

Robert B. Zoellick, President, World Bank Group Speech to Morocco Industry Summit, Casablanca, Morocco

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As Prepared for Delivery

**Robert B. Zoellick,
President, World Bank Group
Thursday May 5, 2011**

Your Majesty King Mohammed VI. Ministers, Ladies and Gentlemen. Al-Salamu Alaikum.

It is a special pleasure to be back in Morocco, and I am particularly appreciative of the opportunity to be with all of you.

Almost a decade ago, after consultation with His Majesty the King and Morocco's senior officials, I was able to launch negotiations with Morocco on a Free Trade Agreement with the United States.

Guided by the adroit hand of Mr. Fassi Fihri, now Morocco's Foreign Minister, we completed and passed the FTA in 2004.

In the course of those negotiations, I learned much about the changing Moroccan economy: its underlying needs; the problems of poor farmers and the rural sector; challenges of structural change; the potential and opportunities; and the business community that many of you represent.

I recommended the FTA for Morocco to my colleagues in the United States because I could sense both the need and opportunity for reform, the openings for a more competitive and diversified Moroccan economy that could create jobs, better livelihoods, more competitive prices, and a reputation – a brand, if you will – for Morocco as a leader.

I hoped that our work with Morocco might stimulate others in North Africa and the Middle East to modernize, to connect with globalization.

When I became President of the World Bank Group in 2007, we launched the Arab World Initiative as one of the World Bank's six strategic themes. I thought it was important to work with our Arab clients to meet the challenges of inclusive and sustainable development.

The reasons for attention to the Arab World seemed clear then and certain now: apart from the oil sector, the region has been poorly integrated into the global economy. It has the highest unemployment among developing regions; the highest jobless rates among the best educated; the lowest economic participation rates by women.

Since 2008, the World Bank Group has stepped up its partnership with Morocco, and has delivered an average of \$700 million per year in support. We have assisted in areas the Government of Morocco has identified as priorities: on education; waste management; your agricultural plan, *Plan Maroc Vert*; public administration reform; and urban transport.

The Bank Group has had a long-standing engagement with Morocco in the water sector, knowing that water availability will be under pressure, even exacerbated by climate change. Morocco is on track to exceed the Millennium Development Goal targets for water and sanitation – and we are delighted to have been your partner in these areas over the past thirty years. In fact, we most recently delivered \$285 million in support of the water and sanitation sector as of last June.

The Bank Group's private sector arm, the International Finance Corporation, or IFC, has been increasing its business in Morocco. Today, IFC has invested over \$200 million in 13 companies. IFC is committed to increasing its investment program in Morocco, with a specific focus on access to finance for micro, small, and medium enterprises; renewable energy; infrastructure; agribusiness; education and IT services; automotive; and other growth sectors.

IFC also encourages regional integration through investments in regional private equity funds for small and medium enterprises and cross border investments from Morocco to Sub-Saharan Africa. And IFC has been supporting the Government of Morocco on Public Private Partnerships, including by signing a Memorandum of Agreement with the Ministry of Finance last October.

Morocco has advanced. Yet it, too, faces the overarching economic challenge of creating jobs for its young and increasingly well educated population, while embracing the opportunities offered by global integration.

So this meeting holds a particular interest for me. I understand the National Pact for Industrial Emergence aims to increase exports and industrial competitiveness, foster innovation, and enable a more competitive business environment for business and entrepreneurs, large and small. I am pleased to learn that there have been practical successes, such as in the auto-industry in Tangiers, aeronautics in Nouaceur, or in IT and other services here in Casablanca and in Rabat.

Yet the striking events across the Middle East and North Africa demonstrate starkly the need to press ahead. The revolutions in Tunisia and Egypt, as well as movements across the region, show that modernization in the region has been too partial, and too dependent on a small number of reformers, to take firm root. Too often, top down efforts closed off public participation or airing of grievances. Traditional forms of societal consultation were sometimes snuffed out. Some governing elites became isolated.

