DEVELOPMENT COMMITTEE
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of the
Boards of Governors of the Bank and the Fund
on the
Transfer of Real Resources to Developing Countries)

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Statement by

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The world is facing an increasingly challenging array of issues that hinder economic development and decrease the standard of living across both developed and developing countries. These issues are vividly displayed in diminishing access to energy and food, the origins of which are evidently traced to a sequence of errors rooted in often overambitious and arrogant policy and decisions extending many years before 2022.

The COVID-19 pandemic was the tipping point for the current crisis. It has revealed and multiplied inconsistencies and controversies that have been accumulating over the years. Unfortunately, despite all the efforts, including those of the World Bank Group, the world was not fully able to unite in addressing the pandemic crisis. We have seen how one of the available vaccines was not registered, thus denying people throughout the developing world access to one of the safest and most efficient vaccines.

Just like treating a disease requires a correct diagnosis, a successful solution to the developing situation requires an unbiased identification of the true origins of the global food and energy crises.

The roots of the situation in farm commodities markets are traced to at least two years prior to 2022, and energy markets disruptions started accumulating even long before that. In 2021 annual wheat price spike was already at 70% and natural gas price in Europe was at the record level of $1300 per thousand cubic meters in the fall of 2021. These increases resulted from a combined effect of miscalculations in financial, trade, energy, food, and climate policy decisions made in the developed countries.

The COVID-19 pandemic has contributed to the crises by disrupting logistics and increasing freight and insurance costs and national-level food security protectionist and support measures. Increasing budget deficits combined with soft monetary policies have increased demand which has resulted in the rising level of inflation.

Administrative interference in the fragile structure of the natural gas market, overambitious climate policy, and reliance on alternative energy sources, which are not yet backed by reliable technologies, have resulted in lower levels of investment in traditional energy sectors and, consequently, higher oil and gas prices. It was these policies that, by the end of 2021, have led to a dramatic rise in fertilizer prices. The combined effect of oil and fertilizer price increase has resulted in the reduction of farming areas, lower farm yields and a shrinking market supply of farm commodities.

Russia is a responsible major global supplier of farm inputs, including energy and fertilizers, as well as farm commodities and food. Unjustified economy-constraining measures introduced by developed economies against Russia are causing major trade disruptions and affecting energy, fertilizer and farm markets and are having destabilizing effects on the developing world.

Legal uncertainty and fear of secondary sanctions by traders, shipping, insurance, and financial agents are causing market disruptions across global supply chains and are preventing all of us from addressing food security issues in a meaningful way. Such restrictions should not have been introduced in relations to food and energy markets, and when it comes to ensuring access for the developing countries.

In 2022 the Russian Federation achieved a record grain crop. We remain a responsible supplier to global markets. By the end of 2022/2023 crop year, commercial Russian grain supply can reach 50 million tons which will be a major market stabilizing factor. The country is also committed to maintaining its role as a reliable energy supplier. Russia is also continuing and will continue to provide energy, fertilizer, and food aid to developing countries.

We generally agree with the set of policies put forward by the Bank for more resilient food and energy systems. At the same time, we would stress the need for a tailored approach when recommending or helping to implement those policies. The WBG's focus should be on strengthening food systems, developing regional cooperation, facilitating reliable supply chains, and promoting agricultural technology transfer. Likewise, in the energy area, most of WBG clients' share in the global carbon footprint is insignificant, so the Bank's limited resources should be spent on improving energy access and efficiency. The lack of progress on the energy access is one of the major reasons preventing us from building resilient food systems.

At the current juncture, the World Bank Group's and other multilateral institutions' efforts should be focused on upholding the spirit of multilateralism to reopen international markets, remove excessive trade barriers and sanctions, as well as strengthen international economic and financial architecture. It is the only way to lower the risks of high inflation, global recession and possible debt crisis, and to ensure food and energy security.

Concurrently, climate action remains critical. The international community should act responsibly and refrain from energy transitions which are not supported by proven and reliable technologies. Similarly, there can be no one-size-fits-all approach when dealing with climate change. The overwhelming majority of climate finance flows to LICs and MICs target mitigation. Given the shrinking fiscal space globally and limited appetite for climate investment, we urge the Bank to focus more on adaptation with a view to protect the most vulnerable countries from the effects of climate change.

A holistic discussion on energy subsidies, including green energy subsidies, would be helpful in the future. Carbon pricing and markets might not be the best approach to domestic resource mobilization (DRM) for many WBG clients. More generally, we are concerned about the potential of certain climate policies to interfere with development, which in many cases today could easily give rise to social instability and the accompanying reversal of development gains. We would like to highlight the role of natural gas as a widely accepted transition fuel and believe that a Scaling Gas program would have had a more beneficial impact on developing countries' energy systems and economic development.

Finally, we concur with the Bank that development finance will not be sufficient to cover all climate-related needs of our clients. In line with a long-standing Bank commitment – "from billions to trillions" – it is crucial to mobilize finance from the private sector. Against this backdrop, we would welcome more emphasis across the World Bank Group on economic development and our Twin Goals. Attracting climate finance is only part of the issue; the overall needs of LICs and MICs are much larger. Thus, it is of utmost importance to align climate action with the long-term development objectives of our clients and not the other way around. In the end, the financing gap can only be bridged if the World Bank Group proves to be successful at offering assistance in such a way that our clients are increasingly able to address climate and other challenges on their own.