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

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Six months ago, we took swift action to respond to the crisis. Now the time has come to take stock and, above all, to institute longer-term reforms that will make it possible to bring the world on a stable path toward sustainable and responsible growth. In Pittsburgh, the G20 Heads of State and Government called on us to move in this direction, underscoring the need for governance reform at the World Bank to strengthen the voice of under-represented developing and transition countries, and expressing the desire for a reformed World Bank to play a lead role in tackling the challenges related to global public goods.

France fully supports these goals, while calling on the World Bank to maintain its primary mission of reducing poverty and promoting sustainable growth. With a view to clarifying its expectations, France will publish its strategy vis-à-vis the World Bank in the near future. This document, currently under review by civil society, will stress the importance accorded by France to the World Bank while, at the same time, presenting a number of recommendations that it wishes to bring to its attention.

Now, more than ever, the World Bank's historical mandate of reducing poverty and promoting growth is at the core of international concerns

We must, first and foremost, scale up our work to reduce poverty and seek broader solidarity and more appropriate forms of intervention. All wealthy, high-income countries have a duty to contribute their fair share to IDA and the governance reform provides us with a unique opportunity to introduce sound incentives to achieve this goal.

Furthermore, we must also work with the World Bank, within the framework of existing instruments, to identify and implement specific mechanisms to protect the most vulnerable countries and peoples. The recent energy, food, financial, and economic crises have shown us the limitations of the current modes of intervention employed by the international financial community. We responded by reforming the instruments of the IMF. The World Bank Group should follow suit, with the aim of reducing the vulnerability of developing countries. In this regard, the central role of IDA should be preserved. Indeed, we have a responsibility to reform IDA so as to adapt it to new challenges rather than to bypass or weaken it through poorly-coordinated initiatives.

The World Bank should therefore create within IDA a window for flexible and responsive intervention, in particular to provide massive and rapid fiscal assistance. We should consider the implementation of this window as of this autumn, in the context of the upcoming IDA mid-term review. Such a new window also calls for additional resources and we should explore all options to mobilize these resources, while avoiding crowding-out effects on the replenishment of IDA. I would also like to stress the importance of regional integration in reducing the vulnerability of individual countries. IDA should encourage this, not only by offering strong support for regional projects but also by increasing its financing for them.

This window should go hand-in-hand with a reform of IBRD's instruments – matching safeguards, pricing and maturities to the specific characteristics of the financial crisis.

When it comes to supporting growth, I would stress three key areas in which the World Bank can and must act.

First, the central nature of the private sector. Company growth and increased employment provide the engine for wealth creation and a virtuous cycle of development and I commend IFC for its action in this respect. France is supporting this key area in Africa by doubling the Agence Francaise de Developpement's private-sector commitments.

Second, the importance of providing assistance to developing trade through aid-for-trade and support for trade financing. The Bretton Woods institutions have a crucial role to play in ensuring an equilibrium to the benefit of the poorest countries in the context of unrestricted international trade.

Finally, continued efforts to bridge infrastructure gaps in developing countries, particularly in Africa. This is an absolute prerequisite to the creation of a propitious environment for the economy.

Fulfillment of the poverty reduction and growth promotion mandate should guide the financial capacity review of IBRD and IFC.

As stated in Pittsburgh together with the other G20 members, France supports such a review. Preliminary analyses suggest that they have sufficient resources and leverage within their balance sheet to meet the additional demand generated by the crisis. The key issue therefore comes down to their medium- and long-term business strategies and models and how these are articulated with those of other development banks. For the World Bank Group, this entails, first, identification of clear comparative advantages. Second, it entails rebalancing IBRD's financial model, through greater budget discipline and a pricing policy that preserves the financial sustainability of the institution : before contributing additional resources, we will need to ascertain that these resources effectively shore up the financial capacity of the World Bank.

If additional resources are to be contributed, then we will have to safeguard the interests of the poorest countries by guaranteeing transfers to them through IDA and by a better targeting of IBRD and IFC operations toward the most disadvantaged populations.

An equitable and effective reform of the World Bank governance must be completed within the next six months.

The juxtaposition of IDA and the World Bank's financial model reflects a desire for complementarity and balance between assistance to emerging countries and aid to the poorest countries. This focus on equilibrium must be sustained and must also prevail in the World Bank's governance reform. France will continue to ensure that developing countries, especially in Africa, participate fully in decisions made by the international community, including within the World Bank Group. A year ago at the last Assembly General Meetings, IBRD's governance reform made a big step forward to the benefit of developing and transition countries. Of equal importance was the decision to open the selection process for the president of the World Bank, whereby nationality will no longer be a criterion.

This momentum must be sustained within the timetable recommended by the G20 with a view to reach an agreement at the upcoming Spring Meetings. France is fully prepared to accept the implications of the new economic realities. The fact remains, however, that the realignment of IBRD and IFC shareholdings can only be achieved on terms consistent with the World Bank's mandate. Consequently, the transfer of voting rights must benefit only the under-represented developing countries, through the dilution of all over-represented countries, irrespective of their income level, with the exception of the poorest countries with the lowest shares. This transfer of power must also go hand in hand with a more equitable sharing of the responsibilities incumbent upon all of the institution's major shareholders. It is indeed inconceivable that the same small group of shareholders, particularly the Europeans, should continue to shoulder responsibility for IDA, while their voting rights are being reduced as a consequence of their diminished economic weight.

The World Bank must also lead the way when it comes to best practices and international standards.

As a public international institution, the World Bank has an obligation to exhibit exemplary behavior in three areas. First, in its relations with non-cooperative jurisdictions, in order to help strengthen the financial system. The World Bank has already heightened its due diligence framework, yet it still has to reform a number of financial and tax optimization practices –as regards both investments and operations-, based on the classification drawn up by international organizations. Second, with respect to supporting efforts to combat tax evasion in developing countries, an effort that lies at the heart of France's commitment to combat tax havens. And, lastly, with regard to compliance with and the promotion of environmental and social standards. The World Bank's operations and the financing that it provides must genuinely promote decent work and a *modus operandi* respectful of men, women, and their environment.

Lastly, the Copenhagen Climate Conference will be held in two months.

We must not waste this opportunity to provide solutions to climate challenge. All countries, especially developing countries, will have to face a formidable challenge. The broadest possible mobilization is required to protect the global public good that our climate represents. We must all take immediate measures to shift to sustainable development, as emphasized in the World Bank's 2010 World Development Report. This will entail the mobilization of all possible financial flows at the national and international levels, and our commitment to strengthening the carbon market in order to secure full private sector involvement. With the exception of the least developed countries, all countries must share the international financial responsibilities with respect to the climate. In addition, this task will require the good will of everyone concerned: bilateral and multilateral institutions, both the public and private sectors must, without exception, commit to this joint endeavor. However, in order to create a coherent and effective architecture that is compatible with such a large number of stakeholders, we must move forward with the support of established pillars, particularly the Global Environmental Facility, which has been addressing all of the major environmental issues for over twenty years, as well as the key development institutions, with the World Bank foremost among them. The extent of the Bank's involvement is crucial: after having served as a pioneer in carbon finance, developed a specific strategy, and put considerable energy in integrating climate issues into the development agenda, the World Bank must continue its efforts, undertake to reduce its carbon footprint, and strengthen the coherence of its work with all existing instruments. A commitment to coordination around these principles and lines of action will be required, and there is no doubt that we will all strive to sustain it.

Last I commend the World Bank for the establishment of the Center for Mediterranean integration, a multi-partner and cooperative structure, at the heart of its strategic pillar on the Arab world, that seeks to promote the convergence of sustainable development policies of the regions' members.