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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I would like to thank the staff of the World Bank for the quality of the working documents submitted to us and for the periodic assessments of the work of the international community related to achievement of the Millennium Development Goals (MDGs), particularly in Africa.

I would also like to avail myself of this opportunity to commend the Bank for responding to the request made by the Development Committee during the 2007 Annual Meetings to develop a draft strategic framework to guide World Bank Group support for client countries, in order to help them to better address the adverse effects of climate change.

Furthermore, I am pleased to note that the issue of opportunities and challenges currently posed by soaring commodity prices, particularly of food and petroleum products, appears as a central issue in our discussions.

1. International Context

This Development Committee Session comes at a critical moment in the evolving global economic situation. Indeed, the Bank’s Report on Global Economic Prospects concludes that although record growth was achieved over the past four years in developing countries, the latter are currently facing a period of heightened uncertainty. Growth worldwide declined slightly in 2007, dropping to 3.6 percent from the 3.9 percent rate posted in 2006.

This slowdown is due in large part to weaker growth in developed countries at a time when developing economies have maintained a 7.4 percent growth rate, which is comparable to the rate observed in 2006.

According to this Report, growth rates worldwide are projected to increase at the moderate rate of 3.3 percent in 2008, picking up in 2009 to climb to 3.9 percent.

However, there are several downside risks to this soft landing for the global economy. External demand for products from developing countries could decline if the faltering US housing market or further financial turmoil were to push the United States into a recession.

Recent trends in food and commodity prices are having a significant negative impact on growth prospects for several developing countries. These consequences require that both the international community and the affected countries provide urgent solutions that will protect the most vulnerable segments of the population, particularly through measures for a more equitable distribution of resources and increased agricultural production and productivity.
The future of the dollar also constitutes an additional risk factor. A rapid decline in the value of the dollar would increase uncertainties and the volatility of the financial markets, which could lead to a slowdown in exports and investments for the entire global economy, with the attendant risk of reduced private capital flows to developing countries.

This situation calls for enhanced transparency in financial markets, and for strengthened monitoring and oversight of the international financial system by the Bretton Woods institutions and relevant international organizations.


Progress Toward Achievement of the MDGs

The focus in this Report on progress made toward achievement of the MDGs and the interdependence between sustainable development and environmental sustainability attest to the importance that the international community attaches to sustained, inclusive, and environmentally sound development, and to the need to protect the environment.

Now at the mid-point, between 2000, the year in which the MDGs were adopted, and 2015, the target year for achieving these MDGs, we note that significant progress has been made by several developing countries in eradicating extreme poverty and hunger.

However, for many developing countries, particularly low-income countries primarily in Africa, and for fragile States, the prospect of attaining the MDGs by 2015, particularly with regard to the reduction of child mortality, hygiene, universal primary education, and improved maternal health, looks bleak.

In order to make headway toward the MDGs, the international community should expedite and expand efforts targeting the poorest segments of the population.

In this regard, we believe that an increase in official development assistance flows is a prerequisite for poverty reduction, and that the institutional capacity of the developing countries for the achievement of the MDGs must be further strengthened through quality social services and appropriate infrastructure. In the context of the scaling-up of aid, priority must be accorded to Sub-Saharan Africa, in light of the high incidence of extreme poverty and communicable diseases.

Generally and with respect to all developing countries, we agree that, in parallel with efforts by the international community, these countries must endeavor to promote growth, given that this is, in our view, the main determinant of MDG achievement.

In this quest for growth, we advocate the implementation of multidimensional policies aimed at reducing the obstacles to investment and strengthening the role of the private sector. In this regard, improving the business climate, infrastructure, and investment in the productive sectors must be given priority.

In order to strengthen and ensure the sustainability of inclusive growth processes in middle-income countries, multilateral development banks must give them more substantial, and better quality, support in the areas of technical assistance, analytical work, and knowledge and technology transfer to help them adjust to the changes in their economies, integrate these economies into the global market, and strengthen the private sector to make it more efficient.
Environmental Sustainability and Economic Development

We fully endorse the view that environmental sustainability is crucial for sustainable economic growth and thus for poverty reduction.