A month ago we convened a conference at the World Bank to listen to Arab voices— youth groups, women's groups, change agents.

What do they want?

They want opportunity, justice, a job.

They want rules and laws that are fair, predictable, and transparent.

They want food and shelter for their families, good schools for their children, and neighborhoods that are safe.

They want voice, and accountability.

They want a say over public services that sometimes have been so contorted that they are neither open to the public nor offer real service.

They want information and the right to know, and to participate.

They want dignity.

They want respect.

And if they are women, they want these same things.

Last month, I called for a New Social Contract for Development in the Middle East and North Africa.

We are recognizing that inclusive and sustainable development cannot be defined solely in narrow economic terms. What we once thought of as political issues are in fact good economics.

Twenty years ago, the World Bank did not talk about corruption. Today fighting corruption is a key part of World Bank projects and programs. Our shareholders know corruption is a drag on economies, taxes the poor, and strangles opportunity.

Eighteen years ago, the World Bank rarely talked about gender. Today we know that gender equality is smart economics. Countries with greater gender equality tend to have lower poverty rates.

Ten years ago, we were only starting to speak about transparency. Today, the World Bank is the only multilateral institution with a wide-ranging Freedom of Information policy and has thrown open the doors on our research and released over 7,000 data sets.

We have learned that one cannot have successful development without good governance and without the participation of citizens.

We have also learned that institutions matter. Heroic individuals are not enough. Reformed bureaucracies are not enough. Citizens' participation – and clear communication between society and government – matter.

We will encourage governments to publish information, enact Freedom of Information Acts, open up their budget and procurement processes, build independent audit functions, and sponsor reforms of justice systems. We have learned that transparent procurement systems matter. That how a country handles procurement can fight corruption, create competition, save money, and lead to improved public services.

Morocco is starting to take those steps. It has advanced reforms on budget transparency and independent auditing of the budget.

I am hopeful that the National Pact for Industrial Emergence can build on these lessons of political economy. I understand it has been based on public-private consultations. That it seeks a virtuous cycle of growth, based on transparent evaluations, dialogue between government and the private sector, a stress on the development of human resources, and innovation. Indeed, this meeting is part of the evaluation process.

I urge you to keep in mind the perspective of the smallest business people, too. Sometimes they just need freedom to strive and respect for their dignity and dreams. Our IFC colleagues may be able to assist with advice on how to cut red tape that stifles small entrepreneurs and also help build the capacity of financial intermediaries to lend to medium and small enterprises.

Institutions matter, but so do citizens.

A robust civil society can check on budgets, seek and publish information, challenge stifling bureaucracies, protect private property, and monitor service delivery. Civil society can insist on respect for the rights of citizens. And civil society can assume responsibilities, too.

An empowered public is the foundation for a stronger society, more effective government, and a more successful state.

We have the evidence from investments around the world in community-driven development, where

money is provided directly to councils in communities so they can decide on their own priorities, oversee their own projects, and track their own funds. While these programs have not been perfect, empowering citizens can be powerful. Over the last ten years, the World Bank has supported tens of thousands of villages and neighborhoods with community-driven projects in over 100 countries.

Since 2005, the World Bank has supported Morocco's National Initiative for Human Development, or INDH, a program launched by His Majesty the King to overcome poverty, vulnerability, and social exclusion.

Like you, we recognize that many Moroccans, especially in rural areas, remain on the economic and social margins. Health indicators – especially maternal mortality and child malnutrition – need to be improved. For Morocco to truly advance, it needs to develop and draw from the capabilities and energies of all its people.

So INDH still has many challenges to master. But its achievements are encouraging: it has financed more than 22,000 projects, at an average of \$70,000 per project; targeting more than five million beneficiaries, with budget appropriations over \$1.5 billion.

