

Center for Strategic and International Studies

TRANSCRIPT

Event

“Next Steps in the Evolution of Development Finance”

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FEATURING

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Matthew P.
Goodman:

Good morning. Welcome to CSIS. My name is Matthew Goodman. I'm senior vice president. I direct the Economics Program here at CSIS. And delighted – on behalf of John Hamre, our CEO who unfortunately is traveling today, I wanted to welcome you all to this event on “Next Steps in the Evolution of Development Finance,” a very important topic. And I can tell from the crowd in the room, but also, I know there are a lot of people watching online. So, we're delighted you're with us. Welcome.

So last October at the annual meetings of the World Bank and the International Monetary Fund, shareholders called on the World Bank to produce a roadmap to guide the institution in meeting the most pressing challenges of the 21st century. With COVID still very much a reality, and countries struggling to recover, it was clear that we needed a more robust multilateral response to global challenges to ensure our future prosperity.

With generous support from the Rockefeller Foundation, in December my colleague and CSIS Senior Fellow Stephanie Segal, who you're going to meet in a few minutes, published a report in partnership with E3G and Claire Healy, who you'll also meet shortly, entitled “A Roadmap for World Bank Evolution.” In the report, Stephanie and Claire laid out six key recommendations for reform that would equip the Bank to meet these challenges.

Now that the World Bank Group has published an initial roadmap, we are honored to have a distinguished keynote speaker and panel here to continue this important conversation. After our speaker makes her remarks, she's going to sit down here on stage for a chat with Stephanie, and then there will be a panel discussion to follow, ending with audience Q&A with the panelists. So, there's a lot to come.

So, without further ado, it's my distinct pleasure to introduce our keynote speaker, U.S. Secretary of the Treasury Janet L. Yellen. Secretary Yellen was sworn in as 78th secretary of the Treasury of the United States on January 26th, 2021. And of course, as you all know, she was previously chair of the Federal Reserve. She was president of the Federal Reserve Bank of San Francisco. She was chair of the White House Council of Economic Advisors. And in each of these roles, she was the first woman to hold those positions.

So, we're delighted she's joining us today to give her thoughts on this topic, which she and the administration have made a high priority. So, will you please join me in welcoming Secretary Yellen to the stage? (Applause.)

Secretary Janet L.
Yellen:

Thank you. Thank you. Thank you so much. Thank you so much, and thank you, Matt, for the introduction. I'm pleased to be here at CSIS with all of you.

Last fall, I issued an urgent call ahead of the World Bank and IMF annual meetings for the evolution of the multilateral development bank system. My reasoning was simple: The world has changed, and we need these vital institutions to change along with it. In today's world, it's important that the MDBs make progress on their core mission of poverty reduction and inclusive economic growth. But it's also important that they take decisive action on global challenges like climate change, pandemics, and conflict and fragility. These goals are all essential, and they're closely linked.

Since the aftermath of the Second World War, the development banks have played a critical role in alleviating poverty and spurring economic development. They've done so successfully for a broad range of countries, including those facing persistent poverty and those recovering from disaster and conflict. Last month, I visited three countries in Africa. I saw firsthand the impact of these banks' direct financing of national development projects. Projects like these have connected millions to electricity and clean water. They've helped farmers get more crops to market. And they've funded the construction of modern roads and bridges.

But even before the onset of the COVID pandemic, our tremendous progress on poverty reduction was beginning to lag. In today's world, sustained progress on poverty alleviation and economic development is simply not possible without addressing the global challenges that face us all. The COVID pandemic, for example, led to a rise in extreme poverty for the first time in over 20 years. In Zambia, smallholder farmers told me that extreme weather events like droughts and floods have dampened agricultural yields, exacerbating hunger and food insecurity. Many African leaders have noted to me the impacts of conflict on their economic growth. These effects are not just local to countries in conflict. They spill over to neighboring countries.

The costs and benefits of addressing global challenges are diffuse. They don't all accrue to a single country. The MDBs' core model involves countries borrowing to make specific investments aimed at addressing development constraints in their own countries. But that model is insufficient to meet the moment. Such a model will always underinvest in addressing global challenges, since the benefits of investments in global challenges stretch far beyond the borders of the country where a given project takes place.

The costs of failing to address these global challenges may be spread across the world. Nevertheless, these costs have a serious impact on national and local realities. They are very real for the people who face them. And many times, these are the world's poorest and most vulnerable.

That's why I, along with other shareholders, called for an evolution of the development banks last fall. It's time for these banks to address global challenges head on, with the urgency and scale that is required. We have

begun the evolution of the World Bank. Next, we expect to take this agenda to the regional development banks.

Let me speak specifically about our work on the World Bank. We are focused on evolving its vision, incentives, operating model, and financial capacity.

First, the Bank needs to expand its vision to include addressing global challenges as an integral part of achieving its twin goals, poverty reduction and shared prosperity. And let me be clear: This does not mean shifting the Bank away from its traditional work; it means expanding the work of the Bank to better include addressing global challenges. These challenges are intertwined with alleviating poverty and supporting inclusive and sustainable development.

Second, the Bank must create the right incentives for countries to tackle global challenges. That includes lowering investment costs to make these types of projects more economically viable. My view is that since the global community benefits from these investments, the global community should help bear their cost.

For example, we're asking the Bank to identify concessional resources available to countries to tackle global challenges. These resources could incentivize the decommissioning of coal plants and protect displaced workers during a clean energy transition. They could enhance health systems to mitigate the spread of disease, or they could support basic services for refugees and their host communities. The World Bank will also need to develop diagnostic tools to help countries understand how global challenges affect their development. This will help guide project and financing decisions.

Third, the Bank must be bolder and more imaginative in its operational approach. For example, we know that sub-national entities can sometimes have greater expertise and willingness to implement innovative projects. So, what if we made it easier for cities to gain access to funding for climate-smart urban infrastructure? Operationally, we believe it's also important for the Bank to develop new measures of success, such as clear targets that reflect its efforts to address both traditional goals as well as global challenges.

Finally, the Bank must boost its financial capacity by responsibly stretching its existing financial resources. Last year's G-20 report on the development banks' capital adequacy frameworks provides a solid blueprint for this exercise. The United States is strongly supportive of exploring and implementing a range of the report's recommendations and doing so quickly. Promising ideas for exploration include increased securitization of private

sector portfolios or piloting the issuance of subordinated debt instruments to boost headroom.

Just as important as additional financial capacity for the Bank is stronger mobilization of private capital and domestic resources. International public finance alone will come nowhere close to the level of financing needed to effectively tackle global challenges and achieve sustainable development goals.

We expect the evolution agenda to reflect the importance of private financing and domestic resource mobilization. We've made real progress over the past four months as we've worked with the Bank and other partners.

We've built a robust and growing coalition of borrowing and borrower countries that are pressing for the Bank to evolve. That includes my counterparts in Africa, who I saw last month. They share our desire to build a system that's more responsive to the challenges they face.

