

## Strategic priorities

### A National Loan to prepare France for tomorrow

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In 2010, the French Government will be raising a National Loan (called the *grand emprunt national*) to fund the country's strategic priorities over the period to 2030. Following the recommendations of the *Commission sur les Priorités Stratégiques d'Investissement et l'Emprunt National* (Commission on Strategic Investment Priorities and the National Loan), President Sarkozy set the amount to be borrowed at €35 billion on 14 December 2009. Through the leverage produced by a mixture of public- and private-sector financing, the new scheme will make €60 billion available for investment in four key areas: higher education, training and research (€19 billion); industry and SMEs (€6.5 billion); sustainable development (€5 billion); and the digital economy (€4.5 billion). These four priorities were discussed in detail when the supplementary budget bill for 2010 was submitted to Parliament on 20 January 2010.

### Meeting the challenges of the future

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President Nicolas Sarkozy announced the proposed National Loan in June 2009, with the explicit goal of giving France the resources it needed to build the future. "Whatever the difficulties facing us today, we should not forget how vitally important it is to take a long-term approach to our economy so that we can prepare for after the crisis and meet the major challenges of the future," he stated at a joint session of both houses of the French Parliament.

The scheme has also been designed to help the country make up for lagging investment and get a head start in sectors with high potential in terms of wealth and job creation. "The ultimate aim of these investments is to meet the needs of France: above all, the need for the kind of growth that ensures our standing in the global economy, and that provides French people with jobs, adequate purchasing power and funding for social benefits," said President Sarkozy.

### A shared industrial strategy

But the National Loan is more than that. First and foremost, it represents an opportunity to develop a constructive vision for the country, one that involves a shared industrial strategy. "Many areas are highly important for our future, from spatial planning to education, research and innovation, and they all require considerable resources. We cannot address them properly if we remain within our annual budget constraints," President Sarkozy continued.

The National Loan should not, however, be viewed "as some kind of miracle solution to all our fiscal woes". "The loan will not be used to finance a second recovery plan," warned Prime Minister Francois Fillon at a Government Seminar on 28 June 2009. "Nor is it a standard public spending package. Our aim is to work with all the relevant stakeholders to identify specific projects with a potential to reshape our economy."

### Priority areas

That was exactly the brief given to the *Commission sur les Priorités Stratégiques d'Investissement et l'Emprunt National* set up in August 2009 at the request of President Sarkozy and headed by two former prime ministers, Alain Juppé and Michel Rocard. In the report it filed on 19 November, the Commission agreed that an extraordinary investment programme would be necessary to achieve a more sustainable growth model grounded in the knowledge economy and green energy. To achieve that, the authors advocated focusing on three major challenges:

- Strengthen the knowledge economy. Because unskilled labour faces fierce competition, France will be unable to maintain its living standards and social cohesion unless it produces a more qualified workforce.
- Encourage the development of innovative SMEs. France's share of European exports has decreased by one fourth in a few years' time. That trend must now be reversed.
- Single out investment areas in which France already possesses clear advantages. Key examples are life sciences, non-carbon energies and efficient resource management, developing the city of tomorrow, inventing future forms of mobility and building a digital society.

Drawing on the Commission's conclusions, President Sarkozy determined the priority areas on which to focus the funds raised through the National Loan: higher education, training and research, industry and SMEs, the digital economy and sustainable development.

## **“The right loan at the right cost”**

Since President Sarkozy was opposed to having the Commission work with specific budget constraints in mind, the Commission members started out by identifying needs before considering the resources that meeting them might require. They did, however, set themselves one limit: the creditworthiness of France as a sovereign issuer had to be upheld. *“The debt levels that the crisis has compelled us to assume will only be sustainable if our credit rating is not downgraded,”* stressed Christine Lagarde, the Minister for the Economy, Industry and Employment.

President Sarkozy accordingly came out on 14 December in favour of a bond with a total value of €35 billion. This amount, which represents 1.8% of the GDP forecast for 2010, is in line with the Commission’s recommendations. The €35 billion are to be raised in two ways:

- Repayment of the €13 billion in equity capital lent by the State to the banks during the financial crisis. This amount, which is held as a segregated deposit in the account of the French Treasury at Banque de France, will be available to finance National Loan investments. For that reason, it will not increase the general government debt.

- €22 billion raised in the financial markets by Agence France Trésor as part of the State’s ordinary programme of medium- and long-term borrowing to cover expenditures.

### **Appointment of a *Commissaire Général à l’Investissement Public* (Public Investment Official)**

To implement the National Loan, President Sarkozy has appointed René Ricol, France’s former business credit mediator, to the position of Public Investment Official. Reporting to the Prime Minister, Ricol will be responsible for working out the arrangements for monitoring and assessing investment projects. At the same time, an Oversight Committee made up of Members of Parliament and jointly chaired by Michel Rocard and Alain Juppé will be established *“to ensure that the National Loan is used wisely”*, Christine Lagarde stated. And lastly, all the specifics of the National Loan were included in the supplementary budget bill submitted to Parliament in early 2010.

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