Statement by
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In 2005, the international community made ambitious commitments to increase official development assistance. In 2006, I believe that the community has kept a large share of its promises. These commitments were not ignored but have been, or are being, implemented. The International Monetary Fund, the World Bank and the African Development Bank moved forward on the multilateral debt relief initiative, freeing up $55 billion for development. Likewise, the international solidarity contribution on airline tickets is now a reality in France and several other countries. The French government has decided that revenues from this contribution, estimated at M 200 euros annually will finance the international drug purchase facility (UnitAid), which will be launched tomorrow at the United Nations in New York. By the same token, the International Financing Facility for Immunization, to which France is the second top donor, will also issue its first bond before the end of the year. Lastly, considerable progress has been made on the Advance Market Commitments which should lead to the initiation by interested parties of a pilot by the end of the year.

However, these encouraging results are still not enough. We are all aware of that. The primary challenge remaining is doubtlessly to increase the amount of aid, particularly in Sub-Saharan Africa, where we must redouble our efforts if we are to fulfill the objectives established at the G8 summit at Gleneagles. The World Bank report on the Fast Track initiative clearly illustrates that point, emphasizing the major needs yet to be addressed in the field, given the more than 100 million children worldwide who do not attend school, and the funding needs that must be met.

We must also redouble our efforts to ensure that aid funds are used in the most effective way, as our meeting agenda invites us to do. In addition to the road map laid out by the 2005 Paris Declaration on Aid Effectiveness, governance and the fight against corruption are at the heart of this problem, as is maintaining debt sustainability for poor countries. We need a clear strategy and reliable rules in both areas to guide the international community and coordinate the various actors.

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Corruption and the governance gap are not, of course, stakes specific to developing nations. However, they are more sensitive issues there, not only because such conditions flourish in situations of poverty, but also because they constitute an unacceptable obstacle to poverty reduction efforts. Without guarantees in this area, donors hesitate, in fact, to provide aid, fearing that funds will be diverted, or opt for burdensome and restrictive procedures. They refuse to use country systems, reject budget support in favor of a project-based approach that may be inappropriate, and increase supervision and monitoring, thus drawing resources from national governments already in lack of capacity.
If we are to break this vicious circle, as the World Bank’s new proposed strategy invites us to do, the first critical step is to ensure that those most affected share that goal and own this strategy. We must strengthen project preparation and better integrate the issue of corruption from the outset. Similarly, as the World Bank suggests, new tools for project monitoring and sanctioning fraudulent or corrupt practices may be developed. However, the principal effect of such measures will be to reduce the World Bank’s own risks, without actually improving the environment in terms of governance. Furthermore, even if these measures reduce risks associated with the Bank’s involvement, they may also disrupt and slow its work by encumbering its internal procedures and resulting in more projects being dropped. If the World Bank is to have a real impact on governance and build solid, effective and accountable States, it must remain committed, along with its partners, and together define shared strategies appropriate to various contexts. Aid delivery procedures and channels must be adapted to take into account corruption risks and quality of governance, not the volume of aid allocations, which today takes largely into account the governance factor. The temptation to withdraw, even partially, is not the right way to address corruption issues. What partner countries really need is to strengthen administrative capacities, improve public finance management and improve the business climate.

Furthermore, the World Bank cannot act alone in this area. Its has a limited mandate and its leverage depends on the variable financial weight it carries in the partner countries. It must thus better coordinate with other actors—be they regional development banks or bilateral donors—who often enjoy greater operating latitude.

Finally, the strategy must be based on clear rules and an impartial decision-making process, backed by transparent criteria and indicators. Otherwise, the Bank’s decisions will be questioned and could undermine the cohesion amongst shareholders. Consensus must thus be maintained by assigning the Executive Board a central role in implementing this strategy and endorsing the most sensitive decisions. This is the most effective way to protect the Bank as an institution. This is also the best guarantee of flexibility and equity of treatment in its dealings with countries.

The World Bank’s efforts to strengthen its activities in the areas of governance and the fight against corruption thus deserve to be welcome and pursued. We hope that this strategy will be finalized and approved by the shareholders before the end of the year.