We're coordinating closely with India as it makes MDB evolution a key priority of its G-20 presidency, and the World Bank has produced an initial evolution roadmap which it's now using as a guide for deeper discussions on specific reforms.

In the next few months, we expect to see ideas begin to be translated into action. We're pursuing a staged implementation of this evolution. Not all decisions are equally difficult so let's make the more straightforward ones first.

The first phase of implementation should begin by the World Bank and IMF spring meetings in April. Shareholders are already working to coalesce around updates to the Bank's vision and mission. Management and the board are in robust discussions about measures to boost financial headroom.

But we cannot stop there. Much remains to be done to evolve incentives, reform operational approaches, and increase financial capacity. We expect the World Bank to promptly implement a second phase of work. We're asking for additional reforms to be decided and implementation to begin by the World Bank and IMF annual meetings in October. That's the one-year mark from when this project began.

We know we can succeed. The world has gone through tremendous change in the nearly 80 years since the founding of the World Bank. The multilateral development bank system has responded to these changes by evolving. The system has broadened the scope of its work to include programming on human capital and good governance, expanded its set of instruments beyond

project loans, increased its focus on policy and technical assistance, and delivered financial innovations.

The MDBs are a powerful pillar of a broader financial architecture that should be deployed to address 21st century development challenges. But this requires a 21st century strategy. The need is great. The world is asking us to do all we can to combat these complex and growing problems. I'm confident that we will be able to deliver.

Thank you, and I look forward to our conversation. (Applause.)

Stephanie Segal: Madam Secretary, thank you very much for those remarks. Thank you for joining this group today. Thanks to all of you for being here to hear what, I think, is a very important speech.

I know you have a hard stop at noon, which means we've got 10 minutes or so to dig in a little bit deeper. I just want to comment first on how you connected some of these global challenges to development issues in individual countries. And some of those development issues actually have wide-ranging implications, including with regard to national security, which is something across our programs here at CSIS we're very much focused on. So, I think drawing that linkage in itself is actually helpful to advancing this conversation and the reform agenda.

I want to follow up specifically on what you mentioned about your trip to Africa, because it is essential – as you've acknowledged – that it's not just the donor countries, but also the borrowers that are listened to and kind of heard as far as what they hope to get out of this reform. So, if you could tell us a little bit more about what you heard. I think you were in Zambia, Senegal, and –

Sec. Yellen: Zambia, Senegal, and South Africa, yes. Well, let me say, during the trip what I really heard about was global challenges that are impeding progress on poverty reduction or, more recently, we have seen actual reversals and setbacks. The pandemic, first of all, led to the first rise we've seen in extreme poverty in 20 years. Climate change is negatively impacting agricultural productivity. And we're seeing an increase in hunger and food security. And clearly the effects of fragility and conflict are critical problems and spilling across borders.

You know, when I was in Zambia, we visited some smallholder farmers. And I met with a group of women who discussed the impact they've seen of climate change on their farms, on their livelihoods. And they talked about the problems that they're facing and the disruptions that are caused by climate change. And this is something that's with us today. It's not a future threat that looms on the horizon. It's now.

We talked with many government officials about what they're looking for in reform of the World Bank and the MDB system. And what they want is agility, and they want scale, and they want institutions that are responsive to their needs. They want their national priorities to be understood and for programs to address them. And they clearly want help in meeting the Sustainable Development Goals.

But they also understand that global challenges I mentioned – climate change, health security, pandemics, fragility and conflict – that these developments are interlinked with their progress in meeting Sustainable Development Goals. And they're really not going to make the progress they want unless these global challenges are also addressed. So, they're interlinked and mutually reinforcing. And they understand that that is the core of the MDB evolution effort, that they need to look to the World Bank and the MDBs to address both.

Now, importantly, they don't want to see global challenges addressed at the expense of poverty reduction and Sustainable Development Goals. They made clear it can't simply be a shift in emphasis away from traditional goals, but that we need to look to the MDBs to do more, to continue poverty reduction but also to address the Sustainable Development Goals. And, you know, as I mentioned in my speech and, you know, our plan for the evolution of the World Bank and later the MDB system is to enable them, through a shift in their vision, their operations, their financial capacity, to do more, to do both. So that's really what I heard in Africa from the borrowing countries.

Ms. Segal: Which strikes me as a very good news story in terms of advancing the evolution agenda. To the extent that there is, at least at a very high level, I would say, agreement on the need to evolve the institutions. I would imagine that among the other themes that you probably heard about on your trip – and I'm sure were prepared to hear about on your trip – relates to debt. We're talking a bit about the financing capacity of the institutions, but the flip side of that is the absorptive capacity of countries, and many of the countries that are in need of development investment are also constrained by very high debt burdens. So, I'm interested how that issue came up and there have even been recent developments on that front with – I saw a headline two days ago on Paris Club pressuring China to join Sri Lanka debt relief. So, anything that you can share with what you heard, and if you, kind of, can agree or if anything about that headline resonates with as far as what China's role might be in helping to address these debt issues.

Sec. Yellen: Well, debt is a huge issue, debt overhangs, huge issue for many African countries, and especially Zambia, that we visited. Zambia is in the middle of (inaudible) at restructuring. And so, this is a process that's not yet concluded, and it's taken much longer than the country expected and anything that we

would have expected in terms of timeframe to reach conclusion. And regrettably, many countries that have not yet sought help from the common framework really have overwhelming debt overhangs and probably will need restructuring. So, you know – and it's not just the governments that are looking to resolve this problem; it's also private businesses that simply aren't in a position to be able – the government or businesses – to be able to undertake new investment projects until the debt situation is resolved. So, they regard this as an urgent need, and in a country like Zambia that's very reform-minded and really has an important agenda of wanting to promote trade and investment, this is just a barrier to being able to move forward.

So, all of the African countries that I've met with, both on the trip – earlier I had a dinner with finance ministers, African finance ministers, and we've had meetings in the last IMF/World Bank meetings on this – they're all looking to the common framework to be more effective and to provide relief. And I think everybody realizes that when a country's debt load reaches a certain level it really makes it unsustainable. It's not a question of just creditors making concessions to help the borrowers. Debt restructuring not only serves the interests of the borrowers, it also serves the interests of the creditors, because if the country is stopped from growing, developing, making investments to put it on a firmer economic course, at the end of the day, more restructuring will be necessary and the country will be less able to make payments to creditors. So, there's a common interest in getting this done.

You know, the debt landscape has actually changed a lot in recent decades, and Eurobonds are an important source of financing, but lending from China has become extremely important. In the case of Zambia, China's debt is something like 14 percent of Zambia's GDP. It's the largest single creditor. And so China really needs to come to the table and China really – China's lack of willingness to comprehensively participate and to move in a timely way has really been a roadblock.

