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)

SEVENTY-SECOND MEETING
WASHINGTON, D.C.— SEPTEMBER 25, 2005

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September 25, 2005

Statement by

His Excellency Fathallah Oualalou
Minister of Finance and Privatization
Kingdom of Morocco

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

The 72nd Meeting of our Committee is taking place at a time when the global economic growth rate continues to be fairly high, albeit slightly less so than in 2004, supported by accommodative macroeconomic policies and low real interest rates. According to IMF projections, global growth is expected to reach 4.3 percent in 2005 and 4.4 percent in 2006, led primarily by growth in the United States and China, while economic activity in Europe is expected to slow somewhat.

In developing countries, growth is projected to remain at approximately 6.4 percent in 2005, as a result of a sustained growth rate in the South and East Asian countries. The growth rate in sub-Saharan African countries is projected to be close to 5 percent. However, it should be noted that these rates, which are mere averages, should not mask the significant disparities existing among developing countries, among them, non-oil producing countries which have been hard hit by the surge in oil prices.

Strengthening the development partnership, financing for achieving the MDGs (An Africa Action Plan), and debt relief for heavily indebted poor countries

We are all aware that the challenges linked to the achievement of the MDGs by developing countries, in particular, those faced by the African continent, can be addressed only through joint, concerted, and urgent action by the international community.

Consequently, we support the efforts of the World Bank and the development community as a whole to implement an action plan for a strengthened partnership with Africa.

Against this backdrop, we share the view that this action plan should be based on the principles of aid effectiveness, coordination, and catalytic aid, using IDA14 as a forum for aligning aid with the development priorities of the countries concerned.

This action plan should also be based on the principles of harmonization and simplification of donor procedures, as well as on results-based management, thereby transforming the Paris and Marrakech Declarations into concrete action.

In light of the foregoing, as well as the fact that the 2015 deadline agreed upon by the international community for achievement of the MDGs is less than ten years away, we are urging the Bank to scale up efforts aimed at the rapid implementation of this action plan.

Rapid implementation is all the more urgent given that the deficits of African countries in the areas of education, health, the provision of potable water, and sanitation are reaching alarming proportions, while the progress of these countries towards the MDGs is woefully inadequate.

Such an action plan is highly desirable given that it would facilitate capacity-building among the poor and marginalized segments of the population, and in so doing, permit them to be active participants in promoting growth as well as in reaping its benefits.

In this regard, we call on the World Bank and the donor community to ensure consistency among all mechanisms in place to benefit Africa, in particular, with the initiatives of African countries themselves such as the New Partnership for Africa's Development (NEPAD).

In fact, we hold the view that **African countries** themselves bear a significant share of the responsibility for implementing this strengthened partnership.

With the assistance of the international community, these countries should step up efforts to implement the appropriate macroeconomic and structural reforms, strengthen democracy and good governance, and implement appropriate infrastructures that pave the way for the achievement of robust and equitable private sector-led economic growth.

In parallel with these efforts, these countries are urged to develop a stronger results-based management culture and, in particular, to communicate the results achieved in the area of the MDGs and development objectives in general.

Developed countries have a major role to play in supporting actions that redound to the benefit of the African continent, in keeping with the Monterrey commitments. To that end, we are pleased with the initiative taken by the G8 countries during the Gleneagles Summit pledging to double aid to African countries by 2010. It is our hope that this initiative will be quickly transformed into reality.

The doubling of aid to Africa will pave the way for an increase in the overall volume of aid, which, according to preliminary estimates for 2004, amounted to a mere US$78.6 billion or 0.25 percent of the GNP of donor countries, a figure well below the target of 0.7 percent set by the international community.

In the same vein, we must point out that a major portion of aid has been granted in the form of debt relief rather than an infusion of new financial resources aimed at directly executing development programs.

Moreover, an increase in the volume of aid should go hand in hand with the enhancement of its effectiveness and predictability, inasmuch as the latter are also essential for achievement of development objectives.

In that context, we reiterate our support for initiatives aimed at rapidly increasing the volume of aid through the implementation of innovative financing mechanisms, such as the International Finance Facility (IFF), an airline ticket tax, as well as the blending of aid with other flows.

We think that the implementation of these mechanisms is one preferred way to generate considerable resource flows that offer a significant degree of predictability.

We call on the Bank to cooperate with all partners in order to ensure adequate follow up regarding implementation of the commitments made by donors as well as the progress made by developing countries towards achievement of the MDGs.

This follow up should take place on a systematic and regular basis, using quantitative indicators that are tied to results expected and risk assessments, thereby facilitating objective analysis of the progress made by stakeholders.

We think that the efforts under way to provide greater debt relief and to ensure the sustainability of the debt of heavily indebted countries should also be pursued, while ensuring that MDG-related needs do not morph into a new debt burden.

In this context, we support without reservation the initiative of the G8 countries for 100 percent cancellation of debt owed by heavily indebted poor countries to the IDA, the IMF, and the African Development Fund (AfDF), which we think is likely to enhance the sustainability of the medium and long term debt of these countries, and increase resources for financing the MDGs.

We also underscore the need to preserve the financial positions of IDA and AfDF and to avoid a decline in official aid flows to developing countries as a result of this relief.

