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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Statement by
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At our spring meeting we endorsed two key goals of the World Bank Group. The first goal calls for eradication of extreme poverty by 2030, while the second goal refers to shared prosperity and implies faster income growth of the bottom 40 percent of population in every country.

We underscored that these goals should be seen as general guidelines for the World Bank activities. While it is clear that eradication of poverty is the undisputed overall mission of the World Bank, achieving shared prosperity is a more complex, yet globally important, undertaking.

Now we are presented with a conceptual document which defines a World Bank strategy to attain these goals.

I believe that the proposed strategy deserves our support, as it adequately takes into account the accumulated experience, and reflects the process of evolutionary reform of the Bank in a rapidly changing external environment.

These rapid changes include the continuous decline of the relative importance of the World Bank as a financier of developing countries, as well as the steady growth of the developing countries themselves, particularly in their economic and institutional capacities. We all know that the overall amount of World Bank resource transfer is less than 1 percent of the borrowing countries' combined GDP; its share of their combined public expenditures for development is also insignificant. The key role in global decline of poverty over the past decade has been played by several large emerging market economies which relied mostly on their own resources and efforts. The role of development partners, including the World Bank, was important but by no means decisive.

Under these circumstances the Bank is fully justified in making selectivity, multi-sectorial approach, flexibility, adaptation to the client's needs, and expansion of partnerships the key elements of its reform process. All these aspects are clearly covered in the proposed strategy.

Specifically, we fully support the idea to concentrate efforts on the projects and operations of transformational nature. Also, we concur with the proposal to expand coordination and cooperation both within the World Bank Group itself, i.e. between the IBRD, IFC, and MIGA, and with all available development partners.

As long as coordination within the World Bank Group is concerned, we particularly underscore the need to increase efficiency and result orientation of IDA programs and operations. As a key element of the
World Bank Group, IDA should remain its main instrument in low income countries. In this context we welcome the proposal to pay special attention to knowledge transfer in the course of IDA-17 replenishment negotiations.

Turning to cooperation with external partners, one cannot overlook the growing role of the G20 as a major international forum in the areas of finance and economy. In our view, enhanced coordination between the G20 and the World Bank is likely to bring about significant progress in making economic growth and development more sustainable. It is necessary to make a full use of the G20 as a catalyst of discussions and efforts, in order to underscore the global importance of development, and to strengthen global partnerships.

In this context I would like to underscore that the idea of a Global Infrastructure Facility proposed by President Kim is fully consistent with such approaches. That is why we support the idea and believe that the Bank should continue to work in this direction.

While we broadly endorse the strategy, we would like to make the following points.

Firstly, we need to underscore the key role of sustainable economic growth for poverty reduction. All redistributional schemes, including social safety nets, are viable only to the extent the economy generates additional resources for redistribution.

Infrastructure and energy are major elements of modern productive economy, and gaps in these sectors are considered the critical bottlenecks which slow down the growth. At the recent G20 Summit in St. Petersburg it was made clear that there is a global consensus about the importance of this issue, as well as a global commitment to address it. Therefore, these sectors should be given priority when transformational operations are considered. Other sectors of similar importance could be education and fighting infectious diseases, where the World Bank historically has also played a very important role.

Secondly, we need to be extremely careful while revisiting the issue of cooperation between the Bank and client countries. Specifically, we are looking for more detailed clarifications regarding the proposed Systemic Country Diagnostics. It should be made clear, what will be role of the countries themselves in this process, to what extent their own development priorities will be taken into account, and what approaches will be followed should the country and the Bank disagree on some important issues.

The proposed model also includes new elements like Country Partnership Framework and Performance and Learning Reviews. We need to make these elements fully harmonized with each other in order to optimize administrative and managerial costs.

Speaking of country strategies, I feel it is necessary to commend significant progress made by the World Bank in this area over the past years. New country strategies are much more flexible, more closely synchronized with countries' strategic vision and budget planning, and do not longer attempt to micromanage all operations during the duration of the strategy. It is of critical importance that these positive results are fully embedded in the new model.

Thirdly, we are expecting practical steps in the reform of the World Bank matrix structure toward the so called Global Practices. It might be recalled in this regard that the proposed reform is far from being the first one over the past twenty years. Whether these reforms are successful will depend not only on the strength of commitment on the part of Management, but also on the adequate analysis of some inherent constraints which prevented successful implementation of the previous reforms.
For instance, it seems we still do not have a complete evaluation of the linkages between the far-reaching decentralization of the Bank and deficiencies in its matrix structure. When the Bank made staff stationed locally, efficiency of cooperation at the country level improved significantly; global mobility and agility of staff, however, was inevitably impaired.

Another critically important factor to be taken into account in the process of Global Practices design is the universal nature of the World Bank. It might be easier to list the areas where the Bank does not engage, than to compile a full inventory of its sectoral expertise and knowledge. Such knowledge can be roughly classified as either technical or institutional. Technical knowledge is more or less standard and rather easily transferrable, while institutional knowledge is closely connected to specific countries and regions.

Let me illustrate this point. For example, road and bridge construction procedures, as well as medical protocols, belong to the technical categories. Thus, experts can, and should, successfully apply this knowledge across the globe. On the other hand, tax systems which generate funds for road construction, as well as national healthcare systems, tend to be uniquely specific in each and every country, even among the most advanced industrial ones. Respective institutional knowledge cannot be easily replicated and applied in other countries.

Therefore, Bank experts on institutional issues find themselves more familiar with specific country practices, which in effect may limit their global reach. That is exactly why client countries are so unified and forceful about inappropriateness of the one-size-fits-all approach towards their institutional reforms.

Finally, **fourthly**, it should be mentioned that the proposed strategy does not cover the issue of anti-crisis support. We are all painfully aware that global, regional, and local economic and financial crises can wipe out country's achievements in the areas of poverty and inequality alleviation. From this angle, the World Bank ability to render meaningful counter-cyclical anti-crisis assistance, often on a rather short notice, is one of its unique comparative advantages. This issue needs to be adequately dealt with in the strategy as one of the priorities, with some forward-looking discussion on its future improvements.