EIGHTY-FOURTH MEETING
WASHINGTON, D.C. – SEPTEMBER 24, 2011

DC/S/2011-0059 (E)

September 24, 2011

Statement by
Mr. François Baroin, Minister for the Economy, Finance and Industry
to the Development Committee

France
Food security and the volatility of agricultural commodity prices were a key focus of the Development Committee’s discussions last April. Today, the drought in the Horn of Africa highlights how urgent it is to take action. Several suggestions have been made on how to improve food security, and more broadly on how to lessen structural vulnerabilities in the poorest countries. Solving the food equation, overcoming infrastructure deficits, creating job-rich growth models and ensuring gender equality are among the many challenges we must meet. That means being proactive rather than reactive. By coming together around robust multilateral institutions, we can and should put forward bold, consistent, coordinated responses. Holding the presidency of the G8 and the G20 since the beginning of the year has given France special responsibilities in the international arena. We have been working hard on the issues I just outlined, and I am pleased to see that the Bretton Woods institutions and their shareholders are on the same page with us.

The response of the international community to the Arab Spring is a good example of successful multilateral action. It shows that if we work together, we can set our sights high.

The World Bank and the International Monetary Fund were among the prime movers behind the Deauville Partnership, initiated by the G8 Heads of State and Government at the Deauville Summit on the 27th of May 2011. The Partnership’s economic agenda was set on the 10th of September in Marseille. Its purpose is to ensure macroeconomic stability in the Partnership Countries, but it is above all meant to help those countries through the difficult process of transition and economic reform in the longer term.

The regional and international multilateral institutions, first and foremost the IBRD and the IFC, have announced an aid package for the recipient countries totalling $38 billion over the 2011-2013 period. The IMF has also pledged to provide $35 billion to ensure short-term macroeconomic stability in the region if required. At the same time, France has promised nearly €2.7 billion in bilateral assistance to the countries in transition over the 2011-2013 period, an amount even higher than the €1.1 billion announced by President Sarkozy at the Deauville Summit.

The multilateral institutions have also committed to coordinating their work in the field. Multilateral action is a cornerstone of the response put forward in Marseille. This is crucial. In many respects, the direction taken by the Partnership can be considered a model of effective, coordinated, country-focused development policy.

Let us prepare the future in the same way, resolutely tackling the structural vulnerabilities that are impeding development.

Just three years after hunger riots erupted in the most vulnerable countries, we are confronted with another large-scale food crisis, this time in the Horn of Africa. A swift response was required, and I commend the World Bank, which managed to mobilize US$1.88 billion, on the scale of its intervention. This shows how badly we needed a Crisis Response Window within IDA. France, in turn, announced in early August that it would be tripling its bilateral emergency aid to €30 million, to be channelled towards large NGOs and the relevant international organisations. However, we must also ensure that these crises become less frequent by increasing the resilience of the most vulnerable countries. The World Bank is working in the Horn of Africa to achieve just that – a most welcome policy. The issue of food
security starts with the short term and moves on to the long term, and that is how it is dealt with at G20 level. The expertise of the World Bank, together with other international organizations, will be essential for its implementation, particularly as regards coverage instruments, index insurance, countercyclical tools, emergency crisis response tools, and risk management advice.

The lack of infrastructure in the poorest countries is a second major obstacle to development that calls for mobilisation by the international community. We are making progress: the multilateral development banks, coordinated by the World Bank, have submitted to the G-20 member countries proposals for improving the transparency and quality of information and creating an environment conducive to investment in infrastructure. I also wish to acknowledge the good collaboration between the High-Level Panel (HLP) on infrastructure and the Multilateral Development Banks. Together, they have identified financial instruments suited to enhancing public sector investment and attracting more private sector funding so that exemplary infrastructure investment projects in the poorest countries can get off the ground. But we need to go further still – by harmonising procurement rules among MDBs, improving the debt sustainability framework so as to allow financing of large-scale infrastructure projects and implementing appropriate regional Project Preparation Facilities, with the Banks acting in coordination. Lastly, these institutions need to offer effective internal incentives so that their staff will develop regional projects and public-private sector partnerships, including through the Banks’ concessional windows.

We shall then have to ensure that economic growth is sufficiently inclusive and creates jobs. I am pleased that this will be the focus of the next World Development Report. I expect the report to adopt a truly global approach to employment, inspired by the discussions held in other forums such as ILO and the G-20, and to send a strong message. It is particularly important to establish a level playing field for all countries. A level playing field between countries will not impede growth, job creation or development. In fact, standards that are universally upheld can be powerful tools in times of crisis, providing a safety net to the most vulnerable populations and sustaining demand during recessions. Such an approach requires the promotion of high labour and environmental standards. In particular, the ILO’s 1998 Declaration on Fundamental Principles and Rights at Work must be respected and enforced.

Nor will we be successful unless we foster greater gender equality. In this area, the progress achieved so far has been uneven. The 2012 World Development Report emphasises that women still suffer from higher mortality rates, unequal access to economic opportunities and lower voice and participation in society. Development policy simply cannot leave out half of the population. Multilateral institutions have a vital role to play here, by mainstreaming this issue in their activities.

Lastly, the fight against climate change is one of the largest challenges facing the international community in the coming years. We must deliver on the financial commitment we made in Copenhagen and reaffirmed in Cancun to mobilise $100 billion a year between now and 2020 in public and private sector funding to help the developing countries address climate change. I would specifically like to stress the need to come up with tangible, sustainable ways of meeting our commitments and create lasting momentum in the area of climate financing and, more broadly, development financing. We are working on this issue within the G20 as well. The World Bank and the IMF have contributed to our work, in particular with a proposal on a market instrument for reducing greenhouse gas emissions produced by international shipping and aviation. Together with Germany, France is in favour of introducing a financial transactions tax, which would generate substantial revenue that could be used to deal with climate change. These various avenues are all worth exploring.

To address these new challenges, we all need a strong and legitimate World Bank. In April 2010, we increased the World Bank’s financial capacity. I would like for us to consolidate the reforms undertaken to make the Bank a robust, sustainable financial institution that generates the resources it needs to fulfil its mission. As I see it, that calls for an allocation of income that ensures significant transfers to the poorest
countries; for appropriate loan pricing, to ensure the Bank’s sustainability; and for the strict pursuit of budgetary discipline.

We have updated governance at the Bank, above all by reforming its shareholding structure to give greater weight to developing and transition countries. I now expect that reform to fully come into effect as soon as possible. The Bank has established a corporate scorecard to track its own performance. I consider that a highly positive move. Let us work to perfect and develop it, so that this evaluation tool will become a tool for guiding the Bank’s action, encouraging teams, and cooperating with the other multilaterals. We also need the shareholders’ commitment. And on that score, you can count on France’s full support.