



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 SIXTH MEETING
WASHINGTON, DC – OCTOBER 14, 2022**

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October 14, 2022

Statement by

**H.E. Annika Saarikko
Minister of Finance**

Finland

**on behalf of Denmark, Estonia, Finland, Iceland, Latvia, Lithuania,
Norway, and Sweden**

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106th Meeting of the Development Committee

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1. **We meet during a time when conflicts, climate change and COVID-19 reverse global progress and development.** Russia's unprovoked and unjustified war of aggression against Ukraine has worsened an already strained global situation.
2. **The Nordic and Baltic countries condemn in the strongest terms possible Russia's unprovoked and unjustified war of aggression against Ukraine,** which grossly violates international law and the principles of the UN Charter. The war has undermined European and global security, stability, and prosperity and has disrupted global food and energy markets. The highest price for Russia's aggression is paid by Ukraine, with tragic human loss, and forcing millions to flee their homes. We unequivocally condemn and will never recognize the illegal annexation by Russia of Ukraine's Donetsk, Luhansk, Zaporizhzhia and Kherson regions. These regions, like the Autonomous Republic of Crimea and the city of Sevastopol, are part of Ukraine, within Ukraine's internationally recognized borders. The Nordic and Baltic countries stand firmly by Ukraine and the people of Ukraine. We are committed together with our allies to directly support Ukraine and to enforce far-reaching sanctions imposed on Russia and its accomplice Belarus.
3. **We applaud the World Bank's support to Ukraine.** With contributions from the Nordic-Baltic countries and others, the Bank's rapid support mechanisms help the Ukrainian Government to provide critical services to its people. We call on the Bank to continue to coordinate with Ukraine and development partners to ensure a robust response to help the Ukrainian people during this difficult period. It will also be critical to increase attention to reforms, transparency, and governance, when Ukraine, as an EU candidate country, transits to post-war recovery. Recovery and reconstruction efforts will require significant amounts of financial resources and we urge the Bank to explore all possible options for resource mobilization.
4. **The Nordic and Baltic countries remain strongly committed to multilateralism.** With threats of a more fragmented world, strengthening global cooperation and commitment to the rules-based international order is critical.
5. **Russia bears the responsibility for the global impact of the war and many of today's global challenges would be alleviated by Russia stopping its war against Ukraine.** Poverty and inequality are on the rise. Far too many people are left behind, particularly in fragile and conflict-affected areas of the world while people are forced to flee their homes at an unprecedented scale. Russia's invasion of Ukraine will likely push more developing economies into economic distress and impose further challenges on top of already existing ones. Russia's war has disrupted the global economic recovery and aggravated the current multiple global crises. The growth outlook has deteriorated and inflation has reached exceptional levels both as a result of high energy and food prices and structural shifts.

6. **The Nordic and Baltic countries remain strongly committed to support developing countries** who are bearing the brunt of these overlapping crises adding to the already existing challenges of COVID-19 and climate change. As such, the Nordic and Baltic countries overall agree with the diagnostics and overarching recommendation to tackle the food and energy crisis. Helping the most vulnerable countries, strengthening the global food system, and avoiding disruptions in the food trade are vital. In response to the energy crisis, immediate action is required to ensure energy security and to limit the impact of the war on energy prices. The crisis is an opportunity to advance the global green and just transition and invest heavily in renewable energy and energy efficiency as well as to address the energy access challenge. Renewable energy is in many cases the least cost option, compared to fossil fuel, and will prevent a negative development pathway with stranded assets. We underline the importance that all policy responses have a gender perspective and specifically safeguard women's and girls' rights.
7. **We appreciate the Bank's efforts to tackle the acute problems caused by the crises, while at the same time addressing long-term development challenges.** The Nordic and Baltic countries think the Bank should focus on the following priorities when addressing the food and energy crises:
 - I. Protect vulnerable communities and respond to the short-term food security challenges while in a longer-term perspective support more sustainable, resilient and inclusive food systems by reinforcing sustainable food production and processing addressing related climate and environmental challenges and ensuring the livelihoods for the many poor people living off the land. To support production in the short run, efforts to expand fertilizer production and access, and to increase the efficient use of fertilizers are critical.
 - II. Maintain trade flows, diversify production and promote innovative solutions in both production and processing taking advantage of digital transformation and new technologies.
 - III. Utilize the energy crisis as an opportunity to accelerate the renewable energy transition. The increasing competitiveness of renewables represents a great opportunity for low-income countries, but requires more focus on regional integration, investment in energy storage, reform of loss making SOEs and unbundling of energy markets. The Bank must present a clear and ambitious plan for ending all investments in fossil fuels, building a stronger pipeline of investments and bankable renewable energy projects.
8. **When it comes to climate change, the science is clear.** It is important that we all act to address climate change and its consequences, not least for the poorest and most vulnerable people of the world. The Nordic and Baltic countries expect that the World Bank delivers on its climate commitments and that it engages proactively to solve the climate crisis globally and at the country level while addressing the interconnected crisis of environmental degradation and biodiversity loss, as a multilateral spearhead.
9. **The Nordic and Baltic countries strongly support the Bank's focus on increasing mobilized climate finance. The objective for all of us, and especially for the Bank, must be to move climate finance from billions to trillions** to tackle the climate crisis and its consequences. Here, mobilization is key. We welcome the priority actions identified for stakeholders and call for the Bank to step up its global leadership in addressing climate and environmental challenges, particularly advocacy work around the transition to environmentally sustainable, climate neutral and resilient development, while guiding countries on the economic benefits of the green transition. We strongly encourage the Bank to show leadership at COP27 and take the lead in finalizing the joint MDB methodology on Paris Alignment to a strong and ambitious framework in line with the 1.5°C target of the Paris Agreement and the Glasgow Climate Pact.
10. **We emphasize the importance of scaling up adaptation finance in line with the Glasgow Climate Pact** to meet the needs of climate vulnerable developing countries. We encourage MDBs to work

