Statement by
Anton Siluanov
Minister of Finance
of the Russian Federation
Growth in the Post-Crisis Global Economy: Policy Challenges for Developing Countries

We concur with the choice of the topic for our discussion today. In our view, the World Bank's assessments and forecasts of global economic growth are quite balanced and adequate. We witness steady recovery of global economy from the extremely severe financial crisis, and the data indicate that the post-crisis tendencies are not fully over yet. We are particularly concerned about uncertainties on budgetary, banking, and financial fronts which hinder investment and consumption growth. The mere expectations of tightening up of fiscal and monetary stimuli by industrial countries had adversely affected global financial markets and real sector alike. These effects are particularly felt by the emerging market economies which have to adjust to developments in advanced industrial countries. This leads to increased exchange rates volatility, rapid capital flows, rising inflation, and overall risks to their medium- and long-term fiscal stability.

Under these circumstances it is particularly important to improve quality and efficiency of economic policies in the developing countries, and build solid foundation for renewed long-term growth. In our view, episodes of capital outflows and general contraction of external financing call for increased efforts to improve business climate and regulatory framework.

Other measures include structural reforms aimed at volume and quality of investment, including infrastructure and human capital investment, as well as policies aimed at reduction of inequality, creation of more efficient social safety net mechanisms, and strengthening of education and healthcare systems.

In the context to structural reforms we feel it particularly important to continue our close cooperation with the Bank in the area of vocational training, including better focus on quality and results, and developing partnership with the private sector in designing and financing appropriate modalities of vocational training. In our view, this approach will be instrumental in filling the skills gap, generating employment, and giving boost to priority sectors of the economy.

In this regard, we welcome the fact that the World Bank stands ready to offer significant anticrisis support to its members in the form of policy lending. We also agree with the intention to make preparation and implementation of large transformational investment projects, particularly in infrastructure, one of the Bank's priorities. In our view, particular attention should be given to the institutional capacity of the developing countries, in order to improve the quality of feasibility studies, and generally to make more projects bankable.
The IFC should also increase its role in mobilizing additional investment resources. We are particularly encouraged by the launch of a new MCCP platform which is expected to attract not only the banking sector but also some other investors, including largest institutional investors with their enormous resources (estimated to be about $90 trillion.) We see this instrument to be very promising, and are looking forward to seeing other innovative solutions along this line.

As far as the internal reform of the World Bank is concerned, we expect it to enhance the delivery of services to clients. Most importantly, we hope that the new country engagement model, including the country diagnostic instrument, will support selectivity and efficiency of cooperation with the country. At the same time, it is imperative that new country partnership frameworks fully take into account countries' priorities and strategies, and the clients' satisfaction should be a key parameter of the Bank's result matrix.

In the context of far-reaching reform of the World Bank it is important to intensify the program of revision and simplification of Bank's rules, safeguards, and policies. However reasonable and well-justified the exiting ones are, they often imply additional cost of doing business which is ultimately borne by the borrowing client. It should be recalled that the simplification agenda was endorsed by the Governors in April 2010, and it would be helpful if the Bank reported to this Committee on its implementation.

Finally, let me say a few words on the budgetary aspect of the World Bank's reforms. Some budgetary adjustment is clearly inevitable in the view of dramatic organizational changes the Bank is undergoing now. However, we need to do our best to avoid negative implications such as, firstly, an excessive reduction of the administrative budget which may negatively affect the Bank's ability to prepare and implement complex projects, at least in some regions; and secondly, the overall loss of pricing competitiveness by the Bank. From this angle, we believe it is necessary to revisit possible outcomes of the reform of the Bank finances that may, on the one hand, help us to expand our portfolio, but on the other hand, reduce its quality and growth potential.