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IMFC Statement by Michel Sapin
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On behalf of France

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The current state of the world economy can be described as highly uneven. The upswing in the US and the eurozone's improved economic performance are clearly good news. In combination with the overall positive impact of lower oil prices, both developments have raised hopes that the global recovery will become more firmly entrenched.

At the same time, even though growth in the key emerging economies is still high in absolute terms, it is trending downward. And the recent upsurge of geopolitical tensions, persistently low inflation in many countries and a return to financial market volatility may likewise increase the downside risk to global growth.

There is even less room for complacency if we consider the IMF's downward revisions to the medium-term growth outlook, the unacceptably high jobless rate in too many countries and the major global imbalances that are still very much with us. So there is a crucial need to keep supporting the recovery by stimulating and rebalancing global demand. If we want our collective commitment to strong, sustainable and balanced global growth to be more than just rhetoric, we have to leverage all the means available to us. And we must do so now.

On this score, I wish to acknowledge the monetary policy introduced by the European Central Bank and the European Commission's clarifications on the fiscal flexibility offered by the Stability and Growth Pact. By implementing macroeconomic policies that respond to domestic objectives and that are adjusted to both national and aggregate cyclical conditions, the euro area will be able not only to pursue its growth and stability goals, but also to recover its status as a driving force in the world economy.

Crafting a policy mix that addresses short-term challenges while supporting sustained and sustainable growth is one of our most important tasks as finance ministers. To accomplish that, we must take further steps to strengthen our cooperation so that we can deliver a consistent message and act with the balance and flexibility required both to fulfil our domestic mandate and to meet our international commitments.

Overseeing a world economy that is still struggling to leave the crisis behind is not the only job we have to do, however. It is also our responsibility to identify the medium- and long-term challenges that the global economy will have to contend with and to put in place appropriate instruments for tackling those challenges. From this standpoint, 2015 will be a particularly crucial year, with international conferences to be held in Addis Ababa, New York and Paris.

While there are many questions that call for us to take action in concert, four of them strike me as particularly important:

- What will it take to maintain the ability of our economies to grow?
- How do we finance the fight against climate change?
- How do we ensure that developing and low-income countries will be able to achieve balanced development?
- How do we adapt our international financial architecture to the emerging multipolar world?

In the coming months, we will need to step up our efforts to come up with bold responses to these questions together. That makes it all the more crucial for us to start clarifying as of today the issues that each one involves.

Strengthening the ability of our economies to grow

Every government is responsible for carrying out the necessary structural reforms to increase its country's growth potential. In addition, we are responsible together for ensuring that those reforms pay off. To do so, we must exploit the synergies among them at the international level.

With our policies to reduce labor costs, we in France have demonstrated our determination to make our economy more competitive. Similarly, in introducing greater flexibility into markets for goods and services, streamlining administrative procedures and the country's administrative structure and updating labor-management relations inside companies, our aim is to create an environment that is conducive to success for businesses operating in France so that they will generate more wealth and jobs. In preparing the third stage of the Invest for the Future program and supporting the digital transition and corporate R&D, we show that we intend to continue to back innovation and raise productivity still further. In making sure that our reforms fit well together and that they are funded through lower government spending, we follow through on our commitment to putting France's public finances on a path that is both sustainable and compatible with robust growth.

Although these ambitious structural reforms reflect first and foremost our national agenda, they should also be understood in relation to the international macroeconomic environment. Confronted with extremely low eurozone inflation and a recovery that is still shaky, France has given precedence to those structural reforms most likely to have a positive impact on demand in the short term. The government's all-out effort to have the Growth and Economic Activity Act passed is a clear example of this. So, too, are the tax breaks granted to the country's low-income households. France advocates greater economic coordination at the European and international levels. Our hope is to improve understanding of the impact of structural reforms and thus to adapt the reform agenda to macroeconomic conditions and synergy effects.

In light of current infrastructure investment needs and historically low interest rates, France endorses the IMF's recommendation that public investment should be stimulated wherever there is adequate room for fiscal manoeuver. France accordingly supports the European Investment Plan initiated by the European Commission and has already announced that it will be contributing €8 billion. France is also putting in place a suite of national measures to stimulate public- and private-sector investment, increase the resources available for research and development and boost the supply of housing.

Unquestionably, it is by developing ambitious structural reforms and promoting public- and private-sector investment that we will maintain our ability for growth. Given that such reforms tend to produce results only in the medium term, we have the responsibility both to explain their impact to our fellow citizens and to work together to create an environment that is fully supportive of their implementation.

Financing the fight against climate change

The second issue I wish to emphasize has to do with climate. Climate change affects all of our economies. It represents a structural challenge that our society must confront right away so that we can mitigate its impacts and adjust to it. The increasing flow of finances to the fight against climate change will therefore be crucial to the success of the Paris climate negotiations in December 2015. In this area, the expectations are extremely high. To begin with, we need to live up to the commitments we made at the Copenhagen Conference. It is particularly important for us to lend credibility to the figure of $100 billion in annual financial flows promised to help developing countries mitigate and adapt to climate change. A first step in that direction would be to get all stakeholders to agree on how to account for climate finance. The second step would be to set growth targets for public-sector financial flows. They may come from development banks or may involve additional public-sector funding, for example through innovative funding mechanisms. This would also include strengthening the multiplier effect of public-sector funding on private-sector flows.

