Statement by

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(VIRTUAL)

This is clearly an emergency session, and we cannot be expected to carry out our discussions in the business-as-usual format. The ongoing pandemic which is sweeping over one country and continent after another, is what all governments are concerned about now.

Our original agenda item was the issue of disaster risk management in the World Bank operations, but now we are discussing an actual disaster at the global scale. What just a couple of months before was supposed to be an analytical stock-taking, is today the immediate reality.

We all are facing unprecedented challenges, and no one can safely predict the course of events in the weeks and months ahead. Against such an uncertainty, the Bank has been able to respond in a reassuringly fast and vigorous manner which might be favorably compared to the previous episodes of global crises and recessions. With a full use of its menu of instruments, the Bank was able to mobilize and redeploy massive financing for the large horizontal fast track operation covering the initial 25 member countries. It should be particularly commended that the individual country operations of the package do not follow the discredited one-size-fits-all pattern, but reflect both the universal nature of the pandemic and specific circumstances of the clients. This attention to detail must be credited to the extensive field presence following the decades of decentralization, and we wish to express our support to all Bank staff working across the globe.

One must admit that the vision proposed for the agenda well before the outbreak of pandemic still looks surprisingly valid and interconnected. We just have to apply the pandemic lens and identify the aspects which were left insufficiently appreciated or missed altogether. Also, it is important that we do not limit ourselves entirely to the current events as they are unfolding but keep a broader perspective. Our goal here is to integrate the immediate crisis response with the post-pandemic developments and make sure that the lessons of this tragic outbreak are fully taken into account.

From this angle, we can offer the following observations.

Traditionally, disasters were understood as events which involve massive destruction of physical assets and render the great number of people permanently or temporary incapacitated. As far as the medical and hospital needs related to the current pandemic are concerned, they squarely fall within this familiar framework and can be dealt with the full suite of instruments developed and mainstreamed over the past decade.

However, the challenges we are facing now are incomparably greater and lead us into uncharted waters. We must cope with the events which inhibit all activity across large regions, countries, and even continents for weeks and maybe months, with no commensurate destruction of assets. People are massively immobilized and ordered to stay home.
This course of events is significantly different from the more or less recurrent business cycles and related financial crises. Financial crises generally imply immense misallocation of resources caused by distorted investment strategies, so they are inevitably followed by the relatively lengthy adjustment during the recession phase. On the other hand, putting the entire national economy on hold during the quarantine enforcement brings about enormous stress and shock but relaunching the economy back to full steam can be expected to be much easier and faster.

If this is the case, we must think of means to keep people safe and taken care of for the duration of the various quarantine measures if the governments find it necessary to introduce them. Immediate financial support to those employed in the most affected sectors is imperative, targeted expansion of life support sectors with a special emphasis on the vital infrastructure, essential services and distribution networks is critical as well. The emergency assistance operations will need to safeguard an uninterrupted supply of power, water, and other infrastructure services to medical and quarantine facilities in the countries.

Recent introduction and mainstreaming of the menu of various contingent financing instruments offered by the Bank is very handy and must be appreciated, but we need to balance the understandable desire to frontload and disburse as much as possible with the recovery needs of the (hopefully) not too distant future. This is a very complex task, but the resources of the World Bank are inherently limited, and we wish them to be used both expeditiously and cautiously.

Rapid mobilization of resources by the World Bank must be matched by its readiness to provide them to those who most need them at the moment. The needs assessment and the institutional capacity to absorb the funds should be the overarching parameters when it comes to decisions about the emergency assistance. Everything else is of secondary importance including some political biases which led to Bank’s disengagement from some member countries. We have always expressed our disapproval of this approach, but this time it is clearly unacceptable. We strongly urge the Bank and the Fund to leave political prejudices aside and treat all member countries in need as equally eligible for emergency assistance. Unless this evenhandedness is extended to each and every member country, with no politically motivated exceptions, the "helping all clients" principle will remain a mere rhetoric.

Close collaboration of multiple stakeholders is rightfully underscored as critical in rolling out the collective action of governments, multilaterals, and the private sector. We appreciate Bank's efforts to strengthen this collaboration with the use of its convening and mediating power, including, for instance, in the area of production and procurement of vital goods. In this spirit, we suggest that the Bank increase the frequency of communication and dialogue at the Governors' level as the events unfold. We do not need an extra round of formal events, but if the urgent needs arise, the ad hoc appraisals and discussions can be arranged ahead of our next scheduled meeting.

There are many analytical issues the Bank will have to explore to help all of us to get more prepared for the emergencies like the one we face today.

For instance, we need better understanding of the specific ways the chain-like transfer of disaster between the advanced and emerging economies affects the Bank clients. Until now, epidemic threats were expected to originate in the least developed countries, and the global architecture of assistance of which the Bank is the key player, was geared to that exact pattern. We will have to reconsider this assumption on the basis of new experience.

Some special attention should be paid to the aspects related to the international financial architecture. The initial waves of the pandemic struck mostly the economies with either reserve currencies or with exceedingly comfortable reserve positions, so the monetary considerations could for some time remain
subordinated to other urgent needs. Those who happened to be next in the way of the epidemic usually had far less monetary cushion to rely upon. This issue seems to be too complex to be adequately addressed by the Fund or the Bank alone, so their closed cooperation is warranted.

On top of all that, once the acute phase is over, governments will have to revisit their policies towards keeping emergency stocks of healthcare goods. Most likely many countries will feel the need not just to replenish those stocks but vastly expand them, and the Bank may be asked for its advice about the appropriate policy in this area in coordination with the WHO and other specialized agencies. For instance, there are proposals to establish multilateral mechanisms of emergency stocks at the regional or sub-regional level to be dispatched to those in the emergency. The Bank may wish to play a role in this area.

As for the debt service suspension initiative for IDA/LDC borrowers, we have little to add to the comprehensive G20 document. The document is remarkable for the unparalleled speed of negotiations and for its exceptionally balanced approach. Concerns of all stakeholders have been judiciously taken into account. We are confident that the additional fiscal space provided by the initiative will be used in a strategically targeted way to address healthcare bottlenecks and to shore up the most severely affected sectors of the economy.