Statement by
Mr. Salaheddine Mezouar
Minister of Economy and Finance of the Kingdom of Morocco

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

On behalf of my constituency, I would like to begin by thanking the Bank teams for the quality of the working documents submitted to us on the occasion of the seventy-sixth meeting of the Development Committee.

I would like to convey special gratitude to our Committee for the extremely pertinent choice of topics on the agenda of the sessions and luncheon of the Development Committee. These topics all relate to questions surrounding the future of our institution in an international environment that is undergoing profound change.

In reviewing the “Global Development Finance 2007” report, we noted that the developing world posted a seven percent growth rate in 2006, double the rate of developed countries. This growth has facilitated a considerable reduction in the debt burden of developing countries and their recourse to multilateral financing, owing to the increase in private capital flows to these countries. However, the report on the “Long-Term Strategic Exercise for the World Bank Group” reveals a disconcerting development—IBRD disbursements have declined by 30 percent in real terms as a result of prepayment operations in particular, reflecting a lower level of World Bank activity.

Such a decline makes it imperative to redefine the strategic directions of our institution in order to enable it to fulfill its mandate as a cooperative development institution and to devote attention to its members in an equitable manner, while setting poverty reduction and growth promotion as its objectives.

In this regard, we must express our satisfaction with the timely nature of this self-review and reflection exercise. We all hope that it will permit our institution to be better equipped to face the new challenges arising from greater globalization of economies, international aid architecture that is becoming increasingly complex, and the rising threat to global and regional public goods.

Given these challenges, we think it worth noting that although the absolute number of poor in the world has declined and growth has increased, poverty eradication remains a challenge. The report of the Long-Term Strategic Exercise for the World Bank Group estimates that in 2015, some 720 million persons will still be subsisting on less than US$1 per day. Deep-rooted poverty (among persons living on less than US$2 per day) will remain widespread and will affect two billion persons, two-thirds of whom live outside of International Development Association (IDA)-only countries. In light of this, it is regrettable that many countries, including middle-income countries, will make only limited advances toward achievement of the Millennium Development Goals, particularly in the areas of infant mortality and malnutrition.
Outline of Strategic Directions for World Bank Group Action

In the current context of rapid globalization, it is our view that the World Bank and all development partners should strive to ensure that globalization is equitable, with a view to doing more and better in terms of sharing the fruits of global growth. In our view, this would avoid social tensions that can have a negative impact on development.

With respect to the priorities identified in the Bank report, we agree with the four key areas chosen as the focus of the strategy, in particular: (i) sub-Saharan Africa; (ii) fragile States; (iii) inclusiveness in middle-income countries (improving distribution of the fruits of growth, equal opportunity, etc.); and (iv) global public goods.

Indeed, we find it unacceptable that sub-Saharan Africa is not benefiting fully from the globalization process and that even beyond 2015, half of the population in fragile States will still be living in extreme poverty. We also think it important and necessary for middle-income countries, which are achieving impressive results from a growth standpoint, to share the fruits of this growth more equitably. At this juncture, it is clear that the commitments made with respect to financial support and the identification of joint strategies that are tailored to the needs of countries that lag the furthest have not been honored.

The priority accorded to sub-Saharan Africa stems from the rampant poverty prevailing in this region, as well as concerns common to many countries, such as combating communicable diseases, the management of shared resources, and the promotion of regional integration. In this regard, the Bank will benefit from working hand in hand with all development partners with a view to streamlining aid architecture which is still plagued by a lack of effectiveness.

In the case of fragile States, we share the view expressed on the need to give priority to broad-based coordination among development partners in these countries in order to reduce the prevalence of poverty, avoid problems in the area of governance, and find solutions to the issue of security linked to global programs.

In the case of middle-income countries (MICs), beyond expanding inclusiveness as proposed in the working document through a more equitable distribution of the fruits derived from growth in these countries, we think that the World Bank Group should increase its assistance to these countries in view of the fact that they are home to more than two-thirds of the world’s poor.

A stronger commitment by the Bank to MICs requires, among other things, improving its competitiveness by making financial conditions more attractive. In this regard, we welcome the recent elimination of commitment fees and annual waivers as well as the lowering of Bank spreads, which could enhance transparency and facilitate greater streamlining of the cost structure, thereby making our institution more appealing. We are therefore pleased that these measures are oriented toward strengthening the Bank’s commitment to these countries.

The World Bank is also being called upon to address the sensitive issue of the degradation of global public goods. This threat continues to be a major impediment to development efforts for all our countries, both developed and developing.

Consequently, the rational management of global and regional public goods is necessary, owing to the threat posed to all countries by the scourges resulting from climate change, communicable diseases, the imbalance in global trade structures, and the contagion effect of financial crises. This observation applies to regional public goods and shared water resources, which can potentially become a source of conflict.
The issue of global public goods requires the assumption of joint responsibility by us. In other words, we must guarantee our people the opportunity to live in a world free of all these scourges and of environmental degradation.

