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)

ONE HUNDRED AND EIGHTH MEETING
MARRAKECH, MOROCCO – OCTOBER 12, 2023

DC/S/2023-0039
October 12, 2023

Statement by

Alexey Overchuk
Deputy Prime Minister

of the Russian Federation

Statement by

Alexey Overchuk
Deputy Prime Minister

of the Russian Federation

108th Meeting of the Development Committee

October 12, 2023
Marrakech, Morocco

Since our last meeting, the World Bank Group has had a new President. It is hoped that with his extensive experience and expertise, Mr. Banga will bring forth innovative solutions urgently needed to address the challenges faced by the World Bank Group. We wish him every success in his endeavors during this critical time and look forward to witnessing the positive impact he will make on the institution and the global development landscape.

1. Global economy

In 2023, the situation in the food and energy markets has improved. Notably, the FAO Food Price Index has decreased by 24% from its peak in March 2022. The unilaterally imposed coercive measures on Russian exports had both direct and indirect repercussions – via the financial sector and transportation – on the markets, causing increased volatility. Nevertheless, Russia remains a reliable supplier and contributes to food and energy security through various channels, including free grain and fertilizer supplies to African countries. Furthermore, Russia was able to buffer the impact of sanctions and efficiently handle domestic market repercussions through trade rerouting and enhanced focus on domestic production. Economic growth arising in many neighboring countries due to the spillovers from economic activity in Russia is also noteworthy.

Nevertheless, the root causes of the energy and food crises, identified long before the pandemic, persist, affecting the most vulnerable population globally. Moreover, key risks remain tilted to the downside, fueled by macroeconomic uncertainty and the monetary policies adopted in advanced economies. Implementing these strategies, which sprouted from the prior era of ultra-loose monetary policies during the COVID-19 crisis, has led to a substantial increase in interest rates globally. Currency depreciation adversely affected current account balances, narrowing an already limited fiscal space in developing countries. Additionally, mounting debt and increased debt service costs have further exacerbated the development landscape.

Alarming still is the anticipated continuation of this slowdown throughout the 2020s at a critical intersection of international development, with the world halfway through the execution of the Sustainable Development Goals (SDGs). For the World Bank Group, 2030 will be a major milestone in assessing our efforts to reach the Twin Goals, which are currently distant from becoming a reality.

The latest UN report paints a sobering picture of the stalling progress toward SDGs, with only 15% of them on track for fulfillment. In comparison, 37% are either stagnant or showing signs of regression, and the funding gap reached a record 4.2 trillion USD. During this pivotal period that calls for multilateralism to address the mounting global challenges, we are witnessing an unsettling trend of geofragmentation that only exacerbates an already critical situation, as highlighted in a recent report by the International Monetary Fund (IMF).

These conditions create a greater demand for concessional resources, placing pressure on the WBG, which, as a unique global development institution, has a primary mandate to alleviate poverty and support economic growth and prosperity universally. With the external conditions evolving and becoming more complex, it became apparent that there is still room for improvement in the institution's approach to development challenges that could be addressed through various instruments, including but not limited to institutional reforms.

The timing for the Evolution Process, seen as a key component for achieving more ambitious results, is opportune. However, launching such a groundbreaking reform should be justified by transformative ambitions not only in terms of institutional arrangements but also in terms of the outcomes. We should avoid further igniting the expectations and provide clear and rational messaging on the results we anticipate, given our resource constraints.

2. Vision and mission

We acknowledge updated statements of the WBG's vision and mission; however, the Bank could do more in elaborating on the added value of this update and its reduced level of ambition. Before the launch of the Evolution exercise, this institution already had sufficient tools enabling it to tackle a variety of global challenges using the previous wording, namely, "to end extreme poverty by 2030 and promote shared prosperity in an environmentally, socially, and economically sustainable manner". If approved, the concept of a "livable planet" should extend beyond merely reducing greenhouse gas emissions, encapsulating broader environmental preservation efforts, such as combating pollution and deforestation and promoting sustainable environmental and social practices.

We agree with the identified global challenges and expect the WBG to play an important role in addressing them. While doing so, it is crucial to use the most suitable tools, guided by experts with professional, fact-based opinions grounded in their experience and skills. We believe the Jobs and Economic Transformation (JET) agenda should be the foundation for the WBG's engagement in various countries. Currently, our approach to industrialization in LICs tends to be cautious, often limited to constructing basic infrastructure and improving supply chains. While we appreciate these efforts, they are just the initial steps in a long journey. To achieve more sustainable outcomes, the WBG needs to engage further and support actions that build upon the progress already made. It includes investing in industrial clusters, supporting IT infrastructure, promoting localized production, and enhancing processing capacities in developing economies. These measures will foster economic growth through enhanced labor demand and tackle the youth bulge, thus empowering countries to address global challenges.

