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)

NINETY-SEVENTH MEETING
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Statement by
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97th Meeting of the Development Committee

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This year’s Spring Meetings are of special significance, considering the decision on a capital increase for the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC).

I would like to express my gratitude to the World Bank staff and the Executive Board for their considerable efforts in reaching a compromise since our last meeting in October. The proposal may not satisfy all our demands, but is that not the very nature of compromise in a multilateral institution with 189 members?

In my view, what matters most is that the tabled proposal strengthens our common policy framework for development.

Above all else, it is a show of support for multilateralism—a model that allows us to formulate lasting, legitimate responses to the challenges we face together. France has long been an advocate of multilateralism and will continue to be so in the future. We believe that closer cooperation between nations is the only way to ensure we bequeath a more prosperous world to future generations, and that global financial solidarity—as exemplified by the World Bank—is in everyone’s interests.

The proposal on the table today—to request a $13 billion injection from shareholders—marks the single-biggest capital increase for both institutions since their inception. It is a bold move that requires a significant contribution from our taxpayers. It stands testament to our faith in the World Bank Group to fulfill its mandate of eradicating poverty.

The IBRD and IFC capital increases will strengthen the operational capability of the World Bank Group as a whole. The International Development Association (IDA) annual funding for the world’s poorest countries already stands at $25 billion. IBRD commitments will rise from $23 billion in 2017 to $36 billion in 2030, while the IFC will see its commitments increase from $12 billion to $25 billion over the same period.

These numbers should not be an end in themselves. What matters is that we use these extra resources to achieve our twin goals—eradicating extreme poverty and promoting shared prosperity.
The biggest winners from this capital increase should be the world’s poorest countries—those that need it most. Transfers from IBRD to IDA are a symbol of solidarity within the group and must be maintained. IFC must meet, or even exceed, its pledges in favor of the poorest and most vulnerable countries, in order to reach 20% of its funding by 2030 for these countries. And IBRD must hit or surpass its own target on funding for countries below the graduation threshold. We will keep a watchful eye to ensure these pledges are upheld.

The capital increase should also enable the World Bank to do more to help developing countries cope with the effects of climate change. By virtue of its global reach, financial weight and technical expertise, the World Bank has a vital role to play in surpassing the Paris Agreement targets and shifting financial flows towards low-carbon, climate-resilient development. I welcome the Bank’s pledge, made at the One Planet Summit, to alter its practices in a manner consistent with a low-carbon future. This move sends out an important signal, and I hope to see other bilateral and multilateral institutions follow suit. Higher short-term targets for IBRD and IFC on activities with climate co-benefits are also a step in the right direction—towards an even more ambitious, group-wide target for 2030. Furthermore, I urge the Bank to devote a greater share of its finance to climate change adaptation, especially in the world’s poorest and most vulnerable countries.

I am delighted that this capital increase comes hand-in-hand with structural reforms that will place the World Bank on a solid financial footing in the years to come.

I particularly welcome IBRD’s new, robust financial sustainability framework. It is an important step forward that means the institution will no longer be able to lend more than is financially sustainable. I commend the decision to give the Board an enhanced oversight role, which should naturally include verifying that activities are financially sustainable and setting a lending level ceiling. Although it would have been desirable for the Board to approve annual lending volumes directly, I strongly support the proposed framework, which marks real progress.

Budgetary discipline remains a matter of vital importance. France urges IBRD and IFC to further step up their efforts on this front in the years to come. I firmly believe that the World Bank Group’s institutions should show greater restraint on pay. Curbing excessive pay would still allow them to attract the best talent, but would better reflect their status as public bodies serving the public interest, and would echo the restraint we apply to our national public services.

The enhanced tiered pricing system—by client wealth and maturity—is a welcome step forward. But more should be done to ensure that clients contribute to IBRD’s financial sustainability according to their means.

I welcome the decision to review IBRD IFC shareholdings to coincide with the capital increase, as agreed at the Annual Meetings in Lima. The Group’s legitimacy is contingent on it having a shareholding structure that reflects the real world. I commend the new dynamic formula, under which country shareholdings are calculated against two variables—economic weight and contributions to the World Bank’s mandate to help the world’s poorest people through the IDA. France will continue to pay close attention to the second variable during future shareholding reviews. Furthermore, I suggest that the current IFC selective and general capital increases
carried out simultaneously. Doing so would prevent a situation where we would stall half way through, with only a selective capital increase approved.

The World Bank stands at a historic crossroads. As its resources increase, so too do its responsibilities. The capital increase will prove decisive in our efforts to solve the problems facing the developing world, and meet the pressing need to achieve the sustainable development goals and eradicate extreme poverty by 2030. Yet the path ahead remains strewn with obstacles and challenges. If the World Bank Group is to rise to these challenges and overcome these obstacles, it must continue to uphold the very highest standards in its work with the world’s poorest.

At lunch yesterday, we discussed the rising debt levels in low-income countries and related debt sustainability issues. France is especially mindful of this question, particularly through its work with the Paris Club and the G20 International Financial Architecture Working Group. The mounting debt burden on low-income countries—and the diversification of creditors and debt instruments—is a cause for genuine concern. We call for action on three fronts to address the debt sustainability problems faced by low-income countries. First, we encourage all creditors—public and private—and borrowing countries to work towards greater transparency. Second, we urge all parties to adopt sustainable borrowing and lending practices inspired by the G20 Operational Guidelines for Sustainable Financing. And third, we call for closer cooperation between official creditors within the Paris Club and between sovereign creditors and debtors via the Paris Forum. The Forum is a place for frank, open discussion on debt issues and sovereign debt crisis prevention. This year’s annual conference, on debt transparency, will take place on June 21.

I would like to end by touching briefly on the other matters covered in the reports submitted to the Development Committee for these Spring Meetings.

I welcome the report on the Bank’s natural disaster impact reduction efforts, including post-disaster relief and pre-disaster prevention and mitigation work. Prevention should, of course, be our first concern, and I commend the report’s emphasis on it, which aligns with the priorities of France’s official development assistance policy. I am pleased to note that the bulk of the Bank’s natural disaster risk reduction work takes place in IDA countries, since these are the most vulnerable parts of the world, where there is the greatest need for the World Bank’s support and expertise. I welcome the fact that the World Bank’s priorities are aligned with France’s own—building climate resilience and raising the standard of our interventions in fragile and conflict-affected regions.

Lastly, I would like to thank the Bank for the report outlining its efforts to increase gender diversity on the Board. The report shows a modest improvement in women’s representation, although progress is slow and change is proving difficult to achieve. Current efforts in this area—mentoring programs, training, diversity awareness education and ongoing dialog—should be sustained and accelerated. Diversity is vital to good governance. It is not simply a question of fairness, but also of effectiveness.