State of the Economy in Europe: A Focus on Growth and Stability

Statement by

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I am glad that my first trip outside of Europe as Finance minister gives me the opportunity to emphasize that the multilateral system is of great importance to the French government, as a pillar of international financial stability and inclusive and sustainable development.

The World Bank, by its universal ambition, is at the heart of this system, and we expect it to play a leading role in facilitating the coordination between donors and driving innovative initiatives that are necessary in responding to growing needs with constrained resources.

Faced with the complexity of these issues, a paradigm change is required: rather than trying to do, we must catalyze. Despite their financial strength, International financial institutions will not solve, on their own, the challenges of development - but their experience, expertise, and their ability to gather and engage with stakeholders in recipient countries are their primary assets.

Though representing a very small proportion of financial flows to developing countries, Multilateral development banks – particularly the World Bank - have a crucial role to play in order to lead, organize and mobilize aggregate flows, including private flows, and thereby bringing about the end of extreme poverty in the world as well as shared and sustainable prosperity.

This will require, within the framework defined by the discussions on the United Nations post-2015 Sustainable Development Goals, rethinking the place of each institution in the multilateral system, the role of each instrument. This will also require devising the best way to develop synergies between public and private actors as well as articulating poverty reduction and sustainable and inclusive development.

The most concessional resources - those provided by donors to the International Development Association - focus on the most demanding challenges, where the situation is most difficult. I’m thinking especially of Fragile states: it is in these countries, which suffer from limited access to funding and have limited institutional capacity, that the role of the World Bank is the most valuable.

We must learn the lessons of the crises in Mali and in the Central African Republic. We must - this is an imperative duty - do everything in our power so that the likelihood of similar crises is minimized. There are three main priorities we must focus on for this purpose.

First, better coordinate our response to crises. The World Bank’s leadership in crisis response is widely acknowledged - France had already welcomed the Bank’s action in response to the financial crisis, the food crisis in the Horn of Africa and the crisis in Mali. However, the crises in Mali and Central African Republic have emphasized even more strongly the importance of dialogue and of quick and effective donor coordination: I particularly welcome the World Bank’s involvement at the Donors’ Conference "Together for a New Mali" held on May 15th 2013. We must strengthen this coordination and
make it more systematic. This will be one of the main themes discussed at the roundtable on the Central African Republic that France and the World Bank organized on April 11, 2014.

Then, focus on prevention. The human and financial cost of these crises, of military intervention, of regional repercussions, and then of reconstruction is considerable - much higher than the cost of prevention. How many structuring infrastructure projects, how many World Bank-supported institutional reforms would it have taken to avoid these tragedies? I cannot say with certainty, but I know for sure that we can do more, and that these efforts will prove highly beneficial not only for the countries themselves, but also for the entire international community.

Finally, strengthen regional integration. In Mali as in the Central African Republic, the roots of the crisis as well as the solutions to it lie in a fundamentally regional context. The World Bank – with its financial strength and its experience in policy dialogue – is among the few actors that can impulse a virtuous circle where growth in each country strengthens growth and employment in the whole sub-region.

I am satisfied with the way these priorities were reflected in the decisions of the IDA’s seventeenth replenishment: more resources to fragile states, and above all a strong determination to make ‘Fragile states’ one of the key priorities of intervention and to implement ambitious organizational innovations to intervene there more effectively.

The World Bank’s non-concessional instruments should, for their part, seek maximum leverage. We can and must make better use of our resources.

I therefore welcome the financial reform initiated by the Group, which will increase lending volumes while preserving, through appropriate pricing, the financial sustainability of the institution. Now that the measures to strengthen its revenues and optimize its balance sheet have been adopted, the group now has to - and this is a key point - rationalize budgetary expenditures, and especially to develop and implement a more efficient budget process focused on operational strategic priorities.

Beyond the Group, I also want to stress the importance of designing collective solutions. Multilateral development banks are working on risk exposure exchange and pooling: France - which raised the issue at the last Annual Meetings - considers this a very promising avenue because it could allow International financial institutions to collectively strengthen their interventions, without endangering their balance sheets. The impact would be particularly critical in North Africa, enabling the Bank to scale up financing of infrastructure projects and thereby spur growth and employment.

Finally, we need to explore ways of more effectively mobilizing private investors’ response to huge infrastructure needs. I welcome in this respect IFC’s mobilization results: IFC has our full support to strengthen interventions in sub-Saharan Africa and in “Frontier states” - two priorities which are well reflected in its action plan. The project to create the GIF could also help bring more projects to bankability.

More broadly, we need to rethink the dichotomy between concessional and non-concessional arms, between public and private sector support, between support of growth and environmental sustainability, between project financing and development policy financing - all these oppositions lose their relevance as developing countries follow differentiated growth patterns and as MDBs instruments diversify.

The ultimate goal of all these considerations must of course remain that of a more efficient and transformational fight against poverty, especially in the poorest countries. The objectives and the strategy
adopted by the Group of the World Bank last year lead us in the right direction. We will have to move forward focusing on three priorities to achieve these goals.

**The first priority is to strengthen the unity of the Group of the World Bank.** The Strategy must permeate all activities of the Group and translate concretely into a common set of objectives and a complementarity of instruments between the different branches of the Group. I’m thinking for example to “pockets of poverty” in middle-income countries or to private sector development in Fragile states: the role of each branch of the Group should be thought of as a whole.

**The second priority is to better coordinate the international architecture of development aid** – which is a challenge that goes far beyond these Spring meetings. Situations of fragility and conflict require close cooperation with the United Nations; cooperation with Regional development banks should also be strengthened: this is true in sub-Saharan Africa, Asia or Latin America. The South and East of the Mediterranean basin, given the complexity of challenges and the multiplicity of actors, especially requires actual teamwork.

**The third priority is finally to target a systemic impact for World Bank actions, beyond individual projects.** This requires improving the cooperation framework with recipient countries and using each development project to spread best practice. In this respect, the reform of public procurement and of environmental and social safeguards plays an essential role: it should strengthen country ownership without affecting the quality of the projects.

These three priorities, which are crucial to fight poverty, are equally relevant and necessary to tackle the challenge of climate change. The milestone of the COP21, which we will host in Paris in 2015, is comparatively close to the work that remains to be done before we reach an agreement applicable to all, legally binding and ambitious enough to reach the 2°C goal. We will need an active implication of the World Bank, good coordination between all actors and a search for systemic impact.

Let us step up efforts on these three priorities and we will have strengthened the international aid architecture up to the new challenges facing it.