Before going to Africa, I stopped in Zurich and met with my counterpart from China, Liu He. This is one of the topics that we discussed. We've had conversations with the Chinese repeatedly, both bilaterally and also multilateral conversations because this is a multilateral issue and not just a U.S.-China issue.

I will just say that I felt encouraged by the discussions we had that China understands the problem, may be willing to work to make faster progress. We planned discussions at the upcoming G20, a roundtable to discuss broader issues concerning debt restructuring. For example, an issue that China's raised has to do with whether or not multilateral institutions, the IMF, and World Bank should participate in debt restructuring, or whether or not their – (off mic, technical difficulties) – creditor status should preclude

that. But these are issues that when you discuss them, they block progress on a particular case in hand. And we would like to see, I mean, especially in the case of Zambia, rapid progress and discuss these broader issues separately.

Ms. Segal: And I would hope if and when bilateral trips resume, it sounds like this is going to be one of the issues that's very high on the agenda.

Sec. Yellen: Yes, absolutely.

Ms. Segal: I want to be respectful of your time – more respectful, actually, than we've been. We're a couple minutes over. But I would just like to thank you for speaking on this very important topic and, more generally, for your service over the decades, and being a role model, I think, for many.

Sec. Yellen: Thanks so much.

Ms. Segal: So please let me first ask all of you to stay, because we have a panel to follow up on many of the points that the secretary raised. But now, let me ask you to join me in thanking the secretary for joining us today. (Applause.)

(Break.)

It should take about a minute. So, while we're doing that, I'm actually going to borrow her step stool. (Laughs.) I will take advantage of this time to introduce our panel. And actually, let me confirm, we're going to go ahead and reset the stage now, yeah? All right.

The panel discussion – I think the secretary actually laid out quite nicely the issues and the areas of focus. I just want to go back and be clear about what she focused on, because she's focusing up here and with our panel, we're actually going to delve into some of the issues in more specificity. But she focused on vision, incentives, operating model, and financial capacity. And I have an absolutely stellar panel to help me delve into those issues in a little bit more detail.

I'm going to introduce them here, and then invite them up on stage once we're reset.

So let me start with Claire Healy, director of the Washington, D.C. office of E3G. And she's also a co-author of the "Roadmap for World Bank Evolution," which we partnered on. Part of Claire's responsibility is working with the U.K., EU, U.S. and other allies and partners promoting cooperative geopolitics and concrete initiatives. Prior to E3G, Claire was in international affairs at the U.S. Department of Energy. Also worked at the Alliance on Climate Protection, head of delivery for the mayor of Los Angeles, and head of policy

for the British Labour Party. So perhaps the most diverse. (Laughter.) Yes, I'm the roadblock here.

We also have Alexia Latortue, who is the assistant secretary for international trade and development. She previously served as deputy CEO at the Millennium Challenge Corporation and managing director of corporate strategy at the European Bank for Reconstruction and Development, EBRD. Assistant Secretary Latortue served at the Treasury Department from 2013 to 2017, as principal deputy assistant secretary for international development policy. And prior to that, she was at the World Bank as deputy CEO at the Consultative Group to Assist the Poor, or CGAP.

We also have Nancy Lee, who is senior policy fellow and director for sustainable development finance at the Center for Global Development. She's also a nonresident advisor to the CSIS Economics Program. And she also was deputy CEO at the Millennium Challenge Corporation. Prior to MCC, Dr. Lee was a general manager of the Multilateral Investment Fund, the MIF, at the Inter-American Development Bank. And prior to that, she was deputy assistant secretary at Treasury for Western Hemisphere, Europe, and Eurasia.

Last but not least is Marilou Uy. She's director of the Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development, or the G-24. She was also senior advisor at the World Bank, and while there she served as private director – excuse me, sector director for the Africa Financial and Private Sector Development Department from 2007 to '11 and director of the Financial Sector Operations and Policy Department in the Financial Sector Vice-Presidency, as well as chair of the Financial Sector Board, from 2002 to 2007.

I'd like to invite all of you up here onstage. I'm going to take my seat here and I will go ahead and seat you, Alexia, if you want to come up, Claire.

I went through that very long introduction – and thank you for bearing with me – but I just wanted to demonstrate that the women that are joining me up here onstage – Alexia, Claire – among them have – Marilou and then Nancy – in the neighborhood of 80 years of experience actually working – sorry to date all of you – (laughter) – working in development finance. And I think it's critical because there's the vision thing, which is essential, and then there's the operations thing and how this would actually work, and both of those are essential to actually, number one, doing this; but number two, doing this right, in a way that actually achieves the results that everybody hopes. So long way of saying they've got a lot of credibility, and I'm really excited to talk to them and also bring you into the conversation.

So, with that introduction, let me start first with Marilou, if I could. I mean, one of the things that Claire and I heard as we were doing some of the background research for our little paper was frustration, I would say, that there was a perception that the evolution itself was being driven by donors. We heard from the secretary there's been an awful lot of outreach to ensure that that's not the outcome of this process, but you're hearing directly from your constituents how they see this evolution process. So, obviously, you can't speak for 24 countries, but you can give us a sense – a synthesis of what you are hearing and what they want to see out of this evolution roadmap.

Marilou Uy: Thank you very much, Stephanie. It really is a pleasure to be with this panel, which is very gender-unbalanced. (Laughter.)

Ms. Segal: We can work on it. (Laughter.)

Ms. Uy: Yes. And then it's a challenge to speak before our excellent panelists. But let me start with a few points.

Just to say that developing countries are extremely important stakeholders for this reform. They are borrowers, but they also are – they also are shareholders in the World Bank Group. They're even donors to IDA, and so therefore they do support the mission of the Bank in terms of lending to lower-income countries. So, all these suggest that developing countries are an important constituency and one with a large stake on this – in this reform process, on the outcome of this evolution process.

So, obviously, they all are expressing diverse views. This is not a homogeneous group. And so, therefore, for today I will simply outline three common concerns.

So that's – so let's start with the first one, and I believe the secretary's – Secretary Yellen's remarks touched on this quite explicitly, which is that some certainty or some notion of how far the financial capacity of the World Bank Group can actually be expanded to support a broader agenda that is outlined. And this is why it's important at the country level, and I'm very happy that Secretary Yellen took a country perspective in her remarks.

So, from a country level, policymakers are dealing with fiscal space, no? Very limited fiscal space, even more limited than three years ago. But they are confronting much more difficult challenges than, let's say, a few years ago. You'll have the setbacks from the pandemic. You have fiscal drain because of the response to the pandemic. And you – the impact of, let's say, climate disasters have been quite extreme in the past few years. So, you have this combination of forces that they're responding to and a fiscal space that may simply not be sufficient to do that to meet the challenges. And if the World Bank Group, which is a very important partner for many of the developing

countries, will come up – will want to support a broader agenda with the same financial capacity the tradeoffs are quite severe, and the fear is that some of the national priorities that are, let's say, priorities of a country will have reduced resources or not be supported at all and that's a very simple perspective from a policymaker's point of view.

