How to Strengthen Cooperation in a Fragmenting World

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GILLIAN TETT:
Good afternoon and welcome, everybody, to this discussion on how to strengthen cooperation in a fragmenting world. My name's Gillian Tett. I'm both a columnist at the Financial Times and I'm also Provost of Kings College in Cambridge. And I'm delighted to be joined with a truly wonderful cast or talent, as they say earlier, to discuss this. I think many of them are known to you all. On my far left, your right is Caroline Atkinson, who's former White House Deputy National Security Advisor in the Obama administration, and a very longtime veteran of the global geopolitical scene and efforts to try and create global cooperation. Next to her is Vera Songwe, who's both an advisor to the (UNKNOWN) and the CGD, who's also a veteran of efforts to build global cooperation and is speaking particularly, or particularly being involved in championing the voices of the non-Western world, one might say. Next to her is Zhu Xian, who is both president of the IFF and formerly of the World Bank.

Again, another senior luminary in the Bretton Woods institutions. And on my immediate left, your right is Dr Nancy Lee, who has very kindly stepped in for Masood Ahmed, who's unfortunately unable to join us today, and is extremely well placed to be contributing to this conversation, having just been part of a really interesting report that essentially grades the Bretton Woods institutions in terms of what they're doing, and more importantly, in terms of what they're not doing right now. And I say that the issue about how to strengthen cooperation and fragmenting world is very important right now because arguably, there has never been a time in recent decades when cooperation’s more badly needed given the scale of challenges dogging the world, be that climate change, be that the fact that some of you may have seen the World Bank report, the Great Reversal that came out this morning pointing out about the growing pain being felt in the poorest countries in the world, and the growing divergence.

The fact we have rising trade friction, rising geopolitical friction and tech, which is upending so many aspects of our economy. All of that's coming together to require more global cooperation. And yet we are also faced with a time of growing fragmentation and friction. And to my mind, it's worth thinking a bit about history in this respect because there's a lot of focus right now on the post-World War II era when the Bretton Woods institutions were created, where of course we're coming up to the 80th anniversary of that. And a lot of the discussion, which we'll be touching on about whether or not the Bretton Woods institutions are fit for purpose, whether they need a revamp, whether they need to be essentially changed completely or not. But the reality is that whatever you think of the Bretton Woods institutions, and we will be discussing that in a moment on the back of the very interesting Bretton Woods report. The reality is that the post-1945 period, in many ways is the encouraging story about global cooperation.

It was a time when Bretton Woods emerged. It was a time when you had growing global trade collaboration. And that, of course, unleashed remarkable growth, which we are all benefited from in recent decades. There's another point in history which is actually not discussed much, which is to my mind equally relevant, which is 1919. And that's a point I spent a lot of time myself thinking about because in my perch at Cambridge University as Provost of Kings, we have the archive from John Maynard Keynes. And I spent some time recently leafing through his letters which he wrote from Paris in 1919 after World War I, in a state of deep depression, driven by the fact that before World War I, there was a overwhelming belief amongst the global elite that free market capitalism and globalization were good and would only continue to spread. And that technological innovation would be good for everyone because it was good for the elite. Of course, tech innovation in those days was all about electricity and the telegraph.

And such with a level of complacency or arrogance that the global elite totally failed to see that these innovations were not benefiting many people and that there was rising social tension, rising anger, rising geopolitical conflict. And of course, the failure to see that is what led to World War I. And more importantly, the failure to correct course after World War I in 1919 led to a dreadful decade and disintegration not more collaboration. So, to my mind, the first question to ask right now before we go into the details of Bretton Woods is are we sitting in 1945 or 1919? Are we at a point in history where we're about to get more collaboration and rejuvenated institutions to drive that collaboration? Or are we about to see a decline into more protectionism, nationalism, fragmentation and all the dreadful implications that I'd had before? Lofty questions. I can start with you, Caroline, because you have spent time traveling the world with the Obama team trying to promote the vision of 1945.

Do you think we're at 1945 or 1919 right now?

CAROLINE ATKINSON:
I don't think we're at 1945. I think that the election, well, Brexit and then the election of Trump, and then the movements in other parts of the world against the elites, against globalization were really a showed a change in the underlying conditions. There is not a mood. I wish there were, but I don't think there is a mood for King freshly about or taking, using the political will towards cooperation. What the other thing which is a bit more

political perhaps than CGD often is, but the sort of cloud, I think hanging over a lot of the world really is what is going to happen in the US election in November. And that can make a big difference. I've heard it argued and I think there's something to say for the fact that the US is probably going to be fine either way, putting aside the threats of violence and so on. But for the rest of the world, it really matters which position the United States is taking. Is the United States closing in or opening up and trying to find cooperation? So, I don't quite think we're in 1919 because I think the elites are worried, but I don't think we have seen the political will and the pop, the leadership to promote a 1945, not yet.

GILLIAN TETT:
Right. Vera, what do you think? And before you answer, I realize I forgot to say a few housekeeping points, which are firstly, if you wish to live tweet, please do live tweet at #CGDtalks. Please mute your devices if you haven't done so already. And we do have a very big online audience, so greetings to all of you. If you want to ask questions, and we will create plenty of time for questions later on. You can ask questions if you're online via the YouTube chat, and I believe there will be a little thing up in a few moments showing the other ways you can ask questions. But anyway, that Vera, that's given you more time to think. (LAUGHTER)

VERA SONGWE:
Yes, indeed. First of all, thank you and always great to be at CGD. Like Caroline, I don't think that we are in 1945 but I don't think we're in 1919 either. And I'll tell you, and I I think yes, there is increasing nationalism and we see that. I think there is a complete breakdown in trust if ever there was. I think now there's more and more people asking, was there ever trust? And because we now all talk about, oh, there's a breakdown in trust, but maybe there never really was one. But I think that there's a few bright spots, and this is why I don't think we're necessarily in 1919. I think that there isn't a global sort of emerging societies that is actually coming together. And so, it's maybe not the leadership that we would have expected. And maybe that is part of the issue is that we always expect a sort of, you know, and this is the hegemony conversation. Neither 1919 or 1945 was about hegemony, right? It was just, you know, they were clear leaders and we followed. I think this is a much more complicated question and a much more complicated time that we are dealing with.

I think the good news is that, despite the turmoil, and some of it is good because we are asking the right questions, there is still an underlying, and that's why we're here, there's still an underlying conversation around the belief in multilateralism, the fact that we need, even when we have leaders that are going slightly in the other direction, they still seem to be struggling to build partnerships. So, in some sense there is, I think, the question then is, what kinds of partnerships we build. But my sense is that what we need to do is take the lessons, as you said, of what we didn't do between 1919 and 1945 and see if after this period of turmoil, we can actually get to a place that is much better.

GILLIAN TETT:
Absolutely. I mean, you make a very good point, which of course, the groups of countries, which you might call the Global South, but you hate that word. You're going to tell us why the moment were not present in either of those discussions in 1919 or 1945. And in many ways, the power balance and the balance of economic activity has changed dramatically in which is creating precisely some of the governance challenges we're dealing with today. We're going to come back to that in a moment, but I'd like to turn to Xian and ask you again, China was not part of the conversation in either of those moments in history. How do you assess the current mood? Do you think we're heading towards post-1919 fragmentation or post-1945 more collaboration?