Poor countries whose revenues rely heavily on the exploitation of natural resources are essentially the most vulnerable to climate change.

Owing to climate change, these countries in Sub-Saharan Africa, South Asia, and Latin America, which are home to more than one billion of the world’s poorest people, are sustaining heavy losses in agricultural production, grapple with the serious health problems of their populations, and are the most vulnerable to climate-related disasters.

Cognizant of the fact that at the current pace of global growth these developing countries will be hardest hit by the adverse effects of climate change, and will find it difficult to adapt to these changes, we are of the view that more needs to be done to promote renewable and clean energy sources, and reduce greenhouse gas emissions. To this end, we believe that the provision of additional financial resources and the transfer of technology to these countries are essential.

3. Fragile States and Post-Conflict States

Fragile States and post-conflict States that are accorded priority in multilateral development bank activities pose a major challenge for the overall international aid architecture, owing to their weak institutions and governance, and to the frequency of conflicts in these States.

We therefore urge development partners to facilitate broad-based coordination of efforts that will allow these countries to reduce the prevalence of poverty and avoid problems in the area of governance, bearing in mind that external aid is the primary source of development financing in these countries.

We endorse the steps taken by the Bank to provide specific solutions to the development challenges of fragile States, through support in the design of appropriate strategies and policies, the implementation of suitable financial instruments, and the adoption of approaches that meet the institutional and organizational needs of these countries.

4. Toward a Strategic Framework on Climate Change and Development

Climate change poses a major challenge to economic and social development, particularly of the developing countries. These countries, which bear little responsibility for greenhouse gas emissions, are especially vulnerable to this phenomenon, in view of the fact that their economy is generally more dependent on climate-sensitive natural resources, and they lack the resources and skills needed to tackle this phenomenon. Middle Eastern countries plagued by water woes warrant special mention.

From a global economic standpoint, it is regrettable that although developing countries bear little responsibility for greenhouse gas emissions, they are most adversely affected by climate change, and must, therefore, bear the cost of mitigation (reduction of greenhouse gas emissions) and adaptation (improved ability to address the negative effects of climate change) activities.
In this regard, we unreservedly endorse the World Bank Group’s (WBG) strategy aimed at integrating climate change into the development agenda, and support the action framework for this strategy, which is based on the following six pillars: (a) scale up operational approaches to integrate adaptation and mitigation into development strategies; (b) consolidate efforts to mobilize and deliver finance; (c) tap private sector resources for environmentally-friendly development; (d) expand the WBG’s role in developing new markets; (e) clarify the WBG’s role in accelerating technology development and deployment; and (f) step up policy research, knowledge management, and capacity building.

We nevertheless deem it essential that this strategy be in line with the Bank’s principal mission, namely poverty reduction and facilitation of the economic and social development of developing countries. In this regard, we call for maximum prudence to ensure that climate change does not supplant the Bank’s initial mandate.

We believe that strengthening the Bank’s work in the area of climate change needs to be based on consideration of the following principles: (i) economic growth, poverty reduction, and achievement of the MDGs in developing countries continue to be accorded priority; (ii) access to energy sources and their increased use by developing countries is key to achieving these objectives; and (iii) adaptation to climate change is crucial to support development work carried out in most of the developing countries.

We also share the view that developed countries should assume most of the costs associated with the effects of global warming.

Against this backdrop and in order to avoid jeopardizing the progress made by developing countries toward achievement of the MDGs, we agree that additional significant financial resources are required to address the issue of climate change. These resources must be additional to current resource flows and should not replace financing provided in the context of official development assistance.

In view of the fact that it is a global problem, climate change clearly requires the full collaboration of the various development partners. We therefore wholeheartedly support the proposals for collaboration between the Bank and the various development partners, particularly the United Nations system, the Global Environment Facility, regional development banks, bilateral donors, the private sector, research institutions, and civil society.

