



## **Speech by M. Jacques Chirac, President of the Republic, at the Paris International Conference on Microfinance**

Paris, 20 June 2005

The international community has committed to halving global poverty by the year 2015. This goal is without any doubt within our reach. But to achieve it we must mobilize new and significant means. Among these, microfinance can play a crucial role because it helps the poorest of the poor look beyond mere survival and build a future of dignity, as all the examples prove.

With a total of over 80 million beneficiaries worldwide, the development of microfinance has confirmed the insights of its first advocate, Professor Yunus, to whom I wish to pay particular tribute. Its resounding successes bear witness to the universal nature of this tool for combating exclusion, since it relies on mankind's best attributes: solidarity, trust, dignity and entrepreneurship. And it is with pleasure that I take this opportunity to commend the remarkable achievements of Mr Bazoberry in Bolivia, and of Ms Maria Nowak, whose Association pour le Droit à l'Initiative Economique (Adie), is daily showing its effectiveness.

These initial achievements are the reason why microfinance must now scale up and move from benefiting tens of millions today to hundreds of millions tomorrow.

Microfinance has made a place for itself on all continents and in development strategies everywhere. First in South Asia, with the Grameen Bank; in sub-Saharan Africa, where I wish to commend the mobilization of the Organisation Internationale de la Francophonie (OIF) [international Francophone organization] and its Secretary-General, President Abdou Diouf; in Morocco, thanks to the remarkable efforts of the Prime Minister, M. Driss Jetou; and in the Middle East as well. On their side, institutions such as Planet Finance are striving to combine solidarity-based approaches with the use of sophisticated financial methods.

To go even further, in the International Year of Microcredit, France, with her German and British partners and the World Bank Consultative Group to Assist the Poorest (CGAP), has brought together, here in Paris today, the world's best experts in the field. Your proposals are very eagerly awaited. In this development year, they will use the potential of microfinance to help meet the Millennium Development Goals.



## **LEGAL AND TAX FRAMEWORK**

Releasing the potential of microfinance first of all requires establishing an appropriate legal and tax framework.

France is working with her African partners in the Franc Area to support their efforts to adapt their legislation. This work is to be completed within a year and followed by active cooperation in implementing the reforms.

National and international banking standards have to be adapted to the realities of microfinance. In two weeks' time at the G8 I shall propose initiating, with the Basle Committee and other relevant financial institutions, a systematic effort to spread good practice.

On its side, Europe must adopt its own banking and credit regulations to encourage the development of microfinance.

France has already begun to do this, in particular with the setting-up of the Social Cohesion Fund to guarantee microcredit. The bill on SMEs currently before the French Parliament makes the conditions for loans to single-person companies significantly more flexible, which will encourage the development of microfinance.

## **PRIVATE FUNDING**

Releasing the potential of microfinance also involves mobilizing additional private funds. Beyond its obvious importance for development, microfinance has clearly shown its financial viability. The time has come for bankers and investors to take over from public funding institutions in order to support its development. This is a way of spreading sustainable development. It's also in their interest.

To mobilize more private funds, public institutions must act as catalysts. Through mechanisms such as guarantees, mobilization of \$3 billion of public funds a year three times the amount currently available would make it possible to increase the number of beneficiaries to 600 million by 2015. At the forthcoming Gleneagles G8 and United Nations summits I shall ask for very strong commitments in this respect.

France will shoulder her full share of the effort. She has already set up a 20 million facility for microfinance funding. The French Development Agency, whose Director I welcome here today, must use all its guarantee instruments to increase tenfold the number of beneficiaries of microcredit granted by the institutions it supports.

## **AFRICA/G8/NEPAD/ODA/PLANE TICKET LEVY**

As in Asia and Latin America, microfinance can contribute significantly to Africa's development. It must be an integral part of the African continent's



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development strategy. This will demonstrate, if that were necessary, that all Africa needs to exploit its wealth of talent and strengths is the removal of the obstacles hindering their deployment.