But ultimately, we have to bring about a major shift in investment towards a low-carbon economy that can withstand climate change. Everyone in the financial system must address the issue of climate risk. And we have to make sure that the countries of the southern hemisphere join in the effort. Lastly, private-sector involvement in the struggle to adapt is essential. Infrastructure must be made more resilient, above all in economies that are highly vulnerable to climate change.

In all these areas, we turn to the IMF and its expertise, and the Managing Director's stated desire to reach an ambitious agreement at the end of the year is a source of satisfaction to us. We would be particularly pleased to have the IMF help us enlist support from the entire financial community for taking climate change and the attendant risks more fully into account. It would also be worthwhile for the Fund to examine climate issues that are macro-critical for specific countries as part of its surveillance work. It will be of the utmost importance that the IMF properly assess the impact of climate change on fragile states.

Ensuring that developing and low-income countries are able to finance their sustainable development

In 2015, we will see convergence of three international processes involving issues that are dealt with at different forums but that are closely related: human and economic development, sustainable development and the fight against climate change. A successful outcome for the Addis Ababa Conference on Financing for Development in July will mark a crucial step ahead of the New York Conference on Sustainable Development and the 2015 Climate Change Conference scheduled for December in Paris. It is important, in fact, for all three events to be successful.

Establishing a framework and principles for financing the sustainable development of developing economies is a key goal of the international community, and the Addis Ababa Conference must become a major milestone on the road to achieving it. As recommended in the report of the Intergovernmental Committee of Experts on Sustainable Development Financing, funds from all financing sources, whether public or private, national or international, need to be mobilized – and as effectively as possible.

Debt financing in particular will be key to funding sustainable development. It must, however, be used with considerable caution, in accordance with sustainability rules of the kind established by the IMF and the World Bank. For that reason, we would like to see further progress made in this area, with both creditors and borrowers involved in the effort.

Furthermore, in working on this point, it is important to bear in mind that sustainable development financing is less a matter of whether resources are available than of allocating those resources to sustainable investments and projects. This makes it essential to devise adequate incentives and an institutional framework that supports development and development financing on both the national and the international scale. Examples that immediately come to mind include due consideration for negative externalities, strengthening the ability of developing countries to mobilize domestic tax revenue across all sectors and enhanced international tax cooperation so that we can tackle tax avoidance, the erosion of the tax base and illicit financial flows.

We know we can count on the IMF to make a significant contribution to the cause of development. In her Global Action Plan, the Fund's Managing Director has called for expanding the scope of the IMF's development work. It will be particularly important to draw on the IMF's expertise in the discussion on the Post-2015 Development Agenda, within the bounds of the Fund's mandate and in agreement with the other relevant international institutions.

Moreover, France places a premium on developing appropriate, tailored treatment for the specific issues confronting fragile and post-conflict states, where the IMF is extensively engaged already. In this connection, we wish to acknowledge the recent establishment of a Catastrophe Containment and Relief Trust (CCR), which has allowed the IMF to increase its assistance to the countries most afflicted by the Ebola epidemic. Looking ahead, a review of the Fund's engagement in fragile and post-conflict states could be carried out this year. This would make it possible to ascertain whether other IMF instruments or policies are in need of enhancement.

Adapting the international financial architecture to a multipolar world economy

It is imperative that the IMF continue to reflect as accurately as possible the changing world economic and financial landscape. As we all know, IMF reform has been stalled for almost five years now, with the result that the 2010 governance and quota reform has yet to be ratified. Implementing that reform remains a priority for us all, because it will ensure both the legitimacy and the efficiency of the institution. The first half of this year will be a key time for making maximum headway.

But there is no need to wait for implementation to begin moving IMF representation, governance and resources closer to what they will be once the 2010 reform becomes effective. And while such an interim agreement cannot replace the reform, it must be approved by the end of this six-month period. It should be appropriately realistic, consensus-based and far-reaching. Under certain conditions, increasing quotas on an ad hoc basis would enable us, for example, to accomplish a substantial share of the rebalancing of IMF representation provided for in the 2010 reform, with the large, high-growth emerging economies as key beneficiaries.

In doing so, however, we must provide adequate protection to the poorest countries and to countries not benefiting from those ad hoc increases to ensure that their quotas do not fall below the levels set in 2010. At the same time, what is needed is an agreement that puts the Fund's resources on a secure footing. The IMF today relies primarily on the New Arrangements to Borrow and bilateral loans, which are by definition temporary. For this reason, we are perfectly amenable to considering options for effectively guaranteeing that the IMF can remain a strong, adequately funded institution in the years to come.

This year should also give us the opportunity to take our thinking further on reforming the international monetary system to reflect the shifts in the global monetary and financial landscape. France continues to view this as a key priority. The review of the composition of Special Drawing Rights (SDRs) scheduled for this year must be accompanied by a discussion on how to strengthen the international monetary system.

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With the global economy emerging from the crisis, we are gradually entering a new period whose outlines are as yet somewhat fuzzy. We need to work together to bring them into focus by confronting the longer-term issues as of today. For however vital it is to address immediate problems, we must also continue to establish macroeconomic policies and a framework for international cooperation that will allow us to deal with long-range challenges like climate change, sustainable development financing and strengthening the international financial architecture.