

Center for Strategic and International Studies

TRANSCRIPT
Online Event

**“An Armchair Discussion with David Malpass,
President of the World Bank Group”**

DATE
Monday, November 8, 2021 at 9:30 a.m. EDT

FEATURING
David Malpass
President, World Bank Group

CSIS EXPERTS
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Transcript By
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Daniel F. Runde My name is Dan Runde. I'm a senior vice president here at CSIS. I also hold the Schreyer Chair. I'm really pleased to be hosting Mr. David Malpass, the 13th president of the World Bank Group. The World Bank Group is really one of the most important institutions in the world. And sometimes in Washington, because it's here, I think we sometimes overlook it or undervalue how important it is. I worked at the World Bank Group for four years, and it never ceased to surprise me and astonish me the level of influence and impact it has all over the world. It's a critical institution in the global system.

Mr. Malpass began his term in 2018, but he's had a fabulous career as an economist, in government and on Wall Street. He served as the undersecretary of the treasury for international affairs. He represented the U.S. on the world stage, including at the G-7 and the G-20 ministerials. He also has been at the forefront for sustainable lending practices, debt relief, increasing transparency in debt, and supporting living standards in developing countries. For years, he's been a leader in U.S. foreign policy and international development.

Before we begin our conversation, I'd encourage you to submit your questions on the CSIS event webpage. We'll have a live Q&A at the end of the discussion, or otherwise I'll hog all the questions for myself because I've got a ton of questions for Mr. Malpass, because we're really pleased to have him today. So let me turn the floor over to Mr. Malpass, who will deliver a few remarks.

David Malpass Thanks, Dan. Good to be here at CSIS in Washington, D.C. on a bright sunny morning. I'm back from the G-20 and from Glasgow. So several points. One is the world's facing really big challenges. We know that from the pandemic, of course, but it's also the rise in poverty. And as we look at it, the developing countries are facing a shortage of vaccines, inflation that's really problematic for people in poorer countries. The supply chain issues are dominant in the discussions with world leaders. And so that's a big challenge of how do you get this global recovery back on track? A big worry for the developing countries is the slowdown that's showing up in the U.S. and China, because they're really dependent on growth doing well around the world.

So that's context for this. And then several of the specific issues that are on front and center, one is vaccines themselves. There's just not enough doses getting through to the developing countries, and especially to Africa. We have a taskforce. We met in Rome – that's myself, along with WHO, WTO, and IMF – and discussed concretely what can we do. Now, we don't make vaccines. So World Bank does fund the supply of vaccines in South Africa, and we're expanding that. But it's just not enough. So we issued a joint statement saying: Couldn't the countries that have a high vaccination rate please swap your early deliveries. We're really at a point where we're trying to get deliveries in November, December, January, and February, because

that can really save lives, especially in Africa where the vaccination rates are low.

There's been some good news. You know, we had – there was a swap that the U.S. allowed a few weeks ago with Moderna to – so the U.S. is saying they'll take later deliveries because they have enough supply, and they gave their early delivery dates to the African Union. And so that's going to – those doses will start showing up in the next few weeks, which then immediately begins to save lives. So we're urging and really trying to get the advanced economies to swap doses.

I'll mention two other, you know, big areas. One is on climate. I went from Rome to Glasgow. So there are big issues on that of trying to focus and prioritize the world on things that will have an impact. So we can go into that more.

And then the final point I wanted to mention is on the debt of the developing countries. You know, it's gone up a lot, which is odd, because I've been calling for a moratorium on the payments for the poorest countries. But the reality is this big flow from the poorest countries to the creditors. They have a lot of power in these situations. And we don't have a workable mechanism now to give debt relief to the poorest countries, even in the middle of a pandemic. So the effect on human beings is huge.

Education – you know, we track – World Bank tracks data around the world trying to reduce poverty and trying also to increase literacy. One of the key indicators for the future of the world is can 10-year-olds read a basic story. Well, the bad news is that's gone from – what we call learning poverty – it's gone from 55 percent to 70 percent, meaning 70 percent of the kids in the low-income countries can't read a basic story because they've been kept out of school.

Mr. Runde They've been out of school for 18 months.

Mr. Malpass Eighteen months. And the data is really clear that the kids just go backwards. There's not really an ability to do distance learning for kids in general, but especially in poor countries. So we're – I'm also talking in all these meetings about the need for more resources for – especially for the low-income countries, but in general for the developing countries.

We need resources from IDA, which is the one window of the –

Mr. Runde The soft loans.

Mr. Malpass The soft loans, and mostly – heavily grants –

Mr. Runde Heavily grants.

