

## Bretton Woods at 80: Priorities for the Next Decade

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**Masood Ahmed:** Good morning. On behalf of ICRIER, the Indian Council for Research in International Economic Relations, Deepak Mishra here, and the Center for Global Development, let me welcome you to this event which I'm really excited about. Now, this is Wednesday of the Annual Meetings week. By now you know that the Bretton Woods organizations are having their 80th anniversary. Everybody is talking about it.

Today we have a chance to have a discussion about what the 80th anniversary reflects in terms of the history of these institutions, but more importantly in terms of the challenges that they face going forward. I couldn't have asked for a better panel to share their perspectives on this with you. I'm going to bring each of them into the conversation and hopefully, we'll also have a good opportunity to get your perspectives. We leave enough time for you to raise questions with the panelists.

I'm going to just introduce them in the order in which I'm going to call upon them. I'm going to start off with the Indian Finance Minister, Smt. Nirmala Sitharaman. She, of course, brings two hats to this conversation. One hat is, of course, in her role as a finance minister for a major emerging market, but the second one, which is also very relevant, is the role that India played in terms of the presidency of the G20. Of course, under her leadership, Larry Summers and NK Singh, sitting here, co-convened a group of independent experts to look at the multilateral development banks. There's a twin perspective here that I want to come to.

Also, after that, I'll turn to Rania Al-Mashat. Rania Al-Mashat is the Minister of Planning, Economic Development and International Cooperation in Egypt. But again, Rania is another person who has two hats, because in addition to having this perspective from being a minister of an emerging market that has been a very active partner with both the multilateral development banks and the IMF, she has also spent many years working inside the IMF. It's good to get a perspective from somebody who's been inside and now works on the outside.

Then I'm going to turn to Carlos Cuerdo. Carlos is the Minister of Economy, Trade, and Business in Spain. One thing I do want to mention about Carlos' perspective here is that, of course, Spain is going to be hosting next year's Finance for Development, 10 years after Addis. In some ways, everybody is thinking, "Well, that's a moment at which everything, including the role of the development finance institutions, will come together with a perspective going forward." I do want to come back to that.

Finally, Larry Summers who is the President Emeritus and the Charles W. Eliot University Professor at Harvard, former Treasury Secretary, and of course, from my narrow parochial perspective, the chair of the board of the Center for Global Development. I'll turn to Larry as well in that order.

Let me start off with Minister Sitharaman and really just pick up a bit on the role that you had in the presidency of the G20 last year. You gave a lot of not just impulse, but I would say support and leadership for the work to advance thinking about the MDBs, there's a report produced. I want to get a little bit of your sense a year later. How do you think

those ideas, that vision is being implemented? Where do you feel that there's hope for faster progress and where do you feel a little bit disappointed?

**Nirmala Sitharaman:** Thank you, Masood, for giving me this chance to speak and, of course, putting me at the first position in responding, also has a little bit of a challenge, but never mind. I think the G20 India presidency was an opportunity for India on two specific grounds. Of course, there are other grounds. But first on the MDB reforms, I must credit and fall back on what the Prime Minister of India, Mr. Modi has been talking since 2015, saying multilateral development institutions should look at reforming and readying themselves for the 21st century demands.

When he said it in 2015, there was no COVID, but post-COVID, we see how those words were absolutely critical from the point of view of what we need to do, and therefore when the opportunity came for India to take up the presidency, which was after COVID, we thought it was important for India to voice the concerns of the global south. Therefore, before the G20 presidency actually came on us, we had a big VC, video conferencing, with all the global south countries. The Prime Minister spoke with them, understood their aspirations, and then built into our presidency a voice and a representation for the global south. That was one of the things.

Second, the point on making the multilateral development institutions a lot more nimble-footed to leverage the capital they have already with them, and also to be clear how in timely fashion they will come in to help nations, both for developmental needs and for elimination of poverty. And of course, IMF was not a point of discussion, but still, I think the points which are now being discussed for the G20's recommendations, which Larry and NK Singh and others came in. That was more aimed at the World Bank and the multilateral regional development banks, but I think it is so relevant even for the IMF. And therefore, the voices of the south was one, MDB reforms and making them relevant for 21st century is the second. I would also think there are a few other things.

How do you raise private capital, have we been really up to it, what are the kind of institutional governance mechanisms that we need to look at, the manpower that you have, and so on? The recommendations have been absolutely to the point, and it is becoming a part of the evolution plan, something which is happy news, but there are things on which I think we are going a bit slow, and we need to go faster than we are now.

On those scores, particularly one and two points, I'll certainly go back to my notes just so that I don't miss out on any of the points. See, I want to stress the fact that the few broader policy points that underlie and complement the recommendations that they've given, particularly because they underline and complement most specific recommendations that they've given, are so relevant because now you have the Bretton Woods at 80. Those discussions cannot be devoid of the inputs that have been received, and it cannot be that we know where we are going and we are doing it, you take it. So much of mind application has gone in.

India's aspiration to bring in the voice of the global south cannot be missed out on. Then are we going to be donor-centric? Are we going to be institutions which are going to have donors and their concerns conveyed to those recipient countries? The recipient countries today have an option. They have so many different donors. Don't they have a choice? They have a choice, but then what happens therefore? Are you going to look at it only from your point of view and the donor point of view and not from the recipient point of view? That is one thing which I think we need to have greater access to

information. Borrowers should know a lot more transparently as to what exactly is happening. Ideally, it is for maximizing every dollar that you're going to give as a loan.

