



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)



**SIXTY-NINTH MEETING
WASHINGTON, D.C. – APRIL 25, 2004**

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Statement by Mr. Fathallah Oualalou
Minister of Finance and Privatization
Kingdom of Morocco

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MR. FATHALLAH OUALALOU
MINISTER OF FINANCE AND PRIVATIZATION
KINGDOM OF MOROCCO**

The 69th meeting of our Committee comes at a time when the recovery of the world economy is clearly strengthening, as witnessed by the increase in industrial production and investment and the expansion of trade flows. According to IMF estimates, the world growth rate should reach about 4.5 percent in 2004 and 2005, largely driven by increased growth in the United States of America and the recovery of economic activity in Europe and Japan.

In the developing countries, growth should remain at about 6 percent, as a result of the sustained rate of expansion in the East and South Asian countries, faster growth in the Latin American countries, and a modest increase in the growth rate in Sub-Saharan Africa.

This improvement in the developing countries' prospects is a direct result of the efforts being made by these countries to enhance the investment climate and of the international financial community's support for these efforts. It also reflects the importance of exogenous factors, including, in particular, trends in the external demand for commodities and their prices, as well as environmental risks. Consequently, economic growth in the developing countries remains vulnerable and must be strengthened in order to ensure its sustainability throughout the process of deepening reforms, with a view, in particular, to improving labor conditions and reinforcing poverty reduction.

The attainment of the Millennium Development Goals (MDGs) is thus more necessary than ever. Achieving these goals will require the mobilization of adequate financing, both quantitatively and qualitatively, and the continued quest for and implementation of ways to ensure debt sustainability in the developing countries, especially the poorest among them.

There is no doubt that better representation of the developing countries in the decision-making bodies of the IMF and the World Bank will facilitate the attainment of the MDGs and of country development strategies in general, insofar as these countries will participate more actively in making the decisions that concern them.

The Millennium Goals: scope of the challenges

The first monitoring report on the implementation of the MDGs by the IMF and the World Bank -- which, by the way, is excellent -- shows that despite the encouraging progress made by the developing countries, great challenges remain for these countries, especially those in Africa, in order to meet the MDGs by 2015, particularly in the areas of education, health, control of infectious diseases, and access to drinking water and sanitation.

Given the present trends in education, the goal of achieving universal primary education by 2015 will not be attained by the Sub-Saharan African countries, and probably not by the South Asian countries either.

As for health, the situation is even more alarming, since only 15 to 20 percent of the developing countries seem to be on the way to meeting the target of reducing maternal and child mortality. Likewise, the goal of halting, by 2015, the spread of HIV/AIDS and infectious

diseases is unlikely to be met by many developing countries, especially those of Sub-Saharan Africa.

With regard to drinking water and sanitation, only 20 percent of the developing countries will be able to meet the target of halving the population without access to drinking water and sanitation by 2015.

Other studies show that the current rate, the attainment of the MDGs will take more than a century.

Meeting the challenges: a joint responsibility and global response

In order to reverse these trends and meet the challenges related to the attainment of the MDGs, the response must be global and multi-dimensional.

The developing countries must redouble their efforts with regard to macroeconomic and structural reforms, economic and social infrastructure, and good governance combined with the rational and effective management of available resources. The development of the private sector, acting as the engine of economic growth in these countries, should be considered an absolute priority. The African countries, which have shown their determination to meet the challenges of development and poverty reduction in the framework of the New Partnership for Africa's Development (NEPAD), must continue to work to achieve their objectives with the constant and consistent support of the international financial community.

For their part, the developed countries must take the necessary steps to improve their own growth, which will, on the one hand, enable them to increase their demand with respect to the developing countries and, on the other hand, shore up the stability of the international monetary and financial system. They must also substantially reduce agricultural subsidies and the tariff and non-tariff barriers which continue to prevent goods and services produced in the developing countries from reaching their markets. A speedy conclusion of the WTO multilateral negotiations, taking into account the needs of the developing countries, is essential. Moreover, the developed countries should implement as soon as possible the recommendations of the Monterrey Consensus and the international conferences held in that framework, particularly those of Rome (February 2003), Paris (March 2003), and Marrakech (February 2004), in favor of a substantial increase in official development assistance, better harmonization of this assistance, and results-based management. This will make possible the best use of development assistance funds, ensure the ownership by the countries concerned of the goals and strategies of development, and align the aid agencies with these strategies. The developed countries must also take into account the need to ensure the necessary predictability of official development assistance to facilitate the effective planning and achievement of the MDGs.

Lastly, the international financial institutions, particularly the IMF and World Bank, must strengthen their support for the member countries' efforts to manage their macroeconomic framework and structural reforms as well as the programs that have been established to attain the MDGs. This will require, in particular, the constant adaptation of their approaches and tools to the needs of the countries concerned, including the middle-income countries, with a view to

mobilizing additional resources for these countries. The multilateral financial institutions have a crucial role to play in harmonizing assistance and strengthening the countries' development capacities, including by implementing the action plan endorsed by the second round table on managing for results held in Marrakech in February 2004, as noted above.