- Mr. Malpass – from the World Bank, but also we can work – we do work around the world in other developing countries to try to improve their private-sector activity, to try to work with them on better governance structures. All of that's going on. But it takes more resources than what's available.
- Mr. Runde It's a hell of a situation here really. You know, I talk about BC, before COVID. I mean, COVID's been such a disrupter on so many fronts. And you've covered a number of these.
- The – let's start with vaccines. Despite commitments by high-income countries, there continues to be a significant vaccine disparity between developed and developing world. And you've touched on this. Only 20 percent of people in low- and lower-middle-income countries have received a first dose of vaccines, compared to 80 percent in high- or upper-middle-income countries.
- What else is it going to take? I think swapping doses is a great idea. Talk some more about some of the other things we might be able to do. Because I know there's a number of things you all are doing on that front.
- Mr. Malpass The task force, the four institutions that I mentioned, has focused on trying to have data to understand why this is happening. The good news is the actual production of vaccines has been huge. You know, they're ramping up week by week. And there's been some good news. For example, in India they reached – 700 million people have been vaccinated, and they'll reach a billion people by the end of the year. So that's amazing. And that's coming from the production in India of a licensed vaccine. A lot of it is AstraZeneca license. And people are receptive to it in India, and they're really pushing it out. So that's good.
- The problem that's been identified by the task force is, while there have been huge pledges by the advanced economies, the actual delivery of the doses has been small, especially into Africa. So you hear the numbers. You know, it's one country pledging doses. But actually having those identified – OK, when will they ship?
- Mr. Runde To get the shot in the arm.
- Mr. Malpass Where will they – when will they ship? Where will they ship? That information hasn't been available. And so World Bank can fund both the purchase, if that's necessary, of the vaccine but also the health system that deploys the vaccine.
- Mr. Runde You could also pay for the refrigerators for the cold chain.
- Mr. Malpass And the refrigerators, the cold chain to improve the capacity. But we have to know the name of the vaccine that's going to be delivered and where will it be delivered?

Mr. Runde So X number of doses of X vaccine is going to show up at this port at such and such a time – you need to know that.

Mr. Malpass So far there are even quite a few cases, but volumes of this, where the government of the donor country will announce a donation but not say of which type of dose. So then that makes it very hard to plan for the developing country when you don't even know when the dose will arrive and what type, because there's a big – you need a different syringe to apply a Johnson & Johnson dose from a different type of vaccine. And, I mean, all of them –

Mr. Runde All these different – they're slightly different.

Mr. Malpass They need a different kit. They need different dilutant – it's called diluents, which is added to the vaccine to make it deliverable. And so as countries say that they're going to donate doses, they need to also make clear will – can – the World Bank be allowed to finance the kit, and are there kits being made available that allow the vaccine to be actually delivered?

So it's all a big – it's a complex logistics problem. This is not an easy problem.

Mr. Runde No.

Mr. Malpass It's one that the World Bank is –

Mr. Runde Well equipped to help on. Yeah.

Mr. Malpass – well equipped to help on if allowed to be in those.

Mr. Runde So the argument I'm making in Washington, and this isn't an argument you could make in the main complex at the World Bank at the MC but this is the argument I'm making to my friends on Capitol Hill – I'm going to be testifying next week on vaccine diplomacy – is that I've done 1,500 Zoom calls since March the 12th, and President Malpass, you've probably done 2,500 Zoom calls, so I have several deep thoughts as a result of my 2,500 Zoom calls and one of them is, at the end of 2022, there's going to be an "academy awards" of countries and every country is going to get up at a dais like this and give a speech and say, I want to thank somebody for solving my vaccine problem. Now, I'd very much like them to get up and thank a variety of countries for that but I'd like them to include the United States in that list, and frankly, I'd like the United States to be at the top of that list. But I know that's – you know, you're a multilateral organization, you know, but I would just say that we need to, out of enlightened self-interest, need to be thinking about this because it's really important and we can have lots of complicated conversations about restarting the economies, but until everybody is vaccinated in developing countries we can't restart economies; we can't have global commerce; you can't study abroad; you can't go on that vacation

until you have large percentages of people – and I’m quite anxious to see – I’m seeing countries with 2 percent, you know, and some of these countries are very, very low. And so I think that you all play a critical role in financing that and you have a critical voice, so thanks for all that you’re doing.

Mr. Malpass Thank you. And I think the single thing that would help the most now is for people to focus on the delivery schedule into particularly Africa, where that 2 percent rate – but it even extends, you know, to some of the countries in Southeast Asia; the vaccination rate needs to be much higher. And to do that you have to have a delivery date for a certain type of vaccine. That way the countries can plan for it.

Mr. Runde So I would just say that I think people all over the world, whether they live in Moldova or Malaysia or Mali, are all rational actors; economics says we’re all rational actors. And so if they have information and they say, well, I’d really like to – you know, I’ve heard that the Moderna dose is really good, they’ll want to get the good stuff. And so we ought to be thinking about how we can get AstraZeneca or Johnson & Johnson or Pfizer or Moderna because there’s a strong preference in developing countries, just as there’s a strong preference in our country, in the United States or OECD countries, for the good stuff, right? I think that’s a – I’ve seen this in the statistics or in some of the survey data that there’s some – I don’t think hesitancy’s the right word; I think it’s hesitancy because they’d like to have a quality vaccine because they want to be safe.

Mr. Malpass The good news is there’s a variety of vaccines. They work. They have different effectiveness. And so it appears that all of them are helping some. And so –

Mr. Runde We need all of the above. We need all of the above.

