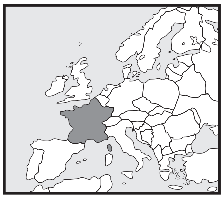
FRANCE

Unemployment, exclusion and ineffective aid



In France the world crisis has had a direct impact on the people, as it has in all the developed countries – which is where it began. The most obvious effects have been rising unemployment and increased social exclusion, and sectors that not long ago were in a comfortable situation are even suffering food shortages. In addition, because of the crisis and the country's inability to create new resources for Official Development Assistance, this aid has been cut back sharply and France will not fulfil its commitments in this area.

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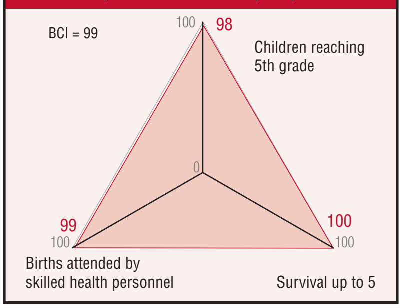
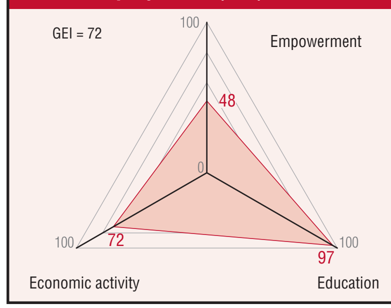
This report is an analysis of the consequences of the economic crisis not only in terms of its impact on the French people, which is evident in rising unemployment, increased marginalisation and even food shortages, but also as regards its negative repercussions for the country's official development assistance effort, thus affecting the beneficiaries of these programmes.

Basic Capabilities Index (BCI)



Gender Equity Index (GEI)



Unemployment and exclusion: the face of the crisis

France's socio-economic structure has been tottering since the last quarter of 2008, and social plans in enterprises have multiplied. In December the Natixis Bank announced the loss of 450 jobs on top of the 850 layoffs that occurred in May. In November 2008, PSA Peugeot Citroën implemented the 'voluntary retirement' of 3,550 employees. In October, the computer supplies group Hewlett-Packard announced 580 redundancies, and in December the automobile equipment manufacturer Valeo reported the loss of 1,600 jobs.

In the first six months of 2009, Sanofi-Aventis, the leading pharmaceutical group in France, announced the first phase of a 'voluntary retirement' scheme affecting approximately 1,300 employees, and it plans to close down four research centres in the country. In February 2009, the specialist telecommunications group Alcatel-Lucent laid off 200 direct employees, and a further 400 sub-contractors lost their jobs too. According to the French Economic Observatory (OFCE), "The French economy could lose approximately 800,000 jobs in 2009 and 2010".

According to Cáritas France, a total of "...492,000 euros in supplementary aid was allocated in the first eight months of 2008. In Savoy (in the south-east), unemployed day labourers are coming in to our refuge centres. In the Eure (in the west), a rural area, temporary employment agencies are overwhelmed and are having to refuse new registrations. In the so called Gold Coast (south-east of Paris), the high cost of petrol and food have had a severe impact since the start of the year. In this sector, people in need are coming to us more and more frequently just to try to survive to the end of the month(…) In the Val-de-Marne, the Paris region itself, there has been a big increase in the number of food parcels distributed".

In January 2009, the Research Centre for the Study of the Conditions of Life (CREDOC) presented evidence of the impact the economic crisis is having on the supply of food: some 66% of households that are below the poverty threshold (880 euros per month per person) have had to reduce their consumption of meat, fish, fruit and vegetables, and in some homes people even skip lunch or dinner.

Nothing left but self-respect

The numbers of people soliciting food, the unemployed, people in debt and/or who are denied access to support, have multiplied. In 2009, according to the Bank of France over-indebtedness barometer, some 20,225 people filed in February and 21,247 in March, which is 16% more than during the same period in 2008. Some 85% of these involve renewable credits, and these open-ended loans are very costly and cannot be controlled by the lenders.

