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)

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WASHINGTON, DC – APRIL 9, 2021
(VIRTUAL)

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Statement by

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Our current agenda remains driven exclusively by the ongoing COVID-19 pandemic crisis.

Looking retrospectively, I would like to commend the World Bank for a quick reaction in mobilizing all available resources towards the emergency needs of the client countries. The sheer amount of the assistance it has provided is unprecedented, and we wish to thank Management and staff for providing assistance in record time. We are glad to acknowledge the cooperative relationship between Management and the Executive Board as displayed during this challenging time.

1. Debt relief

In view of the persistence of significant liquidity needs in low income countries (LICs) related to COVID-19, Russia among other G20 countries agreed to a final extension by 6 months through end-December 2021 of the Debt Service Suspension Initiative (DSSI). We expect that this final extension will allow beneficiary countries to mobilize sufficient resources to face the challenges of the crisis and, when appropriate, to move to a more structural approach to address debt vulnerabilities, including an Upper Credit Tranche (UCT) IMF-supported program.

We would also like to thank the Bank and the IMF for their hard work to improve transparency of the debt information and debt management capacity in IDA countries, as well as create conditions for smooth implementation of global debt initiatives and accompanying macroeconomic and fiscal reforms.

Additionally, we would like to stress that any debt treatments should keep a clear sight on crisis response, as well as on longer term economic recovery and growth. We support the slogan of Building Back Better. However, we would caution the Bank and the Fund against introducing any kind of climate related conditionalities as part of the debt resolution framework. Let us not forget that the focus of DSSI and the Common Framework are IDA countries, many of which still lack energy access and basic service provision. So, we recommend that we keep a big picture in mind, including Jobs and Economic Transformation (JET) and medium-term macroeconomic stabilization agenda.

2. Access to Vaccines

Vaccination is now universally recognized as the only reliable path out of the pandemic and the vicious cycle of repeating waves. The Bank was right to identify this issue as one of paramount importance and committed a significant amount of financing to it back in October.

What is particularly significant is that the Bank has taken a holistic approach toward the issue of vaccination, not limited to the supply of vaccines. The new comprehensive diagnostic tool which the Bank developed with the record speed, proved to be immensely valuable in identifying the specific countries' bottlenecks in the entire chain of distribution, storage, delivery, and monitoring, with particular emphasis on fairness and proper prioritization. That is precisely what we call the knowledge product of the Bank.

As a result, while addressing the vaccination gaps, the Bank is also strengthening the overall healthcare resilience and improving the governance capacity of client countries, which creates a lasting positive effect.

We also encourage the global community to ensure equal vaccine distribution and free flow of inputs needed for manufacturing and delivery of all existing COVID-19 vaccines, and to increase the readiness of vaccine supply chains. This involves regulatory approvals and reducing barriers to trade (e.g. tariffs, export restrictions, and other non-tariff measures).

We are glad that the issue of eligibility criteria for vaccine procurement financed by the Bank is expected to be addressed in a few days. In our view, WHO Emergency Use Listing should be seen as the most stringent requirement for the World Bank, with approvals by the borrowers' competent authorities as the alternative criteria if the EUL is still pending.

One more area where the Bank can contribute to the breakthrough is investment in the vaccine production in the client countries themselves, to render them less dependent on the few producers. We are looking forward to seeing more activity on this front by our next meeting. As far as the Russian Federation is concerned, we are ready to consider proposals for joint production of our vaccines in the interested countries. Our Sputnik vaccine has been granted emergency authorization by 59 countries, 10 countries agreed to launch its production themselves, and we believe this is just the beginning.

3. From Crisis Response to Resilient Economy

Despite many challenges still to be tackled, it is also appropriate to devote attention to the post-crisis recovery. The paper on post-crisis recovery response (so called GRID paper) should be seen as a welcome input to the ongoing discussions. It raises some important issues which we share. But, in our view, it is still an intermediate product which needs to be further refined and adjusted in order to make it more conforming to the general consensus of all membership.

We concur with the vision of integrated support. The intention to intensify the deployment of finance and advice in order to combine post-COVID recovery with other development goals, is a very sound one. This approach is best exemplified by the Bank's climate actions track record. The Bank has been able to identify actions which are both climate-oriented and in line with the traditional borrowers' priorities, like energy efficiency operations (which can be seen through the mitigation lens) or rural and urban development (with clear adaptation outcomes).

However, this sensible policy message should not be eroded by excessive emphasis on only one part of the equation. The green agenda should be implemented gradually and only to the extent it is adopted by the client governments and integrated into their own development strategies. To be efficient it must be truly cooperative, focused on client needs, and remain an intrinsic component of the overarching development mandate of the World Bank.

The GRID paper should be revisited to make it more pragmatic and balanced. It should openly acknowledge the inevitable trade-offs between economic growth and green agenda given the existing technological level in countries. These trade-offs make the green policy a matter of conscious choice made by the individual governments according to their national priorities. It cannot be imposed from outside and should not be made a condition of badly needed post-crisis recovery assistance. The primacy of individual selection of climate policies by the national governments is the cornerstone of the Paris Agreement as opposed to the mechanism of binding numerical goals embedded in the lapsed Kyoto Protocol. The Bank should fully internalize this principle and make its climate activities exclusively demand driven.

In this regard, we find it extremely helpful that this principle is so forcefully underscored by President Malpass in his statement on Climate Change Action Plan which explicitly links the increase of the Bank's support for just transition out of coal with prior countries' request for such assistance. As long as it remains entirely voluntary, gradual, and demand driven, the optimal way of just transition would be to help countries in closures of outdated, inefficient, loss-making and over-polluting mines and facilities, and replacing them with more environment-friendly generation in line with best available technological solution with no prejudice to coal and all other sources of energy.

There is no doubt that willingness to accept slower growth and higher costs for the sake of decarbonization are directly linked to the level of development. That is why traditional Bank approaches targeting sustainable growth and poverty reduction as their primary goals are considered as the most climate-friendly. In fact, these approaches recently reformulated as the JET agenda are the only realistic way to advance the meaningful greenhouse emission reduction in the long run.

In this regard we wish to underscore the primacy of SDG7, that is access to affordable, reliable, sustainable and modern energy for all, which has been established as a universally acknowledged priority by the collective will of all nations.

Poorest countries cannot be expected to have a more decarbonized energy mix than most advanced economies, and still grow fast enough to overcome their poverty. To the extent the Bank wants to combine job creation in the poorest countries with the green agenda, it might wish to prioritize investment in sectors like modern transport infrastructure, modern generation and grid construction, etc. which will reduce the most inefficient and wasteful use of scarce resources.

To conclude, our post-COVID agenda should aim, firstly, at the speediest possible recovery of economic activity, and secondly, at the acceleration of growth facilitating reduction of poverty. Sustainable economic growth was essential before COVID-19; it is incomparably more imperative now.

There are many sectors where the Bank has accumulated enormous experience and knowledge, which are known to be of vital importance for development, and which the borrowing members consistently identify as their priority. To list just a few, there are infrastructure, domestic resource mobilization, healthcare, education, digital transformation (including cybersecurity), regional integration, food security, and many others. The Bank is encouraged to remain fully engaged in these sectors, and to make its operations informed by the best solutions developed, tested, and successfully implemented by other countries. On our part, we always stand ready to share our experience with all other peer members, and the Bank is welcome to integrate it in its knowledge programs.