This year, four international events of major importance for Africa's future will allow France to tighten her exceptional link with the African continent, a continent which must find its full place in the modern world.

Following on logically from the commitments made in Kananaskis and Evian, my ambition for the forthcoming G8 is to give new impetus to the international community's partnership with NEPAD. The multilateral debt cancellation agreement the G8 adopted on 11 June is going to provide recipient countries with \$1.5 billion of additional resources a year. This is progress. It is, however, only a very first step towards the goal of increasing annual assistance to Africa by \$25 billion deemed essential by all experts if we are to rescue its population from poverty. To achieve this, we shall need more official development assistance. At its last meeting, Europe confirmed an exceptional collective effort which will provide Africa with an additional 10 billion a year. Europe expects its OECD partners to make an equivalent effort. But that will not suffice. This is why Germany and France are proposing that the G8 back the launch of an initial solidarity levy on plane tickets to fund, inter alia, the fight against AIDS and the major pandemics. This would be a model initiative, a first decisive step in the essential implementation of innovative development financing mechanisms tailored to the realities of our modern world, since we shall not obtain what is necessary for development double the money currently allocated solely from the rich States' budgets.

The success or failure of the United Nations summit on the Millennium Development Goals will be decided in Gleneagles. Provided there's a spirit of solidarity there, we shall restore our hope of achieving these goals.

### **WTO**

In a few months, in December, the WTO Summit will mark a decisive moment in the effort to conclude the Doha round in 2006, a round whose success depends on factoring in Africa's specific interests, which first of all means maintaining the preference systems.

### **AFRICA-FRANCE SUMMIT**

Finally, also in December, the 23rd Africa-France summit in Bamako will be the opportunity to reassert France's commitment to Africa, a commitment which draws its strength from our shared history, and a future-oriented ambition.

Africa today is first and foremost the continent of the young, a continent where half the population is under 17 years of age and justifiably claiming its right to a future. I welcome Mali's choice of this theme for the Bamako summit. Today's Africa is also marked by unprecedented urban growth, with nearly half its population living in towns. A continent bubbling with excitement, one of



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this century's melting pots, with an exceptional burgeoning of artistic and intellectual activity, as evidenced by the current Africa Remix exhibition of the work of 84 contemporary African artists here in Paris, at the Pompidou Centre.

These profound changes are not, however, taking place without destabilization or at times, unfortunately, violence, as we can see in Western Africa, the Great Lakes region and the Horn of Africa. But because they reflect a powerful process at work, they also bring new opportunities which Africans are well aware of and are, I know, clearly determined to seize.

The increasing role played by the African Union and growing involvement of regional organizations in conflict resolution have brought greater peace to Africa. With the creation of NEPAD, democratization efforts, sound macroeconomic management and the fight against corruption have boosted the momentum of growth, which in 2004 was over 5% for the eighth consecutive year. This remarkable achievement must be highlighted. Alongside the suffering Africa, the hungry Africa, the Africa which needs our assistance I'm thinking today particularly of Niger which is currently experiencing a major food crisis there is an Africa which is creating, innovating, producing and consuming.

These achievements must encourage us to go further in our partnership with Africa in five key areas: security, health, education, infrastructure and trade.

### **SECURITY/RECAMP**

France has absolutely no remit to act as Africa's gendarme. She acts in the service of peace at the request of the United Nations, African Union or African countries themselves. Above all, she is providing her full support for the development of African peacekeeping capabilities through the RECAMP [renforcement des capacit s africaines de maintien de paix] programme and the European Union Peace Facility. Gleneagles will have to signal a stronger commitment on the part of the international community in this regard. I support the proposals put forward by the UK presidency: to strengthen the operational capabilities of the African Union and regional organizations; negotiate at the UN a system to control natural resources misappropriated to finance conflicts, such as tropical timber and strategic metals, and launch an international treaty on weapons trading, focusing in particular on small and light weapons because their uncontrolled spread fuels violence and conflicts on the continent.

