



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)



SIXTY-SEVENTH MEETING
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Statement by

Mr. Fathallah Oualalou
Minister of Finance and Privatization
Morocco

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The sixty-seventh meeting of our Committee is taking place at a time when the war in Iraq is compounding the uncertainty prevailing on the international scene, a situation that has slowed global growth and trade, as well as financing flows to developing countries.

The war in Iraq is bound to have far-reaching effects on this country and on the Middle East as a whole. Its effects will also be felt in all developing countries, which are currently finding it difficult to achieve sustainable growth and combat poverty effectively.

These countries are in fact experiencing significant setbacks in the area of growth as a result of the negative impact of exogenous shocks that are exacerbating their fragility and eroding the progress made in the area of poverty reduction.

For this reason, I would like to avail myself of this opportunity to call on the international community to demonstrate a strong sense of solidarity by providing the humanitarian aid needed by the people of Iraq, by working towards reconstruction of the country, and by putting in place a support mechanism for the countries of the region as well as other countries affected by this crisis. An appeal is also made to the international community to draw the pertinent lessons from these events, to eliminate the deeply-rooted causes for divisions, and to create the conditions for a just peace in the Middle East.

Achievement of the Millennium Development Goals and Progress Report on Initiatives related to Education for All, Health, Combating HIV/AIDS, Drinking Water and Sanitation

The reports prepared by the Bank and the Fund demonstrate that the progress made by developing countries in terms of macroeconomic and structural polices, though encouraging, has not had the expected impact on growth, productivity, and poverty reduction.

This is evidenced by the fact that half of low-income countries with a population of approximately 800 million inhabitants are recording an increase in per capita income of less than two percent, a figure that falls well short of enabling these countries to achieve the objective of cutting poverty in half by 2015.

Also, developing countries are facing significant challenges in the areas of universal education, health, and combating HIV/AIDS, as well as the provision of drinking water and sanitation.

With regard to education, projections indicate that at the current pace, seventy developing countries run the risk of failing to achieve the objective of universal primary education by 2015.

With regard to health, 10.5 million children in developing countries die each year before they are five days old and every minute a woman who is pregnant or in childbirth dies in these countries. By the end of 2002, 39 million adults and 3 million children will be infected with HIV/AIDS.

With regard to the provision of drinking water and sanitation, about 1 billion persons in developing countries live without access to drinking water and 2.2 billion do not have proper sanitation facilities.

We are all aware that **in order to confront these challenges, we cannot merely rely on an increase in economic growth rates in developing countries**. Studies show that current public aid levels would have to be doubled to 100 billion dollars per year, at a minimum, in order to achieve the

millennium goals with respect to poverty reduction and improvement of the living conditions of the poor in the world.

In light of this situation, **the entire international community should redouble its efforts to honor the commitments made at various international meetings, in particular at Monterrey and Johannesburg, with a view to achieving the millennium development goals**. These goals, which, for a number of years, have been the top concerns of the Committee, constitute important benchmarks in terms of efforts to achieve development and reduce poverty.

Also, an appeal is made to the international community to demonstrate a strong sense of partnership by taking action to assist developing countries to assume fully their responsibility to implement scaled up action plans that are tailored to the needs of these countries in the areas of health, combating HIV/AIDS, and access to water and sanitation, following the approach adopted in the case of the Education for All program. Such action plans should establish realistic, precise, and easily quantifiable objectives in order to facilitate implementation and follow up.

Against that backdrop, **developed countries** have a very important role to play **by rapidly fulfilling their commitment to double the volume of development assistance**, which, based on current levels, will increase by only 15 billion dollars by 2006, even when the actual commitments made since the Monterrey Conference are taken into account. This sum will represent a mere .26 percent of the GNP of donor countries; i.e., one-third of the goal of .7 percent of GNP set by the United Nations.

The effectiveness of this assistance must also be enhanced through the strengthening of cooperation between donors and the harmonization of their operational procedures, in accordance with the declaration of the Forum on Harmonization that took place in Rome in February 2003. While endorsing the directives drafted by the working group on the procedures of donors with respect to the harmonization of practices and coordination of the efforts of donors, this declaration stressed the need to streamline these procedures in order to reduce their cost to beneficiary countries and to tailor them to the specific situations prevailing in these countries.

Industrialized countries must also put in place specific measures to lift both tariff and non-tariff barriers, which block access of the exports of developing countries to markets, in particular agricultural products and textiles. Estimates show that the elimination of these barriers, when combined with rapid growth in developing countries, could free 300 million additional persons from the stranglehold of poverty in these countries by 2015. It is also important for developed countries to eliminate subsidies and other forms of assistance for production, which considerably hamper production and the exports of developing countries. To that end, **the DOHA Round also offers an opportunity that must be seized in order to achieve progress in the area of trade liberalization** between developed and developing countries and to transform global trade into a veritable catalyst for development.

In parallel with an increase in aid and the opening of markets, **developed countries should pursue, in conjunction with other partners, debt relief efforts for heavily indebted poor countries** by ensuring, in particular, that the HIPC initiative is adequately financed and that a greater number of countries have access to this initiative. Similar debt relief mechanisms for middle income countries should also be implemented.

International financial institutions also have an important role to play by supporting capacity-building in developing countries, with a view to the implementation of national strategies and action plans aimed at achieving the millennium goals and improving the living conditions of the poor. Moreover, these institutions should step up efforts to increase private capital flows to these countries. **In**

this context, Africa should be given special attention, especially since African countries have demonstrated their resolve, through NEPAD, to take action to confront the challenges facing the continent.

Furthermore, these institutions, particularly the World Bank, should facilitate dialogue by preparing reports on a regular basis on the strategies and policies implemented to achieve the millennium goals and on the results recorded in this area.

Developing countries must forge ahead with efforts to achieve macroeconomic restructuring and must redouble their efforts to mobilize the local resources that are necessary to put in place physical infrastructures, ensure human resource development, and improve their regulatory and institutional framework and business environment. These countries must also strengthen democracy, guarantee good governance of their public sector, and institute reforms that are aimed at enhancing the management of enterprises and transparency, as well as combating corruption.

Participation and representation of developing and transition countries

Developing countries cannot fully assume their responsibility in terms of achieving the millennium goals if they do not have enough of a voice in international bodies and forums.

For this reason, we support the efforts made to increase the participation of developing and transition countries in the decision-making process of the two Bretton Woods institutions through the two categories of measures that pertain, first, to increased participation of these countries in these institutions, and, second, to strengthening their voting power.

In this regard, while supporting the efforts that fall within the first category of measures and are aimed, in particular, at strengthening human resources and the logistical resources that are available to the groups that represent developing and transition countries, **we deem it essential to focus our attention on measures aimed at strengthening the voting powers of these countries**, since this is the only way to enable them to contribute more to the decision-making process on issues that affect their future. While these measures, which are structural in nature, have been the subject of noteworthy studies by the Bank and Fund, they have not led to specific proposals because of the very strong political commitment that they require.

In the context of achievement of these measures, it is possible to envision, as a first step, reestablishment of the balance in the distribution of voting powers between basic votes and quotas that existed when the two Bretton Woods institution were founded. To achieve this, basic votes must be significantly increased in order to restore the weight that they carried when the Fund and Bank were created; i.e. eleven to twelve percent of total votes, instead of the current two percent. A review of the formulas for calculating quota shares, with a view to increasing the quota of developing and transition countries within the two institutions will also be necessary.