ZHU XIAN:
The first, I mean, I appreciate this opportunity to be here. I think that regarding your questions, I agree with the two speakers. Certainly, we're not in 1945. At same time, I don't see that we're yet into the sort of 1919, but increasingly, if really we cannot really do something, and then probably the increasing risk, we probably will encounter more or less the same situation like 1919. I'm not representative of China, but certainly, I know a little bit more about China. I think that as Sarah said, the, whether you call it the Global South or you call it emerging society. I think that you can see over the past 20 years, the emerging market, and they're rising right of you like it or not. But easily so, whether you can find a way, emerging market can really work with advanced economies, at least with some sort of common ground, or you think like back to the Cold War, and you just want to do in parallels. I hope that probably is something we need to think seriously. In my mind, you still need to try to do things under the same global framework and following the same fundamental principles of a market economy, a rule of law, et cetera, et cetera.

And then you'll probably find the ground to compromise. And then eventually, we can all move forward together.

GILLIAN TETT:
Right. Dr Lee?

NANCY LEE:
I would say that I would not reject the whole sort of multilateralist approach as a general construct. And we're seeing sort of completely divergent trends in different spheres. If you look at NATO, you see an alliance which is gathering force and gathering members, getting stronger. On the other hand, you see a multilateral economic and financial system, which

has been shocked in multiple dimensions, just as the global economy has been shocked. And the strength of any sort of multilateral alliances to dependent in part on the nature of the threat that holds the participants together, but also whether the members of the alliance are satisfied with the burden sharing. So, the nature of the threat has changed dramatically never before. I think you can say in human history has the threat been global in nature. And I'm talking both about climate change and about pandemic disease. And we certainly see unhappiness on burden sharing. The major emitters can't agree on how the burden should be shared.

And certainly, those excluded from decision-making in emerging societies aren't happy with the role that they're playing in shaping the… And then we have gathering conflicts. We have a lot more conflict across the world. You know, Russia's invasion of Ukraine certainly, but proliferating civil wars. And let's face it, the multilateral system never really, the institutions never really collaborated with each other in the first place. So, it's not as if we sort of had a perfect system that was doing very well, and now we have to try to regain it. So, all of this means that we're talking about a major, that the system really has to transform itself, not just evolve. So, to me that's the core challenge, can it evolve to the needs of the 21st century or not? So, because whatever happens, it has to be a new kind of multilateralism.

GILLIAN TETT:
Right. Well, you have just authored a report looking at the multilateral development banks, the MDBs, and essentially trying to introduce some clarity as to whether they're living up to their missions or not. I've asked you earlier backstage, what kind of grade you'd give them if you were in class? And I said, optimistically, a B? And you said no, probably a C. (NANCY LEE LAUGHS) Do you want to explain why and what the kind of key elements of your report are in terms of what's going wrong?

NANCY LEE:
Yeah. Well, what we tried to do was take all of these agendas that have been proliferating over the last two years and all of the debates in the G7 and the G20 and various other four about what we need the multilateral development banks to do. We tried to break that conversation down into identifiable reform items. We identified 28. We chose those 28 because they could be sort of objectively assess. And we assessed them across seven institutions. And what we found was very uneven performance across the agenda and across institutions. So, which is, which is what is, makes it hard to grade it. But I would say the sort of bottom line I would take from that report is that if you look at those 28 items… For the majority of those items, most of the multilateral development banks have not actually started implementing reform. So we're still very much in the stage of talking about

reform for most of the reforms. So that's why I would not go as high as a B at this stage. Now, to be fair, the reform agenda has just kind of coalesced.

And so obviously it's going to take a while to reform. But what we really I think we need to start looking at these institutions in terms of what they're doing more than what they're saying.

GILLIAN TETT:
Well, the question then that that raises is who might actually drive reform or not? And, Caroline, I'd like to ask you, as someone who had the unenviable position of trying to sell the idea of multilateral reforms to the American voter in your previous job, do you think there's an appetite in America to try and drive forward this type of multilateral reform at the moment? I mean, when you look at the Bretton Woods institutions, which you're so familiar with, do you think it's possible to reform them?

CAROLINE ATIKINSON:
Well, I'll break down my answer a bit. First of all, the American people, like people everywhere really want to know, and they want their government and the institutions that they support to do things for them. And it takes explanation as to why global cooperation is in individual interests or is in the interests of the countries. I think that actually the managing director of the IMF sitting here last week, I guess, put it rather well in saying that globalization is good in the sense that it raises living standards. It helps people live a better life on average. But the real problem is that its benefits are not evenly distributed. And even more important than the benefits, I think the costs and the pain is unevenly distributed, and people actually mind more about pain than they like. And you know this as an anthropologist. So that was an issue that was ignored and ignored for obviously much too long. I think the way that it's being addressed now politically in the US is a bit wasteful.

You know, we'll give lots of money to Samsung to start a factory somewhere. You could probably make people's lives better in a more efficient way, both domestically and globally. So I don't… I think that selling the reform support to the American public is a little bit different from finding the leadership to sell it also to the rest of the world. And on that eye on reforming, I mean, I can remember 30 years ago or something being in the US Treasury, and there was a lot of talk about the international architecture until we all got sort of bored with that analogy of buildings and knocking things down and building things up and everything. And I think that there is a problem if the rearranging chairs on the Titanic, I'm not so attracted to the idea of making small changes in the institutions, as I am thinking about how to generate political will in emerging societies and in the major societies for amongst the leadership. As well as the people for Global Cooperation. And part of that is, as I think Nancy said, is what's the threat?

The threat is very real on climate, on conflict, and maybe on disease, although I think everybody wants to forget about that now. And on migration, which is another big looming question. So I think that the threats are there and connecting those threats with actions that governments can take and that governments can only take together because they are global threats, it's a huge challenge, but that's what leaders need to be trying to do.

GILLIAN TETT:
Right. I mean, Zhu Xian, I'd like to ask you, Caroline says we shouldn't be focusing on rearranging the chairs on the Titanic and worrying about the finer details of the Bretton Woods organizations in some ways, we've had this big report from the Bretton Woods Committee which says that we shouldn't be ripping apart the Bretton Woods organizations. We should be trying to make them more effective by looking at governance and implementation and accountability. Very thoughtful report, which I commend to everyone. But there is slightly a case of “turkeys don't vote for Christmas” and you're not going to get the Bretton Woods, you know, community saying, let's rip apart the Bretton Woods organizations. I'm curious, from your perspective, do you think we should keep the Bretton Woods institutions as they currently stand, or is it time to engage in significant reform of them or to look at things like shareholder weightings and things like that, and relative power?

ZHU XIAN:
Well, that's relevant but a difficult question to answer, I think that my own view is that probably over 80 years since the Bretton Woods institutions were established, the world probably proved to be better off if we think that without them at all. At the same time, as situation is evolving, serious reform, particularly in one of the institution like World Bank, which I worked for for a long time, you can see that a different round of attempts to reform it, but I wouldn't say fundamentally very successful, partly because of complexity, partly also because of vested interest from different stakeholders or even from the staff. So if you really want to shake the institution like a world Bank, you also need to think where will be the constraints rather than boldly say, OK, unless you change, you should not survive. Because I remember last year here, also on occasion of spring meetings when we heard the news and the world Bank will change leadership again and a lot of former bank staff and my colleagues told me that.

