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on the
Transfer of Real Resources to Developing Countries)



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Statement by
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On behalf of Afghanistan, Algeria, Ghana, Iran, Morocco, Pakistan,
and Tunisia

World Economic Outlook

The most recent estimates, we are pleased to note, indicate that global growth in 2006 is encouraging, as is the outlook for 2007. Nevertheless, we are concerned about the downside risks of developments in the world economy. We refer in particular to the continuance, if not deterioration, of global current account imbalances, the increase in inflationary pressures and their impact on monetary policy, as well as oil price volatility and the risk of increased protectionism arising from the collapse of international trade negotiations, compounded by heightened geopolitical risks.

Given the above, we think it is essential to work toward consolidating conditions favoring growth in developing countries, and particularly in Africa, not only through the reform efforts made by the countries concerned, but also by boosting growth in developed countries, in particular in Europe, and making market access in those countries less encumbered.

Strengthen Bank Group Work in Governance and Anticorruption

Poor governance and corruption are phenomena which affect both developed and developing countries. Nonetheless, it must be said that developing countries suffer the most, as efforts to promote economic and social development may be stymied by such situations.

Meet the Challenge of Achieving Good Governance and Combating Corruption

We must make it clear, at the outset, that corruption and shoddy governance are hardly “givens.” They are, indeed, global scourges for which we must collectively assume responsibility in order to reduce their negative impact on our countries, to create the conditions for sustainable economic growth, and to reduce poverty.

We are pleased, in this context, that the international community is tending more and more to look upon good governance and combating corruption as one way of contributing to improving the effectiveness of development assistance efforts and identifying issues meriting prioritization on its Agenda.

In such a context, public sector governance may be regarded as the manner in which the public authorities and political institutions assume and exercise the responsibility of providing and managing public goods and services, be this the provision of basic services, the establishment of infrastructure, or the introduction of a sound investment climate. Corruption thus represents one area of weakness of governance structures.

Developing countries, where the need to strengthen governance and combat corruption is most pressing, view good governance as a decisive component in their development and poverty reduction strategies. We are pleased to note that firm commitment has been expressed, at a number of fora, in particular in Africa, for continuing to enhance good governance at the institutional level and to combat corruption.

Moreover, the various political, economic, and social stakeholders involved in most countries are now treating this issue as fundamental in terms of imbuing matters public with an ethical dimension and providing quality public services. These stakeholders are calling for high quality governance and an effective anticorruption strategy.

It is gratifying to note that the World Bank, embracing this movement, is now proposing to develop a strategy aimed at helping all countries more successfully establish good governance and combat corruption. This will be a complex undertaking, requiring a sustained effort over the long term.

Evidence would suggest that the challenges with respect to governance are far from uniform from one country to the next. Consequently, the strategies to be applied must be differentiated and focused heavily on local knowledge.

We are also of the opinion that any strategy to promote good governance and combat corruption must be based on a participatory approach, solid knowledge of prevailing situations, the use of local expertise and skills, and the involvement of the various national stakeholders.

In addition, we know that, judging from the experience of many countries, some have managed to improve governance significantly and in little time, while others appear to have problems in this respect.

Generally, the fundamental sources of poor governance and corruption are closely associated with the issues of democracy, observance of the rule of law, the opacity or complexity of the regulatory framework, the inadequacy and unsuitability of control systems, and, finally, the nonexistence or weakness of countervailing forces.

There is no question that political will is a key component in the success of any strategy aimed at achieving good governance and reducing poverty, with emphasis on the implementation of the institutional reforms necessary.

Reform of the public sector and, in particular, of the central government administration, is the first step toward good governance. However, reforms at the level of the public sector are not always sufficient for meeting the challenges involved. Inclusion of the national private sector, multinational firms, and the community at large is necessary as well.

Toward a Bank Strategy for Governance and Anticorruption

We commend the World Bank on its plans to strengthen its commitment to governance and anticorruption, and we encourage it to continue its work in the area in a manner that is completely harmonious with its Executive Board.

Admittedly, strengthening this area will entail a significant investment in terms of human resources and external expertise. We therefore call on the Bank, the Fund, the regional

development banks, as well as all bilateral donors to harmonize their intervention tools and to coordinate their approaches in this area.

It is our view that throughout the formulation process of this strategy that the Bank plans to implement, it should maintain a participatory and partnership-based approach, centered around the deepening of knowledge of specific local situations, the inclusion of national expertise, and the involvement of all local stakeholders, with the active participation of and supervision by governments. This is the only way to formulate and implement a strategy acceptable to all.

In its working document, the Bank is proposing the preparation of governance and corruption indicators, monitoring mechanisms, and diagnostics tools. These indicators and mechanisms must be established in collaboration with governments and adapted to each country in order to ensure their objectivity and accurate reflection of prevailing situations. We therefore call on Bank teams to continue their analytical work on these issues and to become more heavily involved in work on the ground, in order to explain their approach, engender support, and assist countries with the implementation of these mechanisms and tools.

We deem it essential that any strategy adopted by the Bank be in line with its principal mission, namely poverty reduction and facilitation of the economic and social development of developing countries. In this regard, we call for maximum restraint and prudence when making decisions to suspend financing intended for countries that do not fully meet the Bank's requirements in the areas of governance and anticorruption.

Strengthen the Bank's Engagement with IBRD Partner Countries (Middle Income Countries)

We are pleased with the strategy that the Bank plans to adopt to strengthen its support for middle income countries and proposals that are specifically relevant to this very diverse group of countries.

This strengthening is necessary for several reasons. Indeed, 70 percent of the world's poor live in middle income countries (MICs). Strengthening support for these countries is thus central to the fundamental poverty reduction mission of the World Bank Group. Such support also constitutes an integral component in actions taken to achieve the other Millennium Development Goals.

