STATEMENT

Statement by

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Deputy Prime Minister

of the Russian Federation

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We thank David Malpass for his leadership of the World Bank Group during a challenging period that included the pandemic and economic crisis. We find it unfortunate that, yet again, a WBG President had to resign early before completing the term.

We believe that in the future, the procedure of presidential elections should include nominees from across the world, including middle and low-income economies. We hope the new president remains balanced and will be able to consolidate efforts to address global challenges.

Increasing incidents of politicized language in WBG documents and Management’s public statements give rise to concerns. The WBG Management should adhere to the Articles of Agreement and ensure its mandate is fulfilled in the spirit of evenhandedness and multilateralism, with all voices heard and all opinions welcomed. These principles were the cornerstones of the WBG for almost 80 years and should not be abandoned now.

World Economy

The world economy is experiencing a slow recovery after the shock caused by the COVID-19 pandemic. The progress on sustainable development goals is seriously undermined, making them unachievable by 2030 if urgent measures are not undertaken. We should bear in mind that in FY 2022, WBG’s commitments amounted to only 0.1% of global GDP and prioritize the project that would bring tangible results.

The current monetary policy of the advanced economies aimed at tackling inflation led to a massive capital outflow from low-income (LICs) and middle-income countries (MICs). The consequences of the pandemic, including disruptions of trade flows and increased transportation costs, in combination with currency depreciation, weaken demand in emerging markets. The debt crisis risks are rising, and interest rates on government bonds have reached their 10-15 year maximum, threatening fiscal stability. We urge the WBG to provide its shareholders with a comprehensive analysis, incorporating the consequences of such policies for the global economy and policy actions needed to cushion them.

Global inflation, spurred by massive spending during the pandemic, is particularly perilous for developing economies. Containment policy against the Russian economy caused collateral damage across sectors, putting additional stress on already bleak growth prospects, and exacerbating the already looming food and energy crises. Russia remains a reliable supplier of various goods and services, fulfilling its contract obligations. In 2022-2023 Russia pledged to export 50 million tons of grains to prevent food shortages and is on track to meet this goal. Our commitment to Black Sea Grain Initiative supported a downward pressure on food prices. We expect our counterparts to be equally committed to it by ensuring Russian food and fertilizer exports’ access to the global markets.

We are concerned about the consequences of global climate change, particularly for the most vulnerable countries. In this regard, we welcome the “Loss and Damage” Fund and call on advanced economies to allow the transfer of sustainable technologies to emerging markets. In our view, it is essential to recognize that there are many pathways to the ‘green’ future, and each country is free to choose its own. We encourage
the WBG to extend its support to the natural gas sector, nuclear energy, carbon capture and storage, and
gas flaring reduction, which are of utmost importance to the green agenda.

Another important issue impeding global economic development and weakening trade growth is
geoeconomic fragmentation. We urge the Bank to address this problem by promoting global and regional
cooperation to eliminate the existing and reappearing trade barriers, as well as restrictions on capital flows,
technology transfer, and labor migration.

The international community should be more focused on facilitating African nations in developing their
competitive industries. African countries can use the momentum to grow their manufacturing capacities,
using various instruments and assistance from bilateral and multilateral partners. The complex problems of
ensuring electricity access, tackling energy poverty and food insecurity are inseparable and need a common
solution. Developing natural gas projects in African countries, abundant with natural gas, is a part of this
solution. We urge the Bank to take a more holistic approach to African development to untap the continent’s
potential and increase its industrial base.

In view of the recent devastating earthquake, we believe that IDA should move swiftly to finance
emergency reconstruction efforts in Syria through UN agencies. Following years of instability, Syria
requires massive investments in infrastructure, sanitation, agriculture, health, education, and continued
support to vulnerable and displaced people. We urge the World Bank to also work toward full reengagement
with Syria in line with its principle of ‘no one left behind’.

**Evolution Roadmap**

It is commendable that Management is actively looking to enhance the global footprint of the WBG. At the
same time, such ambition should always have broad-based support from all shareholders. During the 2022
Annual Meetings, there was no Communique or a focused discussion on the issue, much less around doing
so in a condensed timeframe. In this light, we ask WBG management to recognize significant differences
among the shareholders regarding the evolution process. Arriving at the common denominator will take
time, and there is no need to hurry.

Furthermore, we are not satisfied with the direction the evolution process is moving. We feel that
Management’s proposals for the Evolution Roadmap predominantly reflect the position of advanced
economies. We urge Management to redouble their efforts at integrating the views of LICs and MICs into
the Evolution Roadmap.

Turning to the three building blocks of the Evolution Roadmap, we strongly support the approach that
nothing is agreed until everything is agreed. In other words, it would be hard to implement the WBG
Evolution in a piecemeal manner if there were no additional concessional resources provided.

On the vision and mission, we believe there is nothing wrong with the current phrasing of the Twin Goals.
The mission to fight global poverty is as important as ever. There are undoubtedly many other challenges,
some more pronounced than others in specific regions or country groupings. However, we think it is up to
the client to determine which challenges they want to focus on in each case. We cannot agree with the
supply-driven approach to global public goods (GPGs) and strongly encourage the WBG and other
shareholders to keep the vision and mission intact. Our current approach enabled the WBG to significantly
increase climate financing; in FY 2022, it exceeded the target and accounted for 36% of WBG financing.
WBG has already committed to make all operations Paris aligned by July 1, 2025. We believe these figures
clearly show WBG’s commitment to tackling climate change, which requires no additional reiteration and
redistribution of resources.

On the operational model, we believe it should remain strictly country-driven. There are obvious economic
trade-offs between global, regional, and country-level priorities, and clients should be free to choose how
much of their overall portfolio is allocated to each area. We strongly oppose any form of country allocations being “conditional upon progress in addressing global challenges.”

On the financial block, we are of the opinion that any measure that can potentially threaten the triple-A rating and the Preferred Creditor Status of the WBG Institutions should be off the table. We also do not believe it is the right time to ask shareholders for additional support – be it in the form of a capital increase or callable capital. Additionally, the Evolution efforts cannot be funded through yet another IBRD price increase. The financing of projects focused on certain GPGs might be of interest to some donors and borrowers, and it could take place outside the regular envelopes through specialized trust funds. We also call for the WBG to strengthen its work on private capital mobilization.

G20 Expert group recommendations on the capital adequacy framework provide a useful background, but their implementation should take into account changing macroeconomic environment and growing risks globally. For this reason, we are concerned that lowering the equity-to-loan ratio from 20% to 19%, together with removing the statutory lending limit from the IBRD Articles of Agreement, risks sending a negative message to the financial markets. We can support testing the ground for hybrid capital in a pilot format but under two conditions – no price increase for the IBRD clients and a clear reporting timeframe for the pilot results before its expansion.

In times of compounding crises, we encourage the WBG to support projects and reforms that strengthen domestic resource mobilization as a pivotal instrument of economic stability. Digital technologies in this area enable tax collection and the creation of fiscal space for priority investments essential to long-term economic development.