Doha Development Agenda and Aid for Trade

At the same time, and perhaps even more so than strengthening partnership and aid to developing countries, the promotion of trade is a true driver of development and a mechanism for achieving the MDGs.

We must, however, acknowledge that despite the work done, progress made thus far in the context of the Doha Round, in fact, remains limited, particularly with regard to achievement of the development component, which we consider to be the cornerstone of these negotiations, in view of the end-2006 deadline set for these negotiations.

For this reason, every effort should be made by the parties to conclude the Doha negotiations quickly and successfully, with the WTO Ministerial Meeting scheduled to take place in Hong Kong, December 13-18, 2005, being used as a forum to further this objective.

During these December negotiations, we urge developed countries to work towards expediting international trade liberalization by improving access by developing countries to the markets of developed countries, in particular markets for agricultural products, through the lifting of tariff and non-tariff barriers to exports from developing countries and the elimination of subsidies for agricultural products and exports.

As the recent talks in Geneva demonstrated, the provision of a higher volume of international aid to developing countries through the appropriate mechanisms is essential in order to permit these countries to scale up their production factors so as to take advantage of the new opportunities offered by the Doha Round.

This international aid for trade is also likely to help developing countries to defray the short-term adjustment costs associated with trade liberalization.

We call on international financial institutions to step up their efforts to build trade-related capacity in developing countries and to allow them to participate actively in multilateral trade negotiations.

Implementation of the Infrastructure Action Plan

In view of the fact that infrastructure is a key factor in economic growth and poverty reduction, and taking into account the vast needs of developing countries in this area, it is imperative for all developing countries to redouble their efforts to put in place an efficient infrastructure by mobilizing the necessary public and private financing.

In this regard, we support the work being done by the World Bank to implement the Infrastructure Action Plan which will help scale up financing for this sector and tackle the ever-increasing investment deficit posted by developing countries.

The World Bank Group is urged to play a major role in this area on behalf of developing countries, particularly middle income countries, through financial support, technical assistance, sector analyses, and specialized interventions so as to build the capacity of developing countries to put in place efficient infrastructure that meets their economic and social development needs.

Review of World Bank conditionality

We support the work being done by the Bank to review its policies and practices with respect to conditionality to which its financing is tied. This review should seek to improve the effectiveness of its interventions and thus pave the way for expediting implementation of the programs financed by our institution, in particular, those linked to the MDGs.

In this regard, we call on the Bank to step up its efforts to relax and streamline this conditionality, drawing on good practice principles in this area, particularly those related to enhancing the ownership by countries of their programs, bearing in mind the specificities of the countries concerned and the limitation of disbursement-related conditionality to those actions that are essential to achieve the results of programs financed.

Enhancing the voice and participation of developing and transition countries in the Bretton Woods institutions

We are convinced that the effective participation of developing and transition countries, home to close to four-fifths of the global population, in decision-making within the Bretton Woods institutions is contingent on the establishment of structural measures targeting, in particular, the strengthening of the voting powers of developing and transition countries within these institutions.

We hope that a consensus can be reached rapidly among member countries with a view to implementing structural measures that are likely to strengthen democracy and governance within our institutions in order to facilitate achievement of the MDGs.

Status of debt relief initiatives for heavily indebted poor countries and the poverty reduction strategy paper

We support the work done by heavily indebted low–income countries in partnership with the Bank and the IMF; this has permitted 28 countries to reach the decision point and 18 countries to reach the completion point, thereby qualifying for debt relief within the HIPC framework.

The extension of the closing date of this initiative to end-2006 has allowed the Bank, the Fund, and other stakeholders to continue efforts to expand this initiative to include other countries.

We call on the Bank and the IMF to take advantage of this period to identify new countries that may be eligible for this initiative.

We call on all donors and creditors to participate in the financing of the initiative and to provide the resources necessary for its implementation.

Climate change and energy

Climate change is one of the major concerns of the international community. Global warming, in particular, is affecting our ecosystem more and more and is increasing the frequency of endemic diseases, food shortages, and natural disasters.

In that regard, we support the appeal made to the Bank by the G8 countries to assume a leadership role, in conjunction with other actors, in establishing a framework for clean energy and sustainable development.

In that regard, the Bank should expand its partnerships and step up efforts with a view to the rapid implementation of policies and the development and use of appropriate technologies to address climate change.

The energy issue, coupled with climate change, also constitutes a major source of concern for many non-oil producing developing countries.

As a result of the spike in the price of hydrocarbons, which is emerging as a long term phenomenon, the enterprises affected are seeing a substantial increase in costs as they struggle to adapt to the demands of global competition. Also, the purchasing power of citizens is being eroded, balance of payments positions are weakening further, inflationary pressures are increasing, and budgetary difficulties are worsening, given that in many countries, the State cannot pass on all price increases to users.

For these reasons and in the interest of preserving the work done by the countries concerned to reduce poverty in line with the MDGs and to foster sustainable and healthy growth, the international community should explore resourceful ways to alleviate the energy-related burden on non-oil producing developing countries. Indeed, in addition to adopting the measures necessary to enhance the functioning and, in particular, the transparency of the oil market, the developing countries affected need assistance to cope with oil shocks and palliate their effect on the balance of payments, budget, and prices, including through the appropriate compensatory financing. In the longer term, the World Bank Group should help countries formulate an energy policy that targets energy savings and the development of alternative resources.