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)

SEVENTIETH MEETING
WASHINGTON, DC—OCTOBER 2, 2004

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Statement by

Mr. Fathallah Oualalou
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Kingdom of Morocco

On behalf of Afghanistan, Algeria, Ghana, the Islamic Republic of Iran, Iraq, Morocco, Pakistan, and Tunisia

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STATEMENT BY MR. FATHALLAH OUALALOU
MINISTER OF FINANCE AND PRIVATIZATION
KINGDOM OF MOROCCO

ON BEHALF OF AFGHANISTAN, ALGERIA, GHANA,
THE ISLAMIC REPUBLIC OF IRAN, IRAQ,
MOROCCO, PAKISTAN, AND TUNISIA

The 70th meeting of our Committee comes at a time when the recovery of the world economy is strengthening, as evidenced by the increase in industrial production and investment and the expansion of trade flows. According to IMF estimates, the world growth rate should reach 5 percent in 2004 and 4.3 percent in 2005, largely driven by strong growth in the United States of America and Japan and the recovery of economic activity in Europe.

In developing countries, growth should increase to about 6.5 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 an increase in the growth rate in Sub-Saharan Africa.

Yet, despite these favorable prospects for growth, the economic situation in most developing countries remains uncertain, owing in particular to the scope of poverty in these countries and their vulnerability to exogenous shocks, as seen in the current spike in oil prices, which could have major negative repercussions on non-oil-producing countries.

This situation concerns the entire international community, whose cooperation must be intensified in order to establish a strong and united world economy, enriching to all.

Such action requires that efforts continue to be made to increase the level of aid and improve its effectiveness so as to attain the Millennium Development Goals, in addition to efforts to improve the investment climate and develop the infrastructure to promote growth in developing countries and ensure medium- and long-term debt sustainability.

Attaining the Millennium Development Goals also requires that developing countries be better represented in the Bretton Woods institutions.

1. Aid Effectiveness and Financing Modalities for Activities to Attain the Millennium Development Goals

The mobilization of adequate means of financing is a key element in attaining the Millennium Development Goals, which is a central concern of our Committee.

The report prepared by the Bank and the Fund for this Committee conveys a number of alarming realities, particularly the fact that a large number of developing countries will fail to achieve by 2015 the Millennium Development Goals in the areas of poverty reduction, education, and health.

For this reason, the entire international community should step up its efforts to honor the commitments made at various international meetings, particularly the Monterrey Conference, to increase the level of development assistance.

Developed countries have a crucial role to play within this framework by moving quickly to achieve the objective of the United Nations of increasing official development assistance to 0.7 percent of donor countries' GNP.

Improving the effectiveness of this aid should also be a major concern, both for donor countries and for recipient countries, because simply increasing the aid volumes is not sufficient.

Donor countries should step up their efforts to harmonize and simplify their operational procedures, specifically so as to reduce the cost of mobilizing aid for recipient countries. To that end, donor countries should embrace the challenge of quickly implementing the provisions of the Rome Declaration on harmonization and the Marrakech Declaration on results-based management.

Making more effective use of development assistance also requires that innovative mechanisms be set in place to mobilize this assistance and that its role as a catalyst be strengthened.

In this regard, we reiterate our support for the efforts of various development partners to explore new opportunities for speeding up mobilization of the resources needed to attain the Millennium Development Goals, particularly the International Finance Facility, which involves mobilizing additional resources on the international financial markets on the basis of guarantees offered by donor countries in the form of firm commitments to provide subsequent contributions. Inasmuch as this mechanism appears technically feasible, we call upon the World Bank and the IMF to undertake further analysis so as to clarify the issues related to its advantages and drawbacks, and so that the legal and budgetary constraints hindering its rapid operationalization can be removed.

We also note with interest the proposals of the working group on new international contributions. Although the principle of instituting a global tax to finance development entails both conceptual and practical difficulties, no avenue for mobilizing the financial resources needed to attain the Millennium Development Goals and for promoting growth in developing countries should be overlooked.

2. Strengthening the Foundations for Growth and Private Sector Development: Investment Climate and Infrastructure Development

The experience of several developing countries has demonstrated that there are direct links between improving the investment climate and promoting growth and reducing poverty.

We are all aware of the fact that private sector development requires a sound and attractive business environment, characterized in particular by the existence of a stable macroeconomic framework, an improved sectoral environment and, in particular, a well developed local financial system in order for the necessary resources to be mobilized and for optimal distribution of these resources to be achieved, so as to promote economic growth and contribute to poverty reduction and job creation.

Developing countries should therefore view the goal of improving the investment climate as one of the highest priorities of their national policies.

In this context, developing countries should thus step up their efforts to strengthen democracy, implement structural reforms, and promote good governance.

We call upon the multilateral development institutions and, in particular, the World Bank to support the efforts of developing countries aimed at improving the institutional and legal environment for businesses, especially small and medium enterprises, facilitating their access to financing and removing the obstacles that hinder normal operation of their productive activities.

In addition, we call upon the various institutions of the World Bank Group, specifically IBRD, IDA, IFC, and MIGA, to review their institutional frameworks for intervention and revise their respective policies so as to reflect more clearly the demands of improving the investment environment in developing countries.

We must not, however, lose sight of the importance of trade liberalization for enhancing the investment climate.