So, some certainty – the ask is some certainty on how much this financial capacity can actually be expanded use through the measures proposed by the G-20 expert panel on the capital adequacy ratio. How much can be expected? And if the expectations would fall short of what we've – the projections will fall short of expectations, what would be the appetite of shareholders to explore other options? And of course, the – one big area is: Will they be willing to actually go through another capital increase? So that's one.

Now, the other financing – other aspect of financing is concessional financing, and the roadmap makes it clear that that's an important part of the solution. So, there it would be useful to look at various levels or various depth of concessionality. It's not one single term for concessional lending so including grants and what might be appropriate, for example, to support global public goods.

So, and secondly, of course, is a lot of existing concessional resources are actually aimed at certain needs, for example, low-income countries, and so one is looking at additionality, not for anything else but to protect what is actually now devoted to lending for lower income countries, for example.

So now, and the second point is on adaptation – climate adaptation. Now, the World Bank's 2022 report dramatically demonstrates how adaptation and loss and damage really have dramatic effects or dramatic impact on development prospects, and I'm very happy that Secretary Yellen actually pointed that out from a country perspective.

So, and then vulnerable – 20 climate-vulnerable – V-20 countries, for example, estimated that in the past 20 decades they lost 20 percent of their wealth and one percentage point of annual GDP growth per year in the past two decades. So, there are dramatic evidence on – of the impact of climate change, which is not the future but now and on top of it that if one doesn't do anything it will further harm future development prospects. And, yet, despite this evidence adaptation is severely underfunded globally.

Now, the third point is – and the last point, I promise – is country ownership and the importance of a World Bank Group operational model that actually delivers on development impact. So those two together, and for policies to happen country ownership has got to be there and so it has – the country-based model of the World Bank Group is a great strength for that because it can deliver tailored solutions. It can maintain long-term consultations.

So, building on that is an important part of the evolution process. Hearing what that –how global public goods impinge on development prospects is an important part of the process and then, thirdly, is that within the World Bank Group operational model it is extremely important to devote resources to diagnostics and, let's say, drawing lessons from the knowledge tools that, by the way, are themselves global public goods.

So, and the aim is to have – is to design impactful projects that actually lead to outcomes and to capacity-building technical assistance and, again, I'm really happy that Secretary Yellen mentioned that. Knowledge is shared. Knowledge is then acquired and then implemented. And then, on the toolkit, we certainly welcome the stepped-up efforts to look at instruments to crowd in private sector financing. This has been a longstanding call of many developing countries from the World Bank Group. So, thank you.

Ms. Segal:

Thank you, Marilou. You actually teed-up a lot of the questions that I had for the panel. But you really – you kind of honed in where – my sense – where there are, I don't want to call them sticking points, but the buckets of – the areas where there is, I guess, debate: One kind of on the financing, the amount of financing, where it comes from, this tradeoff, or maybe it's not a tradeoff, between the global challenges and the development objectives. And then also kind of the model for providing these kinds of answers to global challenges, the operating model of the Bank. So, I'm sure there are going to be questions from the audience. But I'd like to follow up on all of those.

And actually, turning to you, Claire. So, you're from E3G, which is a climate-focused think tank. You've heard what Marilou just mentioned. We heard a lot about this tradeoff or balance between GPGs and – global public goods – or global challenges and development, adaptation. How do you see those two areas – how they sit kind of side by side, or their connections? What's your take on addressing the global challenges? And what does that mean for these development or adaptation objectives?

Claire Healy:

Well, first of all, I agree with everything she said. (Laughs.) And I'll add to, and the former female speaker. So, I'll add to the conversation rather than underscore. So, Stephanie, that's right. I run the U.S. office of a climate change think tank called E3G. Our mission is a safe climate for all. And the "for all" is very important. So, I don't see this tradeoff between climate and development. I think development is good. Growth is good. That's immutable. The question is, how a country develops in the face of climate change.

So, I think this sort of – when you pit one against the other, I find that quite old-school. And I think this is an opportunity to move beyond that. And I welcome this – you know, the paper that we did, we looked at global public

goods. Not just climate change, although that's what we focus on, but there are many other global challenges. We've just lived through a pandemic. We're facing rising levels of hunger and malnutrition. So, I think the framing of GPGs, I think, is an exciting opportunity.

I will say evolution is a good thing, right? It's supposed to – well, it's supposed to be what we do as a species and as an institution. So, when you talk about an evolution roadmap for the World Bank, I sometimes find this conversation sort of very sort of contentious and defensive from the get-go, when I don't understand why it should – it needs to be, right? It's right that we evolve. The Bank has always evolved. And we should continue to evolve. And clearly, we have to evolve and look at new ways of doing things in the face of new challenges. I sort of think that's a given, right, and a good thing.

And I welcome the debate. I'd say a couple of points then that we – you know, in the paper we sort of try to draw out. For me, it's not an either/or. It has to be a more and more. And so, for that we obviously need extra lending capacity. But I'll leave it to others on the panel to talk about more about where that financing can come from. I will say while we love, it seems, to talk about reform of the World Bank or, you know, the Bretton Woods 2.0 – we talk about it a lot – I think the opportunities to actually reform these institutions come about quite rarely. And I feel like we're in such opportunity.

I think the fact that the U.S. and Germany tabled a non-paper – yes, it was a surprise – but I think now there is very robust debate. And I think we have to make the most of that. The window of opportunity for real reforms won't stay open for forever. So, I was really encouraged to hear the secretary talk about the wins that we need to get at this brings, right, and then how we have to – you know, the processes we have to launch to maintain progress and pressure.

I would say a couple of other points, just to open it up. I think the first thing we have to work on is for the shareholders at the Bank – and in this instance we are talking about the World Bank – to find a consensus position. It's good that they're having robust debate between the various constituency groups, but I think first and foremost we have to sort of find a consensus position from the shareholders because otherwise the pressure on the institution to sort of do more, move faster I think is diluted. So, I think that's key, and we're looking forward to hearing more about that.

And then the other thing I'd say is yes, for sure, you know, global public goods, we get sort of tied up on, you know, what they mean, and it can be very dry sometimes. But at its core, you know, when it's pulled down through the country model, it's really underpinned by building infrastructure in countries to improve people's lives, whether that's, you know, reforming an energy system or building adaptation. When we talk about climate, we very

much talk about mitigation but adaptation and also biodiversity. So, I don't think we should lose sight of what global public goods, you know, actually means. It does mean integrating it through the country development model to build out infrastructure that's needed a lot faster.

