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 NINTH MEETING
WASHINGTON, DC – APRIL 19, 2024

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Statement by

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1. On global economy

We take note of improvement of global economy largely driven by increasing contributions of developing economies. The nations of the Global South are advancing and deepening their cooperation and trade relationships, paving the way for a more equitable economic framework. In contrast, major advanced economies, especially those within the European Union, are experiencing a worsening economic climate, largely due to politicizing of economic agenda, inadequate economic decisions including interruption of reliable energy supply chains and emphasis on military spending.

In 2023 the Russian economy has demonstrated remarkable resilience and growth. This success is supported by increased domestic consumption and production, thriving on the back of the import substitution policy. The Russian Ministry of Economic Development forecasts that GDP growth in 2024 will surpass 2% annually, with unemployment staying at historically low levels and inflation projected to realign with the Central Bank of Russia's target of approximately 4% by 2025.

This impressive economic performance has beneficial effects on neighboring countries, specifically those that are members of the Eurasian Economic Union and the Commonwealth of Independent States. Advising these nations to sever economic relations with Russia would undermine their economic well-being and the prospects for regional collaboration and development. Therefore, we strongly encourage the WBG to adhere to its founding principles and avoid engaging in discussions that could detract from its mission.

Increasing fragmentation of global economy negatively impacts development. Recognizing this trend, Russia has embraced multilateralism as a cornerstone of its chairmanship in BRICS this year. We firmly believe in the importance of this approach and expect the WBG to maintain its role as a universal platform for dialogue and the exploration of solutions rather than succumbing to a geopolitical agenda that could further destabilize the global economy.

2. On politicization and equal treatment and protection of all staff

As we commemorate the 80th Anniversary of the Bretton Woods Institution, it is important to reflect on the foundational principles, which have been instrumental in fostering collaboration and facilitating meaningful change. Central to these principles is the apolitical mandate of our institution, as envisioned in the Articles of Agreement. This commitment to impartiality has been a cornerstone for the World Bank Group, ensuring it remains an inclusive platform for dialogue and continues to fulfill its development objectives even amidst complex circumstances. However, the situation has significantly deteriorated.

We must emphasize that the biased and politicized approach followed by the Management, as evidenced by the language employed to characterize different conflicts (in Gaza, Nagorno-Karabakh, and Ukraine) in various WBG documents, severely compromises the integrity and credibility of our institution. This biased approach affects the WBG’s reputation as a knowledge institution, given that numerous analytical reports do not adequately pinpoint the underlying structural causes of the global food crisis. Additionally, these reports present insufficient analysis of the Central Asian countries. It is crucial that we maintain impartiality and objectivity in these matters to avoid incurring substantial reputational harm.

Currently, a number of staff members encounter discriminatory hurdles while procuring a G4 visa. Although the issuance of visas does not fall under the purview of the World Bank Group, it is incumbent upon the institution to safeguard the welfare of its employees and to strive for equitable treatment for all. The protracted visa delays, which for Russian nationals can often surpass a year, impede career advancement opportunities for those holding Russian passports. This state of affairs goes against our principles and values and should not be tolerated. We anticipate that the Management will develop mechanisms to compensate for these barriers, ensuring all staff members have equal opportunities.

3. On the Development Committee paper

Overall, we welcome the Development Committee paper as it represents an informative update on the ongoing Evolution process. At the same time, the nature of such an update does not assume any provocative insights on major development issues one would expect from a leading global institution. The questions posed anticipate predictable responses and do not establish a foundation for robust dialogue at the Development Committee.

The mandate of the Development Committee is "to advise the Board of Governors of the World Bank and the International Monetary Fund on critical development issues and on financial resources required to promote economic development in developing economies." Hence, the Development Committee papers are anticipated to articulate the challenges and opportunities our organization encounters, highlight urgent and long-term implications, present diverse viewpoints, and offer substantive guidance. Regrettably, the current paper does not meet the exemplary standards set by its predecessors. While we concur with the significance of the ongoing Evolution process for our institution, it should not monopolize the Development Committee's agenda, as has been the case previously.

We commend Management's initiative in implementing comprehensive reforms through the Evolution exercise to improve our institution. The breadth and depth of these reforms are impressive, reflecting Management's dedication to progress and their commitment to institutional enhancement. Nevertheless, conducting the reforms that will introduce significant changes should be informed by a balanced approach and careful elaboration of tailored solutions. We look forward to the implementation phase to see these reforms in action.

