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Statement by the Hon. **PIERRE MOSCOVICI**,
Governor of the Fund and the Bank for **FRANCE**

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Despite an ambitious and concerted response by the international financial institutions and the G20, the economic crisis persists. Growth is simultaneously constrained by financial tensions, the sovereign debt crisis, and fiscal consolidation policies. No region has been spared by the economic downturn, and this goes with a strong risk of growing inequality and of a slowdown in the development of the most vulnerable countries.

We must therefore address this difficult situation in a coherent, responsible, and collaborative manner. We share a widely-acknowledged, common objective, largely as a result of the analysis of the IMF and the World Bank: **restore the conditions for a robust global recovery, while avoiding the dichotomy between fiscal consolidation and economic growth.** As economic cycles accelerate, we must more than ever chart a clear and decisive course of action. Reformed and strengthened global economic governance is the most effective way to provide a stable and credible framework for long-term economic recovery.

With the new resources made available to the IFIs, **we now have the tools to collectively address the causes of the crisis: a concerted response at the national, regional, and international levels has never been more crucial for strengthening coordination of our economic policies with a view to addressing global imbalances.** At the same time, we must, over the coming year, continue efforts to stabilize and regulate the financial sector and modernize governance and the instruments of the international financial institutions. France remains committed to taking its share of the global effort.

1. IFI intervention and stabilization capacity has been significantly strengthened in all regions across the globe

Collectively, we have provided the Bretton Woods institutions with the tools that they needed to address the crisis. First, we have significantly increased multilateral development banks' and the IMF's resources, thus enabling the IFIs to scale up their stabilization activities: IMF loans have increased from US\$ 12 billion in 2007 to US\$ 243 billion in 2012, a testimony to this institution's firm commitment to support all regions of the world during this difficult period, including supporting Europe's efforts to address the crisis. In a bid to provide a concerted and decisive response to the crisis, some developed and emerging market countries have agreed to increase the resources provided to the IMF by US\$ 456 billion, thereby doubling its lending power. France has played an active role in this regard, and I am pleased that we will be signing our new bilateral contribution in the amount of EUR 31.4 billion during these Annual Meetings. This increase in

resources, coupled with the reform of its instruments, reinforces the IMF's pivotal role in international financial stability.

The World Bank's capital has also been increased from US\$190 billion to US\$276 billion in 2011, and the Bank has committed close to US\$200 billion since the start of the crisis. This major effort is the result of an extraordinary collective response, and maximizing its impact now through closer private sector involvement in development efforts must be our priority.

I also welcome efforts undertaken by the Bretton Woods institutions to initiate a reform of their intervention methods with the development of more flexible crisis prevention instruments. These institutions have thus demonstrated their capacity to move beyond mere crisis management and to develop tools to help prevent its inception and contagion. I welcome in particular the very positive impact of the crisis response window in the Horn of Africa, and the approbation of a precautionary and liquidity line for Morocco. In this respect, France believes that, as a matter of urgency, the World Bank must work harder and more efficiently in Sahel, and that the IMF must continue to provide assistance and support to this region. More specifically, France considers it a priority that the World Bank takes action to respond to the food crisis ravaging this region and provide a medium to long-term regional response to foster the resilience of the Sahel. **I commend the coordinated efforts of the IFIs, along with the G8 countries, to support the Mediterranean countries in transition under the Deauville Partnership, so as to help them address the inevitable short-term imbalances and lay the foundation for long-term structural growth.** We must not rest on our laurels, and I encourage the IFIs to build on progress achieved to date. In this regard, I applaud in particular the decision to provide support to Morocco and Jordan, and it is my hope that Egypt will in turn receive IMF assistance.

Efforts undertaken by the IFIs in 2012 have benefited all regions of the world. The World Bank has paid particular attention to fragile states, focusing more than half of its commitments in 2011 on Sub-Saharan Africa. Going forward, I encourage the World Bank to sharpen this focus, from both a quantitative and qualitative standpoint. In this respect, I am proud to mention that we took the decision last week to establish a trust fund for African countries. The goal of this fund is to better position these countries for the negotiation of extractive industries contracts, in a way that enhances the economic benefits for the people, and in particular local communities, ensures sustainable project development, and enhances macroeconomic framework management, including debt or transparency-related issues. Low-income countries have also benefited from concessional financing provided by the IMF under the PRGT, which has helped them, inter alia, maintain their social spending in the context of a global economic slowdown. I commend the decision to ensure the sustainability of this mechanism by financing it with windfall

gold sales profit, an indication of the IMF's commitment to take action in all regions of the world, including low-income countries.

2. In the coming year, we must address immediate challenges, continue reform of global economic governance, and strengthen the regional approach to development policies

Tackling the challenges that threaten the global economic recovery must be our first priority. To that end, a three-pronged approach must drive our efforts: continue the coordination of economic policies, combat the excessive price volatility of commodities, and ensure robust regulation of the financial sector, covering all actors and products. In order to successfully carry out these initiatives, support from the international financial institutions is critical.

France supports the ongoing reform of the IFIs, which seeks to ensure that their internal structures better reflect the transformation of the global economy. This clearly is a guarantee of IFIs' legitimacy and effectiveness. Reform of IMF quotas and governance, which was adopted in 2010, must therefore enter into force swiftly. The modernization and reform of these institutions must also go hand in hand with increased involvement and responsibility from those who are or who will become their main shareholders; otherwise the transformation process underway might lead to a deadlock. Lastly, IFIs' modernization requires progress in geographical diversity and academic training of staff.

Faced with an increasing diversity of needs and capacities in the countries in which they operate, the MDBs must also grapple with the dual challenge of coordination and differentiation. To that end, they must develop a range of flexible approaches in an effort to tailor their instruments and actions to the specific circumstances. I have in mind, in particular, capacity building and stabilization in fragile states, support for growth in low-income countries, and the dissemination of best practices and provision of technical assistance in the more advanced economies.

Other development challenges extend beyond national borders, and the **IFIs have a major role to play in promoting positive externalities.** Efforts undertaken by the IFIs at the global level must, in particular, support the creation of good, permanent jobs, which alone can be the basis for true inclusive growth. The institutions must also work closely together to coordinate actions to fight climate change. Other urgent areas are regional in nature: improve food security and adopt a regional approach to restore stability in Sahel, and promote regional integration in Africa through infrastructure projects.

Conclusion

In these difficult times, we must remain engaged and create the conditions for economic recovery and sustainable growth in the global economy, so as to benefit as many people as possible and contribute to ongoing efforts to reduce global imbalances, which have fallen short thus far. We must all use the tools at our disposal to reduce these imbalances in order to ensure a long-term impact. In view of growing inequality and of a risk of a decline in potential growth, coordinated action by the IFIs will also be key to supporting long-term investment in infrastructure and human capital, and thus to promoting the resumption of job creation. To that end, we must move beyond mere crisis management in order to ensure that our actions will have a long-lasting impact. This, in my view, is the challenge that awaits us in the coming year.