And then the final point I'll say, just at the top end, is while we're working with the country-focused model, I don't think that precludes just some experimentation and looking at some other ways of trying to do this faster and at scale. I think that's what most of the countries we spoke to, that's what they want. Obviously, there is – in terms of the incentives, we've got to find ways to sort of make it worth their while to borrow this money to build the things we all benefit from, if they do build. So that's obviously cheaper, so we need to look at where we can get some subsidy. But if not as important, more important, a lot of what they said they want, like these sort of at-scale, so rather than do the project-by-project level, look at how we can get portfolios, how we can aggregate portfolios to get scale, they want loans faster, and again, that's a difficult conversation for us to have but we have to have how we actually do this, just much more quickly, and looking at just new and different ways of getting them the money where they need.

So, I think there's a lot on the table right now. Evolution is good. I think it's all on the table. But we've got to make sure that we don't let this window of opportunity close without getting some real wins, because the wins mean real practical improvements to countries and in people's lives.

Ms. Segal:

OK. All right, I'm going to pick up on your "it's not either/or but more and more," and turn to you, Nancy, because that more and more is underpinned by more and more financing. We heard the secretary talk about that and specifically talk about the capital adequacy framework, the experts' report. This is something that you were very involved in and actually predates the evolution road map by more than a year. This was, I think, launched under the Italian G-20 presidency. So, in five minutes or less – (laughs) – can you explain what is the Capital Adequacy Framework and what are some of the specific reforms or proposals that are in there intended to boost financing capacity, not just at the World Bank but across the multilateral development banks?

Nancy Lee:

Thanks, Stephanie. And I'm very happy to be part of this conversation, and rest assured, I am not going to dive into great depths into the balance sheets of the multilateral development banks, so I'm going to try to address this issue from a sort of fundamental and conceptual level.

So as Secretary Yellen said, the capital adequacy reforms have to be a central part of the reform agenda. And as she also said, some decisions are going to be easier than others, and I would argue that the reforms that are proposed in the report, among those reforms some represent decisions that can be

taken fairly quickly, and if that is done, the benefits will flow relatively quickly and actually will multiply the benefits from other reforms.

So, the basic purpose of the report is to advance approaches to risk management that are more efficient, and to do so in ways that crowd in the private sector, many of which are very, very interested in participating in these SDG investments.

So, for any bank, efficient use of capital is as important as prudential use of capital, so this is really not a radical idea. But for private banks, the market enforces efficiency. For public banks, public shareholders and management have to play that role as good stewards of what is, after all, public money. But the system has settled into a suboptimal equilibrium where there is underutilized capital. That was really the fundamental conclusion of the expert panel on which I served.

So, without going to every single recommendation, basically, the report has three basic thrusts.

The first is to give value to MDB-callable capital, this unique concept which is, after all, a shareholder guarantee, thereby allowing institutions to increase their leverage while still maintaining very strong ratings, including triple-A ratings. So that's number one.

The next bucket is to essentially allow private investors opportunities to invest at the portfolio level in MDB portfolios, along with perhaps interested governments, through issuance of hybrid capital, which the secretary mentioned, and large-scale risk transfers.

And the third is, basically, to help credit rating agencies and the private sector more accurately assess MDB risk and MDB risk-adjusted returns by releasing more data on MDB credit performance because, after all, there is actually a dataset to which 24 institutions contribute which has more than three decades of credit data – it's probably the largest credit database that we have – that shows exactly what the probabilities of default and the expected losses are. So using that database is, I think, among those decisions which can be taken fairly quickly.

So, these are not narrow technical tweaks or gimmicks, and they do not represent sort of fundamental or radical changes to the MDB model. Rather, they make the model more efficient. So, they allow the MDBs to build markets using their own track record; to mobilize private contributions to MDB capital without weakening shareholder control; and to concentrate on their competitive advantage, which is really origination of strong SDG investments.

You heard Secretary Yellen emphasize the importance of private mobilization, so I want to make a link between these capital efficiency reforms and private mobilization. You know, to date, most MDB efforts in mobilization are really at the transaction level, and they – and their results, I think by general consensus, are too limited even when they're using concessional finance to share some of the risk. So, I would suggest that it would be better to concentrate that scarce concessional finance at the early-stage project origination phase to help projects get to profitability, and then once the projects are performing to offer ways to offload that risk to interested private sector entities like insurers or securitizers. But this has to be done in a way that's financially sustainable for the MDB, which means the price of transferring risk cannot be too high relative to the amount of capital that's freed up to support more lending. And this is another key reason that if there were more transparency on MDB track records, that those risk premia would be driven down. I'm stressing this because I'm hoping that among the areas where, as the secretary said, some decision-making is easier than others, shareholders will be particularly resolute in expecting some action this year.

So let me make two last points on the broader reform context.

First, that these are – these are – this is quite a feasible list, at least on the innovation side, to be in the early tranche of MDB decision-making and action. All of the measures – the innovations we proposed are flexible and adaptable to the particular circumstances of the MDBs. They are not expensive to implement. They don't require changes in the MDB articles of agreement. They do not change MDB shareholding structures or governments. And they all have been piloted already by one or more institutions – and I want to call out in particular the African Development Bank, which has led both in hybrid capital issuance, and in risk transfers of both the sovereign and non-sovereign parts of its portfolio.

And the last thing I wanted to say is that let us not be trapped into a false choice between pursuing general capital increases and capital adequacy reforms. The two are not alternatives. They are complementary. And actually, it's kind of hard to make the case for more capital unless there is a clear consensus and basis to conclude that the existing capital is used efficiently. Or, to put it more positively, additional capital would yield much greater benefits if deployed in concert with these capital adequacy reforms. Thanks.

Ms. Segal:

Thank you, Nancy. Yeah, I mean, to be clear, just to give folks kind of a sense for the magnitude in the CAF proposals, we're talking tens if not hundreds of billions somewhere. Right, it depends on who adopts what, and in what institution, but tens of billions. We're safe in saying we're talking tens of billions and up.

Dr. Lee: Yeah, what we said in the report, and we said this after a lot of discussion within the panel – because we were – we were very careful not to overstate the potential here – is that these reforms, taken together and pursued across the system with some variation across the institutions, obviously – could generate hundreds of billions of dollars of additional lending capacity. And, you know, if you want to think about that in sort of more concrete terms, you could look at the total amount of paid-in equity in the system, which is something like \$500 billion. So now we're talking about a range of MDBs.

So, if you take that \$500 billion and you assume that all of the financial innovations together might increase available capital by, let's say, 10 percent, you're talking about available capital. I'm not talking about general capital increases. I'm just talking about making more capital available for these innovations. You're talking about \$50 billion of additional capital. And so then if you deploy the leverage, which is such – so core to the strength of the MDB model, you're talking about leverage of three times, four times, five times.

So, you're talking about \$150-250 billion, just on the innovation side, without even thinking about the very substantial benefits of looking at the whole capital adequacy methodology and the use of callable capital. So, we really wanted – we were very comfortable with hundreds of billions. We didn't come up with a specific number, for which we've been criticized, I have to say. But, you know, I guess my point is it is not hard to come up with hundreds of billions of dollars as a result of these steps.

