



DEVELOPMENT COMMITTEE
(Joint Ministerial Committee
of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)



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Statement by by Mr. Laurent Fabius
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Dear Colleagues,

Like the general public in our countries, we are, more than ever before, aware of and mobilized by development challenges.

At the end of the summer, our Heads of State and Government will meet in Johannesburg, ten years after the Earth Summit in Rio, in order to promote ideas for sustainable development. Since our last meeting, significant steps have been accomplished towards Johannesburg : with Doha's development program, the European summit in Barcelona, the Monterrey conference, or the recent meeting of African States in Dakar, within the NEPAD initiative context.

These debates, these resolutions, these commitments must be translated into action, so as to realize a model of sustainable development that will allow us to reach the Millenium Goals and to modernize global governance.

(1) We need sustainable development policies that take care of humankind -

We must make progress in three directions : to strengthen aid policies, to invest in human capital and to protect the environment for present and future generations.

(i) Strengthening aid policies

My impression of the Monterrey conference was of a global awareness : of the necessity to stop the significant decrease in the volume of aid, observed during past years, which has sometimes been called "aid fatigue". The decisions we have taken will lead to the provision in 2006 of at least an additional \$13 billion in aid to developing countries. This will lead, I believe, to a re-establishment of confidence and dialogue. In France, we will contribute to this momentum and we plan to increase the percentage of GNP devoted to aid from 0.32% in 2000 to 0.36% in 2002.

We also need to move forward to improve the quality of aid. Many efforts have been made and I want particularly to underline those accomplished by the World Bank, whose methodologies are progressively used by other donors. We need to follow this line of action, but remain pragmatic. The World Bank plays a central role in identifying and, more

importantly, implementing several straightforward principles which can increase tenfold the impact of the aid which we have agreed to mobilise. I would like to mention three of them which I consider essential:

- the need to harmonise donors' procedures. The OECD and the World Bank, UN organisations, together with all the donors, must work to remove the administrative constraints on beneficiaries, constraints which are sometimes so numerous that they penalize the implementation of our common objectives ;
- better share responsibilities to target, in particular, interventions with social objectives, providing for strong involvement by beneficiary countries in the process ;
- improve the ability of beneficiary countries to design and implement sound policies. They should in the first place rely on the advisory capabilities of our organisations, the IMF and the World Bank. They must also convince their citizens that the necessary efforts they are making to bolster fragile economies will provide the basis for future growth.

Development policies must also - and this should be a priority - allow the poorest countries to take part in global economic growth, through, in particular, the expansion of international trade. With good reason, the World Bank is insisting that developed countries should open up their markets to the products of the poorest countries. But we have to remove the barriers to the development of exports in the countries themselves: low-quality infrastructures, insufficient norms with weak implementation control systems, institutional framework that limit their ability to participate in international negotiations. I have therefore decided to launch a French aid programme to strengthen trade capacities, in the amount of 30 million euros over a three-year period. This programme will fund development cooperation initiatives combining technical, administrative and institutional assistance and upgrading production, distribution and logistics capabilities. The aim of these initiatives will be to promote the integration of developing countries into the global economy and trading system, and to enhance their ability to take advantage of the trade preferences granted to them, particularly the EU initiative "Everything but Arms".

(ii) Ensuring financial stability

Stable development also means that the countries to which we provide assistance must not be burdened with an unsustainable debt service. We have been working together for years to resolve the problem of poor countries' indebtedness. The HIPC initiative is the most significant decision we have undertaken and financed. It provides the numerous beneficiary countries with a real capability to redeploy their public expenditures away from debt payments and into valuable social expenditure. The first set of figures to emerge from the progress report on the status of implementation of this initiative are very encouraging: for the 26 countries that have reached the decision point, debt service will fall by 30% on average between 2001 and 2005, with respect to the level in 1999. This debt relief will allow the governments of these countries to increase social spending sharply: on average, their spending in the social sectors will rise to three times the amount of their debt service. In particular, I hope that this will allow them to finance the fight against HIV/AIDS. France will negotiate debt reduction and development contracts with countries benefiting from these bilateral reductions so that 1 billion euros will be dedicated to combat this illness.

