Statement by

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France
I want to begin by expressing France’s condolences to the victims of the Sulawesi earthquake and tsunami, and to their families and loved ones.

Our thoughts are with them at this difficult time.

France stands ready to provide the Indonesian government—the host of this year’s Annual Meetings with whatever assistance it may need.

I would like to touch on the matters covered in the reports submitted to the Development Committee ahead of these Annual Meetings.

First, France shares the World Bank’s assessment of public debt vulnerabilities among emerging-market and low-income economies. There is growing disquiet around the level and trajectory of public debt in many countries, especially amid a more challenging financing environment and localized tensions.

The situation in certain low-income economies—especially in Sub-Saharan Africa—is a matter of grave concern. Some countries received debt relief under the Heavily Indebted Poor Countries (HIPC) program and the Multilateral Debt Relief Initiative (MDRI), only to rapidly accumulate more debt to public and private creditors in a low-interest-rate and low-raw-material-price environment.

External debt has a vital role to play in financing development. But creditors and debtors have a duty to ensure that the terms of lending do not weaken low-income countries’ capacity to achieve the Sustainable Development Goals (SDGs) by 2030.

There is a need for greater international coordination on financing practices to ensure that borrowing countries, and public and private creditors, uphold the principles of transparency and sustainable financing. The G20 International Financial Architecture Working Group should continue its work in this area, and technical assistance should be deployed to help implement international financial institutions’ recommendations on building domestic statistical and debt management capacity.

Furthermore, debt sustainability challenges in low-income economies can only be addressed if finance is channeled toward productive investment, and if countries implement reforms—with support from international financial institutions—that strengthen domestic resource mobilization, public financial management, and anti-corruption efforts.

As over-indebtedness in low-income countries becomes an increasing risk, official creditors must strengthen their cooperation by expanding membership of the Paris Club—the world’s foremost international forum for restructuring official bilateral debt—to emerging official creditors. Likewise,
sovereign creditors and debtors must intensify dialogue within the Paris Forum—a place for open discussion on sovereign debt crisis prevention.

Next, I would like to talk about the second item on the Development Committee’s agenda—the Bali Fintech Agenda, which will shape and guide joint World Bank and IMF fintech initiatives going forward.

New market entrants are transforming the financial services landscape, harnessing data and distributing services in ways we have not seen before. At the same time, the so-called Big Techs—technology giants who are neither traditional financial service providers nor fintechs—are taking a growing interest in the sector, and in payment services in particular.

Innovation promises to make a positive mark on competition in the financial sector, and to bring to market new, more efficient, more personalized services that better cater to consumers’ needs. And, by bringing down the once prohibitive cost of services, innovation and automation are paving the way for greater financial inclusion.

But we must be equally wary of the challenge that innovation poses to regulatory authorities. As artificial intelligence, data, servers, and the underlying infrastructure become increasingly interdependent, the financial system of the future will look very different from what we are used to.

This new financial system shall not be more fearful for regulators, or be out of their reach. On the contrary, we can turn the transparency of blockchain, the precision of algorithms, and the efficiency of artificial intelligence to our advantage. But before we can do this, we must take stock of the challenge we face and resolve to address it head-on.

That is why we must work together to forge a new, rules-based international framework for the financial services sector—one that treads the fine line between fostering innovation while at the same time recognizing that regulators have a legitimate interest in protecting consumers and investors and maintaining financial stability.

There are testing times ahead. Regulators will need to juggle issues around money-laundering, cybersecurity, and our increasing dependence on technology service providers that, over time, could well cause systemic operational risk. We also have a duty to protect investors—especially non-professional investors—against emerging risks from crypto-assets and other new asset classes traded on unregulated markets, and against the growing threat of cybercrime that comes with online financial services.

France welcomes the work that the Financial Action Task Force (FATF) and the Financial Stability Board (FSB) are doing, at the international level, on crypto-assets and similar matters. We would, however, like to see a swift conclusion to this work—especially on developing a set of international standards for intermediaries (and trading platforms in particular), for which money-laundering and terrorist financing, among other risks, pose a clear and present danger.

At the same time, France takes the view that a set of proportionate rules would go a long way to realizing the potential of this market. That is why we intend to introduce an innovative legislative framework around initial coin offerings (ICOs), under which we can issue permits to businesses that take supervision seriously.

We believe that regulatory authorities can only grasp the full implications of blockchain if they step up their efforts and collaborate to develop a workable set of standards. The IMF and the World Bank will have a vital role to play in this process, albeit without duplicating work done elsewhere—the former by focusing on transnational capital flows and the international monetary system, and the latter by improving cross-
border payments (especially money transfers) and helping authorities adopt fintech solutions to promote responsible access to financial services.

**Fintech startups encapsulate the shifting global technology landscape. The World Bank’s 2019 World Development Report rightly calls for more investment in human capital to harness the potential of new technologies and structural changes in the global economy—a subject that was discussed at length at the Development Committee ministerial lunch. So without further ado, I would like to turn my attention to the work that the World Bank is doing on human capital.**

The new Human Capital Index, launched at these Annual Meetings in Bali, reminds us why investing in people is so important. **Governments must think again about how much they invest in education and health. Because investing in these two sectors can make a real difference to productivity and deliver long-term economic growth benefits.**

**Education and health are two of the five priorities of France’s official development assistance (ODA) policy, alongside gender equality, climate change, and crises and fragilities.** Now more than ever, there is a pressing need for the World Bank to take decisive action on these fronts too. Higher short-term targets for the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC) on activities with climate co-benefits are a step in the right direction—towards an even more ambitious, group-wide target for 2030. Furthermore, I urge the Bank to devote a greater share of its finance to climate change adaptation, especially in the world’s poorest and most vulnerable countries. This is where the International Development Association (IDA) should be focusing its efforts, allocating human and financial resources commensurate with the fragile conditions that exist in these countries.

**In line with its priorities, France has pledged a record increase in ODA,** which will rise to 0.55% of gross national income (GNI) by 2022.

**I welcome the fact that the Human Capital Index focuses on outcomes** rather than effort, as has traditionally been the case. The World Bank’s commendable work should ensure that an often overlooked growth determinant receives the attention it rightly deserves. Building stronger health and education systems is a long-term process. Public policy-makers will need to show ambition. And governments will need to become better at mobilizing tax resources and spending them wisely.

That said, the World Bank has made clear that the Human Capital Index, published this week, is very much a first draft. There is plenty of scope for improvement, and some of the indicators it includes are debatable. In future the index could, for instance, take account of policy-making in other key areas such as lifelong learning. I would like to end, if I may, by sounding a cautionary note on the merits of ranking—because the Human Capital Index can only live up to its purpose if it takes account of country-specific circumstances and fragilities.

President Kim, Managing Director Lagarde, honored members of the Boards of Governors, thank you for your attention.