More importantly, I think the Bretton Woods institutions should not now allow themselves to have a mission drift kind of a picture to be given to the world. I suspect that if you're not going to concentrate on your core competencies, your core objectives, that is what is going to be the image of Bretton Woods institutions. More particularly, I would think IMF will have to look at it. The mission drift expression that I'm using is probably very relevant to IMF. I would want IMF to address this issue because they should not get into domains which are not so much their area of core operations, for which they need domain expertise, which they may not have but they may aspire to get, but why? Your core business is what you have to focus on. I would think that is the most important thing because if they don't address it, the global monetary systems are going to be adversely impacted. We can't afford that.

IMF resources will have to be available for all countries. Short-term concessional even as those countries are trying to reform their institutional mechanisms or policy frameworks. Therefore, funds should be available as short term, as concessional funding for a short period for relief. The recent discussions on the use of GRA resources to PRGT is a reminder that resources are finite, and we really cannot rush in for every one of the requirements. Therefore, I would think evaluation is important.

The repeat funding or funding repeatedly of some countries where it becomes long-term assistance, in other words, may not be healthy at all, because if you're going in with your donor concentration and into a country you've given conditions, you've given a short-term concessional finance, it can't be forever, even with small breaks in between. Therefore, I think IMF will have to look at the evaluation exercise. They should introspect as well. The evaluation exercise which is being carried on in World Bank should be more transparent, I would think, and consultative, and it should reflect the interests of all countries who the Bretton Woods institutions are helping.

In conclusion, I would think we need to have a road map for concrete reform-based steps that have to be initiated because we've started doing that during India's presidency, after a lot of introspection, inclusion, and so on. Therefore, a shift in thinking in the Bretton Woods institutions to meet the needs of the next decade is absolutely necessary. Thank you.

**Masood:** Thank you very much, Nirmala. I would just say you did the MDB part but you've also made a series of comments about what the IMF needs to be doing. One thing that I want to get a foot down, maybe we come back in the question-answer session, is that in some ways the MDBs have gone through two or three years of looking at the issue, both internally and externally, including through the report that you referred to, but for the IMF that process is starting now, in some ways, so this is very timely to be able to provide some of those inputs. We'll come to that.

Rania, can I turn to you next? I wanted to particularly get your view on... The MDBs were asked to play a much bigger role in supporting the energy transition and moving towards climate as part of their core business. Egypt has been very much a leader in coming up with a national strategy for energy and water as well. I want to get your sense of how helpful in this process were the MDBs? How much did you feel, yes, they've got the message they're now helping me do what I want to do, as opposed to they've got their own four projects that they want to pursue, and if they fit into your strategy, that's fine, and if they don't, well, they'll do them anyways. How does that work?

**Rania Al-Mashat:** First, I want to thank you for inviting me to this panel and being here with both Professor Larry Summers and NK Singh. The paper that was used with respect to the MDB reform. Also, an important issue that maybe I will talk about after the energy transition, and that is last spring when we were here, their papers showed that capital flows are going outside of emerging markets back to the advanced economies, and that's really counterintuitive when we want to do climate, when we want to do development, when emerging markets want to move forward with their plans, be it on the energy transition, be it on the human capital development, and so forth. This is a very important point, and I'm sure that we're going to hear more about it today.

A key word that needs to be repeated and repeated is country ownership. Countries need to be clear about what they want to do, and they need to communicate it in ways which the MDBs, which private sector, are able to digest and actually provide the required investments or concessional finance that crowds in private sector. This is key. As much as we want the MDBs also to play a role and private sector to play a role, it's also on countries to be clear with their projects and be clear with what they want to do going forward.

Every country has its own pace, every country has its own priorities, and there needs to be realization of that as well. It's a commitment from the government, but at the same time a realization that different countries are at different stages of development and that they have certain specificities that need to be taken into account.

What we did in preparation for our COP is to be very clear with a transition map. We have a climate strategy, we have an integrated energy strategy, we have our NDCs, and this is also a requirement for all countries when we are going into that space. The other point is there's a lot of talk that MDBs need to have their same rules so that accessibility is easier. Until we do that, or if we wait until then, we might lose out on what is available.

Also coordinating among the different development banks, the different bilaterals, being mindful to their different rules and governance structures, but at the same time have transparency and clarity on the projects themselves so that you can take advantage of their comparative expertise. The minister mentioned that different institutions have comparative advantages in certain areas, and that is much needed.

When we designed our country platform, there's an energy transition, we chose EBRD as our lead MDB in coordinating that effort with us. When we looked at the water sector, the certain projects that were in there, we took the African Development Bank as our lead MDB there, and when we looked at food, we took IFAD, given their expertise with the food sector.

The realization of where there's comparative advantage was utilized, and then tried to also provide innovative tools in order to crowd in private sector. On the energy transition, there was a debt swap with Germany to be able to actually move from or decarbonize some of our electricity plants that use gas into renewables. This was a very nice way of debt swaps for climate action, an example to be replicated. There was also the ability to collate the different financing from different sources on the same project, which required, as I mentioned, clarity with objectives, clarity with the design, and also the monitoring. I would say that as much as we are asking for coordination among MDBs, countries need to be ready to provide that synergy.