collaboratively to identify innovative opportunities to scale up adaptation finance including from the private sector and to improve the quality and accessibility of adaptation finance, working in partnership with developing countries in an inclusive manner. A growing number of finance providers are committed to balance between mitigation and adaptation, as seen by the Champions Group expanding to now include 14 providers committed to balance. We encourage the Bank to be ambitious in moving towards a balance and scaling up their adaptation finance.

11. **The Bank has a critical role to play in assisting governments to adopt adequate policies and identify, design and implement impactful projects and programs at country level.** Global and domestic ambitions must be raised, and action accelerated to achieve net-zero emission targets by 2050. Along-side other action, agreeing on internationally coordinated carbon pricing would provide a cost-effective and efficient way to curb emissions. Carbon regulations must not be a new burden on the poor. Taxation and spending cuts must be applied in an equitable manner to reduce income and wealth inequalities and to achieve ‘just transitions’. Potential regressive impacts should be compensated through social safety nets and progressive taxation that supports the most vulnerable households. Enhancing the pipeline of bankable Paris-aligned projects is key to mobilizing private capital for climate action.
12. **The Nordic and Baltic countries call on the Bank to strengthen its role in responding to global challenges as part of its focus on poverty reduction and shared prosperity.** Many of the major challenges our world is facing today cross borders and pose, in some cases, economic, social, and environmental risks for our societies. These challenges disproportionately affect the poorest, most vulnerable populations. To meet such cross-border challenges, larger investments are needed to which financing from the multilateral banks play an important role.
13. **The Nordic and Baltic countries call on the Bank to further develop its vision, incentives, operational approach and financing model** to better meet the evolving needs of developing and emerging countries related to global challenges such as climate change, fragility, and health security and pandemic preparedness. Addressing global challenges is integral to a vision of sustainable, inclusive, resilient development that leaves no one behind, and advances progress on the Sustainable Development Goals. The Bank should take a leading role in strengthening and disseminating this narrative.
14. **As a first step, we suggest that the Bank develops and strengthens IBRD’s relevance and capacity in supporting middle-income countries to address urgent climate challenges** in recognition that these are important part of national development needs. The IBRD has a clear comparative advantage to increase climate financing directed towards mitigation efforts and adaptation in middle-income countries. A more differentiated approach to operations in middle-income countries should be explored with stronger integration of work to address climate challenges into country programs as country income levels rise and creditworthiness improves. As such, IBRD’s focus on climate mitigation action should be progressively prioritized higher as countries advance on their development path, particularly for the largest CO2 emitters. Any changes to the IBRD financing model should not come at the expense of funding to IDA countries, where the need for investments in adaptation and resilience is dire. Climate change is an acute threat in low-income countries. Efforts to help people cope with climate shocks needs to be stepped up.
15. **We urge the Bank to align operations, particularly in middle-income countries, with domestic resource mobilization, including progressive and fair taxation, and to review its business and financing model of IBRD to more effectively increase the mobilization of private capital for climate purposes.** Further balance sheet optimization should be explored on the condition that IBRD’s triple A-rating is ensured at all times.