Why that each of the World Bank presidents want to launch a new round of restructuring? Meanwhile, across the street in the fund, basically, they stay relatively stable. So I think that if we really want to shake an institution like World Bank, also, you need a lot of support from insiders, not necessarily only the stakeholders, the shareholders. The other thing I must say, and even when I was in the World Bank, we talk a lot about that, how we work together with the private sector, but mostly ended up as a lip service. We haven't found really a way approach or the products with which really private sector will be interested in working with us, and then both sides can claim your leverage with each other. Otherwise, I think it's just a game. I think hopefully this time with the climate change and other things, the World Bank under the new leadership can do better. But mostly, I suspect, in margin rather than substantively.

GILLIAN TETT:
Right. Well, the Bretton Woods report, you know, does point out that the same issues around governance, implementation and accountability apply to the private sector as well as the public sector. And that's certainly true, particularly when it comes to issues like debt relief and questions like that. But Vera, I'd like to bring you in and ask you, first of all, can you tell us why you hate the word Global South, which journalists like myself tend to toss around a lot? I'd say the one thing that unites everybody in this fractious, divided world right now is a disdain for the media. So you can all agree that it's all the media's fault for using the wrong terms. But why do you think language matters right now, and how do you think that plays into the underlying problem around the Bretton Woods organizations?

VERA SONGWE:
We like the FT. But I think two things, because language is part of identity. Language is essentially and fundamentally your understanding of the perception that the other has of you. And that is actually the first entry of any kind of interaction or engagement. And I'm very happy because in the blue room—no.

GILLIAN TETT:
Green room.

VERA SONGWE:
Green room. In the green…

GILLIAN TETT:
Green room that was actually blue.

VERA SONGWE:
In the green room that was actually blue. Maybe Gillian said, you know, Global South. And I sort of froze up. And then she said, does anybody have any questions? And I said, you know, now that you gave me the opportunity, I'll tell you, I hate the word global South, and I prefer to use emerging societies. And they've all used emerging societies. And I think that's the whole point, right, is that the rest of the world has these aspirations. Our institutions tell us every day we should have these aspirations of prosperity. And then we have a sort of connotation of ourselves that kind of, you know, sticks us. I'm now writing a report on some

regulation that uses geography as part of the reason for ratings. And that essentially is counterintuitive to what we're trying to do. And so, so I think that's that's... I think the, the idea of, of emerging is what we want. I think the tension to your first question is maybe we can emerge, but maybe not too much, because then maybe there will be some tensions.

But that's I think the important thing I think and I really believe that once you start using words like emerging societies, it gives even I think the rest of the world a sense that we are all in that fight together. It's a more collaborative terminology as opposed to sort of, OK, your geography has destined you. Then there's a book about it versus sort of the idea that you can come out of your use your initial endowment to change your sort. And finally, I think maybe just to pick up a little bit on what Zhu Xian said, I was playing with the idea the other day that maybe rather than just have the IMF, World Bank meetings, we should have the IAF, IMF World Bank meeting. So we actually bring the private sector into the room, because one of the things that we're clearly seeing is that today, a lot of the discussions we're having about development are about how we get private sector resources.

GILLIAN TETT:
Exactly.

VERA SONGWE:
But we don't have the private sector in the room.

GILLIAN TETT:
Yes.

VERA SONGWE:
And even when we are trying to do a debt restructurings, we can. And that's why the debt restructurings are taking so long. We don't bring them in the room early enough. And so what we have seen is that the markets have opened and the markets have retaken countries that the BWC institutions are not talking to yet. And then when the markets open to them, then we go. So there is, I think, an asymmetry there where if we had the private sector in the room, not as an afterthought, not as a, well, let's write a nice report and then we'll leverage you guys and you can come in later, but bring them in the room at the beginning. And maybe that is the new world. The new world is, I think, a three-legged world. In every report we write, we talk about this private sector actually bringing in more than the MDBs. And so I think the idea of not having them almost officially at the table is probably holding us back more than it is taking us forward.

GILLIAN TETT:
Right. I mean, in terms... I do find the language question fascinating, you know, partly because I did train as a cultural anthropologist, and I strongly agree with you that the words

we use frame the way that we think. And the fact we've gone from, you know, third world countries to developing world countries to emerging markets to now you're saying emerging societies, which is less focus just on finance, I think is fascinating. But I'm curious, what does that mean in terms of governance of the Bretton Woods institutions, do you think there needs to be a much wider, more powerful voice on behalf of the emerging societies to make them more effective? You know, because you indicated earlier that may be part of the problem as to why collaboration is, if not breaking down, then different from the past, because it's no longer just a game run by the G7.

VERA SONGWE:
And you know, the reporter, the Bretton Woods commit to a report which Siddhartha wrote, you know, talks exactly as you said, about accountability, governance, and implementation. And, and one of the issues that they identify in the report is kind of this consensus decision making. And so in the end, we don't measure things and nobody's accountable because we're not really measuring what needs to be measured. And the accountability structures are not as clear as one would want to have them. And so there are ideas, for example, about, which are already in the articles of agreement of the IMF having maybe a council of ministers that will be more... having sort of a little bit more say in the conversations. But I think even that Council of Ministers needs to be broadened to a much wider set of ministers, if that's how we were to end up. I think the more important thing is to be able to have in the room enough inclusion that when you're writing the policy, the person whose foot is pinching or who's pinching is immediately there to say, oh no, because what we are seeing today is, oh, but it's already in the articles of agreement since 1945.

We can't change it. So we are stuck with articles of agreement, for which we were never around the table to write. And I think that this is the fundamental problem. And so you can only you know, yes, you can walk and yes, you can eat, but only within this line that I drew when you were not born. And I think that that is the tension that we are facing today. And unfortunately, there is more things that are outside that line than they are inside.

GILLIAN TETT:
Yeah. And that's one of the areas where I do think the 1919 letters from Keynes are relevant, because he was decrying the fact that essentially the victors of World War One were drawing up all these rules and essentially very punitive systems for people who did not have a seat at the table, who were going to have to live with the consequences of this. And the parallel obviously is very different. But the point about not having a seat at the table and having to live by the rules that's been set by somebody else almost always stores up

trouble for the future, particularly when those rules are punitive in many ways. But Caroline, I could see you were keen to get in, and I'm going to turn to Nancy.

CAROLINE ATIKINSON:
Yeah, I want to push back a bit on two issues, really. One is, are the rules punitive or for whom are they punitive or when and why? Because the point of the rules. And I think they're, you know, not bad at all, was that cooperation would support everybody supporting everybody else and would give financing to countries that got into trouble, would try to bridge their finances until they could get more money elsewhere and would also sort of outlaw or push against so-called beggar thy neighbor policies. So they were against countries trying to steal market share from one another through lower exchange rates or through trade restrictions. And I think those values are still fine. The IMF and World Bank. Part of the problem is that unlike some of the UN institutions, they're global. They're voting shares are by country weight.