We hear a similar diagnosis from the Doctors of the World association: "Poor workers are coming into our centres again, in many cases undocumented workers, the beneficiaries of social assistance, and people who do not have the means to pay health insurance. Most people with economic problems delay seeking assistance ...When people who are socially included but cannot get to the end of the month come to us, they've got to set their self-respect aside", said one director of a charity organization. "Many of them tell us that".

The response

Action is urgently needed to cope with this continuing or even worsening fracture in the social structure. What is needed is to deal as closely as possible with people who are excluded and give them clear priority in policies. Are government initiatives doing this? In the spring, the authorities launched an emergency plan to help the 434,300 young people under 25 who are unemployed. This involved creating around 100,000 supplementary alternative contracts in the private sector (for learning, for vocational training), and there are special premiums whereby enterprises are paid between EUR 1,000 and 2,000 for each contract created. The most important measure, the Active Solidarity Income scheme (RSA) began to be implemented last June. Poor workers (some 800,000) receive a supplementary wage – and an acceptable level of income – when they resume an activity.

However, the RSA only really serves to help people who are close to the labour market and have some minimum level of skills, but it does not have the same results for those who have been most affected by years of exclusion from the system.

The crisis and ODA

France has reiterated its commitment to increasing Official Development Assistance (ODA) at every international summit – most recently at the last meeting of the G8 – but there is serious doubt about the credibility of these promises. There was a considerable fall in French ODA in 2007 but in 2008 it increased slightly, and according to the 2009-2012 public finances programming law, France will not fulfil its European commitments in 2010.[1] With an ODA level of around 0.41% of Gross National Income (GNI) in 2010, France will fall far short of the 0.51% that it has committed itself to in the European Union.

1 The countries belonging to the European Union have made a collective commitment to allocate 0.56% of their GNI to ODA, which translates into an objective of 0.51% for France and 14 other older members.

If France is to make good on its commitment to allocate 0.7% of GNI to ODA by 2015, it will have to increase the amount it donates by EUR 1,500 million per year. However, bearing in mind the financial restrictions the country is labouring under, which are further aggravated by the world crisis, it is most unlikely that this will happen if there is no strong political move to support it. French cooperation policy does not have an overall strategy, so ODA is dependent on the priorities of the government of the day. In addition, a large proportion of French assistance does not create fresh resources to finance development.

An illusory increase

France is one of the leading countries in the world in terms of ODA contributions. In 2008, its contribution was EUR 7,600 million, and the OECD[2] Development Assistance Committee (CAD) ranked it fourth for its net amount of ODA and 13th for the percentage of GNI it allocated to assistance (0.39%). There was a big drop in its 2007 level (-16%), but French assistance has still increased markedly since 2002.

However, a considerable portion of this increase is due to an artificial inflation of the statistics and not to the creation of fresh resources to finance development, which in fact hardly occurred at all. This accounting manoeuvre mainly involves implementing multilateral debt cancellation plans. Leaving the 2007 ODA fall of more than 50% aside, in the 2001 to 2007 period debt reductions accounted for an average of 27% of French ODA.

In fact, for the most part these debt cancellations were no more than a bookkeeping exercise to tidy up unpaid credits, so the impact in the beneficiary countries was extremely limited. These countries are very poor, they had fallen into a spiral of over-indebtedness and were hardly able to pay their debt. What is more, a large proportion of the cancelled debt was generated by an active French policy to support its exports by providing state guarantees to underpin sales abroad, a scheme that is managed by the *Compagnie Française pour le Comerce Extérieur* (COFACE – the French Company for Foreign Trade). This system to promote exports is clearly a different thing altogether from the promotion of development, and there is nothing to justify its inclusion in the accounting of ODA.

To evaluate 'real' French ODA, *Coordination SUD* had recourse to a procedure recommended by Daniel Cohen.[3] Since most of the total debt reductions were in fact liquidations in the accounting of unpaid credits, he recommends that only 10% of these cancellations should figure as ODA, and the remaining 90% should appear as losses from debt reductions.