If I can just comment on one element that was mentioned, and we saw this during the UNGA week in New York, and it's also mentioned in the different international fora, the

point on indebtedness of countries, and the importance of the MDB reform to be able to account for that so that more resources are available, so that countries are not stifled with their development objectives going forward.

This is one element that also within the MDB reform itself, and Bretton Woods at 80, can think about. How can the resources be available more so that we are able to, with the existence of the frequent shocks that we are seeing today and the depths of the shocks that are facing all of us, how can we still be able to meet the development, the climate goals, and the human capital development, which is much, much needed? Maybe that is also going to be discussed in detail or in preparation for the Finance for Development conference next June.

**Masood:** Right. Can I just come back and get one piece of clarification? When you said you identified EBRD had the lead on energy and the African Bank had the lead in water, and IFAD had the lead on food, did the others fall in behind the leaders and say, we're going to do this together, or was it the African Bank then did water?

**Rania:** No.

**Masood:** How did it work?

**Rania:** No, when we say take the lead, it's take the lead with the government and making sure that we are able to create collaboration among all of them. No, it wasn't that one having them as the lead crowds out the rest. On the contrary, it's to crowd in everybody around this, and most importantly provide the concessional finance for the private sector to come in. On the energy transition, it was EBRD, IFC, grants from the EU that de-risked the cost of finance for some of the private companies that came into the renewable space. No, it wasn't that there was compartmentalizing them or crowding them out by having a lead. No, it was really a way to say all of you can work together, but when we say take the lead is take the lead with us in communicating all the details within the projects and the financing that is needed within.

**Masood:** Great. Thank you. I want to turn to you, Carlos. We've already talked about the World Bank and the IMF, two institutions, but forever, we've been trying to get them to work better together also in some ways. I know that you, Spain, have taken a strong interest in promoting that, including by providing some financial support to the two institutions with the explicit objective of promoting collaboration. Can you tell us a little bit about why you picked on that bit, and also which are the areas where the collaboration really matters? What are you hoping to see different as a result of this?

**Carlos Cuerdo:** Sure. Thanks for the invitation, Masood. Maybe let me make a first point of realism in terms of really put into context for this discussion. When you look at the discussions on the need to reform the Bretton Woods institutions, that discussion has been there almost since day one after the institutions were built. Then for the 50th anniversary, lots of discussions then, of course, after the financial crisis, and we're at it again for this 80th anniversary, but with some elements that we could put on the table like this time might be different. I think Nirmala beautifully voiced some of these elements that are new, these challenges for the 21st century. We're in a post-COVID world.

There's also a few elements which call somehow for attention when it comes to the willingness and the capabilities that we will have to really put in place all these recommendations. Of course, is fragmentation, now that's our reality in terms of trade,

also financial flows, and there is conflict in today's world, in Europe, Middle East now. We have to take that into account, of course, when it comes to the ability that we will have to move forward these important discussions. The main point, or my main question is are we ready to engage into a fully-fledged discussion for a Bretton Woods 2.0 in one go? Is that even possible?

We've been two and a half years discussing communiqués without agreeing on a three-page text. Maybe there's an element there of practicality, of realism on how far and how fast we can go so that we avoid frustration along the way. That's just my main point that maybe there is a case, and I think if I understood well Nirmala's words, there is a case for not only knowing where we're going, so not losing this degree of ambition, but also somehow knowing the way, and having these intermediate steps. Maybe in order for us to go to 2.0, we need to go through 1.5 first.

On this, basically two points from my side on what some element of this 1.5 could look like. One is, of course, looking at institutions and taking the most out of their instrument. Here you might know it is the rule of the instrument, which is basically when the only thing that you have is a hammer, all your problems actually start looking like a nail. What we need to do is really understand all the different instruments and how they can collaborate between themselves so that we can make the most out of them.

There comes the example that you mentioned. We've been working together with the World Bank and with the IMF with a clear purpose, which is put a platform for their collaboration within the Resilience and Sustainability Trust so that program countries that are there, two of them have already been engaged in this, is basically Madagascar and Tanzania, where they can actually use the money, the SDRs, particularly that we are channeling through the IMF to put in place also World Bank projects, projects related to climate change.

We are making the most of these synergies between both institutions and also making the most of the funding of these programs. In a sense is to allow for fully-fledged programs that can combine, of course, climate elements with finance, development, so there is no trade-off between these two for countries that are in need of making progress in both directions.

Second point, of course, is to make the most of the existing pool of resources. Of course, there is this final goal, ultimate goal, of increasing the resources either via, of course, more capital, or also discussions on new issuances of SDRs, even asymmetric SDRs. We can put on the table all these ultimate goals, but in the short run, we had an issuance of SDRs in 2021, \$650 million.

**Masood:** Billion.

**Carlos:** Billion, sorry. Out of those, 55% for advanced countries. Out of this 55%, only around one-third was committed for rechanneling, was pledged for rechanneling, and only 20% has already been dispersed. It's a huge space there of resources that can be mobilized. From the Spanish side, we've pledged already 50% of our allocation and 40% has already been dispersed, so we're trying to lead the way there as well.