And then there is a particular problem which you referred to, which is that those voting shares do not represent the way the world is now. If they adjusted, it wouldn't actually help the voice of Africa very much. It would diminish the voice of Europe. The voice of the US would not change very much. And there are a few emerging Asia. China would change. So I don't know that it would satisfy the demands of many of the emerging societies, but it would certainly be a big step forward. And that has proved to be politically very, very hard. That's partly why. And we haven't talked about the proliferation of less formal and you could say maybe less well governed, but they fill the need, the JIS. And obviously, we know about the G7. It started off as a G5 or whatever. And then was the G7. It was for a while the G8 before Russia first was an aggressor against Ukraine. And then they were sort of pushed out. But the G20 was an attempt that was actually led by the US. That was an attempt to bring in countries that had not… that were in trouble and were needing a lot of support from the IMF and the World Bank, but felt that they really weren't getting their voices heard. And so for the first time, you had the leaders of and first of all, the finance ministers of India, Brazil, South Africa, other countries that… and I think that was very important for those countries.

But of course. It's 20 countries, actually more than 20. But it's not all of the countries. So you're always going to have that pressure I think.

VERA SONGWE:
And I just want to respond to Caroline a little bit, because when you're Treasury and I sympathize, we spend a lot of our time from the development side coming to you guys, and we both agree at the end of almost every conversation. And then we say, but we can't change Congress, or good luck with Congress. And that's what I'm referring to is, so

essentially the whole development system, at some point it gets stuck. Right? Because the rule at some point gets to a point where it is something external to what we are all agreeing to do. And so some days my, you know, the colleagues at Treasury, you feel sorry for them. You don't want to pick up your phone because you know they agree with you, but you can't actually move the dial. And I think that is that is what I'm talking about. It's not so much, yes, there's the issue of the 1945, but it's even today on things we agree on. We can't get movement.

CAROLINE ATIKINSON:
You mean. For financing for example?

VERA SONGWE:
For financing, for example. And I think that is the issue is how do we change that, that problem?

GILLIAN TETT:
Well, that reflects a mood of growing protectionism and essentially, you know, populism and inward-looking politics. And I'm curious, Zhu Xian, do you see anything that is going to stop the drift towards growing geopolitical fragmentation and rivalries and tensions right now?

ZHU XIAN:
Well, I think that given that there's tensions, the geopolitical tensions as such, it's hard to turn around, but I still see the hope, if really, that the major players can have some sort of open dialogues and also put things on the table, agree or disagree, for example, like industrial policy. I remember 30 years ago when I was in the World Bank, the mainstream economists all said this is a trash. You know, industrial policy is not something you should move forward. But now, these days, you can look at even industrial advanced economies, one of the other, they try to do more state interventions. So my own view is the industrial policy is not magic. But at the same time, you need to really have a definition, not really. You endlessly and put the public resources or taxpayers' money into something. Eventually, you never know that can be successful. So I think that the Bretton Woods institutions even think tank others need also help putting a good quality analysis on these issues so the major players can find a way, rather than blame each other, to find a way that eventually they can have a constructive dialogue rather than just let the tension emotionally and overwhelm them.

GILLIAN TETT:
Yes. I mean, there was a very powerful speech from the managing director of the IMF just on Thursday, which came out with some astonishing figures. Apparently, the new analysis

from the IMF shows that more than 2,500 policy interventions took place last year to support industrial policies inside national countries. 2500 China, the EU, and the US accounted for almost half of the total, which is very striking. The other figure that's really astonishing is that, as some of you may have seen, that the last IMF world economic outlook in Marrakesh modeled what would happen if you had a new Cold War based around the voting blocs in the United Nations following Russia's invasion of Ukraine, and concluded that if the world split into two different distinct blocs, trading blocs, and stopped trading with each other, you could have a decline in global GDP growth of around seven percentage points. Very significant. New research by the IMF shows that I'm quoting trade growth between economies and politically decent blocs has slowed by 2.4 percentage points more than trade among those that are more closely aligned.

So even before you start modeling a scenario which used to be absolutely unimaginable, I mean, I can't imagine the IMF daring to model that type of outlook even just five years ago, because we are going back to 1919 with that kind of outlook. Even before we even get into that situation, we're already seeing signs of this growing fragmentation and drift. Nancy, I'm curious, I'd like to ask you in your scorecard for looking at the Bretton Woods institutions, do you see any sign that they are speaking up effectively, or counteracting this drive towards more protectionism and nationalism and industrial policy and things? Do you have an Anti-protectionist score in your measures? I don't think you do. Really? Do you?

NANCY LEE:
Well, I would back up a second, and sort of address the question of why do MDBs behave the way they do? Which I think we'll get to your question. They are not judged by outcomes, by the outcomes that they support through their activities. I would suspect that most of the people in this audience have no idea what is in the corporate scorecards of the various multilateral development banks I happen to, because we...

GILLIAN TETT:
Tell us.

NANCY LEE:
They are judged by the volume of their own finance. So they don't have much of an incentive to collaborate. Their shareholders, particularly their large shareholders, want rock solid triple A-rated institutions. And their shareholders also aren't keen to come forward regularly with new capital, so it's not really a surprise that the way these institutions function is to try to maximize the volume of their own finance within their capital constraints and not take a whole lot of risks, particularly with the private sector. Now, in answer to your question, what you would want is to take the unique tools that these institutions have and have them combine them in a way that allows them to reduce risk at

the same time that they share risk. So they have tools, they have policy and institutional reform tools. They have a lot of analysis which really addresses the question of how to use industrial policy. Because essentially, as you say, every country uses an industrial policy. They have a lot of information which they could use to help the private sector correct its risk perceptions.

They have a lot of institution-building tools and they have a lot of ways to bring, they should be able to convene the public and private sector together. After all, they're there on the ground in every country and they have relationships with both the public and private sectors, but that's not what they do. They don't do it internally, but they also don't do it across institutions. So if they were able to bring those tools together, share risk, improve information flows, share knowledge about what works in terms of policy and institutional development. They have a unique capability to actually mobilise more private finance. They also have to though manage increased risk and I think that's one of the things that is most evident when you look at the performance of the institutions. They really are trying to take the same risk, launches and space as the private sector. So that's why you often hear the private sector say that they're being crowded out with these institutions doing as opposed to being crowded in.

SPEAKER:
So instead of having collaboration there's competition.

NANCY LEE:
Yes.

SPEAKER:
So basically essentially it underscores various points about, you know, why don't we have the IIF at the table, at these world Bank meetings or these IMF World Bank meetings and make it sort of a more, you know, joint conversation?

NANCY LEE:
Yes, and I think that the heads of the MDBs get that point at this stage and are publicly committed to collaboration but I think it's going to be really hard for them to execute. And that's why it's really important to keep monitoring these changes and it's also important for shareholders to be much clearer about how they want these institutions to take on and manage increased risk.

SPEAKER:
Right, right. Well having that…

NANCY LEE:
And then one more thing, the institutions are just too small. They need more capital. And so

I think that has to somehow seep into the political understanding. There's no better place to put capital than in these institutions. If you want your capital to be multiplied by the shareholders, and you want it to be leveraged in lending capital.

SPEAKER:
And in practical terms, both Caroline and Zhu Xian, do you think that the US and China is willing to put more capital in these institutions? I mean, the US is facing a populist backlash and China, quite reasonably would say, well why would we put more capital in unless we get a higher shareholder power?