In this regard, the topics of clean energy and climate change, which we will discuss during the luncheon, also relate to our duty to work collectively in order to advance together toward sustainable development.

We are also pleased that climate change and clean energy are already among the priorities identified in the strategies prepared by a significant number of developing countries. In this regard, we welcome the initiative of the World Bank Group to allocate US$10 billion to the energy sector for the 2006–2008 period. In our view, this sum should be augmented, given that as of end-September 2007, US$9 billion had already been used.

**Modes of Engagement by the Bank**

In our view, the decision to focus attention on the IBRD, where activity has been steadily declining each year, and on IDA, where activity is stagnant, is a prudent one, in light of the fact that the activities of IFC and MIGA are proceeding at a normal pace.

In view of the fact that the low level of IBRD commitments is reflected in the under use of Bank capital, we do not view as viable the proposal to maintain the status quo with respect to the mode of engagement. Consequently, innovative solutions that lend renewed impetus to IBRD and IDA activities and improve their performance need to be adopted.

In this regard, the facilitation of access to IBRD financing by middle-income countries that do not have access to the international financial market, and possibly IDA countries that are likely to join the ranks of middle-income countries, seems advisable. Such action could offset the decision of a number of countries not to use IBRD financial resources. Recourse by these countries to less costly resources on the international capital market is explained in part by their desire to circumvent the Bank’s complex procedures and conditionalities.

Of these innovative solutions, we firmly support the idea of granting loans without sovereign guarantees to the public entities and subnational authorities of member countries. We also encourage the Bank to propose innovative solutions with respect to mechanisms, in order to respond effectively to funding requests for regional and supranational projects.

The Bank is also called upon to make provisions for new financing instruments that would allow countries to cope with exogenous shocks such as soaring oil prices and climate instability and to examine also the possibility of identifying and establishing suitable insurance mechanisms, particularly in the area of crop coverage against drought.

**Making the World Bank a Knowledge Bank**

In our view, a key element to improved World Bank performance lies in bolstering its role as a knowledge bank. In this regard, although a significant number of high-growth, middle-income countries are not currently using the services of the Bank to obtain funding, its role as a knowledge bank warrants strengthening so that it can compete in the knowledge field.

Consequently, we stress the need to make very high-level expertise available to member countries, in particular through the access to external expertise. At the same time, we think that the Bank should develop a critical mass of internal expertise both at Headquarters and in the field.
We also think that an institutional effort is needed in order to pool all the World Bank’s experience, with a view to building a base of knowledge and expertise in the development field that is accessible to everyone, thereby creating a new public good.

**Scaling up Aid and the Role of IDA**

Despite all the efforts made to boost the quality and quantity of official development assistance, its overall volume declined by five percent in 2006, amounting to US$103.9 billion, more than 80 percent of which falls into the debt relief category.

Consequently, as we are well aware, five years after Monterrey and two years after Gleneagles, these results fall short of the Gleneagles commitment to double aid by 2010.

Therefore, without a doubt, our biggest challenge remains the scaling up of aid, particularly in sub-Saharan Africa and fragile States, where we must all redouble our efforts to ensure that the commitments made by the international community at several fora and reaffirmed recently at the G8 summit in Heiligendamm are honored.

In addition, for the majority of low-income countries, official development assistance remains the major source of financing, with IDA being the principal source of multilateral ODA for these countries.

If we are to achieve the MDGs, IDA intervention only will not suffice. In fact, these countries must rely on their economic performance, accelerate their growth rates, and increase investment in MDG-related areas (health, education, water, sanitation, infrastructure, etc.).

Similarly, the report on the role of IDA indicates that aid architecture has become increasingly complex with a proliferation of donors and the fragmentation of international aid flows, with a significant portion of aid being linked to the achievement of objectives that place greater emphasis on the priorities of individual donors than on the priorities of recipient countries.

As a result, we think that IDA has an essential role to play as a unifying institutional platform that catalyzes different forms of aid toward more effective use, with a view to achievement of the Millennium Development Goals (MDGs).

IDA should also enhance the effectiveness of official development assistance, offer additional value-added in relation to other sources of aid, provide adequate financing at the sectoral level, confront major global challenges with priority being given to climate change, and promote alignment and harmonization. In our view, all these issues cannot be simultaneously addressed by applying a standardized approach to all countries.

The modus operandi of this institution should therefore be discussed in the context of a policy dialogue with the different client countries at the time of preparation of both Country Assistance Strategies (CAS) and sectoral strategies.

Lastly, if low-income countries are to make progress, IDA must be strengthened. This, you will agree, will be possible only if IDA receives stable and adequate financial resources, in particular in the context of IDA15 replenishment, which we hope will be a successful undertaking.