3. Financial model

We appreciate the Bank Management's efforts in optimizing the balance sheet and proposing new instruments to increase lending room. We look forward to seeing the results of issuing shareholders hybrid capital and launching the Portfolio Guarantee Platform. However, we remain of the view that taking on increased risks should be balanced against an important goal of protecting World Bank institutions' preferred credit status and AAA rating, which translates into the cost of borrowing for the clients. We also urge the Bank to keep additional and concessional resources available to a broader base of the Bank's clients. Elaborating on new financing tools should also come with an understanding that these measures alone would not be sufficient to match the financial needs of the developing world. Hence, we expect more detailed information on how Management plans to mobilize the necessary volumes of resources.

Considering the macroeconomic prospects, the demand for additional and concessional resources will only increase in both low-income countries and middle-income countries. While the idea of a bigger Bank deserves further elaboration, so does the need for the stakeholders to be realistic about their expectations. To stay relevant in times of financial austerity and to have a lasting impact, the Bank needs to focus on areas where it could spur a multiplicator effect while prioritizing development and growth. The intention to have a larger bank in the absence of new financial commitments will result in our best intentions remaining only plans and wishes. If Management and shareholders cannot find a way to scale up the resources, any other measures will only provide palliative solutions and, at best, mask some of the symptoms. In addition, The Bank's clients should be able to exercise more control in formulating those priorities for and defining key areas where the Bank's funds could create a multiplier effect.

In our view, DRM is crucial for economic prosperity, and increasing revenue collection through improved tax administration and digital technologies could become a game-changer for the Bank's clients. We support the Bank's engagement in helping clients advance their DRM processes; however, the WBG's actions in this domain have not consistently yielded successful results. We attribute this not only to the absence of a cohesive strategic approach and vision but also to the WBG's deficiency of top-tier specialists in this field.

Furthermore, although we firmly support a tax policy and administration that is fair, equitable, and fosters growth, we insist that components such as a green element and a progressive tax policy should be optional and should only be implemented based on the specific demands of the client. Hence, we urge the WBG to refrain from enforcing solutions not tailored to individual countries' specific needs and requests.

Regarding the Bank's climate response proposals, we would like to underscore the need to critically re-examine the interconnection of development and climate change actions to provide ground for a more balanced WBG approach. While we expect the WBG to cushion and provide relief to those suffering from natural disasters and the consequences of climate change, particularly for climate-vulnerable countries, we need to demonstrate realism and recognize that our institution lacks the resources to singlehandedly address this issue. This reality necessitates hard choices, and it seems only fair for the WBG to embed the issue of climate change within its efforts to combat poverty and inequality rather than the other way around.

Considering the low share of LICs in global greenhouse gas emissions (1.1% in 2019), mitigation finance proves more effective in wealthier countries, where larger markets and lower capital costs exist. However, the developmental impact of additional resources is significantly greater in poorer countries than in wealthier ones. We anticipate that the World Bank Group will adopt a rational approach, maximizing its comparative advantages with a focus on development, growth, and adaptation, supporting the principle of "common but differentiated responsibilities".

4. On the New Playbook

We support the general direction chosen for developing a new World Bank playbook. We agree that the Bank should become more client-oriented, efficient, and accessible to its clients. We understand that to match the level of ambition, a new playbook may require bold initiatives, that must be discussed with the Board of Directors first before becoming public. Some of the recent announcements, including the decisions to disengage with some of the Bank's clients, were taken without prior consultations with the shareholders, which remains a concern. The shareholder and market trust in the World Bank institutions is built on a strong governance system with appropriate checks and balances. Any decisions that may be perceived to blur these lines and create conflicts of interest, including significant redistribution of authority between the Executive Board and the Management, need to be taken cautiously.

We look forward to more details on the upcoming Global Challenge Programs and Knowledge Compact for Action and enhanced Country engagement model that could help the Bank better respond to the renewed ambitious agenda and increase financial headroom.

5. On Energy and Climate nexus

We appreciate the Bank's undisputable role in combating climate change. In our view, the WBG's future support of the climate agenda through investing in developing economies should be based on three essential factors. Firstly, we expect the Bank's support in building infrastructure for extracting rare earth minerals and metals in an environmentally sustainable way, as well as the production of renewable energy sources (i.e., solar panels and wind turbines) in countries abundant with these resources. This approach can simultaneously drive economic development and accelerate mitigation efforts. Secondly, the WBG should intensify its efforts in addressing the issue of "pollution havens" and solid waste by abating carbon footprint through existing and promising technologies in EMDEs. Lastly, the global fight against climate change requires a balanced and strategic approach incorporating both mitigation and adaptation measures.

