



**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)



**SEVENTY-EIGHTH MEETING**  
**WASHINGTON, DC – OCTOBER 12, 2008**

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October 12, 2008

**Statement by**

**Mr. Aleksei Kudrin**  
**Deputy Prime Minister**  
**and**  
**Minister of Finance**  
**Russian Federation**



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**Mr. Aleksei Kudrin  
Deputy Prime Minister of the Russian Federation,  
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, October 12, 2008*

1. Recent Economic Developments and Their Impact on the Prospects for Economic Growth and Poverty Reduction: The Role of the World Bank and IMF in Protecting the Vulnerable

Maintaining the global financial stability was central to the Bretton Woods institutions after the crisis of the 90s. Now, however, the problems are too serious to be tackled by the existing international financial architecture. To address these problems we have to combine wisdom, resources and strength of all major economic actors, including the recently evolving ones. In Evian the President Medvedev underscored that the traditional mechanisms, including the G8 and other fora, should be augmented by a new process with a wider participation. We should make sure that the financial crisis is dealt with in a way which leads to unification of the world economic space and makes benefits of globalization truly inclusive. We are glad to learn that these ideas are shared by many others, including President Zoellick.

The crisis worsened economic development prospects even for those countries that have made tangible progress in acceleration of economic growth and their fight against poverty. At present, it is difficult to assess the full extent of the resulting damage to the world economy, as the magnitude of the losses of financial institutions, the directions in which the crisis will evolve and the impact of the proposed stabilization measures are not yet known. Nevertheless, it appears that those countries that enforce budget discipline, have accumulated sufficient external reserves and created effective regulatory systems in the financial sector find themselves in a better position to resist external shocks.

We need to develop systemic measures to minimize the price that the developing countries have to pay for the financial crises and unanticipated price movements for which they are not responsible. This, in our opinion, would be the biggest contribution that the Bretton Woods institutions can make to sustainable development under globalization.

In this context we would like to express our support to the World Bank's efforts in the area of food security. Led by President Zoellick, the Bank was able to concentrate and deploy considerable resources in order to assist the countries affected by the tightening in grain markets. It might be also appropriate to revisit the global food architecture and design some longer-term policies aimed at stability of global food supply and shielding the poor from the price movements of the magnitude we witnessed in 2007-2008. Since the historically low level of global grain stocks is often referred to as one of the main causes of the food crisis, some new ideas, like multilateral management of emergency and buffer stocks, should not be excluded from consideration.

2. Development and Climate Change: Framework Strategy of the World Bank Group

Climate change is becoming a serious threat to sustainability of international development. It has the biggest impact on the developing countries where it is turning into an obstacle to economic growth and

poverty reduction. Preventing and mitigating the impact of climate change require collective action by the entire international community while recognizing the differentiated responsibility and a particular role of each country in addressing these issues. We support the strategy proposed by the World Bank and consider it a timely and important step.

However, as we stated before, for the developing countries, their socio-economic development will remain the main priority for a long time to come. Once they have made significant progress in this, only then they will be able to focus fully on addressing the challenges of climate change. This is particularly the case for the countries of Sub-Saharan Africa, where overcoming energy poverty is of critical importance. We believe it would not be fair to impose artificial restrictions on the poor countries' use of traditional, cost-effective technologies. At the same time, energy conservation and energy efficiency should be encouraged, and World Bank resources, among others, can be used for this purpose. Improving energy efficiency in the extraction, transportation and processing of energy resources could reduce pollution and energy consumption in the developing countries while limiting burden on their national budgets.

We are satisfied that the Bank's strategy pays significant attention to measures aimed at expanding the developing countries' access to clean energy technologies. A breakthrough in this area is not possible without making such technologies more competitive. Creation of a mechanism for financing a mass transition to alternative energy sources and technology transfer to developing countries is of critical importance. We note that some practical steps in this direction have been already made with assistance from the Bank.

We also believe that nuclear energy, condition to implementation of the modern technologies and introduction of highest safety standards, can play a major role in meeting the growing energy demand without raising GHG emissions and, hence, can help to address the challenges of climate change.

Forest preservation and management is another direction where opportunities for progress exist. Unfortunately, failure to create incentives has prevented advancement in this direction. We believe that promotion of sustainable forestry should become a priority objective for the World Bank Group.

### 3. Voice and Participation of the Developing and Transitional Countries in the World Bank Group

The voice debate is taking place at a historic moment and offers an opportunity to better prepare the Bank for the 21<sup>st</sup> century and raise its role in responding to the global challenges. A stronger focus on the results and clarity of the reform objectives, principles and decision-making criteria could enhance the chances for success. Unfortunately, such clarity is not there yet. Nevertheless, we are prepared to support the measures proposed at this stage as a first step in addressing the challenges of institutional reform that may take some time.

A comprehensive reform of the Bank governance should include the following:

1. Modernizing the Bank's governance structure in order to raise its effectiveness in fighting poverty, supporting economic growth and promoting global public goods, and, as a result, securing the Banks' relevance in the global economic architecture. It is important to complete the work of the Board of Executive Directors on the review of WBG's internal governance that is being carried at our request.
2. Advancing the strategic planning reform initiated by the Bank's President a year ago in order to raise the Bank's significance, legitimacy as well as its accountability to the DTCs. We

commend the President for the substantial enrichment of this strategic agenda in his thought-provoking pre-meetings speech earlier this week.

3. Ensure adequate DTCs involvement in the Bank's decision-making and their representation in the World Bank management based on the principles of merit and transparency. Such measures would better reflect the DTCs role in the global economy and their contribution to economic growth.

Specifically, the objectives of voice and participation reform should be achieved through a transparent process based on clear guiding principles. We believe that those, *inter alia*, should include the following:

1. DTCs should play a bigger role in the affairs of the World Bank including by means of an increase in their voting power. This is important in order to preserve the Bank's legitimacy and significance, particularly in countries with fast growing economies.
2. The economic transformation of Africa is one of the key priorities for the Bank in its fight against poverty. Hence, strengthening the voice of Africa in the Board of Directors by creating an additional chair representing Sub-Saharan Africa is a measure of utmost importance. And this could be the first practical result of the reform.
3. Any realignment of voting power ought to be based on Bank-specific criteria. We should avoid copying mechanically what is done in the IMF, as the objectives of the two institutions are different.
4. Reduction of voting power of individual DTCs should be avoided in such realignment. Otherwise, this would be in conflict with the reform objectives.

The role of the Bank as a truly global institution should be carried into the future. The reform that we are discussing is a part of the efforts to turn the World Bank into a more dynamic and representative international organization capable of providing effective assistance to member countries and helping to find answers to global challenges.