

Remarks by Lawrence Summers [at the Center for Global Development](#), Friday October 7, 2022

Outside of the security area, World Bank overhaul offers the Biden Administration its greatest opportunity for a major foreign policy achievement. The World Bank should, but current is not, be a major vehicle for crisis response, post conflict reconstruction and most importantly, support for the huge investments necessary for sustainable and healthy global development.

The remarkable feature of the World Bank's financial model is that even before necessary reform of the financial model, and even without considering its ability to catalyze private sector finance, each 1 dollar appropriated funds from the US catalyzes a permanent increase in lending of more than 15 dollars a year. (This is because other nations contribute too and paid in capital is leveraged many times over.)

Uniquely, the international financial institutions have the capacity to do very large things in the world at low budgetary cost. They are multilateral and most of the shareholders share our values. The World Bank is located in Washington and traditionally has American leadership.

[Charles Kenny and others at CGD](#) have pointed up that despite much rhetoric the world is falling way short in crisis response. Despite a polycrisis that has the world on fire with global recession impending, high rates and a strong dollar along with rising food and energy prices, still prevalent pandemic and climate change, Kenny shows that the Bank lending has not even kept up with growth since 2017, that it has declined in the last year and that the Fund has not done much better.

This should be unacceptable to the United States and other major shareholders. Given the magnitude of global challenges over the next decade we should be thinking for the Bank in the trillions not the billions. If war is too important to leave to generals, financing global survival is too important to leave to green eye shades and international bureaucrats.

Four steps are necessary and I think broadly consistent with Secretary Yellen's recent speech and the recent statement from a group of think tanks.

First, there needs to be a general acceptance that the mission of the World Bank must become more extensive to fully embrace sustainability and global public goods concerns, along with poverty reduction. At the same time, it needs to be recognized that the global situation demands major increases in the level of investment supported by the World Bank Group to perhaps 2 trillion dollars over the next decade.

Second, there needs to be a comprehensive overhaul of the current financial model to include more extensive leveraging of the Bank's capital; reconsideration of its lending instruments including their horizon, and degree of conditionality; combination of the Bank's co-financing, IFC and MiGA efforts to maximally catalyze private sector

investment. Consideration should be given to ideas [put forth by Mark Plant](#) and others to use SDRs as capital for development. (So far reallocations of SDRs, as best I can tell, despite all the ballyhoo have had no development impact.)

Third, there is a pressing need for the reform of the Bank's culture and procedures to emphasize speed of execution. The time will come when the reconstruction of Ukraine will be a key priority. I hope but do not expect that without reform funds committed will be rapidly transferred on promised schedules unlike in so many other post-conflict situations. Most I hope also that the Bank can move away from what I once called it's convoy approach: all sectors in all countries towards emphasis on what is most important. And recognition that provision of large amount of funding in crisis moments of maximum need can be of vital value to client countries.

Fourth, these three steps should be brought together in a major green capital increase to be agreed within a year. The increase should, given how dire the world's needs are, should be two or three times as large as the previous 13 billion dollar increase in 2018. I'd estimate that a 30billion dollar increase in paid in capital which would cost the United States about 5 billion over 8 years could support nearly an extra 100 billion in lending annually heavily directed towards energy transition.

This is more the beginnings of a vision than a detailed program but I hope I have conveyed a sense of the urgency and scale the moment demands. No doubt being long out of a public position, I have lost sight of all kinds of constraints. But perhaps those consumed by questions of practicality this week should ponder that many more people will perish because of the polycrisis than will perish on Ukrainian soil, and ponder that if the planet is to be saved it capital investment in new technologies in relatively poor countries will be most of the solution.

The time for action is now.