Ms. Segal: And I would say that is a huge number, obviously. But when we're talking about the financing needs over the next two decades, as relates to mitigation, adaptation, loss and damage, we're talking in the many trillions of dollars. So, there was a recent report from – out of LSE – that estimated annual needs for emerging market and low-income countries, excluding China. External needs of a trillion dollars a year. So that's real money, what you're talking about, Nancy. (Laughs.) And the money that's needed to be mobilized from a number of sources, but including the development institutions, is in the many trillions of dollars.

So, Alexia – (laughter) – I turn to you. I was going to say, we were going to do two rounds up here. I think I'm going to make this the one round with you all, and then I'm going to turn to you in the audience. So if there's anything you want to say, I think this is going to be my one official round to you. If you want to respond to anything that you've heard from your fellow panelists, but on this – the point of the amount of capital that's needed and where that capital is going to come from, the secretary did mention private capital mobilization in her comments. She did not mention general capital increase. And then we have these CAF proposals. So, from the perspective of the

official Treasury view on those three potential sources of funding, where's the priority? And where do you see this going?

Alexia Latortue: Thanks a lot, Stephanie. And I might take advantage of your earlier point to reflect on a couple things I heard, and then get to your – to your question, I promise.

So, first of all, I'm really heartened by this – by this conversation. And you know, Marilou started by describing the realities of countries today, the limited fiscal space with the compounding crises, and I think that's really the starting point for this entire conversation. And the emerging market countries that are clients at the banks but also shareholders and, in some cases, donors of the Bank, you know, absolutely are critical to this conversation, and I want to acknowledge several executive directors representing many emerging markets but also my executive directors in the U.S. as well as part of this conversation here. So, I just wanted to acknowledge that, first and foremost.

And so, indeed, looking at the quite harsh reality in many countries right now, the needs are huge, and you shared some numbers. Right now, we all know that. Responding to these needs I think the secretary was quite clear. International public financing will not be able to do that, so we need to be looking at a much broader scope of responses to get there.

However, and she also said this, we do see the MDBs as being a vital piece of a much broader development finance architecture, and so I'll come back and focus now on them but I think it's a point that's really important to make, that they're one piece of a broader development financial architecture.

And then when we turn to the MDBs I think the first question – and, Marilou, you also stressed this – is really thinking about how we prioritize what by definition will always be, whatever we do, limited public money to the highest impact.

So, you talked about the importance of development impact. So, I think the first task for all of us is to really continue to think about how do we use these scarce resources in the most impactful way and that's part of the evolution agenda.

I think a second question is – and this is what Nancy was talking about – how do we use the existing resources of the institutions as efficiently as possible and there I do think the CAF report provides a really robust menu of how we can do that and it was written by – and, Nancy, please don't blush – you know, a really great group of people who understand the system and I think, contrary to some previous studies – I won't name them – also are people

who are in the markets, are in countries doing deals and so that's why these are actionable recommendations in the CAF.

And so focusing resources to the highest development impact, using existing resources the most efficiently are the first two steps, to try and answer your question more directly, Stephanie.

That's a prerequisite in our minds to thinking about putting new resources on the table. So that's my – that's sort of one of my short answers. And then we can see, you know, what else needs to happen.

I also do want to spend a bit more time on the importance of mobilizing private capital and, again, it's not a new ask of MDBs but I think there's an opportunity now to really ask the MDBs, including the World Bank, to be much more deliberate and ambitious about what it will take to leverage the very broad pools of private capital, increasing a subset of that pool that is specifically now in more serious ways interested in ESG investments – you know, into the economic, social, and environmental outcomes that we care about.

It's tough. We're seeing private capital leave emerging markets. I think our eyes have to be wide open in the current environment. If you see, you know, interest rates where they are, you know, it's telling private capital you need to go to Mali, telling private capital you need to go, you know, to Colombia. It's not easy, and then it's not easy in some of the sectors that we care about. It's easier, for example, information technology than it is in wastewater sanitation.

But the banks, I think, really can help these flows happen and, first and foremost – and the secretary heard this speaking to private investors in South Africa and other countries on her tour – is the policy environment has to be there. We need the right regulatory environment. We need predictability. We need rules of the games that are clear. We need functioning courts.

This is not a new message but I can't overemphasize the importance of the MDBs partnering with countries for those basic conditions. And then, on top of that, lots of things to be done. Looking at de-risking instruments and, I think, really developing, perhaps, a more sophisticated palette of instruments including guarantees but also insurance and reinsurance.

So, looking at the whole World Bank Group. We sometimes think about IBRD, or we think about IDA. But we have MIGA as well. What's the role of the IFC in all of this?

Blended finance we talk about a lot. It takes resources including grant resources from shareholders to blend. Again, MDB capital is not made for blending. (Laughs.) I just want to be really clear here. But I think, smartly done, with a private sector that is willing to take risk as well – because the public is not meant to take all the risks for the private sector – there's a role, you know, there, absolutely, of better financing mechanisms and, ideally, trying to get away from the project-by-project, but looking at structures and platforms to get to the scale – because we hear this from investors as well. We need scale to even look at what you're doing. You know, opportunities for risk sharing.

This was also in the CAF report, right? So MDBs holding onto their projects up to the point where their risk return profile is such that the private sector might be able to come in so that, again, there's capital freed up – headroom freed up to take on a more riskier role. So, there's – and then bond issuances, we're certainly seeing more of that – whether it's green bonds, whether it's sustainability bonds. So, there's a range of things that I think we just need to turbo-charge in terms of really bringing in the private sector, knowing that the private sector will not come in everywhere on all issues, but can do so much more than they're doing today.

And then I'll just stop on a point that, Claire, you made really strongly and was another drive behind the work that Secretary Yellen launched with – and in partnership with a growing coalition. And, you know, Marilou, the last time I saw you, I told you, was at a V20 meeting, the most vulnerable countries. And if you leave D.C. conference rooms and talk to them, the illusion that there's a tradeoff between climate and development disappears in one second, because they're living it, you know?

And there was a finance minister who said development and the environment must be at peace with each other. And I thought that was just a beautiful way of encapsulating what we're trying to achieve here, recognizing that we're not only looking at climate but we're also looking at pandemics, we're also looking at fragility. A very strong message that we heard at the African Leaders Summit. If we don't deal with what's happening in the Sahel, if we don't deal with fragility, everything else will also be naught.

So that's the stakes that are interlinked that we're trying to together tackle, with the confidence that Secretary Yellen expressed to all of us, that we do have an opportunity now. We have a window. And let's live up to it.

Ms. Segal:

Great.

OK. Well, I want to take advantage of the quality, I would say, of the audience that we have here. And thank you for the prompt to acknowledge and thank

the members of the World Bank board, actually, that are here to take in, I guess, this conversation, and hopefully contribute in the way of your own questions.