4. On the Evolution reform

We would like to address the Evolution process in a comprehensive manner, starting with overarching themes such as the delegation of authority and progressing towards specific matters such as Global Challenges Programs (GCPs).

We have observed with concern the growing trend of the World Bank Group's Management to request the delegation of authority from the Board of Directors. While we recognize that delegation can, in certain contexts, enhance operational efficiency, we are worried that this process is not approached comprehensively and might result in a simple disbalance of authority between the shareholders and the Management. It is essential that the Board of Executive Directors is afforded transparency regarding the scope, frequency, and nature of delegated operations, with detailed reporting. Moreover, prior to any expansion of delegated projects, it is crucial to undertake a thorough review by the Independent Evaluation Group and the Group Internal Audit to evaluate the current delegation framework. This review should assess both the benefits and drawbacks, enabling us to refine and optimize our delegation strategy. **Delegation should be a package deal that, along with transparency and independent review, may include the Board approving Sector Strategies and other strategic documents**. What we have observed in the past is that once the delegation is granted, there is little incentive to move in this direction on the side of the Management.

Furthermore, we wish to express our deep concern regarding the persistent oversight by Management of the specific requests of the Executive Directors, who represent the shareholders. A prime example of this is the prolonged disregard for the request of 10 Executive Directors for a Natural gas briefing, which has been outstanding for over a year. The alternative solutions proposed by Management have been consistently inadequate and fail to address the core of our request or the detailed inquiries we have made. Such actions compromise the role of our institution as a knowledge bank and also jeopardize the potential expansion of delegated authority to the Management that appears either incapable or reluctant to provide a thorough response to the shareholders' requests for a prolonged period. It is imperative that the Management demonstrates a commitment to fulfilling the shareholders' expectations and upholding the integrity of our governance processes.

Another concerning issue is the recent Compliance Advisor Ombudsman (CAO) investigation on the IFC investment in Bridge International Academies. Although we note the Management Action Plan presented by the IFC, we believe additional external investigation is necessary to ensure the independence of our guarding mechanisms and to identify the responsible. We anticipate that the IFC will seize this opportunity to enhance its Environmental and Social Framework, as well as its internal practices and workplace culture. The credibility and reputation of our institution hinge on our approach to addressing this matter.

We currently observe that the World Bank Group formulates strategies primarily on subjects that garner widespread support from the Board, avoiding the areas that could elicit more contentious viewpoints, like the Gender Strategy and FCV Strategy. In this context, we expect that the forthcoming Sector Strategies will delve into more controversial issues, like energy and DRM. It is essential that Sector Strategies maintain flexibility, allowing for tailored approaches when unique circumstances arise. A well-defined DRM strategy would provide a consistent approach for the WBG's support of reforms in this sector, aiding countries in enhancing their tax administration systems to strengthen their debt sustainability and public finance management, given the scarcity of external financing. It would also respect the individual conditions of each country, in particular, the freedom to make decisions regarding specific components of their fiscal systems. Additionally, there is a need for a comprehensive Energy Strategy that encapsulates the perspectives and requirements of our clients, thereby enabling them in their decision-making processes within this domain.

We endorse the agreement on eight global challenges reached in Marrakesh which delineates the Bank's evolutionary priorities. However, we emphasize that the Bank's efforts should not be confined solely to these challenges. Maintaining one of the institution's fundamental principles—a client-oriented approach—is paramount.

While we are in favor of the concept of Global Challenges Programs suggested by the Management, it is crucial to ensure that they do not overshadow other important areas. The exclusive focus on GCPs, given their limited scope and impact, might neglect critical issues such as education, poverty, hunger, and migration, which are vital to the Bank's members. Their importance to the institution must not be underestimated. Moreover, GCPs should complement, rather than replace, the Bank's sector strategies, which still require development and approval by its members.