### **HEALTH**

The second key area is health. Mobilizing against the major pandemics is as urgent as ever, since every year malaria kills over a million people in Africa, and AIDS, close to three million. France has just decided to double by 2007 from 150 to 300 million her contribution to the Global fund to Fight AIDS, Tuberculosis and Malaria. I call on all major donors to make similar



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commitments at the next Fund replenishment conference, in September 2005. On 20 September last year, 111 countries adopted the New York Declaration on innovative financing mechanisms. I am proposing to their heads of State and government that they join in the Franco-German initiative on plane tickets.

Beyond that, the task of strengthening healthcare systems in Africa and establishing minimum social welfare safety nets must mobilize international donors. Thinking on these issues has only just begun and must be stepped up, taking on board for instance the role which microinsurance might play in protecting those working in the informal sector.

### **EDUCATION**

Third key area, education. Clearly the goal is not only to reach the target of universal primary school education for all boys and girls in Africa by 2015, but also to educate and train, in secondary- and higher-education establishments, the managers Africa needs. France will mobilize new means to develop high-level education in Africa, particularly for science and technology. She will encourage the emergence in Africa itself of modern university and research centres, in cooperation with the OIF University Agency, and for this purpose will use all the resources at her disposal, including her scholarship programmes.

Fourth key area, Africa needs roads, railways, ports, airports, telecommunications networks and energy. Going further in our partnership with Africa means reallocating its full importance to infrastructure, too neglected over the past two decades, to end the isolation of the rural areas, structure the regional economic areas, step up production, and link Africa with the rest of the world. Funding infrastructure is one of NEPAD's priorities and will be a test of its success or failure. I shall fervently argue this cause at the forthcoming G8 summit in Scotland.

### **EU/AFRICA**

At the behest of Commissioner Louis Michel, to whom I want to pay tribute, the European Union is preparing a new European strategy for Africa. I support the idea of significantly increasing funding for regional infrastructure.

### **AFRICA/TRADE**

Africa must find its rightful place in international trade. In 20 years, its share has dropped from 10 to 2% of world trade. Let's stop fostering the illusion that Africa can on its own cope with a totally free-trade system. Clearly, internal barriers must come down. But Africa's outlets have to be maintained and Africa allowed to protect its own markets for as long as necessary. This is why, in the Doha round, developed countries have to commit to the improvement, harmonization and long-term nature of the trade preferences they grant African exports. This is why, in July 2004, Europe agreed, at the WTO, to start phasing out its agricultural export subsidies, provided other



developed countries take fully reciprocal steps. This is why the latter must now settle, in a spirit of fairness, the cotton issue in accordance with the WTO ruling. And this is why developed countries must acknowledge the legitimacy of a degree of protection for African markets. In this respect, I repeat, there is a need for an in-depth reappraisal of the concepts underpinning the post-Cotonou economic partnership agreements.

**Ladies and gentlemen,**

The success of microfinance shows that poverty is not irreversible. It also shows that development is not a matter of charity, but of partnership, since it is by combining solidarity with empowerment that we humanize globalization.

Solidarity and empowerment. This is the demanding philosophy today underpinning our whole cooperation policy with Africa. Because Africa is changing. Because the world is changing. And because in this constantly evolving world Africa must claim its full place, a place commensurate with the wealth of its cultures and talent and aspirations of its youth. On this long march, it will as always find France by its side, in the name of a past which brings us closer, in the name of a future Africa's, but also France and Europe's. We cannot imagine a France, a Europe without ties of solidarity with Africa: a developing Africa. This is how we shall be able to build the future and only together can we build it./.

„ finances and partners the unemployed and under-privileged who wish to set up or expand a business, but are not entitled to a traditional bank loan.

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