Statement by

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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 begin, on behalf of my constituency, by thanking our Committee for the opportunity raised by this meeting of the Development Committee (DC) to discuss the impact of the global economic crisis. I further wish to congratulate the staff teams from the World Bank and the International Monetary Fund for the quality of the working papers provided to us and especially for their contribution to the Global Monitoring Report.

The Crisis and Uncertainties in the International Context

This meeting of the Development Committee comes at a critical juncture in the evolution of the global economic situation, characterized by an environment of great uncertainty and profound economic problems. Indeed, in the wake of a serious financial crisis, the world is now beset by a global economic crisis that is giving rise to serious concerns about the outlook for growth, the eradication of poverty, and achievement of the Millennium Development Goals (MDGs).

It must be noted that despite the measures taken by the developed countries to overcome the crisis, in particular through rescue packages valued at hundreds of billions of dollars and a wide range of actions to restore confidence in the international banking system, the outlook for global growth has worsened considerably and is constantly being revised downward.

Thus, in its report on the outlook for the global economy the Bank indicates that global activity is expected to contract by 1.7 percent this year, marking the first decline since 1945. The Bank also projects that GDP in the OECD countries will shrink by 3 percent and that growth in the developing countries will be 2.1 percent as compared to 5.8 percent in 2008.

Because of this crisis, which comes following the two shocks triggered by the food crisis and the oil crisis, the developing countries are in the economic doldrums reflected in deterioration in the living standards of the people and worsening development prospects.

This situation is all the more critical in that, even assuming a resumption of growth in 2010, production will remain low, budgetary pressures will continue to exist, and unemployment levels will continue to rise in most developing countries for much of 2011.

The Crisis and the Impact on Developing Countries

This global economic crisis originating in the advanced economies has had a negative impact on the developing countries. Indeed, it triggered a significant slowdown in growth in the developing world and engendered a credit shortage that has worsened unemployment and poverty.
While, in response to this crisis, some middle-income countries and emerging economies have been able to find the fiscal space needed to enable them to attenuate its impact, the situation is altogether different for the majority of developing countries, which lack this capacity and have an urgent need for additional financing, especially on concessional terms. This financing need is all the more crucial in that these countries will feel the impact of lagging demand from the developed countries, decline in revenue from tourism, smaller transfers from emigrant workers, drops in the international prices of raw materials, and declining investment from abroad. These various factors are beginning to have a serious impact on the balance of payments positions of many developing countries.

For the majority of developing countries, the impact of this crisis on the human level is a rise in unemployment and poverty, seriously jeopardizing the achievement of the MDGs. According to estimates prepared by our institution, this crisis will push an additional 53 million people into poverty, adding to the 155 million persons already dragged into poverty by the sharp rise in food prices in 2008.

A stocktaking of progress toward the MDGs shows disquieting results: nearly a billion people are suffering from hunger and about 2 billion people are undernourished. The goals for human development, in particular the reduction of infant mortality, the completion of primary education, and improved maternal health, have no chance of being achieved by 2015 by a number of developing countries.

Specifically, it has been estimated that the effects of the global crisis will be reflected in a worsening of the social situation, with 75 million children going without schooling, nearly 10 million children under five years of age dying each year from preventable diseases, 6 million persons dying annually as a result of viral diseases (AIDS, tuberculosis, and malaria…).

The international community cannot turn a blind eye to the gravity of this situation, which threatens to trigger a social and humanitarian crisis with serious political implications, all the more so in that most developing countries have no social safety nets.

The Crisis and Initiatives to Lessen its Impact

We are pleased by the measures taken by the members of the Group of 20 (G-20) aimed at addressing the credit crunch through the allocation of US$1 trillion in additional resources, the establishment of new rules for the international financial system, and the participation of emerging economies in the dialogue at the G-20. We are also pleased by the decisions reached by that Group that are focused on five major areas, namely, (i) strengthened growth and employment; (ii) reform of the international financial system; (iii) reform of the international financial institutions; (iv) the promotion of trade and rejection of protectionism; and (v) the promotion of equitable and sustainable recovery.

With regard to the international financial institutions, we salute the actions taken by the Bretton Woods institutions, in particular the IMF, which doubled the ceiling on concessional lending to US$4 billion and is considering steps toward the sale of its gold reserves.

We are also gratified by the decisions of the World Bank aimed at tripling its commitments for the next three years, which could amount to US$35 billion as against US$13.5 billion in 2008, as well as by the introduction of a special support mechanism aimed at attenuating economic vulnerability so as to help the poorest countries address the crisis by strengthening social safety nets, improving infrastructure, and investing in education and health, and finally by the Bank’s preparation of a facility for infrastructure upgrades.

To this end, we support the six priorities identified in the report of the World Bank and IMF on urgent action making it possible to attenuate the impact of the global crisis on the poor countries, which are
focused in particular on taking budget strengthening measures aimed at securing economic growth, private sector support, increased aid to the poor and vulnerable countries severely impacted by the crisis, and maintenance of an open financial and trading system.

The contribution of the IFC aimed at supporting the private sector in this crisis situation is, in our view, to be strongly recommended, especially for the middle-income countries (MICs). In this connection, we welcome the latest IFC initiatives relating in particular to the establishment of two facilities, amounting to US$1 billion and US$3 billion, respectively, for the recapitalization of problem banks in the emerging countries and for trade.