We support the WBG's ambition to become a knowledge bank. However, we regrettably note a decline in the quality of documents prepared for the Board of Directors, including recent papers on GCPs. This issue is not isolated but is also evident in numerous other knowledge products released by the WBG. Our institution prides itself on setting high standards, yet we are falling short in knowledge, innovation, and expertise in many areas. We hope these gaps will be addressed promptly and effectively without resorting to creating further bureaucratic layers. Furthermore, we advocate for the WBG to enhance its support for south-south knowledge exchange and to incorporate insights from think tanks and analytical centers based in the Global South. By utilizing the expertise and analyses originating from these regions, the WBG can foster a more comprehensive and realistic grasp of the dynamics shaping our world, ensuring that its strategies and policies are grounded in a diverse range of perspectives and experiences.

5. On certain deliverables (energy access, technologies, and digitalization)

We remain committed to the realization of SDG7 – "Affordable and clean energy" and believe it to be of utmost importance for the WBG's new mission and vision. Ending poverty and reaching shared prosperity on a livable planet is inextricably linked to the universal provision of consistent and reliable energy sources. The advancement of education, healthcare, and broader economic growth hinges upon the availability of stable, affordable, and accessible energy. The current exclusive focus of the WBG on renewable energy sources does not ensure neither affordability in the long-term nor tangible results. The WBG should be a role model for other MDBs by undertaking more ambitious and transformative projects that align with the needs of our clients, reminiscent of our pioneering efforts in the 1950s. The intention to elaborate an approach primarily to satisfy media expectations is misguided and runs counter to our core mission.

Moreover, this media-centric approach risks the loss of experts across critical sectors, such as energy, whose insights are crucial to enhancing the effectiveness of our projects in developing countries. By doing so, we are forfeiting our expertise and becoming a media-oriented institution rather than a development-oriented one. Furthermore, we object to the prejudiced views of advanced economies, which have reaped the benefits of fossil fuels for their development and continue to rely heavily on them to sustain their economic activities, yet oppose affording similar opportunities to low- and middle-income countries.

We believe that the World Bank Group should place greater emphasis on technological advancements, as they are pivotal for fostering productive economic growth. In the energy domain, for example, there is a pressing need to accelerate decarbonization efforts. By refusing to implement projects related to natural gas at scale, the WBG is missing opportunities to promote the electrification of the liquefied natural gas (LNG) industry. Such initiatives could significantly reduce greenhouse gas emissions, providing low and middle-income countries rich in natural gas with climate-friendly energy solutions. Furthermore, the potential of carbon capture, utilization, and storage (CCUS) technologies remains largely untapped despite evidence from advanced resource-exporting countries that these technologies hold considerable promise for sustainable energy development. In our view, denying developing economies access to the same opportunities that are still instrumental in the economic growth of developed countries only exacerbates global fragmentation and inequality. This sentiment is echoed by borrowing countries at each Development Committee meeting, yet the Management has consistently ignored it.

In parallel, sustainable development is also characterized by advancements in science and technology. The world may be on the cusp of transforming with the advent of Artificial Intelligence (AI). Such changes may increase total factor productivity, resulting in the subsequent acceleration in GDP growth. As we welcome the promising opportunities his technological revolution presents, we also believe that the World Bank should invest more time and resources in assessing the associated risks. The recent Global Risks Report (2024) highlights "adverse outcomes of AI technologies" as one of the foremost short-term and long-term risks. In this regard, we anticipate that the Bank will engage with countries to avoid any digital isolation and to close the digital divide. Additionally, in its capacity as a knowledge bank, the WBG should be on the cutting edge of technological changes to remain relevant and provide adequate support, including through the transfer of technologies.

The central role of technology in shaping the future of global development is particularly evident in the anticipated transformation of the job market. These shifts could exacerbate existing inequalities, especially for the youth in low- and middle-income countries. Our institution has a critical opportunity to take proactive measures by fostering job creation in emerging sectors, including supporting innovative technologies. For instance, by investing in educational programs that nurture software developers and engineers, we can substantially impact the lives of young individuals worldwide. Additionally, this approach will contribute to building the human capital necessary for countries that may struggle to adapt to an increasingly digitalized global landscape. Nevertheless, without the provision of fundamental needs, including tackling hunger, any progress in digital development is impossible, and we anticipate that the Bank will intensify its engagement on this front.

On a broader basis, integrating new technologies into the economy could have multiple positive outcomes. Likewise, successful reforms in Russia and neighboring countries, bolstered by the WBG's assistance, enabled our country to become one of the leaders in tax collection efficiency and significantly improved tax administration in neighboring countries as well. We believe that this result could be replicated in many developing economies.

