Statement by

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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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80th Meeting of the Development Committee
Istanbul, Turkey, October 5, 2009

On behalf of my constituency, I would like to begin by expressing our heartfelt gratitude to the Government and people of Turkey, and to the authorities of the city of Istanbul, for their warm welcome and the excellent arrangements made to ensure the success of our meetings.

I would also like to thank our Committee for the opportunity provided, in the context of these meetings, to discuss issues related, on one hand, to the World Bank’s financial capacity to help member developing countries cope with the crisis and, on the other, to strengthening the legitimacy of our institution by enhancing the voice and participation of these countries in the World Bank Group.

International Context

This meeting of the Development Committee is taking place at a critical juncture. In the wake of a severe recession, signs of economic recovery in 2010 are emerging in a significant number of countries owing, in particular, to the adoption by governments of emergency measures that made it possible to support domestic demand and mitigate the risk of collapse of financial systems.

However, according to the most recent projections, this recovery will be sluggish given the fragility of the global financial system and the prevailing uncertainty regarding the capacity of the private sector to take the place of the public sector, which will have to phase out its recovery assistance over time. Consequently, it is imperative to forge ahead with financial sector adjustment and consolidation with a view to strengthening the economic recovery, while laying the foundation for improved public finances once this economic recovery has been confirmed. To this end, supervision and the prudential framework of the financial system will have to be strengthened, in close collaboration with the oversight authorities.

Economic Recovery Prospects

It must be noted that recent developments notwithstanding, the economic situation in many developing countries remains precarious, owing to the effects of the global economic downturn reflected in weaker demand for exports, the drop in tourism revenue, the fall in remittances from migrant workers, the marked erosion of commodity prices, and the significant decline in foreign investment. This situation, which for many countries has been exacerbated by difficulty obtaining international financing, has led to a deterioration of fiscal balances and balance of payments in most developing countries.

Furthermore, even if growth projections for developed countries in 2010 do materialize, economic recovery would come much later in many developing countries, the likely scenario being that in most, production will remain weak, fiscal and external account pressures will persist, and unemployment levels will continue to rise during most of 2010.
Need to Mobilize Additional Resources

**Developing countries have, to varying degrees, weathered this crisis.** Although some middle-income countries managed to create fiscal space in recent years, which served to blunt the impact of the crisis, most developing countries have been hard hit by its effects and, as a result, urgently need additional financing, particularly concessional financing, to reduce the impact on the most disadvantaged population groups and to support domestic demand, in particular through higher levels of public investment.

For the countries in our constituency, the effects of the crisis have been felt mainly in the real rather than the financial sector. Consequently, in the case of my country, Morocco, the recession and the contraction of lending in the Euro Zone have impacted exports, tourism revenue, transfers by Moroccans living abroad, and foreign investment since the last quarter of 2008. This situation has led to a current account balance of payments deficit and lower foreign exchange reserves.

The Moroccan authorities have established a strategic oversight committee to address this crisis, which has facilitated the introduction of measures targeting financing of the economy, job protection, and export promotion.

**Greater Financing Needs in Low-Income Countries**

Unlike the developing countries that are showing signs of recovery, the World Bank estimates that low-income countries will continue to suffer the effects of the recession. This situation has led to significant budget deficits and a growing need for external resources. What these countries need most is additional external resources.

In this regard, we are heartened by the work undertaken by the World Bank, along with its development partners, to meet the pressing needs of low-income countries through the establishment of a wide range of instruments seeking enhanced efficiency and coverage of social safety nets, support for trade flows, greater financing for basic infrastructure and the development of SMEs, and support for the efforts of these countries to ensure long-term food security through the adoption of a new approach to agricultural development, in particular.

We call on the World Bank to make the protection of global public goods one of its central concerns. In this regard and in the area of climate change, mitigation and adaptation measures are urgently needed, particularly in those African countries that are most vulnerable to the deadly effects of climate change owing to their geographic location, low income, and limited institutional capacity.

Moreover, and in the context of this crisis that is forcing developing countries to mobilize additional sources of financing, we call on our institution to undertake actions targeting fulfillment by donor countries of the commitments made to scale up official development assistance, which remains a prerequisite for growth, poverty reduction, and pursuit of the Millennium Development Goals.

We also call on the international community to better coordinate policies so as to ensure appropriate financing for developing trade and to resist the lure of protectionism in the areas of trade and investment.

**Evaluation of the World Bank’s Financial Capacity**

Faced with the increased need for additional resources, the leaders of the developed and emerging countries who gathered for the G-20 meeting last April had called for the capacity of the international financial institutions to be increased, so as to enable them to support developing countries grappling with
balance of payment problems. Furthermore, our Committee had asked the World Bank Group last April to conduct an evaluation of our institution’s financial capacity.

We commend the World Bank for the document prepared on this topic and share the view expressed by the World Bank on the key role that it must play in providing support to the borrowing member countries to help them emerge from the crisis.

The World Bank points out in this document that if there is a sluggish recovery, which is the most likely scenario, projections for World Bank commitments for 2009, 2010, and 2011 could be greatly exceeded, **and the need for additional financing** is expected to be US$40 billion.

This need for financing is also substantiated by the necessity to continue implementing the major infrastructure projects that have been delayed owing to the crisis and diversify the sources of growth, as well as by the critical importance of achieving the MDGs. Moreover, the increased recourse to long-term funds from multilateral development banks is expected, owing to the high borrowing costs on the international financial market.

We also support the World Bank’s efforts to improve its financial capacity and subscribe to the principle of a general capital increase for the World Bank and regional development banks, especially the African Development Bank. However, the option of strengthening the World Bank’s capacity by tightening financial conditions with respect to long-term maturities should be ruled out.

In this regard, we request that the World Bank ensure that the additional cost of mobilization of financial resources on the international market not be passed on in its entirety to the developing countries.

**Enhancing the Voice and Participation of Developing and Transition Countries in the World Bank Group**

The development mission of our institution requires not only increased financial capacity but also greater representation by the developing and transition countries (DTCs) in the decision-making process within the entities of the World Bank Group.

Against this backdrop and with a view to strengthening the legitimacy of our institution, it is, in our view, essential to continue implementing the first phase of reforms already under way so as to enhance the voice and participation of the DTCs.

We commend the efforts of the Executive Board to reach consensus on the other aspects of the reform, namely (i) the review of IBRD membership shares; (ii) the review of voice and participation reform within the IFC; (iii) the increase in voting power within IDA; and (iv) institutional reforms, particularly internal governance and the effectiveness of the Executive Board, and the process for selecting the President of the World Bank.

In our view, the success of this process requires an equitable distribution of voting power between the DTCs and the developed countries. We wish to strongly reaffirm that the realignment of this power should be achieved, while preserving the gains from the first phase and ensuring that there is no unintended dilution of the individual voting power of the DTCs. With respect to the IFC, we believe that before initiating voice reform within this institution, it would be prudent to fine-tune the voice reform structure within the IBRD.

We commend the efforts of the donor countries to replenish IDA funds to enable the World Bank Group to continue to fulfill its development mission, and we encourage the DTCs to make the payments for the subscriptions that they took up under previous IDA replenishments. However, we hold the view that
consideration of IDA replenishments in the realignment of capital shares could run counter to the objective of equitable distribution of voting power between the developed countries and the DTCs.

Internal governance of the World Bank’s Executive Board could be reviewed during the discussion of the World Bank’s report on improving governance, which is currently being prepared.