STATEMENT BY

H.E. Bruno Le Maire
Minister for Economy, Finance and the Recovery

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103rd Meeting of the Development Committee

April 9, 2021
Washington, DC

(VIRTUAL)

One year after its outbreak, the Covid-19 pandemic is still severely hitting our societies, populations and economies. It exacerbates the challenges we were already facing: inequality gaps among and within countries, poverty, fragility, instability and food insecurity. The health emergency remains, partly due to the emergence of new and more contagious variants of the virus, hampering the economic recovery from the 2020 global recession, with no precedent in history. This multifaceted crisis has heterogeneous effects, particularly affecting developing and most vulnerable countries with limited response capacities, constrained fiscal and monetary space, and those who are highly dependent on tourism or commodity exports. In low-income countries, the Covid-19 crisis greatly threatens the progress achieved over the last decades in the fight against poverty and inequality, and has pushed more than 100 million additional people into extreme poverty in 2020. It is of paramount importance that the international community join forces to show solidarity and help these countries revert to a robust and sustainable growth path.

Although the crisis is far from being over, the development of vaccines and the deployment of mass vaccination campaigns provide compelling reasons for hope. To effectively move towards the recovery phase, vaccines should be considered by all parties as a global public good and be made evenly available to all countries. It is not only a question of solidarity but also of collective efficiency: the virus will not be definitively defeated until we can limit its spread and control its effects. We must therefore define an adapted and coordinated response in order to deploy vaccines against Covid-19. I commend the World Bank Group on the progress achieved in deploying its 12 billion US dollars initiative to help poor countries purchase and distribute vaccines, tests, and treatments, with initial projects rolled out in more than ten countries. I encourage the World Bank Group to enhance its efforts to strengthen health systems, a necessary step to protect people and human capital beyond the Covid-19 crisis and to foster the resilience of developing countries. Furthermore, the World Bank Group’s efforts to increase vaccine production capacity in developing countries, as demonstrated by the launch of the Global Health Platform by the IFC, are welcome and should be scaled-up to meet the needs of developing countries. It is also essential that the World Bank Group’s efforts be perfectly coordinated with multilateral initiatives, and particularly aligned with the WHO, the Access to COVID-19 Tools Accelerator (ACT-A) and especially its vaccines pillar, COVAX. Finally, as there is an urgent need to accelerate vaccination worldwide, the President of the Republic also proposed that developed countries, and the members of the G7 in particular, commit to donating a share of their pre-ordered doses to developing countries. The implementation of this mechanism will need to be coordinated with COVAX, with a specific focus on Africa.

This unprecedented health crisis has highlighted the fragility of our development model. The upcoming recovery phase provides the opportunity to bring our economies back to a green, resilient and inclusive growth path, in line with the 2030 Agenda and the Paris Climate Agreement. In this regard, I commend the swift response and continuous commitment of the World Bank Group to help developing countries through the rapid deployment of its exceptional 160 billion US dollars financial
program over 15 months. This effort should be sustained in the coming months and the Bank's "Building Back Better" or "GRID" approach fully operationalized, based on an increased selectivity in operations and on a country-specific approach. In this regard, I welcome the World Bank Group’s announcement to increase its climate finance target to 35% and invite the Bank to fully take on this ambition by quickly aligning its activities with the Paris Agreement and formally committing to phasing out fossil fuels. In this context, the World Bank Group will need to support developing countries in the design and implementation of ambitious long-term low greenhouse gas emission development strategies (LT-LEDS), as well as the related Nationally Determined Contributions (NDC), National Adaptation Plan (NAP), National Biodiversity Strategies and Action Plans (NBSAP) and Land Degradation Neutrality (LDN). I encourage the World Bank to actively contribute to the preparation of the COP26 on climate and COP15 on biodiversity. In particular, the Bank has an important role to play in developing standards for assessing biodiversity co-benefits, in coordination with the other international financial institutions. I invite the Bank to include biodiversity co-benefits’ assessments in all operations and to set specific objectives. I also invite the Bank to strengthen its collaboration on these issues with other multilateral development banks and with major multilateral funds such as the Green Climate Fund and the Global Environment Facility.

