Statement by
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Minister for the Economy, Industry and Employment
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In response to the global financial and economic crisis, the Bank has played a key role. Now, equipped with new resources and a reformed governance structure, it is being called upon to foster sustainable and balanced growth, and to meet a new set of global challenges.

The World Bank has played an important role in enabling the international community to confront the slowdown in the world economy and to ensure recovery efforts in the least-developed countries. It has emerged stronger from the crisis.

First of all, it is stronger financially: to sustain its efforts and not hamper its capacity to intervene in the future, the shareholders agreed to a General Capital Increase for the IBRD.

Next, it is stronger, thanks to its strategy. The five priorities that have been identified by the new strategic guidelines are in line with France's expectations. They include targeting the poor and vulnerable, especially in sub-Saharan Africa where the challenges are the greatest; creating opportunities for growth, such as in agriculture and infrastructure, two sectors that are crucial for developing countries; promoting global collective action in areas such as climate change and food security; strengthening governance and continuing the fight against corruption, including against non-cooperative jurisdictions; and, finally, preparing for crisis. We must all be careful about how we rank these priorities and assign hierarchies within them; here, France will be vigilant.

Finally, the Bank is stronger, as a result of the ad hoc agreement, we have reached on governance, increasing the representation of emerging and developing countries.

However, a stronger Bank must also be more effective and more responsible and prove itself to be exemplary. Notwithstanding the need to define a permanent representation formula, we can also make progress on governance issues. In particular, we can decide, at next year's Spring Meetings, to adopt an open and transparent process for selecting the president of the World Bank Group, regardless of nationality. This reform is underway at the IMF, and we must make progress at the World Bank.

In the same way, giving a greater voice to emerging and developing countries within the Executive Board must lead to a new sharing of responsibilities. Let me be clear: high-income countries have a duty to contribute to the development of the poorest countries, regardless of how they are classified. It is also vital that emerging countries, whose economies are the most dynamic, lend a hand to the most vulnerable nations, above all through contributions to IDA that are commensurate with their abilities. This also means that they should, if possible, accelerate the repayment of their remaining debt to IDA, as some have already committed to doing.

The World Bank and its shareholders also have a responsibility to set up a real control over its administrative expenditures, and ensure the sustainability of its financial model, by making sure that loan income covers its operating expenses and loan-loss provisions. The Bank must fully mobilize its equity, by ensuring the full convertibility of the capital subscribed by some shareholders in local currency. The World Bank must also rationalise its compensation policy, and I am pleased to see that it has launched a
thorough review of wages and benefits, which I am confident will lead to a robust framework for streamlining expenditures.

Finally there is a need to adopt a responsible stance as regards the decentralization of World Bank activities, taking due account of the costs and benefits associated with each new stage and ensuring that the decentralization mode functions in service to the poorest and offers genuine added value between the local level and headquarters.

All of these issues point in a single direction: guaranteeing that the Bank's actions offer value for money, at a time when it is facing new challenges with greatly increased resources.

**The World Bank must continue to work in the most vulnerable countries in order to pave the way for a stable and sustainable recovery.** We must learn from the crisis, and it is up to the World Bank to bolster the resilience of emerging and developing countries. This may entail a review of the instruments at our disposal, but also the creation of new financial instruments, such as countercyclical loans, enabling countries to modulate their repayments depending upon their macroeconomic situation. This further entails the development of guarantees, including in fragile states where they could well make it possible to speed up the return of private investment.

The crisis has shown us that, now more than ever, the World Bank must focus its efforts on the most vulnerable countries. This also entails easing the way for the most advanced emerging countries towards graduation. With the IDA16 replenishment coming up, I think it is important to emphasise certain priorities. First, a geographic priority: sub-Saharan Africa must be the primary aid recipient. Second, there is a thematic priority, with support for infrastructures, a key factor in development. Certain vectors such as regional integration deserve to be strengthened: we are all aware of the price of non-integration, and how effective existing regional cooperative efforts are, and IDA should promote such integrations. On the financial side, we hope that IDA will fully benefit from transfers from IBRD and IFC. We further wish that IFC will extend its efforts in IDA countries, in order, notably, to develop the private sector in Africa. Finally, vulnerability must be fully factored into aid allocation criteria. The performance-based allocation system has proved its worth, and this success should be laid at the Bank's doorstep. We must, however, also see its limits, and be so bold as to try to improve it. We support the creation of a working group on fragile States and their vulnerabilities, with a view to studying how to strengthen the existing approach while preserving the performance incentive and still recognizing the needs of the poorest countries. I look forward to the outcome of this work without delay.

**The World Bank is also facing a new set of global challenges.** France, which will shortly assume the presidency of the G20, would like to rely on the expertise, competence and legitimacy of the World Bank when confronting these new issues. We must tackle these global challenges together. The fight against climate change, for example, must be integrated at all levels of aid allocation: the World Bank can contribute to this end by enhancing its support for the development of clean development strategies, in particular through the development of access to clean energy and new clean energy technologies. The Bank must also take part – as a development finance partner and alongside other players such as the Global Environment Facility – in the creation of the Copenhagen Green Climate Fund, which will be addressed in Cancun. Only concerted efforts on how this fund will function will provide the necessary guarantees concerning the effectiveness of such financing.

We must also ensure that global growth is sustainable and respectful of the rights of all. With the Bank's help, France would like to move forward in promoting tax, social and environmental standards.
Given this focus on vulnerabilities, the Bank should have a leading role in the development of local currency financing. Beyond that, it must determine what role it could play to contribute to the stability of the international financial system.

In conclusion, recent events have brought home the vulnerability of developing countries to food shortages. Food security remains a major issue. The World Bank was able to respond to the 2008 food crisis, but it is essential to mobilise investments to prevent future crises, particularly through the involvement of the private sector. I call on the World Bank, and on the IFC in particular, to address this issue. Food security also means managing commodity price volatility; this will be one of the priorities of our presidency of the G20, and I know that the World Bank's expertise and capacity for innovation will help us achieve this goal.