Somehow, these two elements for us, they do combine quite well. We are setting up the platform of cooperation between both institutions where we can use these resources and we're pledging those resources to be able to channel them and to really provide for a way out. Of course, we call for other countries to also use their resources and enhance

the capabilities of already existing instruments while we are thinking what we actually putting on the table those fully fledged reforms, but also walking the way and avoiding this sense of frustration. While we are also building a positive narrative on the way forward with a specific element, which is also ownership on the reforms that will be coming.

**Masood:** Thank you very much, Carlos. Larry, can I come to you now? You have listened to what the other panelists have said, and I'm reminded of what you said in the spring meetings. I think you said the world was still on fire and that 2023 had been a disaster in terms of support for the developing world. Here we are, six months later, I know that you and NK are issuing a note today that also grades the progress and gives it an incomplete grade. I want to understand your perspective on both where we are, but also on how confident you feel that the trajectory of reform that we are on will deliver or not deliver the vision that the two of you had laid out and that was endorsed by the G20 a year ago.

**Lawrence H. Summers:** Let me just first say how glad I am to be here, and you have stepped down recently as the head of CGD, Masood. Congratulate you on a job extraordinarily well done, and the influence that you, through CGD, have had on all of our thinking. I am no longer an *enfant* but still *terrible*, so I hope you'll bear with me if I attempt to be bracing in my observations.

I was privileged to participate in the discussions of the 40th anniversary of the Bretton Woods institutions, the 50th anniversary, the 60th anniversary, and the 70th anniversary. I am not able to remember a single thing that happened from any of those discussions that is memorable today in terms of the situation of the institutions. I hope that that will not be true of the 80th anniversary, but I have to record that 80th anniversaries are usually not in marriages moments of fantastic energy, and even involve a certain element of senescence.

I also have to record this fact. If you wrote an economic history of the world, not an economic history of the Bretton Woods institutions, but an economic history of the world. In the vast majority of decades, the Bretton Woods institutions would play a non-trivial role. You'd be writing about the Asian financial crisis and what the institutions did in response. You'd be writing about the Latin American debt crisis and the role the IMF played in working past that crisis. You'd be talking about the development of the Washington Consensus ideology and the way in which it was promulgated by the Bretton Woods institutions. You'd be talking about what Robert McNamara did in putting poverty centrally on the global stage.

I do not think that when in 2050 somebody writes an economic history of the world for the period 2015 to 2025, there is anything that has happened in the Bretton Woods institutions for good or for ill that will play any significant role in that history. I do not believe that talking about cooperating in order to coordinate or talking about coordinating in order to cooperate offers an appreciable chance of changing that situation.

NK and I attempted in our report, respecting the conventions of international speech and international comity, to try to lift everybody's sights. We talked about tripling the size of the lending of the institutions by 2030. We talked about dramatic changes in the speed with which they came to conclusions and delivered resources. We spoke about different levels of cooperation with and engagement with the private sector that were qualitatively and not merely quantitatively different.

I have to record a year in that incomplete is an accurate but perhaps charitable grade at this stage. I have, as a professor, given many incompletes in my time; it usually happens because the student is struggling. It is quite rare for me to have given an incomplete followed by the student getting an A. I have to record that there will have to be a discontinuity not yet observed if this situation is to be followed by receiving an A grade. What's required if this is going to change? I don't know the answer with confidence, but I'd suggest a few elements.

One, my country has to energize itself with respect to its engagement with these institutions. In the 20th century, for better or for worse, and other countries often resented it, the United States always had a big agenda for these institutions. Sometimes the institutions did it, sometimes the institutions didn't do it, but the United States always had a big, bold plan. That has mostly not been the case throughout the 21st century. These institutions are located in Washington, important personnel choices are made in Washington, and I suspect there will not be bold transformation without leadership coming from Washington. I hope that our new president will take that on board. I think there's a better chance with one of the possible election outcomes than there is with the other.

The second is the institutions have to say things and do things that capture the imagination of the world. There have been moments when they did that, when they sketched visions and put many, many billions of dollars behind the transition after the Berlin Wall fell. When poverty was made central to the mission of the World Bank, when with Masood's important involvement, for the first time, there was large-scale official debt relief for the poorest countries in the world.

Let me speak frankly. The world's press this week will devote 200 times as much attention to the rantings of an older American about the genitals of a golfer who has been dead for a decade than it will to anything that is said by the IMF or the World Bank. That is in part a reflection of the press and the media, but it is also a reflection of the fact that the IMF and the World Bank are unlikely to say anything with sufficient clarity and boldness that I would know how to write a story that I would think it was important for my children to read about what has gone on in the last week.

So, the United States has to have a crucial role. The institutions themselves need to commit bold content rather than discussions of acronyms that nobody can pronounce or remember.

I think the third thing is, Bismarck talked about, I can't remember the exact quotation, but the essence of successful leadership and diplomacy being grabbing onto the bootstraps of the ongoing train and trying to make a little bit of a difference. Look, for the first time in many decades, the world is increasingly being divided between a group of countries that are authoritarian and that have a particular set of conceptions, I think of China, Russia, Iran, North Korea, and a very different set of countries.

I don't know what the right answer for the Bretton Woods institutions is. Is their role to be the unique bridge between those groups? Is their role to be a crucial provider of alliance and support for one of those groups of countries in the way that the Bretton Woods institutions were central to what used to be called the free world during the Cold War? I'm not sure what the answer to that question is, but the choices that are made with respect to that question are profoundly important. That is what we ought to be debating.