So, with that, let me invite questions. I see one right here. A microphone will come over to you. If you could please introduce yourself and also be brief, because technically we've got two minutes. But I think we're going to extend our program by a few minutes to give time for questions.

Q: Brief is my middle name. (Laughter.) You all know me well enough to know that's not true, but I will do my best. I'm Joanna Veltri from the International Fund for Agricultural Development. I couldn't be happier than to see this awesome, esteemed panel today. And I want to thank all of you for everything you've said.

IFAD is not an institution that, for better or for worse, has callable capital. So, I'll be interested to have a follow-up conversation about that. But mostly what I wanted to focus my question around is this idea that climate fragility and food security are so intricately linked, in a way that sort of a dual causality kind of relationship. And I think, you know, we have been increasingly hearing, as I know you know, Alexia, from leaders in Sub-Saharan African, that food security is national security. We take that to heart.

And I think, you know, one of the things in terms of building resilience, investing in development, and adaptation interventions, particularly for the poorest and most vulnerable, that these help prevent the colossal expansions of future humanitarian needs, which is what keeps me up at night. I think, you know, the emphasis on domestic revenue mobilization is great. The emphasis on private sector – we need all of that. At the end of the day, my fear is, at least in the near term, that public finance is still going to be the major issue. And while it can't do the whole way, the cost to the public sector will be immensely bigger in the years down the road if we don't do enough. So, I wanted to ask about that, and –

Ms. Segal: Let me cap you, if I could, at just that one question. Just anticipating that there will be a few others from the audience. And why don't we collect a few? So, there's the question on food security and financing for that.

This gentleman here.

Q: Thank you so much. My name is Søren Elbech. I am from JPMorgan. I'm the formerly treasurer of Inter-American Development Bank and the Asian Infrastructure Investment Bank as well.

I'm particularly interested in the comment you made, Nancy about the callable capital in development banks. For decades, the institutional MDBs

have been marketing to bond investors that the callable capital is the ultimate backstop for their bond issuance programs. Meaning that if they actually can't repay their debts, there is the callable capital that is there for that. Shifting it to now be used for leverage in the lending program could potentially undermine that backstop, and therefore the ratings of these institutions. So, I'm particularly interested in hearing how you are thinking about avoiding a drop particularly in the AAA ratings for the World Bank. Thank you.

Ms. Segal: Great.

And if we have one question here on this side of the room? The gentleman here in the second row, if we could get the mic to him, we'll take that question as well.

Q: Thank you. Shabtai Gold with Devex.

I just wanted to ask quickly what Treasury sees as the low-hanging fruit in time for the spring meeting? What very specific measures do you see could be done by then? And what would it take to initiate a conversation on a capital increase? Thank you.

Ms. Segal: OK. All right. OK, I see one more hand. I'll take that, and then we'll go around. Woman four rows back.

Q: Hi. Yeah, my name is Melanie Brusseler. I'm a researcher at E3G, so hi, Claire.

I wanted to say, or, I guess, ask this question: The invocation of both hybrid capital and also the idea of MDB capital being used for blended speaks, I think, in quiet tones around the role of MDB equity investing. And so I wonder, as this development process or evolution process is ongoing, what will be processes for developing governance around that kind of – perhaps, like, uplifting that kind of tool? Thank you.

Ms. Segal: OK. All right. So why don't we start – I think there was the food security question; a few around callable capital; and then, I think, the question on what's near-term priority, and what it would take to get to a GCI, a general capital increase. OK. Do you want to go ahead, Nancy?

Dr. Lee: Great questions. So just very briefly, on food security, in the broader question of, you know, confronting shareholders of where to put their money, it seems to me that starting with sort of three principles is a useful thing to do. The first being that scale is paramount here. So capital is really – has to be a central focus. The second is, that for the reasons that Joanna was talking about, the nexus between development and environmental programs is not simple. It's complicated.

So, if you're thinking about sort of creating more vertical funds for climate, I don't think that's the way to go, because the measure of success is not as simple as immunizations and health therapies. You need something like an MDB, which has the capacity to invest with these multiple lenses, you know? So, for a small-scale farmer, you know, it's got to be sustainability as well as productivity, as well as, you know, market access. So and the third principle is the one that the secretary was talking about, which is let's think of concessional finance now not only in terms of country income level but in terms of incentivizing things that have real externalities. So all that, to me, points to the MDB system, which is why I think this conversation is so important.

So, on callable capital and hybrid capital, so the idea essentially for callable capital is that that guarantee has value. So callable capital is this – essentially a guarantee on the part of shareholders to come to the rescue of an MDB which is at risk of defaulting on its bonds – it's particularly on bonds. So the idea is not to quantify some aspect of callable capital and add it to leverage ratios. The idea is to say, look, any financial institution needs to – you know, has anticipated losses, unanticipated losses, and then risks. So anticipated losses you cover with provisioning, unanticipated losses you cover with capital, and then you have some – you're on the tail somewhere and you've got some risk. For AAA-rated institutions, you're way out on the tail. So what callable capital does is allow you to come a little bit in on the tail and take a little bit more risk than you otherwise would have because you have this guarantee, and that would reflect itself in leverage ratios. So that's why that's the way we thought about callable capital. And that's really exactly how the credit rating agencies think about callable capital.

And for hybrid capital, this is a potentially extremely powerful opportunity for the institutions. So this is this hybrid instruments which has some of the characteristics of a bond and some of the characteristics of equity, but the important point is it can be leveraged. So if you offer these instruments to big, large institutional investors who want SDG, to increase the SDG shares of their portfolio, they can invest in these assets, just as they now buy MDB bonds. So, this is giving them another asset, but this asset has more power in terms of increasing the lending capacity. And once again, I have to say, this is already being done by the African Development Bank. They have designed an instrument and they are – and they've consulted with the credit rating agencies and asked the credit rating agencies whether it would in fact be treated as equity, and the credit rating agencies say yes, a substantial share of these issuances would be equity. So this instrument is used all the time in the commercial world, so let's use it in the MDBs where it can be used for SDG investments.

Ms. Segal: OK. Thank you for the comprehensive answer, I think, to all the questions that were asked.

I want to go to the question from Devex and actually use that question as a way of closing out the panel. The question was, I think, what is hoped to be achieved in the near term, also potentially leading to a GCI, but what are the near-term hopes? And if I can be even more specific in building on what the secretary had mentioned, what would you hope to achieve in the evolution roadmap by the spring meetings, and then what by the annual meetings? And with that, we'll close this out.

Alexia.

Ms. Latortue Great. Thanks for that question.