ZHU XIAN:
I think that major shareholders need to think out of the boxes. If they are more strategically thinking of development, putting capital for that purposes rather than to think what I can gain from the capital increase, that probably will be better. But I'm not so sure that would happen because for China, 20 years ago I was representative of China in the world Bank. I was one of the EDs. I think that at that time, China never dreamed one day that they will be the sort of a second or third largest shareholder but now if you say, OK, you can put more capital but your status in the world Bank or in the Bretton Woods institutions still remain the same. They say, we're not stupid. Why would we do that? How can we really convince our population to support that? I think similarly, in the (INAUDIBLE) round of capital increase, US is a major shareholder. They're also Treasury particularly, they're facing domestic agenda. They're saying if we put more money, what will be the visible benefits we can show to our voters, to our taxpayers?

So there's a lot of constraint on the domestic politics rather than that globally. You think that these intuitions should move ahead with more capital. The other thing, as you just said, I think the last year when this evolution report from World Bank came up, I was asked to review it. You can see that on the one hand, you say you need to stretch your balance sheet so you can really release more resources for development. On the other hand, say we want to remain triple A. I think that it's hard to do things like that because these days, even in the blue chip companies, communities, people no longer talk, that they must have a triple A, but in the multiple multilateral institutions, everyone say that we want to triple A. That means you need a lot of cash on your balance sheet. You cannot use that for development purposes. I mean, Caroline, do you see any scenario where the Treasury would agree to either let China to expand its footprint in the world Bank or IMF or basically, you know, step up to the plate itself and put more money into either institution?

CAROLINE ATKINSON:
Well, of course, it's not the Treasury, as Vera pointed out, it's Congress.

SPEAKER:
It's Congress.

CAROLINE ATKINSON:
And I know that and it's a painful thing to say. But I remember with the previous IMF quota review that I in the white House, that was something I cared about along with, a lot of people did and we kept trying to persuade Christine Lagarde that, you know, we were on it. We were really trying and she was brought in to have lunch and all sorts of things to explain that the president was really behind this and the president really was behind this but then there was a twist about I remember just one time when there was funding for Ukraine that was must pass and the IMF thing was going to get attached to it, and then suddenly within half an hour, it wasn't attached to it anymore. So it's very hard to manage that kind of politics. As far as China having a bigger role, the US position has been in support of as far as I'm aware. I mean, it has been in support of more quota share or capital share for emerging markets to represent their larger economies. And as I said, the problem is more in Europe and Europe's representation.

But I want to put forward a sort of slightly different angle, which is what we really need for global cooperation is to think how countries and countries' leadership can cooperate on the big global problems and I think that's very hard. You know, whether it's climate change, we mentioned pandemics, it's very hard for the institutions that deal with country by country to do anything. It's hard for the World Bank to do things on a regional basis. It's also hard for the IMF and you do need to have the countries themselves and the country's political leadership wanting to come together. And then with that facilitated probably by the institutions but it's a difficult conundrum. It's a little bit like regulating banks. Central banks want systemic stability, but then it's every individual bank needs to be regulated in a different way. We somehow got to think about how India and Brazil and South Africa and poorer countries and Laos, which I've just visited, and China and all of the countries can move together or be convinced that it's in their national interest because at bottom, that's what.

SPEAKER:
Climate change, I think, illustrates that tension particularly clearly about whether it's top-down or bottom-up in terms of the collaboration push. Climate change was a topic that people like myself in the great sort of media essay, you can all agree to go across with but climate change was always presumed to be a natural area for global collaboration. In fact, it has turned into an area of often geopolitical strategic competition, not collaboration. If you look at, say, the supply chains around tech and things like that. And there's actually I'd say as much competition now as actual collaboration, as much finger-pointing as any

attempt to actually create cooperative solutions. So Vera, what do you make about this at the moment? Do you see this as a sort of topic that's going to energize or re-energize the cooperation, dreams and goals or actually expose the challenges of actually getting that in place?

VERA SONGWE:
I think a little bit of both. When you work in kind of development systems, and I used to be director for the IFC and to this day, we still rave about the fact that solar panel prices have crashed and so everybody can afford a good solar panel at home. And that's a little bit because ten, 15, 20 years ago China was still an either country and the president of the bank at the time had a strange idea because China was really trying to go clean because the Olympics were coming up and so we put a lot of IDA money into sort of the climate space in China, actually with the belief that it wasn't the productive investment. It was just sort of a global common good that one could sort of get. And lo and behold, on top of that and we went around the world arguing that China should still have IDA for that as we did later for India. But I think I fast forward a few years later and working on the climate agenda, and I see Secretary Kerry dashing to China to go get, you know, agreements and things and because he understands that there is, I think it is essential that we have the United States and China on the table.

And this for me are those sort of rays of hope in the global space that I think that those areas still around the world, and this is one of the most important where I think we are still getting some collaboration and there is room to go forward. So I am optimistic a little bit but then, we have the common border adjustment mechanisms, CBAMs as they are now known begun in Europe. And I think a little bit off of a slightly useful idea which was to say we're going to raise resources to sort of do the green transition. And so we're going to tax the polluters and so we will, and so Europe is the first sort of continent or subregion that put in place compliance mechanisms and trading systems that can actually price carbon. So that was great. And then they decided, well, we want to do this cross border and so we're going to do it cross border out of Europe. And they began to sort of fray a little bit into noncompetitive practices and the United States now is about to pass its own CBAM. And the interesting thing that is happening, because it's going to be a congressional agreement across the aisle and almost nowhere in the document does it say this is going to be good for the climate.

It says it's going to make the United States more competitive, and it's going to get our industries $120 billion more. So in some sense you would think, Oh, so that again is industrial policy, not climate. So I think if we were able to square the industrial policy part and the climate part and bring, I think, more people together, there will be a little bit more conversation on climate which will be positive, which will be and building on, I think, this collaboration between China and the United States and on the climate space is one that I think tells us that we're not in 1919 yet.

SPEAKER:
Except that I mean, again, I agree with you. I hope you're right, except that if you look at solar panels which to my mind are one of the most potent examples of how the world is changing, not least because we recently put solar panels on the chapel, the 18th-century chapel at King's College in Cambridge, which made the right-wing press in the UK furious. But if you look at solar panels, as you said, you started off providing IDA support for the development of a then nascent solar panel industry in China which everyone thought was good, the industry then exploded. Now you have alleged dumping of solar panels in Europe. You have the Financial Times running pieces about how there are now so many solar panels and so cheap that Germans apparently are using solar panels as fencing because there are so many solar panels floating around. You have furious German manufacturing companies saying they can't compete. You have Brussels saying we might keep out solar panels from China. You have America, which in many ways has already kept out solar panels from China and is trying to build its own solar panel industry and is faced with the very nasty choice in that America can either go green quickly or it can cut its dependence on the Chinese supply chain, it can't do both.

That is not collaboration in any way whatsoever. Zhu Xian, what do you make of that?

ZHU XIAN:
Well, I think that's probably I will refer to the recent visit by the Treasury Secretary Hellen. I think one of her main concerns in his meetings with the Chinese counterparts is over capacity. The panels and the wind power and now I think that electric vehicles, they probably we need someone third party maybe academic people to do a really a good study of that recent happening. Like new products emerging and what would be legitimate state support, what is probably going beyond that rather than to blame each other to say, hey, because of the heavy subsidies and you put and then your panels, your wind power, your EVs have been so cheap, right? Because, you know, back in China you can see when this industry even domestically and they're so competitive and the lower prices to survive. Recently, I was surprised even that some phone makers like Xiaomi and Huawei, they make cars and also interestingly, their cars are probably priced as low as like say $20,000 and the domestically not say international.