We deem it essential, however, that this collaboration take place in the context of shared roles and responsibilities in the areas of intervention, taking into account the skills, comparative advantages, and expertise of each partner.

In light of this distribution of responsibilities, we deem it prudent for the World Bank Group to continue to find ways and means to increase the availability of concessional funding through existing instruments, and expedite access by developing countries to carbon credit financing, which could generate substantial resource flows.

We also call upon the World Bank Group to work toward strengthening private sector commitment with respect to activities targeting the adaptation to, and mitigation of, the risk of climate change.

We therefore call on the Bank to facilitate access by developing countries to the range of new energy technologies at affordable prices. This would allow these countries to meet the challenge of clean energy and a reduced carbon intensity economy, while preserving their capacity to continue their economic and social development.
With respect to the development of the strategic framework on climate change, we call on the Bank to initiate broad-based consultations with developing countries, in order to take into account their specificities and allow them to take ownership of this strategy.

We are also of the view that technical assistance, knowledge and expertise sharing, and the development of research in climate change must be central to the development and poverty reduction agenda.

5. High Commodity Prices: Challenges and Opportunities for Low- and Middle-Income Countries

The current financial turmoil that raises the specter of a recession in the United States and its global contagion effect are not the only threats to the global economic outlook. An equally serious challenge threatens our economies, namely the current soaring prices of commodities, particularly of food and oil.

In addition to the effects of climate change such as droughts and floods, these skyrocketing commodity prices are in part due to the robust growth of certain economies, particularly that of China and India, the increased demand for crops diverted to biofuel production, the rapid development of which runs the risk of ultimately exacerbating food shortages and, in the case of oil, making it more difficult for producers to increase supply on an ongoing basis.

While the impact of rising food prices may be limited in developed countries in which food accounts for a small share of the people’s income, this is not the case in developing countries, where a large share of their revenue is devoted to food, and the poor are the most vulnerable. Owing to the lack of suitable State support systems, the vulnerability of these populations could lead to serious social problems.

This sharp rise in fuel prices, which is favorable for many producer countries, constitutes serious financial constraints for developing countries that are net oil importers, and may jeopardize recent progress made in these countries in the areas of development and poverty reduction.

Moreover, this sudden rise in fuel prices, which is reflected in higher costs for intermediate production factors and, consequently, production costs, undermines the balance of payments of net oil importing countries, which will effectively experience slower economic growth and a loss of competitiveness.

For example, Morocco, like many developing countries, still relies heavily on energy, importing close to 96 percent of its needs. Between 2003 and 2007, Morocco’s energy bill went up by 2 ½ times, climbing from 21.1 billion dirhams in 2003 (approximately three billion dollars) to 51.3 billion dirhams in 2007 (approximately 7.5 billion dollars), thus worsening the balance of trade deficit by 4.1 percent of GDP. With respect to the State budget, these higher oil prices also constitute an additional burden of more than 2 percentage points of GDP.

As a result, and in the event that this upward trend in fuel prices continues, developing countries that rely heavily on oil will have to suffer the negative effects of this trend.

Financial assistance is therefore required from the international community to help the countries in need, particularly low-income countries, to grapple with the surge in fuel and commodity prices. We believe, therefore, that there is a need to examine the possibility of establishing oil trust funds and compensatory financing facilities that would help to mitigate the impact of these rising prices.

The developing countries hardest hit by higher commodity prices must clearly better manage their demand of energy products, through the diversification of energy sources, improved energy efficiency,
and the development of their agricultural sector, in order to strengthen their food security. Moreover, the implementation of social protection programs for the poor is imperative.

Developing countries that export commodities, particularly oil and food, should ensure the sound management of this windfall revenue derived from price increases, particularly by allocating these resources to productive investments that could ultimately generate long-term revenue.

Lastly, I would not want to conclude without reiterating the need to reach consensus on the implementation of an emergency action plan, in particular for low-income countries, which should be operationalized with the support and financial assistance of all development partners in a spirit of shared responsibility.