



**DEVELOPMENT COMMITTEE**  
(Joint Ministerial Committee  
of the  
Boards of Governors of the Bank and the Fund  
on the  
Transfer of Real Resources to Developing Countries)



**SEVENTY-EIGHTH MEETING**  
**WASHINGTON, DC – OCTOBER 12, 2008**

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**Statement by**

**His Excellency Salaheddine Mezouar**  
**Minister of Economy and Finance of the Kingdom of Morocco**

**On behalf of Afghanistan, Algeria, Ghana, Iran, the Kingdom of**  
**Morocco, Pakistan, and Tunisia**



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**Seventy-Eighth Meeting of the Development Committee**

**Washington, October 12, 2008**

On behalf of the group I represent, I would like to begin by thanking our Committee for including on the agenda of this seventy-eighth session of the Development Committee a number of topics that represent challenges for all our countries, namely the effects of climate change, recent economic developments and their impact on growth and poverty reduction, as well as the issue of voice and participation, which will facilitate improved governance within the World Bank Group.

**I. Recent Economic Developments and their Effect on Long-Term Growth and Overcoming Poverty: The Role of the World Bank and the IMF in Protecting the Vulnerable**

This session of our Development Committee is taking place at a time when storm clouds have gathered over the international environment, marked by the twin fallout from two major crises: a financial crisis that is bankrupting some of the biggest financial institutions, and a food crisis that is having a severe impact on many developing countries.

The combined effect of these two crises is spawning a critical situation in the global economy, which is likely to slow further during the second half of 2008. According to the latest international projections, global growth will slow to around three percent, and will recover gradually only by end-2009.

*The Financial Crisis*

The United States, the epicenter of this crisis, which began with the subprime debacle, sparked by deficiencies in the American housing market, triggered the failure of major financial institutions, which required massive government support and placed an additional burden on taxpayers in order to recapitalize them.

This crisis has contributed significantly to the drying up of liquidity and a sharp downturn in activity in the American economy. The financial turbulence has now spread to Europe, and is reflected in the collapse of the world's biggest stock exchanges. As a result, there is reason to fear that the global economy is slipping into a recession.

The evidence suggests that this crisis is being manifested in different ways, depending on the country. Thus, while European economies are already suffering a marked slowdown because of the current turbulence, developing countries have so far been spared. Yet there are reasons to fear that these countries, and in particular the emerging economies, will feel the backlash from the economic downturn: they face the risk that the capital flows they have so far enjoyed will dry up and that the contraction of international demand will curtail their exports.

As we see it, these developments are likely to exert further inflationary pressures in developing countries, and particularly in emerging economies, because of high and volatile prices for commodities and foodstuff, and also because of the cost of credit.

This financial crisis has its roots in lax regulation, in failure to come to terms with excessive risk-taking, and in the kind of speculative practices that were fostered until now by a system focused on short-term financial returns.

Today, it is clear that ad hoc measures such as those taken in recent months to recapitalize private financial institutions with government funds will fall short, and that the international financial system can only be restored to normalcy through a systemic solution that will address the entire raft of deep-rooted causes and overhaul the system completely.

In this context, we are confident that the proposals announced to date for improving prudential rules, accounting principles, and transparency practices could be enhanced if emerging economies are also included in the discussion. Furthermore, we also need to rethink the role of the rating agencies on which the world financial system relies, in order to allow greater government oversight.

We also see a need to make financial markets more transparent, and therefore call upon the national prudential authorities to expand their cooperation in order to anticipate, manage, and resolve financial tensions. In our view, international agencies such as the IMF and the Bank for International Settlements should fully discharge their role in reconciling tensions between national responsibilities and the international repercussions of domestic policies. Finally, our international financial institutions must demonstrate a greater commitment to surveillance and supervision of the international financial system.

### *The Food Crisis*

The current financial upheavals are not the only threats casting a pall over the global economy. Our economies face another threat that is equally severe, namely the steady surge in commodity prices, and in particular the prices of foodstuff, which soared before the recent downward trend in petroleum product prices, among others.

These price spikes can be blamed for the most part on speculation, which has greatly influenced price formation. But we must also point to the effects that climate change has been having on agricultural output in many countries, the use of certain food crops to produce biofuels, and increased production costs as a result of high prices for fertilizers and energy.

We believe that, in addition to the exploding needs of emerging economies, financial markets have also contributed to greater volatility in the prices of commodities and foodstuff, which have been transformed into the financial derivatives used in a profligate manner to enhance the diversification and profitability of the portfolios of financial market operators.

While rising prices for foodstuff may have only a limited impact on developed countries where food outlays represent a small portion of people's incomes, we are confident that they will have a grave impact on populations in developing countries, who spend a significant portion of their income on food. The vulnerability of these populations, particularly those living in urban areas, has already led to major social upheaval, owing to the lack of suitable government support systems.

This surge in prices, coupled with the current financial crisis, could severely compromise the progress that developing countries have been making recently toward achieving the Millennium Development

Goals. Indeed, millions of people are now at risk of sliding back into poverty, a situation that poses a real threat to the security and stability of these countries.

We must recognize that, with food prices soaring, the world's agricultural output now faces constraints in terms of finding new cultivable land, securing the public and private investments needed to expand farm output, and making better use of the factors of production. These are all key factors in expanding agricultural output and productivity, and in reducing the risk of further price increases for foodstuff.