So if these cars will be imported or because they want to survive themselves, they export, they try to export these things, that will be a big change in the car market globally. But on the other hand, you know, these days China's position probably would be that if you talk to unfair competition based on the industrial policy, hey, you guys are doing industrial policies too, right? So I think that you really need some objective and rational analysis to say, OK, where would be the bottom line of the state interventions or industrial policies? Otherwise, I don't think that it will be very useful or constructive to just blame each other. So that's what I think these days. We need some sort of independent forces and doing things for at least the countries like Europe, China and the US.

SPEAKER:
Right, we're going to turn to the audience for questions in just a moment. Before I do though, of course, the body that was supposed to be driving forward that kind of neutral perspective was the World Trade Organization. Would any of you care to comment on whether you think the WTO is dead?

VERA SONGWE:
No, I don't think it is.

NANCY LEE:
Can I just say that the traditional trade policy approach to subsidies was that it created external harm and no benefit. But as we just heard, we have domestic subsidies that create external positive benefits first in terms of simply reducing emissions by major emitters, and second, in terms of reducing the cost of the carbon transition for other countries and I think you're right, to bring up the WTO. So what this means to me is that our the whole set of subsidy rules really needs to be changed to incorporate those positive externalities. They can't be ignored and we can't deploy the same kinds of subsidy regimes as we did in the past.

SPEAKER:
So you're saying. The WTO is not dead, but it needs major surgery, reconstructive surgery. Vera, you shook your head at the idea of the WTO being dead.

VERA SONGWE:
No, I don't think it's dead. So we all know that some of the major powers have not appointed the judges that need to sort of adjudicate the big cases that are the WTO. And hence, you know, a little bit of the conversation around is the WTO dead? But I think if you look at the last meetings of the WTO, where they had agreements around fisheries, 23 at least African countries, 60% of the women on the coastal areas make their living off of fisheries and we have sort of. On fair competition with these large boats that are sort of totally destroying ecosystems across the world. And the fact that the WTO could come up with an agreement where all these countrieswere able to come together and say, yes, we agree on this. I think it's a sort of powerful shining the light on sort of an industry that I think

we haven't looked at for a very long time. For which a lot of people make their livelihoods, which our ecosystem depends on fundamentally. And so my sense again with many of these consensus institutions, is there's some of the big things that need reworking but the sort of daily moving on is happening and I think the agenda is moving now.

They are on the sort of digital agenda and being able to democratize that conversation. So I wouldn't say it's dead. I think it needs, of course, shareholder, again, like all these institutions, our shareholders create them and then don't give them the capital increase for the multilateral system or don't put the judges in the WTO. That's where we begin to find the weaknesses.

CAROLINE ATKINSON:
Well, maybe. You need to allow plurilateral agreements or maybe get unfortunate resonance but the phrase the coalition of the willing, you need to create space for countries to agree on some things, even if not everybody is agreeing on them. And I very much like Nancy's point about, I think, overcapacity. Clean energy is very different from overcapacity in some of the other traditional things, steel or shipbuilding or something and there should be a recognition somehow of that benefit. But I think that goes to how difficult it is for everybody to think about externalities.

SPEAKER:
Yes. No, I agree. Well, someone has had to put solar panels on the roof of a chapel. I'm very grateful that the price has fallen and even more grateful that the actual power of the solar panels, the efficiency of the solar panels has risen so dramatically, and we expect it to keep rising that we've actually created sort of a system on the chapel roof where you can slot in and out new panels as they get cheaper and more effective. It's a bit like upgrading your iPhone, you know. So you can now upgrade your solar panels in a way that's very beneficial but again, it's very hard to find solar panels that do not come from China right now which is both good and bad. But anyway, on that rather low-brow point, let's see if we've got any questions. I have questions already. Question over there and then over there. And it'll be courteous but not compulsory to identify yourself and please keep your question or comment short. And if you wish to address it to one person in particular, please indicate that.

And also anyone watching online, please do send questions. Do we have some questions online? OK, great. (INAUDIBLE) credit international, private sector New York. My question goes to the point that Nancy made and Vera made. The issue of bringing in the private sector and actually parenthetically using the capacity of the development banks to make two plus two equals five. As you may know, there is the Cop 28 Task Force on Credit Enhancement, which is geared at trying to bring together the multilateral development banks and DFIs to work together to leverage up the guarantees. I'd like to know what you can do or what should be done to make that more effective because having 50 different guarantees from as many institutions or 30 institutions, the world Bank itself has 20. Let's simplify. Let's provide guarantees to the private sector that can actually leverage up financing. And I have a proposal to set up a company to do about $50 billion in financing if that's done. Vera, do you want to take that one or does anyone else want to jump in on that?

VERA SONGWE:
I think that one is simple. I think the world Bank at least has put together, this is one of the reforms from the report that has been done. And it was for transparency, one of the reviewers of the new guarantees for Bank but I think what they've done is they've put together the 20 different guarantees that they had in different parts of the institution are now under one umbrella. I think the next step that we would like to see and a little bit what Nancy was saying is that we would like then for maybe a sharing of the guarantee offering across MDBs so that, you know, what normally happens is towards the end of the year, as you know very well. Fiscal years, some MDBs have run out of guarantees and some still have them and the project has to wait for the next cycle whereas if we had one global platform of guarantees for all the MDBs then you wouldn't need that sort of gap time. So the first part is done and great job from the World Bank.

SPEAKER:
It's not quite done. I know them, I've talked to them. It ain't done. It's talked about done, but it's not done yet. I can tell.

VERA SONGWE:
That part I…

SPEAKER:
It's probably being done. Wonderful English language which can mask a thousand sins. Yes. We have a question next to there, and then we'll take a question there, and then we'll go online. Yes. Hello, I'm Lyric Hughes Hale with Econ View in Chicago. I have a comment and a question on my way here I was late because all the roads to O'Hare airport were blocked. And when you get to the airport, there are migrants sleeping there. This morning, Tesla laid off 10% of its workforce so I think globalization in the Middle West in particular is a very hard sell. And I think what we're in the process of what we're seeing is turning inwards, not only in the US but also in China as well. So how can you have multilateral institutions when we haven't gotten our own houses in order? So I think it's 1966, and maybe that's because I live a few blocks from where the convention center is in Chicago this July but I do think it's quite difficult. But I have a very specific question, which is I was

fascinated that President Biden went to the G7 to get a statement about what went on in Israel this week, last weekend.

I think of the G7 as an economic institution, not a security institution. Is everything shifting in terms of responsibility? Did any anybody else find that curious? Thank you. I think that's probably best for Caroline.

CAROLINE ATKINSON:
It's been for quite a while the case that as leaders meet, they talk about what's on their minds. And when the G7 started, what was on their minds was problems with exchange rates and so on. But it's quite, for example, after Russia, the little green man went into Ukraine in 2014. There was, and after the airplane was shot down over Ukraine, there were statements, there was sanctions and there were G7 statements negotiated to show, to demonstrate that all of those countries agreed with that political position. And this is quite in keeping with that tradition.