We have also noted with satisfaction the Bank's formal pledge to increase its operations considerably in the area of infrastructure, and the Fund's willingness to improve the flexibility of its assessment of country fiscal policies, which will make it possible to accelerate investments in this sector. We trust that this flexibility will also apply to programs aimed at the achievement of the MDGs.

We encourage the Bank to further accelerate the implementation of the Infrastructure Action Plan, whose objectives include, in particular, the promotion of growth and poverty reduction in the developing countries. The next Annual Meetings will be an opportunity for us to study these questions more thoroughly.

Mobilization of adequate and appropriate external financing: key to the success of efforts to achieve the MDGs

The mobilization of sufficient financial resources is a key element in the achievement of the MDGs. Two excellent papers have been prepared on this subject by the World Bank in relation to the financing of the "Education for All" initiative and financing modalities for the MDGs in general.

Financing the "Education for All" initiative

We note with satisfaction the encouraging achievements in education, thanks to the establishment of a global framework that offers a platform for fruitful debate on institutional and financial questions and for sharing experiences, especially in the 10 pilot countries.

In order to operationalize this initiative, it is essential to mobilize sufficient financing to bring about institutional reform in the education sector and put in place the necessary infrastructure, particularly by building schools in rural areas. Moreover, these resources should cover, if only partially and for a given period, the schools' operational expenses. It is not enough to expand education : we must also ensure the high quality of such education, on the basis of adequate staff training and the adaptation of teaching materials and methods to meet the needs of a modern economy, which will require skilled, targeted and appropriate technical assistance.

The importance of investments in this sector in promoting economic growth and social development, even if their effects are felt only on the long-term, argues for the mobilization of substantial resources in the form of highly concessional and very long-term credits.

Financing modalities toward the MDGs

Everyone agrees that without an exceptional and concerted effort on the part of the international community, it appears unlikely that the additional \$50 billion annually that are considered necessary for the achievement of the MDGs will be mobilized.

In that context, we pay tribute to all the initiatives proposed to accelerate the mobilization of resources, particularly the International Finance Facility aimed at mobilizing additional resources on the international financial markets on the basis of guarantees offered by donor countries. This initiative would make it possible to considerably increase official development assistance without putting an immediate strain on the developed countries' budgets.

We hope that these resources, which should take the form of highly concessional grants or credits, will be in addition to current commitments for assistance and will not lead to a reduction in official development assistance beyond 2015, since it is understood that not all development problems will have been solved by that date.

The launching of new initiatives, such as global taxation of financial products or the creation and redistribution of additional Special Drawing Rights, could be a decisive contribution if the international financial community reaches a consensus on them. We call on the World Bank and the IMF to deepen their analysis of these initiatives.

Long-term debt sustainability: a necessary condition

The need to provide a high degree of concessionality for the resources that will be mobilized and, in particular, a considerable increase in the proportion of grants, stems from the concern to avoid worsening the developing countries' debt, particularly that of the most highly indebted countries, which would undermine all the efforts being made by the countries in question and by the international community to alleviate the burden of their external debt.

Although we welcome the results obtained in the framework of the Heavily Indebted Poor Countries (HIPC) Initiative, we believe it is necessary to extend the time-limit for implementing this initiative to enable all eligible countries to benefit from it.

We also strongly support the efforts by the IMF and World Bank to establish a long-term debt sustainability framework for the low-income countries to ensure systematic monitoring of these countries' debt on the basis of a series of relevant indicators and an appropriate clarification of their financing strategies. However, the concern for maintaining debt sustainability should lead to an increase rather than a reduction in assistance, and to a greater degree of concessionality.

At the same time, it will be useful to envisage the creation of mechanisms to relieve the debt of middle-income countries, so as to enable them to carry out their reform processes and release the necessary budgetary resources to establish the economic and social infrastructure they need for their development.

More active developing country participation in the decision-making process of the World Bank and IMF : need for equity, ownership of strategies and legitimization of decision-making processes

Strengthening the effective participation of the developing countries in the decision-making process of the Bretton Woods financial institutions, especially on issues having an impact on the future of those countries, would make a great contribution to the achievement of the MDGs.

Such participation, in our view, would require measures to enhance the voting powers of these countries.

To this end, we call on the IMF and World Bank to continue their efforts to examine the options for strengthening the voting power of the developing countries by focusing, first of all, on the restoration of their share of the basic votes to a level that is at least equivalent to the one in force when the IMF and World Bank were established, and on revising the formulas for calculating quotas. We hope that a consensus will quickly emerge among the member countries to adopt the necessary measures to that end.