6. On finance

We commend Management for their diligent efforts in enhancing the World Bank Group's financing model. Given the prevailing global challenges, the Bank should strive to provide client-countries with the financial assistance they need. We look forward to the implementation of innovative financial tools, including the issuance of shareholders' hybrid capital and the launch of the portfolio guarantee platform, to increase the Bank's financial capacity beyond the US$50 billion increase over the next ten years. However, assuming higher risks should be carefully weighed against the crucial objective of safeguarding the preferred credit status and AAA rating of World Bank institutions, which influences the borrowing costs for our clients. These principles and the maintenance of WBG's financial stability should always be kept in mind when creating and implementing new financial tools. In this regard, we strongly oppose the idea of further decreasing the E/L ratio to 18%.

The implementation of the framework for financial incentives holds significant potential as a tool for addressing global challenges. In this context, we emphasize the importance of adhering to the country-led model, ensuring that client-countries have access to financial resources specifically tailored to address their priorities among the 8 GPGs. Additionally, in assessing cross-border externalities, we view this mechanism as an added layer of complexity for client-countries to access financial resources. As for the Livable Planet Fund, we believe there’s a need to discontinue net income transfers and focus on donor financing.

Additionally, our cautious strategy should be consistently reflected in our budgetary allocations. We are concerned by the rising costs that don't yield meaningful outcomes. The budget proposal seems to endorse an expansion of bureaucratic layers, including an unnecessary increase in the number of Vice Presidents, without demonstrating a clear potential impact on operational efficiency. Moreover, the heightened budget for senior management travel and video production expenditures raises concerns. With the adoption of the budget, we expect an enhancement in transparency, rigorous monitoring, and evaluations driven by measurable results to justify these financial commitments.

Utilizing concessional resources is crucial in addressing the unique needs and challenges faced by developing nations. We anticipate that forging stronger partnerships and initiating the Collaborative Co-financing Platform will contribute to mobilizing new finance, including concessional resources. Additionally, we note the enhancement of IDA’s financing capacity, aiming to increase it by approximately US$17 billion over the next decade. However, it is essential to ensure that these changes, in aggregate with the implementation of the initiatives in the Bank’s financing model, do not adversely affect the IBRD transfers to IDA.

We note Management’s efforts on balance-sheet optimization (BSO) measures and additional financial instruments to enhance IBRD’s financial capacity. Nevertheless, we maintain that all alternatives should be considered to facilitate the transition to a “bigger bank,” including discussing the General Capital Increase (GCI).

7. On FCV, Syria, and Palestine

This year, the World Bank Group has proven its readiness to support nations in distress, with effective strategies to aid the people of Afghanistan being one example of substantial aid is being delivered despite challenging organizational conditions for such operations. **We expect the WBG to demonstrate an even-handed approach to all the shareholders and find a solution to re-engage with Syria and provide assistance to its people.** Following the devastating earthquake in 2023 that hit Turkey and Syria particularly hard, the World Bank Group provided remarkable and commendable assistance to Turkey; however, Syria was left behind despite facing severe challenges. The situation has deteriorated further as the World Food Programme recently ceased its general food assistance across Syria due to a lack of funds. Additionally, the recent conflict in the Middle East has direct repercussions for the country's economy. With the newly adopted FCV strategy and the World Bank Group's extensive experience, the institution is well-equipped to deliver aid to Syria. As a member of the WBG, Syria is entitled to an unbiased and equitable treatment in accordance with our Articles of Agreement. It is disconcerting to observe a deviation from these principles influenced by political reasoning. We urge the Management to rectify this oversight and reaffirm our commitment to even-handed assistance for all member countries. It is not only a matter of principle but also of institutional integrity.

In light of the catastrophic situation in the Gaza Strip and the deadly threats of famine and epidemics of infectious diseases looming over it, we urge the World Bank to urgently extend more of its operations to the territory. The present degree of support from the World Bank Group is critically inadequate and stands in stark contrast to the billions spent to support the agonizing Nazi regime in Ukraine, demonstrating that the institution is both keen and capable of identifying solutions when it deems the situation sufficiently critical. At the same time, we call upon the World Bank Group to develop a comprehensive strategy towards the Palestinian territories which would contribute to the fundamental resolution of the Palestinian crisis and strengthening the foundations of Palestinian statehood.