The other thing that seems to me to be central and not discussed often enough is that we are likely in a period of extraordinary technical and structural change, whether it is coming from the revolutions in energy, the life sciences, and the digital sciences around artificial intelligence. Whether it is coming from the fact that the... It is, I think, becoming very clear that the best route to prosperity that's existed for the last 60 years—first you make textiles, then you make bicycles, then you make motorcycles, then you make ships, then you make cars, then you make planes, then you make ships, then you're rich—that route is unlikely to be available to the vast majority of places where poor people live.

The question that needs to be figured out is, what is the alternative route, and what is the route that lies ahead? Without rapid growth, other problems are not going to be solved in durable ways. I don't see the institutions providing an answer to that question, and I don't see them doing as much as they should be doing to try.

I think these are the world's most important institutions. They're the only ones where countries come together not just to talk but to do, and the do is creating, not destroying, is building up, not tearing down. They are, in many ways, the best hope of mankind. But I do think there needs both from without and from within to be a ratcheting up of ambition, because, yes, the world is on fire, but it is on fire with grave problems, but it is also on fire with immense opportunity.

I hope we can seize those opportunities, and I hope the 80th anniversary will be remembered as a time of, frankly, more effective reflection than the 50th, 60th, and 70th anniversaries were.

**Masood:** Thank you very much, Larry. The 50th anniversary, for those of you who remember it, was marked by, if you recall, the tagline was "50 years is enough." The interesting thing for me is that nobody actually out there is saying "80 years is enough." What they're saying is we need these institutions, but we need very different institutions. Actually, that in itself is, to my mind, somewhat more hopeful starting point, but now the question is, can you make something off it?

I want to come back quickly—I do want to have some time for comments—to you Nirmala because Larry raised this issue of the base of reform. Moments of reform really came about when the United States, the larger shareholder, played a big role, and that's key. But the world is getting very different now. You have emerging powers taking over responsibility, the G20, multilateralism is struggling in many places, US-China relationships are going to be tense under any scenario for the next decade.

In that world, how do countries like India and other big emerging markets step up and play a role that helps to take a bit more ownership of that process and drive the reform forward? Do you see that as a feasible way of making progress if the US and China are too busy looking at each other?

**Nirmala:** Yes, absolutely possible. On this, I just want to, again, start from where a thought of my Prime Minister came in, and this is well thought through. He once said, "India's priority is not to impose its dominance," in the sense, we are the biggest democracy in the world, the largest population, "but to enhance its influence." Now, why do we want to have our influence enhanced? It's only because the fact that today, one in every six persons in the world is an Indian, and you just cannot ignore our economy and the way in which it is growing, that's a second.

Third, the skilled manpower, which today is in India and also everywhere else, running large corporations, which are for running institutions which are in large countries, developed countries. Yet that particular point that Larry mentioned that in today's world, the course which developed countries took, starting from producing textiles, cycles, bicycles, and something else, and reaching development is no longer available. It is going to be something else. Are we in a position to define that path?

In that, one flag post which I want to draw your attention to about India and its role is leading on technology, servicing through technology, leveraging technology. That is where when you look at Indians everywhere, you are seeing that they are the ones before sitting and readily saying, "Yes, we'll give you the systems which can run complex corporate," whether it is an oil refining system, whether it is multilateral banking system or anything else. So you really can't ignore. Also, the geopolitical neighborhood in which we live. No country, the US, which is very far away from us, or China, which is very close to us, cannot ignore us.

Therefore, I think we have followed policies of strategic and peaceful multilateralism. The multilateralism about which you want us to speak about, India has always stood in favor of multilateral institutions. We didn't want any time undermining of any multilateral institution. Progressively, we see the hope and the expectations which were pinned on multilateral institutions are frittered away because we think no solutions are coming out of them.

Again, Larry said these institutions now are not offering an alternative pathway. That is where one of my points is. The core competencies of these institutions in that they look at so many different economies, look at the dynamism with which some economies are growing and some which are getting stunted. The information base that they have, they should be the first ones to share the information, and they should be the first ones to also suggest without imposing.

In one of my earlier conversations with Larry, he voiced the concern, saying, "How would institutions like IMF and the World Bank go about telling a country that your economy is in wretched position? You can't do anything about it." They can't. They cannot and they need not, but yet they can with a wealth of information and experience and the manpower, the kind of human resources they have, share in time, information with countries, and also lead to build the strength of institution. Not their own institution, but strengthen up institutions for the global good, which I would think is very necessary to strengthen multilateralism. We are in favor of multilateralism.

We've, of course, spoke about a lot of things, about sustainability, LiFE, which is a mission in India, L with a 'i' and the F-E being Lifestyle for environment, adapt to certain kinds of living, and so on. Shaping the future is one very ambitious nice goal, and we need to follow that. We need to have Bretton Woods institutions work on that, rather than reacting to future developments. Unfortunately, in the last few decades, we see them reacting to future developments with the strengths that they have. I think therefore information sharing is one thing.

India, of course, has International Solar Alliance, Biofuel Alliance, and we are talking about disaster-resilient infrastructure. All these need money. All these need help for countries which are in smaller economies, island economies which need them. Through the digital public infrastructure that we have publicly funded and taken up to different countries, we are spreading that attention. I think these are areas in which India will contribute.