Quite apart from the cancellation of debt, for some years French ODA accounting has included the fast growth of certain *ex post* statistical additions that do not correspond to new resources for development – such as the "reception of refugees" (EUR 275 million in 2007) or expenditure for foreign students in France (EUR 879 million). Besides this, some expenditure (EUR 345 million) that is included does not go to foreign countries at all but to two French overseas territories (Mayotte – the top beneficiary of French assistance apart from the debt cancellation countries – and Wallis and Futuna) and to provide credits to promote French cultural influence and the diffusion of the French language abroad.

When the main components of all this 'artificial' ODA are eliminated from the statistics, the extent of France's real contribution to financing development is revealed, and it is considerably lower than what is claimed. In 2007, according to the Government, ODA amounted to EUR 7,200 million (0.38% of GNI), but the 'real' figure was only EUR 4,700 million (0.25% of GNI).

ODA at the service of French commercial and strategic interests

Even in the realm of ODA that is considered 'real' there is a certain amount of expenditure that is geared to objectives that are not connected to the fight against poverty and inequality. In particular, as part of its assistance policy, France is lending more and more to emerging countries in pursuit of diplomatic objectives to promote its influence and disseminate its culture.[4]

In order to develop its activities in a context in which budget resources are limited, the French Development Agency (AFD), the country's main instrument for implementing its cooperation for development policy, has oriented its activities to fostering loans, especially to private parties, at a lower cost for the State. The amount of these loans included in ODA statistics increased by 98% from 2008 to 2009 (from EUR 469 to 927 million).

In order to reduce its costs for these loans, the State, which participates with an allowance geared to lowering the interest rate on financial resources proposed by the AFD for developing countries, is seeking to maximise its leverage.[5] Thus, more loans are granted, they carry interest rates as close as possible to those pertaining in the market, and while it is true they go to emerging and middle income countries it is mainly the private sector that receives them.

The CAD stresses that "the objective of the fight against poverty that is being pursued in the poorest countries in the Priority Solidarity Area is therefore limited by resources in the form of donations, whereas the objective of preserving world public goods that is pursued in the emerging and middle income countries can take advantage of loan instruments for which authorisations for commitments are much higher".[6] However, as the CAD has emphasised, the allocation of assistance in terms of geography and sectors should be based on a strategic vision and not on the suitability of instruments. The expansion of loans to emerging and middle income countries is built around the logic of economic cooperation, so there is no reason at all why it should be counted as part of French ODA.

In France the creation of the Ministry of Immigration, National Identity, Integration and Solidarity Development (MIIDS) has consecrated the increasing interconnectedness between cooperation to promote development in the countries of the South and the control of migratory flows – a trend which is beginning to make itself felt not only in France but throughout Europe. This translates in particular into MIIDS participation in the various spheres of decision-making about development cooperation policies and the negotiation of agreements for the 'concerted' management of migratory flows, which includes a rather opaque MIIDS programme of assistance for development which has not been coordinated in any way with the Foreign Ministry.[7]

The poorer countries in the world are also those that have been hardest hit by the food, climate, financial and economic crises, but today a large proportion of French assistance does not respond to the fundamental objective, which is to fight poverty and inequality. Moreover, although France has been able to mobilise considerable resources to cope with the economic and financial consequences of the crisis at home, it has already confirmed that it will not fulfil its European ODA commitment in 2010. While budgetary allocations for ODA have not been reduced in 2009, they are simply not sufficient for France to meet the challenges that the various world crises have brought about in the poor countries. ■

2 The CAD is made up of twenty-three of the main 'traditional' donors of bilateral funds. Emerging donors like China or India are not members of the CAD. Neither are the new members of the European Union, and for them cooperation for development is in most cases a recent policy.

3 Cohen Daniel, OECD Development Centre, *Technical paper No. 166, The HIPC initiative: true and false promises*, October 2000.

4 Coordination SUD. Analyses, PLF 2009 et budget pluriannuel 2009-2011, 3 November 2008.

5 The amount of loan generated by one euro of state subsidy.

6 CAD/OCDE, *op. cit.* p.48.

7 For further information on this subject see the France section in the Social Watch Europe report on migration.