GILLIAN TETT:
I think it's worth noting that the World Bank's own list of geopolitical risks they're grappling with used to be primarily financial and economic, and now it's geopolitical, geopolitics at the top of the list. Same thing is true of the World Economic Forum. So, yeah. So we have a question there, and I know you've got the microphone. So why don't, while we're getting the microphone over there, why don't we have your question and then we'll take your question over there. And then we will go online. And then now I know there's more of you in the room who'd like to ask questions.

PETER MCPHERSON:
Peter McPherson. I was administrative AID and the deputy secretary during the Reagan years, long time ago now. A couple of things. One, as attractive as the share redistribution concepts are, I think we should not wait for that to happen to work on the many other things we're talking about. I'm very, I think it's very appealing this idea of how you could have some agreements about industrial policy, perhaps a pipe dream, but interesting. I think of the mixed credit agreement way back in the 80s when we did that with foreign aid.

GILLIAN TETT:
Right.

PETER MCPHERSON:
My particular question is, and I'm not familiar with all the details of what's worked so maybe this is addressed, but the doing business index at the bank was very helpful. Is that gone forever or what's happening to this?

GILLIAN TETT:
Did you write that, Nancy? The doing business index? It's obviously mired in some controversy or political controversy.

NANCY LEE:
Yeah, I was...

GILLIAN TETT:
I could, I also ask Zhu Xian about that, but. (LAUGHS)

NANCY LEE:
It was very much controversial. It has re-emerged with another name. I can't exactly remember what the name is. The categories are, for the most part, very similar. So it, once again, is an assessment of various aspects of doing business, regulatory aspects, tax aspects, sort of contract enforcement aspects. And I agree with you. I always found it was very useful. And when I was at the Millennium Challenge Corporation, which of course uses that kind of data to assess the business environment. We found it very useful to figure out which countries were helping themselves by creating a receptive business climate.

GILLIAN TETT:
Would you like to comment, Zhu Xian?

ZHU XIAN:
Let me share, interestingly, an anecdote on the business indicators. I think that when I was in World Bank and not, I mean, I represent China much later. When each year when the indicators were announced, emerging market countries, the major ones, not only China, even India and others are quite nervous because if that really that they are rated and more negatively than last year and that they have to explain to the public what happens. Right? So the sort of very intensive dialogue or interactions between the management of the bank and the government, national government like China. So why that you rated us like this or we deserve much better one whatsoever? But interestingly, more recently, the government of China, probably other emerging market countries use basic indicator to push for enabling environment. Even at a local level in China, every government, I was surprised when I visited back China. Each of the provincial government say, oh, you know that, you know you're from world Bank.

How about indicator where we can improve so next year, like competition, we can do better than our neighboring provinces? So it's very interesting. So you can see both positively and the indicators can really push for better environment, business environment. And also you can see some from national interest that they do not want to explain to the public why they are rated poorly.

GILLIAN TETT:
That's good. That show the magical power of incentives and competition, doesn't it? It works at primary schools and works amongst geopolitics. Question there and then we'll turn to the online questions.

TAA WONGBE:
Thank you. My name is Taa Wongbe. I'm a representative from Liberia in parliament. So don't hold me in contempt all the things that Congress can do. I feel like everywhere you go, Congress has some, parliament has some sort of bad reputation, if you will, for some reason. I was listening to you in terms of the fragmentation, and I can't help but wonder if we need a new framework that would enhance global cooperation, or do we strengthen the existing ones that we do have? What we are seeing is more regional frameworks that are being used to strengthen, you know, regional cooperation. For example, I'm from Liberia so have ECOWAS and then you have also Mano River Union, and then you have, you know, East Africa and others. So do you think we are going more towards those types of frameworks or will national competition, nationalistic competition take over so that we are not really collaborating, we're always competing and we're always bumping heads? So I just want to know what we, where are we heading to from your perspective?

Thank you.

GILLIAN TETT:
Who would like to take up the issue of whether we need regional groupings rather than the Bretton Woods groupings?

CAROLINE ATKINSON:
I would just say we have some global problems so we need multilateral and global institutions. But on the way to reaching global solutions, it can be useful to have regional collaboration. I think then the question is, is the regional collaboration sort of of a prosperity generating kind? Is it integration and a good competition or is it more building a wall against the rest of the world? And that's a big question.

NANCY LEE:
Could I just add? I would also add, and this is consistent with what Caroline just said, there are certain fora where there's just no substitute for strengthening the voice of emerging societies. The, you know, one set of proposals in terms of creating this governance that's fit for purpose for global challenges is in the new Bretton Woods Committee report. But in my mind, this is really the time to expand the G20 to include representation from the poorest countries and the most vulnerable countries. I think that's doable. I think they have to have a seat at the table when the G20 deliberates on this. And it seems to me there should be

some sort of standing body in the G20 with representation from these countries that monitors progress in the MDB contributions to solving these global challenges. They set up the Financial Stability Board when it was clear that you needed to collaborate it across regulatory authorities for financial stability issues. It seems to me that the same thing could be done.

You still maintain your individual boards at the multilateral development banks, but you just have to have some kind of entity that is looking at progress on these global issues.

GILLIAN TETT:
Right. There, and then we're going to go to online questions.

VERA SONGWE:
To, to, to, to your question, and do we need new institutions? I think in some areas we do. And, and, and Nancy has just mentioned the Financial Stability Board. So I'm in Basel. And one of the things that came out of the 2008 crisis was the whole sort of banking Committee on Banking Supervision. It was a whole new institution that was created, even the Financial Stability Board. And so I think that sometimes when we sit in Washington and we're so used to the world Bank and the IMF, we're so afraid of creating anything new and everything has to come out of these two institutions. But I think that there is room maybe and, I mean, one of the things we're talking about now is FX local currency institution. I think in the private sector, actually, there are also, I go back to that. I think institutions that are already operational and extremely effective. And my sense is we do need to bring them in and use them as well, and not necessarily always keep seeing them as competitors of the Bretton Woods institutions.

On the contrary, I think they will actually reinforce the performance of the Bretton Woods institutions and provide probably some of the accountability and governance that we are missing in some areas.

GILLIAN TETT:
Do we have some, we have some online questions, I believe.

SPEAKER:
Yes, we have a few questions online. One is from Ashley Huddart with Malaria No More UK. This is for Vera. With the rise of geopolitical tensions globally, what strategies can be employed to safeguard against the politicization of international development efforts and ensure that aid reaches those most in need? And then I'll say maybe one more as well from online. This is directed at the panel overall. Accountants charge guarantees against MDB capital at the full amount of the potential liability if the guarantees are called. How is this a more efficient use of capital than simply making loans?

GILLIAN TETT:
Right. Well, that might be one for you, perhaps, Nancy, but, Vera, do you want to take the one about the, the first question?

VERA SONGWE:
You know, I'll be, sure. I think contribute to IDA. IDA is a multilateral pool. It does, I think, you know, it's the poorest countries in the world. They have no access to markets and probably the most efficient, effective way of getting resources to the poorest countries. And I think in the IDA space, we are not seeing the kind of geopolitical tensions or or conversations. Unfortunately, though, because of global sort of difficult economic environments in the last ten years, contributions to IDa by its major shareholders has been going down. In the last ten years, we've had some of the worst crises we've ever lived. And so my sense is if we really sort of believed in the core mandate of the bank, the number one is poverty reduction. And we are not doing poverty reduction if IDA is not going up.