So I think by the spring meetings there are a couple of things that we want to achieve, so, first of all, we want to really make progress on the updated vision, which is the first pillar of the evolution roadmap, and really for us – the board had a robust debate about this for, I think, eight hours earlier this week, but it really is about integrating the concepts of sustainability and resilience towards the twin goals of ending extreme poverty and shared prosperity. So, it's about integrating the importance of addressing the global challenges to the core goals of the bank. And I think having clarity and putting to rest old debates on this will be, then, critical to all the more detailed conversations around operational capacity, financial capacity, and incentives.

I think also agreement on, you know, which global challenges we're focusing on, for now. I think these can evolve in the future. And I think you've heard from the secretary on our sense starting with climate, you know, pandemics and health security, and fragility and conflict would be the place to start. But having sort of, you know, conclusions on those points would be one thing for the spring meetings. Secondly is making progress on some of the CAF elements. So, for example – and there's a paper coming to the World Bank board on this – looking at the equity-to-loan ratio and seeing if that can move and create, I think, quite a bit of headspace based on the decisions that we make there, so there's a paper coming on that that we're looking to see; making progress on removing the statutory lending limit, for example, which is a binding constraint now to some of the financial innovations that we think are quite powerful and could lead to boosted headroom as well.

Then a very important piece that we've asked for – I'm not sure if we'll get there by spring meetings – is really having a much more robust framework, set of principles and guidance to staff around the use of concessional finance, because you've heard there's a greater and greater demand for that. And again, being really smart about how you use that scarce resource and having

clear guidance about when it's needed across all client groups of the Bank, so not just linked to income level but, very importantly – and you heard the secretary say this – without displacing concessional finance for low-income countries. Therefore, you really need to have smart frameworks and principles and guidance. We've asked for that by spring meeting. I'm not sure if we'll get there, but maybe we'll get sort of a plan of how to get there we'd like to see by then again.

And then I think the analytical work that Marilou talked about, right? So, when you're doing country strategies, are you embedding in them analysis around the positive and negative externalities of these global challenges? But also, at the project level, are you doing the screening for these global challenges? And that's – again, the embedded point that we're talking about happens through this diagnostic work.

So, these are some of the short-term things we want to see by spring meetings, and then we'll have to continue the work. And by the way, leveraging also G-20 meetings, leveraging a summit that the French are organizing in June, leveraging the meeting(s) of the regional development banks that take place between March and May, and then coming to October – (laughs) – with the annual meetings, where we now want to see more specificity around the incentive piece. So, what will be the incentives for staff to truly address global challenges in their work, and folks who do that hard work getting promoted, and that being recognized in their performance evaluations, right? The work on the diagnostics that I mentioned, the private sector mobilization piece. So much more concrete reforms to the Bank in terms of how they will leverage IFC and MIGA. In general, we want to see more of IFC and MIGA in the roadmap, to be frank. So that we want to see by October.

We want to see in the corporate scorecard of the World Bank the results of what we're talking about because that's when the rubber really meets the – whatever the saying is. I'm very bad with expressions in all language(s) – (laughter) – but you get me – you get what I'm saying. So, these are some of the longer-term – the longer-term goals that we're looking for October.

And my final thought on this will be if we really succeed at everything that we're trying to do to collectively, one of the ways we will know that we have succeeded is when the next crisis comes – and they unfortunately come at will, I think, as the history of the world – the Bank will be able to respond much more swiftly at greater scale to the challenge, including being able to place money at the right levels – be it national, subnational, or supranational. That will also let us know if we've done our jobs well.

Ms. Segal:

Ok.

Ms. Healy: OK. I'm going to pick up the baton on that.

Ms. Segal: Please.

Ms. Healy: Right? Everything she said, plus I would love to see – in addition to that package, I would love to see the middle-income countries in particular coming together before the spring and then presenting their terms, what they want out of this evolution roadmap. Because while, you know, adaptation is critical, as well as the other GPGs, I'm not yet ready to give up on mitigation ambition, right?

I think we've also got, you know, in another forum, the Global Stocktake looking at progress in terms of emissions cuts. Shocker, we haven't yet, and we need to very soon. And I think this is a way for middle-income countries to say, here's what we need: longer-term maturities; much larger packages of support; faster turnaround time; help developing blueprints for what we need for our modern economies, including modern resilient energy systems that are going to underpin their growth and development; and a much more concerted, creative, all-hands-on-deck effort to get those systems built. That's what I'd love to see from the middle-income countries.

And I think the fact that we're also talking about IBRD potentially looking at new window or even looking at how we use trust funds, like, far more efficiently to sort of make that – make those deals a lot sweeter, I think that's critical. And without something big like that, I think, that's really the only way we're going to get massive mitigation ambition, including some of the innovations around lending to subnationals. This is where we're going to get emissions cuts. And this evolution roadmap, I think, is a roadmap in order to get that, which we need.

Ms. Segal: Marilou?

Ms. Uy: Thank you.

I agree with Alexia that the vision statement, agreement on that just releases energy for the next steps. But it would be good to have a consensus vision among stakeholders, which goes without saying.

So, then, the second one is a better sense of what might be a potential headroom expansion. That will make people – set expectations, at least for the short term.

And then third is – and you mentioned middle-income countries – it would be good to have a good sense of what might be the concerns and the asks, and what will it take – what incentives will it take to look at global public

goods for groupings of countries. It would just make the conversation more concrete.

And I agree, again, with Alexia that agreement on which GPGs, because it's now so – would make implementation or thinking about implementation a lot more concrete.

So, thank you.

Ms. Segal: Nancy.

Dr. Lee: First of all, I think Alexia's list is really robust and sensible. And I'm very encouraged to hear it, actually, because if she's saying it, it means it's within the realm of possibility, so. (Laughter.)

But I'd like to stress two points that maybe are a part of what you said.

One is that as we're talking about all this additional finance, we really have to be talking about how we measure success. And there really has to be more of a focus on having the MDBs come together around a set of impact targets and impact monitoring. And impact here doesn't just mean volume of finance, or it doesn't mean volume of finance; it means actual outputs and outcomes. And so, it's going to be hard to convince the shareholders to come forward and do these politically difficult things without those. And the MDBs all ought to have the same base/core set of indicators.

And then the last thing is – and Alexia mentioned this – IDA really has to be part of the conversation. And decisions, you know, hopefully can be made by the end of this year on how to put IDA on an upward path with rising donor contributions, and how to do it in a way that perhaps is more predictable, and maybe has a longer timeframe. Because, you know, we just can't have a risk where this concessional finance for GPGs comes at the expense of IDA itself, and its core poverty and shared prosperity goals.

Ms. Segal: OK.

Well, let me thank all of you for sticking with us 15 minutes over. Let me offer a sincere thanks to all of you. I think we succeeded in getting to a very substantive conversation on an issue that is tremendously important. I think it says a lot to have the secretary actually demonstrating her commitment, the administration's commitment, to the evolution. And it sounds like there's going to be plenty of work to come, and plenty more occasion to have a future convening. So, with that, thanks to everybody. And we hope to see you back here again at CSIS. Thanks. (Applause.)

(END)