Against this backdrop, we see it as essential to address the vulnerability of these countries by supporting their efforts to enhance their long-term food security through the adoption of a new approach to agriculture.

From this perspective, we call upon the development banks and the United Nations specialized agencies to focus their attention on strengthening food security for these countries by helping them develop their agriculture, and this will necessarily involve additional investments and an overhaul of their operating methods. They must provide support for boosting agricultural production and yields, improving irrigation systems, and reinforcing regional infrastructure so as to foster regional trade in agricultural products.

From this vantage point, we must express regret over the failure of negotiations aimed at concluding the Doha Round in 2008 because of disagreement over mechanisms to protect developing country markets against rising imports of agricultural products.

## **II. Climate Change: A Strategic Framework for the World Bank Group**

Because of its impact on economic and social development, especially in developing countries, climate change is a major challenge that demands urgent and concerted action on the part of the international community. Indeed, if nothing is done in this field, climate change could erase the hard-won development gains of many developing countries.

It is these countries that bear the least responsibility for greenhouse gas emissions, and yet they are particularly vulnerable to climate change because they are so heavily dependent on climate-sensitive natural resources. It is these countries, in Sub-Saharan Africa, in South Asia, and in Latin America, which are feeling the full impact of climate change in the form of enormous losses in agricultural output, severe public health problems, and worsening water shortages.

In this context, we recognize that the World Bank, with its experience and its efforts to adapt to climate change and to mitigate its effects, could play a key role in promoting a suitable financial architecture.

We therefore subscribe fully to the guiding principles of the Strategic Framework on Climate Change and Development (SFCCD), which is to guide our institution's action in this area and will allow it to address head-on the challenges of climate change and development through collaboration with the United Nations system in particular. We believe it is essential to pursue this cooperation through the sharing of roles and responsibilities, in light of the capabilities, comparative advantages, and the expertise of each development partner.

Consistent with the principle of "common and differentiated responsibility" and the roadmap from the Bali Conference, we think it vitally important for the Bank, in formulating this strategic framework, to be very specific in defining the actions to be taken in offering adequate financial support and appropriate technical assistance suited to the needs of developing countries.

For the sake of equity, we urge developed countries, which are mainly responsible for greenhouse gas emissions, to give substantial financial support to developing countries' efforts both to mitigate and to adapt to climate change. In this regard, we believe the Bank must pursue its efforts to find ways and means of enhancing the availability of concessional resources through existing instruments, the proceeds of carbon credits, and new derivative products as a means of insurance against climate risks.

We call on the Bank to accord as well to efforts to adapt to climate change, which to date have not received the attention they deserve, and to do so by defining concerted actions and introducing appropriate financing. We draw the Bank's attention to the need for predictable and stable financing for implementing the steps recommended in its strategy.

We ask the Bank to support the initiatives of those middle-income countries that have accepted the challenge of introducing new national strategies for the development of renewable energy and for the promotion of energy efficiency in their agriculture.

In this regard, and in order to contain the impact of the financial crisis, the food crisis, and climate change, it is of paramount importance that these countries be better heard and understood by international bodies, so that they can better defend their interests.

### **III. Enhancing the Voice and Representation of Developing and Transition Countries in the World Bank Group**

We commend the Bank teams and the Board of Executive Directors for their work, which has facilitated preparation of a package providing for: (i) doubling basic votes; (ii) adjusting membership shares; (iii) increasing the voting power of Part II IDA member countries; (iv) adding a third Executive Director to represent the countries of Sub-Saharan Africa; (v) enhancing the effectiveness of the Executive Board and its internal governance; (vi) strengthening and promoting the ability of developing and transition countries (DTCs) to respond expeditiously to development issues; (vii) a transparent process for selecting the President of the World Bank; and (viii) a reform of voting in the IFC.

We support the proposal to double basic votes, and we call upon the Bank to ensure that this proposal, together with the revision of share levels, will increase the voting rights of DTCs in the World Bank Group, so that they can make their voice heard more effectively within our institution. To this end, we urge Bank management and the Executive Board to carry out this revision of shares by selecting appropriate criteria and indicators, in line with the World Bank Group's development mandate.

Together with this review, we call on the Bank to evaluate closely the impact that the proposed package will have on the voting power of each country.

We welcome the proposal to add a third Executive Director to represent Sub-Saharan Africa on the Executive Board, and we believe that this would indeed reinforce the voice and participation of African countries. On this point, we think it appropriate to pursue reforms to increase the effectiveness of the World Bank's Board and to enhance its internal governance.

Moreover, in order to strengthen and enhance the ability of DTCs to react expeditiously to development issues, we urge the Bank to scale up efforts to decentralize its activities at the country level and to adopt DTC national procedures to facilitate the implementation of Bank-financed projects and programs.

This objective will be achieved by recruiting more staff from DTCs, especially for senior management positions. We also support the introduction of a transparent and merit-based mechanism for selecting the president, one that will allow all member countries to put forward candidates.

Recognizing the direct impact that the IFC has on private sector development in developing countries, we also favor increasing the DTC voice within this institution.

We realize that, as with the reforms launched by the IMF, the World Bank's plan is but the first step in an overall reform for achieving parity between the two categories of countries, developed countries and DTCs, and that poverty reduction remains the primary mandate of the World Bank Group.