GILLIAN TETT:
Who would like to take the second question?

NANCY LEE:
Yeah, I can, I can briefly respond. So the sort of on the broad, MDB reform agenda particularly related to mobilising private finance, the Independent Experts Group report, Vera was part of the panel that produced that report, sort of divided those reforms into three buckets. One was, as I mentioned before, to sort of bring the public facing and private facing tools of the institutions together. The second was to change the mix of instruments, and that relates to guarantees, and the third is to use concessional finance much more catalytically and much more efficiently than the sort of transaction by transaction approach. So on guarantees, that's an example of an instrument which can be very catalytic for countries that already have market access. So that's relevant to both the sovereign issuances of governments as well as the mobilising private finance. So if you have a guarantee, the argument is that you score that guarantee or you assess the contingent commitment based on the probability of that guarantee being called, not by the full value of the exposure.

That's a more efficient way to use your capital. It's controversial, and I can say if the financial officers, the risk officers of the MDBs were sitting right here, they would completely disagree with that. But that's the argument. But as a general proposition, apart from the scoring, guarantees, I think you can make a strong argument that guarantees in many cases are much more efficient in catalyzing finance than straight loans from the MDBs themselves. And this is for countries that have market access and really need help with the terms of their borrowing, not so much access to markets themselves.

GILLIAN TETT:
Zhu Xian, I see you want to get in on this. (CROSSTALK) Quite a hot potato. So, yeah.

ZHU XIAN:
I think I'll guarantee probably not many people around know that in World Bank charter actually guarantee a support ahead of lending as a potential. However, for whatever the reason, the guarantee never being developed into a big business in the World Bank for whatever a lot of reasons, but one of them is internal incentive. When I was a country director for the World Bank, and I also wanted to promote guarantees and also find some candidates. And then I was told by our risk people to say, you need to use your either resources and dollar for dollar for guarantee. Then I think my counterpart, the borrower says, rather, I want to directly borrow from you the resources rather than using that as a guarantee. So you need a sort of chain of changes. Also internal incentive should be there. Otherwise the guarantee can be in the air but few people really can apply to it.

GILLIAN TETT:
Exactly. We are almost out of time. I think we've got time for one last question. We'll take a question, there, from the lady over there. I think this will have to be the last, last one and, sorry. It has to be the last question if you can keep it brief.

TEJU ABISOYE:
Thank you very much. My name is Teju Abisoye. I'm from Lagos, Nigeria, but I'm here courtesy of the Eisenhower Fellowships. So my question is really, as I listen to Nancy, Vera, everybody talk about the impact of the multilateral banks, and the question is, how can we change how impact is measured? Does it, is it really, is it going to be a thing of the articles because we want to talk about real impact. What are the banks doing to actually grow the global economy to reduce the tensions? Thank you.

GILLIAN TETT:
Wow. Big one. Who would like to provide the answer?

NANCY LEE:
Well, maybe I can start very briefly. So a logical place to start would be to choose those activities in any given country which are directed at a set of outcomes and measure outcomes at the country level. So part of the problem, yeah, is that much of MDB lending is driven by individual project by project. So there are results frameworks for individual projects but nobody knows really what's happening at a country. So I think the first answer to your question is the MDBs themselves have to, with the country partner, decide what outcomes are, they want to prioritize, set some targets or at least decide on measuring outcomes at that level, and then collectively measure outcomes across MDBs. So partly

it's a question of individual MDBs measuring outcomes, but it's also a question of everyone measuring the same thing. If you did that, you could then, for outcomes that are relevant across countries, you could, you could aggregate and measure those as well. What actually happens, however, is that MDBs get kind of wrapped up in this, the problem of trying to figure out how much of a given outcome can be attributed to them versus other actors.

And so because of that, you have a score, MDB scorecards which talk about overall country outcomes, but then talk about, particularly about outcomes that are attributable to the MDB. So I think one of the issues is that MDBs should worry less about attribution and more about whether the outcomes are actually achieved, and the MDBs should decide on priorities based on what the countries prioritize using their analysis of the effects of climate change in order to influence prioritization of climate related investments.

GILLIAN TETT:
Any more comments on that, or?

VERA SONGWE:
I think maybe just to complement. I think one area where maybe there has been impact from the MDBs and I think it's closer to the climate comments is the gender conversation. And I don't think MDBs claim credit and this is the struggle. Right. But I think the whole sort of gender inclusion conversation was really, really carried by the MDBs for a very long time and just making sure, you know, starting with girls education. And at the time, it was the Millennium Development Goals. Right? And then it went to just sort of gender is good economics and gender is good politics and gender is good governance. And the more that was being said and being done and projects sort of incorporated women in every project and all and people began to realize, you know, there was no economics in exclusion. And maybe we can attribute it directly to a lot of the work that the MDBs did. But I think there is something there, as Nancy said about when you look at the national level numbers now on gender, way, way better than they were 15, 20 years ago.

And, and I think that is part of an MDB achievement that we should measure as global MDBs and not as individual projects.

GILLIAN TETT:
That's a lovely positive note on which to end, not least because the composition of this panel right now would have been almost unimaginable ten years ago or 30 years ago. You know, Xhu Xian is officially the minority. I do want to say a couple of quick things. I found it a very wide ranging, very ambitious conversation because this is a very wide ranging, ambitious set of issues and agenda. You know, I take away several key points. One is that geography and geographical balance and voice is critical, and that needs to change. You

know, the Bretton Woods institutions were set up at a time when the world was very different, and sooner or later and hopefully sooner, we need to recognize how radically the world has changed and the current institutions do not reflect that properly. Secondly, the relationship between the public and private sector needs to change because, you know, again, in the days of the Bretton Woods institution, it was assumed that governments were the main groups that got things done and were trusted.

Today, it's very hard to say that with a straight face. And the reality is that there needs to be a change in the balance between public and private sector to try and reflect that shift. Third point is that language is very important. I think the various point about the fact that we can no longer say third world countries, which sounds wonderful, it sounds almost as dated as flares. You know, we don't even necessarily say developing countries anymore or even emerging markets doesn't really capture the point that it's actually about merging societies. I heard for the first time the idea it's not so much about multilateralism, but plurilateralism, which I can't even say, but again, captures the fact that we are groping for not just new structures but new languages to reflect this fast changing world. And the fourth point is that, happily, none of you seem to think we're living in 1919 right now. Unhappily, none of you seem to think we're living in 1945 either. Maybe 1966 is a better option.

I like that one because that was the year before I was born. But where we're going, there's currently a sense of a crossroads, which makes it very valuable that we've had these different reports coming out from the Bretton Woods committees. Your report, Nancy, trying to grade the Bretton Woods institutions. It also means that this week and the discussions going on through the rest of the year leading up to the annual meetings are going to be particularly critical as to where we go next. So for all of you who wrote the report or are contributing to that debate or trying to actually turn it into sense of policy even in the face of national parliaments, I just say good luck. Thank you. (CLAPS) Thank you.