We should continue to move ahead at a pace which allows us to put the initiative into practice for the 42 beneficiary countries, while at the same time being able to take into consideration the worsening economic situation in some of these countries.

Beyond HIPC, we have to address the systemic causes behind debt issues. I believe that cases such as Argentina today demonstrate how useful it would be to have an international mechanism for the restructuring of sovereign debt. We need to progress in that direction without preconceived ideas, and consider the possibility of using contractual and institutional mechanisms that we think are appropriate for such a purpose.

Although controlling debt is essential to a stable development, it is not the only condition for the achievement of a stable financial system: the global nature of our economies, both in the North and South, should also lead us to develop new forms of regulation. As far as developing countries are concerned, this means the continuation of efforts to build capacity to fight effectively against money laundering and the funding of terrorism. This should be a mission of primary importance to the World Bank and the IMF, and it must show results. I am satisfied with the proposed action plans. I also hope that, in the allocation of resources by the multilateral institutions, more consideration will be given to the efforts already undertaken by countries in this area.

Lastly, I would like to underline today how useful I think it would be to give consideration to systems of international taxation of the abuses of globalisation which we are working on. We need to make progress, building on the work already done and presented in Monterrey by European countries.

(iii) Investing in human capital to increase opportunities for the poorest

We must strive to ensure that development benefits everyone, particularly the poorest. We must give everyone the chance to take part in economy and society. I have mentioned the importance that we have placed on health and the fight against HIV/AIDS. Being in good health, having neither fear of illness (for oneself or for one's relatives), nor of the instability and the insecurity that they breed, is fundamental.

Access to education for all is another pillar of equitable development. I am pleased to see that the World Bank management chose this subject for discussion at the development committee, which will also be one of the central items at the next G8 summit. Education is one of the priorities of France's bilateral aid, and globally we are the leading donor in this sector.

The economic impact of education hardly needs to be restated: education allows everyone to seize the opportunities available to them and to contribute to economic growth. But it also has an impact on health and increases popular participation in the management of public affairs by preparing enlightened citizens with high expectations. The World Bank's proposals define a reasonable balance between access to education and the quality of education. We also support the elimination of user fees in order to promote free and compulsory primary education.

France has always been a champion of a holistic approach to educational policy, and we are extremely pleased to see that, apart from access to primary education, which must remain the leading priority, there is a consensus that consideration must also be given to access to secondary and higher education.

(iv) Ensuring that our environment will be protected

We have already taken substantive action in the fight against climate change (Kyoto, Bonn and Marrakech). These are fundamental agreements that have structural implications for both developing and developed economies. We must ratify them now: Europe has already done so, and I would like to see all countries do the same.

Beyond this, we must put into practice the principles we have embraced. Next August's summit in Johannesburg will be a unique opportunity to examine what has been done, and what remains to be done. As you know, France has a special interest in these issues. Shortly after the Rio Summit, we advocated the establishment of the Global Environment Facility, and the World Bank served as the lead agency for this initiative. We have also established a specific mechanism at the national level, the French Fund for the World Environment, which makes an additional contribution to this cause.

The major theme to be addressed at the Johannesburg Summit will rest on three main pillars: the realistic progress that can be made with respect to improving the quality of the environment, in the North as well as in the South, the involvement of the private sector in this process and the mechanisms of North-South solidarity. On this last point, the Monterrey Summit provided a number of answers that we can build on.

It seems fundamental to me that our business communities be involved. For example, the water supply sector is, I believe, the one in which we ought to be encouraging private investors to invest in the countries of the South. Our experience shows what an extraordinary impact projects in this sector can have in terms of poverty reduction at the microeconomic level. Obviously we should be pragmatic: a wholly public service consumes scarce resources and does not work better than a wholly privatised system which does not give everyone access to water in the long term. The diversity of models and compromise solutions can be a source of value and efficiency. This being said, the international community has to accomplish a particular effort to provide everyone with access to water and to the global public goods which are necessary for the sustainable development of our planet.