Strengthening the Bank's engagement with MICs entails, among other things, enhancing the competitiveness of available financial instruments and products. In this regard, we note with satisfaction the elimination of front-end fees, and we underscore the need to continue this effort targeting transaction costs through greater transparency and streamlining of the structure of financing costs.

It is with regret, however, that we note the Bank's orientation toward making technical assistance a revenue-generating activity. A large number of our countries turn to the Bank for its expertise, technical assistance, and knowledge, as well as for the mobilization of financing. Consequently, it is imperative that the Bank maintain its dual role as a source of financing and of knowledge.

We are pleased with the progress achieved with the adoption of country systems and we would like to see its more rapid application to as many countries as possible, while continuing to provide them with the assistance necessary for the modernization of their administrative and financial management system, among others. However, we think that the results achieved remain somewhat mixed. This should not discourage us from continuing to work together, as actively as possible, to reduce the cost of doing business with the Bank and to improve alignment with national procedures, with a view to greater ownership of Bank-financed programs and projects.

We hold the view that the proposed strategy can ultimately lay the groundwork for enhanced collaboration with MICs, a better division of labor with the other development partners, and synergy within the World Bank Group itself, given the importance of the private sector in particular in the development process of MICs. In these countries, this sector is the main driver of development.

We are of the opinion, however, that much remains to be done in terms of implementation of the proposed strategy, more specifically: (i) defining specific procedures and tools to be used to cope with exogenous shocks, which have a very negative impact on non-oil producing MICs; (ii) establishing new financing instruments tailored to the specific needs of middle income countries; and (iii) facilitating the provision of very high-level expertise to MICs.

Doha Development Agenda and Aid for Trade

We deeply regret the suspension of the Doha Round on multilateral trade negotiations.

It is our opinion that the current trade system is heavily tilted against developing countries, particularly the least developed countries, owing to the fact that industrialized countries have kept in place heavy subsidies for production and exports as well as tariff and non-tariff barriers with respect to exports from developing countries.

We reiterate our belief that the balanced conclusion of the Doha Round would tap into significant existing potential for global well-being as a result of expanded trade, and would permit attainment of the objectives identified by the stakeholders in this cycle related to development assistance and poverty reduction in low and middle income countries.

From our vantage point, the collapse of these negotiations runs the risk of undermining the hard work done thus far, thereby squandering a golden opportunity to achieve progress in areas that will bring noteworthy benefits to all countries. This collapse could also pave the way for the intensification of protectionist trends the world over.

We call on all parties to resume trade negotiations on an urgent basis, given that trade promotion represents a genuine mechanism for expediting achievement of the Millennium Development Goals. To this end, we call on the World Bank and IMF to support this effort by underscoring the potential economic benefits of the Doha Round, as well as the costs incurred from

maintaining trade barriers and other distortions, in particular the agricultural subsidies of developed countries.

Moreover, we herald the recent proposals pertaining to the “Aid for Trade” agenda, and we reiterate our stance that this initiative should not be considered an alternative to the successful conclusion of the Doha Round.

We therefore call on the international community as a whole to resume the work related to this round, drawing on the gains achieved at previous negotiations.

Debt relief and cancellation are indirect but nonetheless essential development financing tools and provide heavily indebted countries with a mechanism for restoring debt sustainability.

We reiterate our support for sound implementation of the HIPC initiative and express our desire for the mobilization of all possible resources that would permit a greater number of low income and heavily indebted countries to take full advantage of the benefits of this initiative.

We also express our satisfaction with the debt reductions achieved through the Multilateral Debt Relief Initiative (MDRI).

Furthermore, we support the notion that this debt relief should be truly complementary in nature for eligible countries and should not be used as a substitute for traditional financing.

We emphasize the fact that the debt sustainability framework developed by the World Bank and IMF for low income countries should be sufficiently flexible and tailored to the specific needs of each country. We call on donors to provide more grants as well as loans on highly concessional terms to this category of countries, so that the financing of development projects does not come at the expense of a deterioration in their debt indicators.

In order to facilitate achievement of the Millennium Development Goals, we encourage all donors to provide their assistance in a more effective and predictable manner and to align this assistance with country-specific strategies. In this regard, we stress heavily the need for full implementation of the Paris Declaration on Aid Effectiveness.

Lastly, we reaffirm our commitment to mutual responsibility while acknowledging that the granting of significant resource flows should go hand in hand with the implementation of sound measures and policies in order to ensure the effective use of these resources by the beneficiary countries.

We therefore support the use of the sum total of debt relief for poverty reduction purposes. To this end, more attention needs to be devoted to the effective use of these funds and to good governance.

I would not want to conclude this statement without paying tribute to the various units of the Bank for the quality of the reports they have prepared on clean energy and development and education, at the behest of the Development Committee. We view these as extremely important

issues, as are the problems associated with governance and combating corruption mentioned earlier. Indeed, there is no antidote to corruption and poor governance more powerful than a well-adapted education system that fosters freedom, encourages constructive criticism, and shapes responsible citizens who attach importance to their rights and honor their obligations! We need not dwell on the subject of clean energy and development, given its topical nature and its importance to the entire world, to developing countries, and in particular, to non-oil producing countries. A pressing need exists for a strategy that reduces dependence on oil and promotes clean energy. The role not only of the Bank and other donors but also of large developed countries is crucial to achievement of tangible and rapid results in this area.

In conclusion, I would like to avail myself of the opportunity to commend the World Bank on its gesture in the form of establishment of a trust fund to contribute to the reconstruction of Lebanon in the wake of the widespread destruction there. We urge the international community to provide the people of Lebanon, our brothers and sisters, with assistance commensurate with the scope of the damages sustained.