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On behalf of Mr. Aleksei Kudrin
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Deputy Minister of Finance of the Russian Federation,
on behalf of Mr. Aleksei Kudrin
Minister of Finance of the Russian Federation
to the Joint Ministerial Committee of the Boards of Governors
of the World Bank and the IMF on the Transfer of Real Resources to Developing
Countries (Development Committee)

Washington, D.C., April 15, 2007

Global Monitoring Report 2007
Confronting the Challenges of Gender Equality and Fragile States

We have reviewed with interest the 2007 Global Monitoring Report. In our opinion, the Report enables an objective assessment of the progress towards the Millennium Development Goals (MDGs). We welcome the Report’s focus on the challenges of gender equality and acceleration of the fragile states’ development. Without giving adequate responses to these challenges, one cannot expect a major improvement in the quality of development assistance and in strengthening its impact on furthering the MDGs.

We are satisfied that the prospects for the reduction of the absolute poverty in the world significantly improved over the recent years. The stable growth of the world economy, in which the developing countries, including those from the Sub-Saharan Africa, play a growing role, underpins these prospects. We share the view that sustaining and increasing the rates of economic growth in the developing countries is key to meeting the MDGs.

However, we should not forget about the risks. The Report associates them, mainly, with the external shocks including the disorderly unwinding of global imbalances and the fall of prices of the key export commodities. We believe that both the international community and the aid recipient countries themselves should take steps aimed at making national economies more resilient to external shocks. This requires raising productivity and competitiveness, and increasing domestic resource mobilization for development. The long-term acceleration of growth cannot be achieved without bridging the huge infrastructure gap characteristic of the poor countries, without a decisive fight against the energy poverty, and without economic diversification and modernization based on industrial development and application of advanced technologies.

Although the Report discusses the factors that constrain the growth potential, the Report limits them, mainly, to deficiencies in the investment climate and governance. Without denying the great importance of these factors, we, nevertheless, believe that it is equally important to appreciate the connection between accelerating the growth and addressing the above fundamental problems. This is also important in light of the Clean Energy for Development Investment Framework – The World Bank Group Action Plan presented to the Development
Committee. A key element of the Framework is improving the poor countries’ access to the modern types of energy.

In some poor countries, accelerated economic growth has not had a tangible impact on the socio-economic situation of a significant share of the poor. This worrisome trend deserves special attention.

We believe that the Bank should continue its work on developing a comprehensive analytical framework that links economic growth, poverty and environment. This is needed for scaling up the efforts towards the MDG-7 – ensuring environmental sustainability. Such an analytical framework is critical for the counties, whose economic growth relies, mainly, on the natural resources. It would be beneficial to continue, among other things, the analysis of the factors determining the adjusted net saving rate and, consequently, the opportunities for sustainable development.

We are quite satisfied that the Report, for the first time, pays significant attention to the qualitative side of international development goals. The Report, for instance, provides shocking facts on the quality of education and health services in the poor countries. We believe that the introduction of new qualitative standards would serve the interests of the both donors and aid recipients. Such standards should allow measuring the real progress in these areas. The need for measuring the quality is behind Russia’s initiative on improving the quality of basic education in the developing countries that G8 approved at its St. Petersburg summit. Adequate measures of quality are critical for monitoring the implementation of multilateral projects, for instance, the Education for All Initiative. We would consider defining basic learning goals for primary school completion and building assessment systems to monitor the quality of education outcomes a step in the right direction. The same applies to measuring the quality of the health services. Many poor countries’ concern about losing skilled workers to other countries deserves attention – such countries should be assisted in putting in place appropriate incentives for their retention.

One of the central Report topics is strategies for meeting the MDGs to promote gender equality and empower women. We agree with the conclusion that addressing this challenge would not only produce humanitarian impact but would also speed up economic growth and poverty reduction. We also support the proposal on introducing additional indicators to measure progress in this area.

Nevertheless, an unqualified use of women’s share of nonagricultural wage employment as an integrated indicator of progress in their economic and social standing raises doubts. An increased employment of women in mining and other jobs overstretching their physical abilities and damaging their health can hardly be called a progress. The increased participation of women in the labor force can improve their position in the society only if their health and safety, and maternity are adequately protected. One should not neglect such considerations. We believe that the action plan in this area requires additional work.