(2) International institutions' governance should be servicing and open to all stakeholders

Development is everyone's business. The criticizing eye of other development partners, particularly NGOs, is useful because it reminds us of our responsibilities. The international strengthening of the voice of developing countries allows for better ownership and, thus, more efficiency in our aid policies.

(i) *Keeping civil society informed and involved*

It is possible and useful to invite these outside parties to participate more in our deliberations. In France we do this through the High Council for International Cooperation. The Bretton Woods institutions, and other international institutions, have made a great deal of progress.

With regard to disclosure policy, the World Bank's Executive Board has approved certain well thought-out measures in this area, and I thank Bank management for these proposals.

To get non-governmental organisations more involved in the debate, I would like to bring up three principles:

- the publication of draft documents before they are submitted for the approval of decision-making bodies. Our experience is that interesting ideas have been floated prior to the decision-making process when we have carried out such consultations—I am thinking in particular of the Bank's private sector development strategy;
- the translation of relevant documents into the national language for consultation. My belief is that it is primarily the local populations who should be in a position to respond to projects proposed by multilateral agencies: to enable them to do so, we need to provide them with information in an accessible form, and this means removing the language barrier wherever it exists;
- the presence of NGOs at our annual meetings: I call upon the executive bodies of the IMF and the World Bank to draw up proposals for us so that new ground can be broken in this area in September.

(ii) *Modernize governance*

Making the right decisions regarding development policy requires that the process can be carried out in a balanced, orderly and efficient way. I believe in a few concrete steps, some of them straightforward common sense, and I would like to sketch three of them roughly here:

- to give poor countries more influence over the decision-making process. Their voices need to be heard better in our institutions;
- to make progress towards setting up a global organisation for the environment as effective in its field as the WTO is today;
- to find common ground in the political dialogue on the major economic and social choices we have to make and the trade-offs we will have to decide on, for example, between trade and environment, or between development and intellectual property. I have already supported the idea to establish an economic and social security council. We must think about it. The objective is to make our international institutions function and interact better.

(iii) Share responsibilities

Development cannot be imposed from the outside and is well implemented only if it is shaped and followed up by local authorities, in consultation with the various components of civil society. We are all aware that the coming development challenges will have no precedent, due, in particular, to demographic pressures. We are all convinced, and I know that the research teams of the World Bank are working a lot on these issues, that these challenges will only be overcome if we have in place institutional systems that are able to include each of the components of society in the formulation of collective choices and allocation decision.

Aid policies have integrated this necessity. The progress report prepared by the IMF and the World Bank on the Poverty Reduction Strategy Papers (PRSPs), in consultation with the entire community of donors and civil society, has provided us with the first positive lessons to be drawn from this new approach. There is still a long way to go before the political forces and institutions of a particular country can be associated with the definition of its development policy, not to mention being able to take into account the social consequences of this policy. I attach great importance to this new approach and the French government has decided to grant its bilateral aid in accordance with the priorities of the PRSPs in the countries which presently receive our assistance. We are, moreover, providing bilateral aid funding to support national capacities for formulating PRSPs.

We support the NEPAD initiative. In launching this initiative, African countries have demonstrated their intention to take control of their own destiny, to work together on development strategies that combine good governance, the development of infrastructure, a favorable environment for the private sector and political democracy.

We should go further along this route of shared responsibilities and of a better ownership of the development process by beneficiary countries. The recent example of the Argentine crisis demonstrates the extent to which success in reform efforts and dialogue with international partners is dependent on popular support for the reforms and the confidence of the entire society.

We can build, together, a world which is able to take advantage of the double opportunity offered by globalization: more growth for more solidarity.