**Masood:** Thank you, Larry, you wanted to comment on that?

**Lawrence:** I want to make two quick points if I could. One is, I think we need to define development back up. The goal of development is to enable people in every society to live the kinds of lives that people in some of the most fortunate societies live in. Not tomorrow, not next week, not next month, not next year, not next decade, but eventually. We have too often focused on very important things, deworming, this micro-intervention, that micro-intervention. The goal needs to be societal transformation, so people live much better lives. We need to move beyond some of the more micro-emphases that have been the subject of development economics for the last two decades, and the institutions have an important role on that.

Second, Nirmala, I can't resist, and I'm going to be unfair to you, and I'm going to single out India as I make this comment, but it is a broader comment, and I'm going to ride a hobby horse. India, 35 years ago, benefited enormously from receiving about \$2 billion in loans from the World Bank, because at that time, that was transformative with India being able to pay its public sector employees where it otherwise might not have been able to.

Today, India has over \$600 billion in reserves. \$600 billion. Does all of that really need to be invested in the short-term financial instruments of the richest countries, or can India be working with the Bretton Woods institutions to recycle not the first \$400 billion of those reserves, which are perhaps necessary for some liquidity contingency. But you're only earning less than 2% in real terms on all of that investment. And we're all talking about all these spectacular investment opportunities all over the world.

Perhaps India and other countries like India, who believe in a much more powerful and robust multilateralism, should put some of their money behind where their mouths are, and be prepared not to take what's necessary for your liquidity, not to take reserves that can remotely be compared with your exports or your imports or your short-term liabilities, but countries with vast reserves, it seems to me if we're going to get to this kind of place, some willingness to harness those reserves towards meeting these high-return profound global objectives has to be central to any kind of realignment.

**Masood:** That's a very— Please.

**Nirmala:** I'll not let this opportunity go.

**Masood:** Off we go.

[laughter]

**Nirmala:** One little correction, petty one. Not some \$680—\$710 billion.

[laughter]

**Nirmala:** Second-

**Lawrence:** I'm always behind. They're always going up.

**Nirmala:** Second, Larry has probably not observed that much before the IMFs of the world reached some countries in our neighborhood, and I'm not saying this with a sense of boast, I'm saying it more with a sense of responsibility. Again, sorry, I have no axe to grind with the IMF, but with no conditions attached we have given sums of money, which

I don't want to name here, number here, because my neighbors are very dear to me. We've come out in time to help countries in distress.

In the typical oriental fashion, I will not name the country, I will not name the money which have been given because they are very important to my cultural values and also to my neighborhood. So much before nimble-footed institutions of the Bretton Woods have come there, because we are closer to them, this money has been used. Even better, many African countries, we extend a line of credit, which is a highly discounted line of credit, to build their institutions, to build their bridges, to build their ports, railway stations, secretariats, and let me add, with a sense of humility, many of them are in no position to pay back. We have not made a noise about it.

We will still continue to do it because we think the global south will be with us. We want to be with them. We want to help them out. We want all of them to get an opportunity so we're doing that. Larry, you should be happy.

**Masood:** Can I just make a small footnote here, if I may? Which I think there's no question. All the things that you just said must be super helpful to those countries. I think the question still lives a little bit in my mind is, if we want these institutions to become more effective and global, to what extent and in what ways can the rising emerging markets actually take ownership more of these institutions?

Part of that ownership would be to provide them with the financial resources or some part of the financial resources. I don't see that but in my own mind, it wasn't so much an either-or, because in a way that is directly helping other countries. It's a contribution towards this vision of the MDBs and the IMF and making them truly global in a way that's

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**Nirmala:** Very briefly, I know you're running short of time. Ownership doesn't come with just quantum of money being given. Ownership can also come when decisions are made in consultation. When decisions can be transparent, when decisions are made to benefit the recipient, and not so uni-focused on my donor requires this so you do it. They are in such desperation. We need to help. We need to do this. Ownership, I'm willing to take, I'm sure many countries are willing to take. Emerging markets are absolutely revved up on the thought that they will have to participate but, of course, a voice and a hearing—

**Masood:** Have to come with it. Rania and Carlos, we're running out of time a little bit, but I do want to get— Rania, one question from you is in this world where there are going to be maybe parallel configurations of partners, how do you see Egypt coping with this? Has it been everybody in the same platform or you work with two parallel systems?

**Rania:** No, we've been working with IMF, with World Bank, with BRICS countries. We've been open up with many partners, but in many cases, we put our plan and everybody comes together. That's what happened most recently, particularly after events in the region. I wanted to reflect on two points. The first point, Larry said that the press won't cover what the IMF and World Bank do this week—here. But in our countries, they follow very carefully what the IMF and the World Bank say or say affect expectations, affect cost of borrowing, and affect livelihood and development.

There's a real impact of what happens here and what's going to come out of the reshaping of the global financial institutions on countries that need to develop and the countries that need to move forward given, of course, the digital divide and the

technology divide and many of the other gaps that were mentioned. This is a reality. I appreciate very much the point that was made on the institutions today needing to provide analytical economic solutions. This does not exist. For example, because of the implications on the exchange rate and expectations, everybody has tightened monetary policy and fiscal policy at the expense of growth, which is fine.