It is for this reason that we are pleased to note the resumption of the Doha Round of negotiations in Geneva last July, and, once again, we call upon developed countries to seize this opportunity to forge ahead with the establishment of an equitable multilateral trading system that takes the needs of developing countries into account and thus makes world trade a true engine of growth and poverty reduction.

To that end, developed countries should substantially reduce tariff and non-tariff barriers that still hinder access to their markets, so far as goods and services from developing countries are concerned, as well as agricultural subsidies.

In addition, improving the investment climate requires that adequate infrastructure be put in place to reduce transaction costs for businesses and improve poor populations' access to high-quality basic services.

In this regard, we support the Bank's efforts relating to implementation of the infrastructure action plan, and we believe that, through this plan, the Bank has sent clear signals to its teams and to its clients and partners concerning the central role of infrastructure in achieving the development agenda and the Millennium Development Goals.

The Bank should intensify its efforts to accelerate implementation of this action plan and substantially increase its activities in the area of infrastructure, including diagnostic work, dissemination of know-how, and providing advice to developing countries. This objective should be addressed by making full use of our institution's vast experience in the area of infrastructure financing, by maintaining its comparative advantage in terms of technical expertise, by simplifying the procedures, and by improving the cost of its resources.

We believe that the issue of infrastructure financing, along with the budget constraints that developing countries face in this area, deserves special attention from our Committee, given that Bank estimates show that the volume of infrastructure financing needs to be doubled in order to attain the Millennium Development Goals. We note with interest the pilot conducted in this regard by the IMF and the World Bank for the purpose of identifying areas of flexibility in budget policies that govern infrastructure financing.

We also call upon the Bank to continue its efforts to increase the level of coordination between its activities and those of other donors and financial institutions, particularly AfDB which, within the NEPAD framework, is responsible for steering the infrastructure component in Africa.

The ultimate goal of such coordination should be to support reforms of regulatory frameworks needed for infrastructure development and to encourage the mobilization of greater financial resources for this purpose by adopting a pragmatic approach based on the development of public-private partnerships and mechanisms designed to attract private sector resources.

3. Strengthening the Voice and Participation of Developing and Transition Countries in the Bretton Woods Institutions

Strengthening the effective participation of developing and transition countries in the decision-making process of the Bretton Woods institutions, especially on issues having an impact on the future of those countries, is likely to create the consensus necessary to facilitate achievement of the Millennium Development Goals.

After more than two years of discussion on this issue in our Committee, we believe that we have managed to achieve only slight progress, even though commendable efforts have been made, primarily in terms of strengthening the logistic and human resources of the Executive Directors representing the developing and transition countries.

We all agree that it will be impossible to achieve greater democracy within our two institutions unless there is a firm political will and an appropriate strategy for communication and awareness-building on the part of all stakeholders regarding this important issue.

The report prepared by the Bank's Executive Directors traced the history of the discussions on this issue and presented a number of options concerning, in particular, measures on which decisions are now pending and those that will require greater consensus.

We regret, however, that this report did not receive the support of all, and particular of those whose voices it is sought to strengthen, and that it was not possible to achieve the consensus that is even more desirable in this particular case.

In this regard, we call upon the IMF and the Bank to continue their efforts to encourage rapid implementation of those measures on which agreement has already been reached, or on which agreement can easily be reached.

At the same time, these efforts should focus on seeking a consensus on structural measures, particularly the restoration of basic votes to a level that is at least equivalent to the one in effect when the IMF was established, the expansion of membership shares, the establishment of new special majorities, the selective increase of capital, and the expansion of the Boards.

4. The Heavily Indebted Poor Countries (HIPC) Initiative and Long-term Debt Sustainability

We are convinced that attainment of the Millennium Development Goals is also contingent on the financial viability of these countries, which must not be compromised or jeopardized.

Accordingly, the efforts made by the international community should be part of an approach that is guided by the principle of maintaining the sustainability of the debt of developing countries', particularly the most highly indebted among them, and ensuring that the resources transferred to these countries are made available to them under terms and degrees of concessionality that do not threaten their medium- and long-term viability.

In this context, we are pleased with the decision to extend until the end of 2006 the sunset date of the Heavily Indebted Poor Countries Initiative. This extension will no doubt enable a greater number of low income countries, especially those impacted by external shocks, to reach their decision and completion points and benefit from debt relief.

At the same time, we support the efforts of the Bank, the Fund and other development partners to establish a new framework for assessing the sustainability of the low income countries' debt, based on systematic analysis of the factors driving their debt.

In addition to indicators that determine the tolerable and bearable degree of debt, such an assessment should, in our view, take into account other qualitative factors so as to provide an appropriate clarification of their financing strategies.

We believe that assessments of the effectiveness of economic policy measures and institutional reforms should play a major role in the establishment of this new framework, especially because such assessments have demonstrated their pertinence in the empirical analysis of trends in developing countries' debt level.

It is also necessary for the Bank and the Fund to maintain a high level of collaboration, both between themselves and with creditors and recipient countries, so as to permit a thorough and regular assessment of the sustainability of the low income countries' debt by incorporating such an assessment into the framework of the two institutions' existing operational policies and practices.

Lastly, we want to stress the fact that the concern about maintaining debt sustainability should not lead to a reduction in the volume of official development assistance, but rather to an increase in its concessionality and, more specifically, in the share of assistance awarded in the form of grants. In this regard, we welcome the United Kingdom's recent pledge to assume its share of the multilateral debt of countries engaged in a process of economic reform, and we encourage the other donor countries to follow its example.