We wish also to acknowledge the measures taken by the regional development banks, and in particular by the African Development Bank, which just announced in Dar es Salaam a massive mechanism for supporting African countries in overcoming the negative effects of the crisis. This mechanism includes in particular a US$1.5 billion emergency liquidity facility, a trade financing initiative, and an action plan for speeding up the transfer of resources to countries eligible for the African Development Fund.

It is without question, you will agree, that until 2007 the majority of these developing countries were the principal vectors of the global growth that made it possible to look forward optimistically to achieving the MDGs. What is more, many of these countries have once again made major efforts to address the crisis, in particular through the introduction of fiscal policies targeting the social sectors and the most vulnerable segments of the population, and actions aimed at continuing investment and supporting domestic demand.

It must be acknowledged that, notwithstanding this appreciable effort, the developing countries are experiencing a slowdown in growth that is seriously jeopardizing the reform and development process, thereby putting the progress made at risk and undermining the prospects for achieving the MDGs.

In addition to maintaining a sound macroeconomic framework, it bears noting that many middle-income countries have taken steps to counteract the effects of the crisis. In this regard, far-reaching sectoral and structural reforms have been initiated, aimed at strengthening investment and diversifying the sources of growth. Here, the objective is to build up the resilience of national economies in response to domestic and external shocks.

**The Crisis and the Scope of the Initiatives Taken**

The magnitude of the crisis has prompted the international community to take a number of initiatives that are tantamount to the first stage of a global response to the consequences of this crisis. While the various initiatives taken are laudable and promising, the fact nonetheless remains that effectively carrying them out raises important questions as to the mobilization of real resources and their allocation to the various measures contemplated.

This crisis context requires the mobilization of additional financing resources by the developing countries, given that such resources have dried up on the international financial market and from multilateral development banks, with the corollary of higher borrowing costs; there is a serious threat hanging over the global economy, namely the emergence of a new debt crisis and the risk of seeing many countries once again finding themselves in payment suspension situations.

**The Crisis and the Expectations of the Developing Countries**

In the short term, the exceptional nature of the current situation calls for the establishment, by the international institutions, of innovative instruments making it possible to respond adequately to the special requirements of countries by simplifying conditionality, developing flexible instruments, basically in the
form of budgetary support, and introducing emergency facilities to support the financing of foreign trade. It is equally urgent that IDA and the concessional windows of the other multilateral development banks significantly increase their aid.

In the medium term, it is essential that the additional cost of the Bank’s mobilization of financial resources on the international market not be passed on in its entirety to the MICs that have an urgent need for consistent financing on affordable terms. The multilateral development banks must ensure that there is better sharing by all member countries of the Bank of the extra cost burden associated with the mobilization of financial resources.

While the multilateral development banks, and the World Bank in particular, are called upon to mobilize additional financial resources to benefit the developing countries so as to attenuate the effects of this crisis, it is imperative that these countries not lose sight of the challenge posed by the vulnerability of the planet to the effects of climate change. They should also support our countries in the design and financing of actions and projects in the context of sustainable and equitable development strategies which alone have the capacity to attenuate the harmful effects of climate change.

We believe that observing the commitments made by donor countries in favor of increasing official development assistance constitutes an essential prerequisite for growth, poverty reduction, and the pursuit of the MDGs.

Moreover, given the importance of trade to growth, poverty reduction, and achieving the MDGs, it is essential to maintain openness to trade and resist the ever stronger protectionist temptations. We nevertheless remain hopeful of an early conclusion of the Doha trade liberalization round.

**Strengthening the Voice and Representation of Developing Countries and Economies in Transition at the Level of the World Bank Group**

To improve the legitimacy of our institution, we deem it essential to continue the reform already under way so as to increase the strengthening of the participation and representation of developing countries in its decision-making structures.

In this connection, we salute the Bank’s efforts that have made it possible to prepare the package calling for (i) the doubling of basic votes; (ii) the adjustment of membership shares; (iii) the increase in the voting power of Category II countries in IDA; (iv) the addition of a third Executive Director to represent the countries of Sub-Saharan Africa on the Board; (v) strengthening of the effectiveness of the Board and its internal governance; (vi) strengthening and promoting the reactivity of developing countries and economies in transition on development issues; (vii) establishment of a transparent process for selection of the World Bank President; and (viii) reform of voting in the IFC.

We are placed by the adoption of the resolution aimed at doubling basic votes, adjusting membership shares; and increasing the number of elected Executive Directors to the benefit of the Sub-Saharan African countries.

To this end, we urge the Bank to conduct this review of shares on the basis of a formula that reflects the development mission of the Bank. This revision of shares should have the objective of moving toward equitable voting power distributed between the developed and developing countries without diluting the quotas and voting shares of the latter considered individually.
In the context of this review, we also invite the Bank to conduct a parallel evaluation of the impact of the various options proposed on the voting power of each country.

Finally, and to conclude my remarks, while some official announcements are presaging a resumption of growth in some developed countries, without prejudice to the accuracy of such announcements, we wish to stress the fact that if such a recovery is confirmed, it is important that it be able to benefit all countries, and to this end should be the result of coordinated action on the part of the entire international community.