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The debt issues we must discuss also address the more general problem of aid effectiveness. How effective would last year’s debt cancellations be if they were not additional cancellations and entirely offset? The resources of the international financial institutions would have been quickly exhausted and the recipient countries would have faced the gradual withdrawal of these institutions, particularly in Africa. We must make sure that cancellations remain additional and that all creditors, including commercial creditors, take their share of debt cancellation to the heavily indebted poor countries. What would be the impact of these cancellations if we could not prevent the accumulation of new unsustainable debt? Such a financial burden would quickly undermine our new flexibility to the detriment of investment in infrastructure, education and health systems necessary to achieve the Millennium development goals. Thus we must define clear and shared rules to ensure that all development actors operate under a common framework,
but without arbitrarily limiting developing countries’ resources. The value of the rules must be matched by flexibility and adaptability required by the diversity of national contexts.

In this regard, the IDA measures approved in July represent a very important first step. They will strengthen coordination among donors by ensuring a wider dissemination of the debt sustainability analysis framework. They should discourage countries benefiting from debt cancellation from seeking new non-concessional loans, as their accumulation could rapidly lead to unsustainable debt. Finally, they will introduce more transparency into the system by requiring borrowing countries to report ex ante the debt they anticipate to incur.

Still, these measures have not solved all the problems. Strengthening the debt sustainability analysis framework will be on our common agenda during the coming weeks and months. Beyond improving analytic tools and addressing external shocks in sustainability analyses, we must consider the new risks to poor countries’ debt, specifically with respect to non-concessional lending. All actors involved in development must be engaged in this process if we are to achieve consensus on controlling the pace of these countries’ assumption of new debt, both domestic and private, without designing an overly-rigid framework that overlooks the diversity of national circumstances. Together, we must create an instrument that can serve as a benchmark for all donors and be used to structure lending policies.

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We must also adapt to a political context that has changed with the arrival of new donors. Recently large beneficiaries of assistance, large emerging countries have joined the donor community. This is very good news and we must draw the consequences of this new context. However, if these countries have sometimes become major donors, they also need international financial institutions to support their development, to reduce inequities and help them finance action for global public goods, like mitigating the effects of climate change and promoting clean energy. The World Bank’s commitment to strengthening its efforts in middle-income countries should be supported. But we must now consider the major emerging countries as both donors and recipients of official development assistance and, by working together, establish a true partnership. This supposes that middle-income countries fully integrate themselves into the donor community, by assuming their responsibilities towards the poorest countries, specifically by taking a greater role in funding multilateral development institutions, such as IDA. This new partnership must combine solidarity and reciprocity.

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Energy issues and the fight against climate change constitute a primary arena for developing this new partnership with major emerging countries and, more globally, middle-income countries. These questions have taken an important place in international discussions this year and I am pleased that the World Bank is deeply involved today in carbon finance initiatives and is a key actor on climate change issues. It has assumed this role since its commitment in 2004 to increasing the funding for renewable energy and energy efficiency by 20 percent per year until 2009. However, it must capitalize on this experience and, in partnership with the Global Environment Fund, encourage other development banks to follow its lead.
The new version of the energy investment framework has been revised to incorporate the discussions of the April Development Committee and the G8 meeting in St. Petersburg. It addresses several energy and climate challenges we must face if we are to achieve sustainable development in developing countries. Like the Bank, we must recognize that climate change is not only an energy issue. Indeed, it is also a developmental challenge. That is why access to energy deserves the emphasis it receives in the proposed strategy, particularly to better address Africa-specific issues.

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Finally, I would like to conclude by emphasizing that although development aid is more stable and effective, it alone cannot reduce poverty. We must offer low-income countries the means to sustain their own development by encouraging their inclusion in international trade. From that perspective, the WTO Ministerial Conference in Hong Kong produced significant results. The least advanced countries could risk losing that advantage if the suspended negotiations are not resumed. France has expressed its openness in this regard and we strongly hope that our partners will join the European Union’s initiative, “Everything But Arms”.

In this context, aid for trade has considerable importance. It is a key condition for international trade to bring about expansion and diversification of foreign trade in the countries concerned. Starting today, we must help strengthen trade capacity by more accurately assessing the adjustment costs that developing economies will have to confront and by developing the necessary support policies. The international financial institutions clearly have a key role to play in this area. Moreover, aid for trade has never been part of the Doha “single undertaking” and the suspension of negotiations should not cancel the financial commitments announced last year. The WTO workgroup also issued operational recommendations aimed at strengthening the integrated framework for assistance to the least developed countries, which we should implement quickly. The World Bank report embraces this approach and should be supported. It also recommends strengthening regional cooperation on trade-related projects, which assumes funding more regional projects, particularly with respect to regional development banks. Last, this effort must be linked to increased assistance for private sector development.

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