The Report, for the first time, systematically examines the development challenges of the fragile states. It clearly demonstrates the conflict between the fragile states’ increased needs in external aid and its insufficient volumes, unpredictable flows, as well as donor fragmentation.
Comprehensive mechanisms for working with the fragile states are only emerging. We believe that the IFIs need to intensify their work on the fragile states, particularly those that are emerging from crises and moving towards normal development. Because of the specific challenges facing the fragile states, the IFIs should rely, to a greater degree, on coordination and division of labor with other institutions, such as the specialized UN agencies.

We believe that the recently adopted strategy for the World Bank Group’s engagement with the fragile states is a good basis for consolidating efforts in this area. Nevertheless, one must avoid harmful distortions in its implementation, particularly, as it relates to human resources polices of the Bretton Woods institutions. Furthermore, the criteria for classification of countries as fragile states require additional clarification. Such criteria are not entirely transparent and differ from the World Bank Group to the regional development banks and to the official donor agencies. One should avoid designating countries as fragile states based on unrelated characteristics. This leads to cutting such countries off from the regular sources of development financing.

The Report attempts to provide a comprehensive and objective assessment of the status of the international development assistance including its volume, instruments and quality. We would like to point to the following developments, which, in our opinion, reflect major structural shift in this area:

- decreasing share of assistance provided by the multinationals, including IDA;
- growing number of donors due to the increase in the new official donors and private donors that do not participate in the established aid harmonization and donor coordination mechanisms;
- increase in the number and significance of the so-called vertical funds targeting specific global issues, which do not always coincide with the priorities of the aide recipients;
- increase in the share of funds earmarked by the donors for specific purposes.

The increased donor fragmentation complicates the coordination and harmonization of development assistance at the national, regional and global levels. In this context, reduction in the multilateral development assistance is most alarming, as the quality of multilateral development assistance has proven superior to assistance delivered through other vehicles. The advantages of the multilateral form of development assistance include coherence, consistency with the priorities of the recipient countries, selectivity, predictability, flexibility as well as its more rigorous evaluation. The Report discusses additional problems brought about by the increased complexity of the international aid architecture.

We believe that in light of the above issues, the IFIs should take a critical look at themselves in order to understand why they are gradually losing their significance despite their comparative advantages. Both the Report and the paper on Aid Architecture point to a steady decline in the aid financing of the real sectors of the developing countries in favor of debt write-offs and social sectors support during the 90s. At the same time, the nontraditional donors finance mainly the real sectors, which do not receive sufficient funding through the traditional mechanisms. We believe that improving the sectoral allocation of the multilateral aid and strengthening its focus on economic growth and productivity remain priority objectives for the IFIs.
It appears that the Bretton Woods institutions can play a stronger catalytic role in mobilizing resources for development through both official and private channels. Improved growth rates and social indicators in many poor countries evidence their growing absorptive capacities vis-à-vis additional resources. It is important that the IFIs provide to their development partners accurate assessments of resource needs and fiscal space for growth.

As the global aid architecture becomes more complex, and donor fragmentation increases, the role of the IFIs in aid coordination and harmonization becomes more prominent and, perhaps, even overtakes, in its importance, their role as the providers of financial resources. There needs to be a breakthrough in the improvement of the quality of aid, primarily, with respect to its flexibility and predictability. Other things equal, this would amount to the increase in the aid volume. Moreover, an increase in the share of the multilateral aid would by itself alleviate many of the above problems.

**Accelerating Development Outcomes in Africa**  
**Progress and Change in the Africa Action Plan**

We closely follow the implementation and first results of the World Bank’s Africa Action Plan.

We believe that the World Bank’s main objectives should be removing the obstacles to economic growth and increasing the region’s resistance to possible external shocks.

Overall, we agree with the proposed changes directed at increasing the Plan’s selectivity and strengthening its focus on results. We support, among others, the idea of concentrating on 8 priority areas – “flagships” – in response to the growing demand from the aid recipients. At the same time, the national development strategies of the African countries should remain central during the Plan’s implementation.

We have no objections to the proposed new classification of the African countries that allows taking into account their individual characteristics more fully in providing them with financial and other assistance. Here, we would like to emphasize the importance of preserving the Performance-Based Allocation System for IDA.

We believe that the World Bank Group’s knowledge, skills and experience should be applied at a greater degree to the development of large-scale, primarily, infrastructure projects, whose implementation requires joint efforts and coordination of multiple players: government and private, lenders and donors, both bilateral and multilateral.