Adaptation initiatives are globally underfunded. The WBG should lead by example by allocating at least 50% of climate finance to adaptation measures.

In formulating its strategic approach to climate finance, the WBG should demonstrate that there is no contradiction between climate action and development if we choose the right strategies and toolkit. Furthermore, climate finance should mobilize additional resources to provide future dividends, thus enhancing the fiscal position in the longer-term perspective to avoid any deterioration of the debt situation in low and middle-income countries.

Energy security and access is another area where the WBG's efforts could be more effective. Fossil fuels, including coal, still dominate the global primary energy mix, with advanced economies continuing to invest in new mines, coal and gas-fired plants, LNG terminals, and oil production and refinement facilities. In contrast, low-income countries severely lack critical services that necessitate energy and electricity. Therefore, development institutions should assist impoverished nations on their road to economic prosperity rather than further exacerbating these disparities and amplifying inequalities between nations.

Unbalanced energy and climate policy, which emphasizes an accelerated "greening" of the global economy without considering the social effects and economic efficiency of decarbonization measures, along with massive underinvestment in fossil fuels, undermines energy security globally. The provision of reliable and affordable energy is the cornerstone of the economic and industrial development of any society. It is disconcerting to note that almost 700 million people lack energy access, and a staggering 2.3 billion people continue to rely on inefficient and polluting cooking systems. Most of these people live in Sub-Saharan Africa. We commend the WBG's efforts to support the region and take note of the numerous projects on energy infrastructure construction. Nonetheless, we believe that a more client-centric approach could enhance the efficacy of the current strategy. This approach should be autonomous and non-media-influenced, relying instead on factual data, quantitative analysis, and the opinions of the leading industry specialists. The expertise of these specialists is crucial in conceptualizing and executing large-scale infrastructure projects essential for achieving universal energy access. Without their involvement, the realization of such projects would be unimaginable. By embracing an approach that extends beyond mainly developing small-scale, off-grid renewable energy solutions and avoids any stigma, the WBG could forge new partnerships and mobilize additional private capital.

Considering the abundance of natural gas in many countries, including in Sub-Saharan Africa, establishing a regional market through investment in the downstream natural gas sector could ensure a reliable energy source, catalyze economic development, and contribute to food security by providing fertilizers. We expect the WBG to recognize the potential advantages of other energy sources, including natural gas and nuclear energy, invest in relevant technologies and knowledge, and mitigate any possible negative impacts while working towards achieving SDG-7.

6. Fragility and Conflict

We commend the World Bank Group's efforts in supporting Fragile and Conflict-Affected States (FCS) and welcome the Mid-term Review of the Fragility, Conflicts and Violence (FCV) strategy. However, we are concerned about the increasing number of countries where our institution has limited or no presence, undermining our universal appeal. We understand the challenges associated with the FCV environment and the sensitivity of this issue. Nevertheless, the costs of inaction outweigh the costs of engagement, and it is crucial to maintain the development gains achieved through the World Bank Group's presence in these countries. It will prevent us from starting from scratch and losing valuable human capital. We urge the WBG to follow the "no one left behind" approach in all domains and provide a clear explanation of how the Evolution Process will benefit the FCV countries.

Considering the above, we reiterate our call for the World Bank Group to fully re-engage with Syria. The country is facing a severe humanitarian crisis exacerbated by the consequences of the 2023 earthquake. Additionally, recently, the World Food Programme (WFP) had to cut food and cash-for-food assistance, with a devastating impact on 2.5 million people. The deteriorating situation in Syria exemplifies the urgent need for the World Bank Group's engagement, which can make a tangible difference. It is crucial to address the pressing challenges and support the country in its recovery efforts.

Our position on non-politicization and an even-handed approach, required from this institution and its staff by the Articles of Agreement, remains unchanged. We have observed the stagging difference in attitude toward shareholders, illustrated by the language used to describe various conflicts since the establishment of the Bretton-Woods institution. This approach undermines the credibility of our institution and its ability to remain impartial and unbiased during such situations, creating reputational damage.

We extend our condolences to the people of Morocco and Libya, affected by the recent natural disasters. We call on the WBG to take proactive measures in fully engaging with these countries and providing support during this critical period.