Since 2005, INDH microprojects have contributed to creating 40,000 jobs and supported roughly 5,000 co-ops and associations. In those rural areas targeted by the INDH, the poverty rate has decreased from 36 to 21 percent.

By developing networks of associations, the INDH has helped foster a new civic awareness, encouraging people to partner with public authorities to drive and direct development. A 2008 survey indicated that over 92 percent of those surveyed thought the Initiative necessary, and they were ready to combine their own efforts with those of the government.

The INDH has also promoted the role of women, although more needs to be achieved. A survey in 2009 showed that 62 percent of households and 60 percent of women and young people said they enjoyed more access and use of basic infrastructure because of INDH projects.

The INDH needs to build on this strong first stage. The next stage could strengthen implementation, including through rigorous measurement and assessment of performance. The World Bank would be pleased to assist as a full partner.

Your National Pact can also set an important standard through its focus on results. We need to learn – honestly and fairly – about what works and what doesn't. When we fall short, we need to know, so we can fix problems or try a different approach, and we can improve.

The World Bank Group is working with the Government of Morocco in a number of areas that could create a better context for your efforts.

On jobs, we are partnering with the Government's education program on developing skills to connect to employment, enhancing vocational training, and helping place workers in jobs.

I understand that you are now preparing the third generation of the Active Labor Market Program to connect students and workers with jobs through a variety of activities. Perhaps the World Bank Group could work with you to learn from the first two efforts, while sharing a range of international experience.

Countries all around the world have found it important to move from spending large sums for energy and food subsidies to financing effective social safety net programs that target the poor. Of course the transitions need to be handled with care, yet successful programs in Brazil and Mexico have now been replicated, to varying degrees, in over 40 countries.

Morocco has been preparing the ground to improve social protection, and has launched some innovative pilots, drawing from the Mexican model.

These pilots include conditional cash transfer programs in education, and non-contributory health insurance for the poor. After the pilots are tested and evaluated, we would be pleased to work with Morocco on extending them.

I understand your National Pact focuses explicitly on building competitiveness in export industries. Success depends on making progress on multiple fronts in a mutually supportive way. Through our development policy loans, the World Bank is working with your government to strengthen economic governance so as to: attract technology and know-how; encourage innovation; upgrade the trade logistics infrastructure; reform the training and education system to bring the right skills to the market; and ensure that good labor market policies and social safety nets are in place to support this economic transformation.

We might also work with you to determine how to make best use of the enhanced partnership proposed by the EU, which I understand would extend beyond your current Advanced Association status.

We would also welcome the opportunity to work more closely with Morocco on the public sector budget, management, and accountability improvements that will support the critical regionalization reforms called for by His Majesty the King.

The World Bank Group is also especially proud to be working with Morocco to commission 2000 megawatts of solar power generation capacity by 2020. This ambitious plan is making a mark. Our Clean Technology Fund aims to mobilize \$5.6 billion to accelerate deployment of Concentrated Solar Power projects in Morocco and other countries in the region, working with the African Development Bank, European, Arab, Islamic, Japanese and other donors. When implemented, these solar projects would support deployment of about 1 gigawatt of solar power generation capacity – tripling today's global concentrated solar power.

Conclusion

Few can claim to have predicted today's events in the Middle East and North Africa. So we also must be careful about what we assume might happen next.

Yet it would be a great mistake to be paralyzed by great events.

Morocco has been setting a course. His Majesty the King has reinforced this course with his recent remarks about political reform. As a river must flow to the sea, so reform must keep moving forward or it will stagnate.

Morocco's successes can be important not only for Moroccans, but for the larger region.

In East Asia, it was the first models of success that pointed the way for others. Soon a region was on the move, economic destinies were transformed, and the rest is history.

What you are doing here, what you are doing now, what you can do not just today but tomorrow and for all the tomorrow's thereafter can be just as transformational. A historic step for Morocco, a momentous consequence for us all.