In order to help low-income countries come back to a robust and sustainable growth path, the international community, under the impetus of the G20, must commit to an ambitious financing and support package that meets the massive financing needs of these countries, estimated by the IMF at $450 billion by 2025.

In this regard, I welcome the final six-month extension of the G20 and Paris Club Debt Service Suspension Initiative (DSSI) for the poorest countries. Thanks to the efforts from official bilateral creditors, the DSSI has provided much-needed liquidity to the most vulnerable countries, complementing the additional net positive financial flows deployed by the international financial institutions. This new extension, though necessary, will be the last one. It will allow beneficiary countries to move, where necessary, to a more structural approach including an IMF program and to possibly request debt treatment under the Common Framework. We now need to move from an emergency response to coordinated debt treatments, on a case by case basis, within the Common Framework. The operationalization of the Common Framework, notably through tangible progress for countries that have already requested a debt treatment, must now be our priority. The credibility of such a coordinated approach involving all major bilateral official creditors is at stake.

France also supports a new general allocation of Special Drawing Rights (SDRs) of $650 billion, which would be a historic decision and would provide immediate and unconditional liquidity to recipient countries. To meet the financing needs of low-income countries, we should work in parallel with advanced countries to reallocate their SDRs, including through new contributions to the IMF’s Poverty Reduction and Growth Trust (PRGT), to support the IMF’s concessional financing activity.

In addition, donor countries of the International Development Association (IDA) have already made an unprecedented effort by advancing IDA-20 replenishment by one year, expressing their solidarity with low-income countries. France supports a replenishment in line with the challenges ahead and allowing for an efficient targeting of additional support to the most fragile countries, which are also the most vulnerable to economic, security and environmental crises. The priority given to Africa and the Sahel must be fully maintained. A stronger focus on climate change, biodiversity conservation and private sector development, in coordination with the IFC, is also essential, to meet our commitments towards a sustainable recovery. After a record year of activity in response to the crisis, it is now critical that IDA increases its focus on the selectivity of projects to ensure that they fully contribute to the objective of "Building Back Better”.

Multilateral Development Banks must also maintain a high level of commitment in the coming years, making the best possible use of their current resources and crowding-in more additional resources from private investors. I invite the World Bank, in coordination with the other multilateral development
banks, to swiftly present a progress report on the measures taken in recent years to optimize their balance sheets and to identify additional levers that can be implemented in the short term. A broader reflection should also be undertaken, in coordination with shareholders and rating agencies, on MDBs risk appetite frameworks and capital adequacy policies in order to identify potential capital leeway and free up additional financing capacity, with no further capital injection. Finally, following the mandate given by the G20 and reiterated by the Development Committee in October, I invite the World Bank Group to formulate its proposals on innovative ways to crowd-in private financing, notably through the use of risk-sharing mechanisms and guarantee instruments, in relation to sovereign bonds issuances, project and infrastructure financing and SMEs financing. I also reiterate that the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) should tighten their lending policy to investors using intermediaries domiciled in non-cooperative jurisdictions listed by the European Union, and deepen their due diligence on the distortive tax-optimization schemes implemented by some of them. The World Bank should lead the way in promoting fair and equitable taxation and not tolerate tax practices that contribute to reducing the resources available for the development of countries.

The recovery phase should be an opportunity to build together a new development model that is fairer, more sustainable and more resilient, particularly for low-income countries. In this spirit, France will organize a Summit on Financing African Economies in Paris on May 18th to promote a strong and inclusive recovery in Africa, based on a vibrant private sector and fostering the green and digital transitions, in line with the Sustainable Development Goals and the Paris Agreement on Climate Change. The financial package which will be mobilized for Africa should be accompanied by commitments from beneficiary countries in four priority areas: climate, health system strengthening, education and job creation.