Let's go back to microeconomic stability. You retrench and growth is low, but what's the counter-cyclical policy that needs to take place? These questions are there, and the institutions have not been able to go out of the very conventional programs to be able to help address this policy or provide policy guidance, and policy guidance which is fast and reaps results because unemployment is high. Access to many of the regular services is also very difficult, particularly because global shocks and geopolitics is faster than the tools that are available to policymakers.

This is a point I'm very happy that I heard it here. We are making this point over and over, what are the policy descriptions beyond the conventional ones that need to take place? When we talk about indebtedness, when we talk about the DSA, for example, which is used by all investors to compare between countries, and you're asking countries to take more concessional finance for climate action, DSAs do not distinguish between commercial debt, concessional debt, and other types. That distinction is not there.

Even if we're taking concessional finance for climate and development, at the end of the day, the macro numbers are what matters. These, I think, are very practical questions from countries that should be addressed as both institutions are looking to work closer together to answer these questions. Not cooperate to coordinate, but really to answer the needs of citizens of the world in countries which need to move forward.

**Masood:** Thank you. That's super helpful. Carlos, last word to you. Question, you have Finance for Development next year. You remember the last one is when we promised "billions to trillions" if I recall. That was the tagline that came away. We're still waiting for the trillions. How do you see this whole discussion feeding into that? What's your sense of where we're going on that?

**Carlos:** Let me finish with a word of optimism. I'll take advantage of being last to lead that positive word in. I think the conference next year is a great window of opportunity. Somehow all the necessary elements will be in place. Let me just say why I think this is the case. The first one is when we talk about the involvement of institutions and how everyone is willing to go ahead and is understanding the sense of urgency in which we're in. For example, there, we would be collaborating, of course, with Brazil and the COP in Belem because all these two elements are closely intertwined. That's one thing.

Then of course, the degree of ambition, we have to capture imagination, but at the same time, we have to make things happen. How to combine this realism with the degree of ambition. Of course, it's a list of elements that come with what we think development should be. The definition has to include not only elements related to short-term debt bottlenecks that these countries might have. Also to have a relief in terms of the trade-off between development and climate fight. There's also elements which are very simple like nutrition, health, which can be unlocking factors in the short run as well. There we will take advantage of the UN framework to include all these important elements in the discussion.

Then there is an important element, which is politics. 2024 has been a year of elections, still will be a year of elections. Around 50% of the world population has been in an election year in 2024. That's not going to be the case in 2025. Is that also a positive element in terms of the window of opportunity to have politicians maybe having a long-sight, a horizon so that we can think of these bigger reforms and these elements of necessity for the next decade? Let's hope so.

**Masood:** Great. We still have 10 minutes, so I want to take advantage of that and see if there are people who would like to raise any— Let me take three questions. I don't think we have time for more than that. Shekhar first, I think. If we could bring the— Samuel is just bringing a microphone over to you.

**Shekhar Shah:** I'm Shekhar Shah I'm a non-resident fellow at CGD. It's a real privilege to have this influential panel, including my finance minister and my former boss at the World Bank. Thank you, Masood. One of the tensions that we currently face with the MDBs is the development versus climate finance issue. To target one indicator of what Larry was talking about is jobs. If you can create enough good jobs so that people can save enough, that will then bring wealth to those countries. We have addressed that issue.

I was very pleased to hear that the Finance Minister from India talked about skilling in her address in New York. One of the things in skilling is the multifaceted nature of the policymaking. Very specifically to India but might apply to Egypt as well, is the lack of coordination between different ministries, education, health, labor, skill development, and entrepreneurship. I think the Ministry of Finance in these countries could really play a role in coordinating this and come up with better policies.

With Larry, if I may just say that you pointed to the 80th anniversary. I hope one of the celebrations or non-celebrations of this anniversary is not the election of a certain individual who is prompted by 2025 on page 701 about the US getting out of these institutions. It would be very useful to get your views on that.

**Masood:** All right. I think the gentleman in the front and then I was going to take one more. Nobody on this side, it all seems to be energy's over on the left. I'll come over to that.

**Chris Macrae:** Chris Macrae, Macrae Foundation. I wanted to challenge Larry on one thing. You've painted a picture of engineers going through more and more engineering brilliance up to chips just to make more money. I don't think islands like Taiwan, and Singapore actually make chips to make more and more money. I think they make it to try and share life-critical information on the ground with millennials so that they can take actions to do things like change the climate. Am I completely wrong or is there a possibility that there's a different reason for making chips?

**Masood:** Let's see now. I think then there's a gentleman right in the back there. You, yes.

**Tim Hirschel-Burns:** Good morning. My name's Tim Hirschel-Burns. I work for the Boston University Global Development Policy Center. My question is perhaps, particularly for Dr. Summers, and I wanted to ask about private capital mobilization, which, of course, has become a major focus for the BWIs in recent decades, but with somewhat disappointing results, as some recent pieces, including from CGD's Charles Kenny have pointed out. I'm curious to your thoughts about the extent to which private

capital mobilization should be prioritized and the extent to which it can fill financing gaps. Thank you.

**Masood:** Thank you. I just want to get Louise in there as well, yes. Thank you.

**Louise Fox:** Hello, Louise Fox. I used to work at the World Bank and I'm a former Chief Economist at USAID. I want to ask a question about how change happens at these institutions. They appear to be, as you know, fairly ossified in their approach. There needs to be a major cultural change to do things faster, take more risks, think about growth completely differently, think about new growth paths. How does that happen? It doesn't seem to be happening just through a change in leadership at the top. I think Larry said the US has to exert leadership, but I'm wondering what the other panelists also think about who can exert leadership to make that happen.

**Masood:** I think we have four questions. Who would like to come in? Nirmala, anything you want to respond to on that?

**Nirmala:** No. I think most would pertain to others.

**Masood:** Rania, anything you want?

**Rania:** Just on coordination, absolutely. We cannot ask for the world to coordinate if internally we're not coordinated. That's why it's very important to— In our case, it's the Ministry of Planning, Economic Development, and International Cooperation that tries to do that coordinating role, that exists. It's important and more needs to be done on that to articulate even what needs to happen to identify the development gap and then where to get the money or the programs to push it.

In terms of reforms in the institutions and should it come at the top, I think the shareholders need to make more noise about that. We ask this question always. The world is changing very fast. What is the new growth model that we should be thinking about? What policy should be in there, and how that ties to the financing that exists, particularly in a world with heightened costs and risks? You want the private sector to come in. Until they do, where should and how should the economy be growing? I think shareholders should make also more vocal demands on this.

**Masood:** Carlos, you—

**Carlos:** I was going to go through a very similar line. I think we all have a responsibility as shareholders of these institutions. It's not just wait and see to what the US or others will be doing. I think there is an element, the responsibility for us to replicate what we might be doing at a bilateral level or at a regional level, but also put or bet on those multilateral institutions to behave or to work as we would want them to work, and bet on that with specific actions and specific efforts.

The person on top can be a catalyst for these efforts, but it needs the input and the energy from all the shareholders. Not only the big ones but there might be a wave of smaller shareholders pushing for these institutions to work in a way that is designed for the 21st-century challenges.

**Masood:** Thank you. Larry?

**Lawrence:** I don't pretend to have all the answers or very many of the answers, I just try to provoke, and I've learned an enormous amount from the conversation here. I suspect if there is a big change, it's going to come from some combination of the broad imperative of emergencies and strong leadership. It's not going to come from larger conclaves of more shareholders in dialogue with each other, drafting communiques, which I actually think is a root to non-boldness. That's my theory of change, for better or for worse.

I didn't mean to suggest that— I mean, I'm a big believer in capitalism, I think people do things that pursue their own prosperity and also pursue the most lofty objectives as they produce things that people otherwise wouldn't have, whether those are chips or bicycles, or what have you. I think I did in a brief way characterize a manufacturing-centered approach to achieving prosperity that I don't think is going to be the dominant approach to prosperity moving forward. What is the successor to the manufacturing export-led growth path to prosperity is, I think, the world's single most important economic question. I felt that there was more great thinking, or even effort, to develop great thinking about it.

Your question on private sector capital mobilization, look, I think there are two things to say. One is, there's just a lot of piffle in this area. There's just vast numbers of people who want to be bold and don't have access to public resources and so use the phrase 'catalyze the private sector'. They are enabled by a substantial number of figures in the private sector who should know better, and in many cases do know better, but wish to appear highly statesmanlike and worthy and/or wish to attract very substantial subsidies to the activities in which they are engaged.

The numbers that are thrown about about the potential of green capital mobilization, it would be like me throwing out the prospect that I was going to run a four-minute mile, kind of a worthy objective, and I could learn to run faster than I do, and it'd be a step in the right direction for me to be able to run faster, but a four-minute mile is delusional for how fast I'm ever going to run. It's delusional what a fair amount of the numbers that are thrown around about private sector. Everybody wants to be optimistic, and nobody wants to spend their own money, so we can just wish it into being, and then it'll be win-win, and people will make money and all that. I think that's a bunch of what's going on.

I think the other thing to say is the best way to mobilize private sector capital is to organize and enable your economy so that there are substantial profit opportunities. If you do it, you will attract substantial private capital, even if you don't do much of anything else. If you don't do it, you can do all kinds of things to mobilize private sector capital, but fundamentally, stuff runs downhill.

When there's profits, capital runs to where the profits are. When there aren't profits, it's trying to run things uphill and you can push a little water uphill, but it's really hard. The truth is that it's much more about the environment than it is about the programs directed at private sector capital mobilization, which doesn't mean you shouldn't try, but there's just a lot of slightly, to my mind, bizarre happy talk that surrounds a certain amount of this.

That said, I do think that all of us who are concerned about climate— I do not change my mind that often, for better or worse, but I have, importantly, changed my mind over the last decade on a lot about climate. Ten years ago, I would have said either the world will figure out how to really price carbon at a high level, and then we'll do okay with respect to climate, or we won't, and then we won't do okay.



The progress the world has made in bringing down the cost of renewable energy is quite an extraordinary thing, and the possible future progress is a quite extraordinary thing. I think that there is much less of a prospect that the people of the world will be willing to accept high-priced energy even if they should, but there is much more of a prospect that it will be possible to have low-priced energy and sustainability than I think most people would have thought likely a decade ago.

**Masood:** Great. That's an upbeat note on which to bring this panel to a conclusion. I want to thank all our panelists. Thank you all for joining in. Again, on behalf of ICRIER and CGD, thank you for attending this panel.