Mr. Malpass All of the above. (Laughs.)

Mr. Runde All the above. But we could – but I do think what countries could be doing is swapping doses and being a little bit more clear about when they’re going to deliver and what they’re going to deliver, right? That’s your message?

Mr. Malpass Right. Yeah.

Mr. Runde OK. OK. So I want to talk about the economic – global economic recovery. So at the same time COVID-19 has exposed, I think, significant unstable economic infrastructure in many developing countries. Many countries saw major decreases in their travel, tourism, and hospitality sector. If you’re in the informal workforce, this has been horrific. So you can’t do Zoom if you’re in the informal economy, largely. It’s taken a big whack to foreign direct investments. So there’s some countries where travel, tourism and hospital is 20 percent, 30 percent, 40 percent, 50 percent of the GDP. Many countries have made big bets in the last 10 years about saying I’m going to open

myself to foreign direct investment, I'm going to open myself to travel, tourism and hospitality. All this has been disrupted by COVID.

So what are the biggest obstacles to economic recovery? We've talked about the biggest one in my mind, which is shots in arms – just getting shots in arms. But what else – what are the biggest obstacles? And what is the World Bank doing on global economic recovery? I know you just came back from the G-20. I'm sure that was front and center.

Mr. Malpass It was. I wrote down three words which I want to get to – remittances, digital, and correspondent banking relations.

Mr. Runde Love it. Love it.

Mr. Malpass Those are all kind of in the weeds. You named –

Mr. Runde I'm at a think tank. We like being in the weeds, Mr. Malpass.

Mr. Malpass Being in the weeds. (Laughs.) The big-picture problem is that developing world growth is still weak. And so tourism is a problem. The advanced economies are growing on a per capita basis at 5 percent. But the low-income countries are growing at only 0.5 percent.

Mr. Runde That's terrible! That's very bad.

Mr. Malpass So it's the reverse. If you think about the meaning of development, it's supposed to be the developing countries grow faster than the advanced, because that way they can –

Mr. Runde Catch up.

Mr. Malpass You can narrow the inequality. And right now, it's going in reverse. The inequality is widening. And so we – so that's the right question, how do you get growth in the poorer countries? And tourism is not an answer right now. Some of the countries will emerge. I think biodiversity can be an attraction from – it's both good for the world and good for tourism. And some countries will be able to implement that. Certainly, vaccination programs. You know, Ecuador went from being not vaccinated to having a high vaccination rate in 100 days.

They did that by allowing the employers to have the vaccine. And then the employers have a self-interest in getting people vaccinated, because part of the hesitancy around is do you trust the government to actually give you the vaccine. That's often been the delivery mechanism. And so they found a way around that, of saying let's just let the employers make it available to their employees – not as a mandate, but as an availability. And then they quickly moved. So that will help tourism and help the economy begin to recover, so we can do that.

I want to come to these three. In a world that's unequal, remittances really are important. The workers working outside their border send money back.

Mr. Runde Sending money back.

Mr. Malpass The spread is just too expensive. And so countries can fix that by becoming more digitalized. You know how phone apps are now working in some countries, even some very poor countries –

Mr. Runde Much more advanced than in the United States. So M-Pesa is famous in Kenya, for example, for this.

Mr. Malpass Yes. Exactly right. And what's happening is you're arbitraging the clerk at the bank. That clerk is making more money than the people – the customers. In most poor countries, a bank clerk is –

Mr. Runde Is doing pretty well.

Mr. Malpass Is doing pretty well. So you – the poorest people in the country simply can't wait in line and go to the bank. They need to have it on their app. So the governments need to allow that. And that gets into the –

Mr. Runde Regulations. You got to get the banks to agree to it, you got to get the telecoms to agree to it.

Mr. Malpass You get everybody on board. So World Bank is actively working in that, country by country. But you've got to break down the monopolies. And that's been one of the big problems. Now, good news. Along the West Coast of Africa there's now a choice that countries are beginning to have in terms of their undersea cable. You know –

Mr. Runde Yeah, sure.

Mr. Malpass One of the – one of the challenges for the world is in a lot of places there's only one undersea cable and the government controls it. If you can break through that, then you can get more digital transactions occurring and the cost goes down. And so –

Mr. Runde It's like a water pipe. Instead of having one water pipe, you got multiple water pipes.

Mr. Malpass You have two and you can choose. So one thing I'm trying to do is, as we think about financial inclusion, recognize that one good metric for that is a huge volume of transactions at a fraction of a cent. We can't be talking about \$3 for a transaction –

Mr. Runde No.

Mr. Malpass – in poor countries. That might work in the U.S. When you go to the ATM, you pay \$3.

Mr. Runde I have to pay three bucks. But my wife caught me one time. I went to the wrong bank and I paid five bucks. She sent me a nastygram on that.

Mr. Malpass Yeah. Don't do that, you know. (Laughs.)

Mr. Runde Don't do that.

Mr. Malpass So bringing that cost down. And it's happening, and we can push it along.

And then a final detail point – and there are many others – the correspondent banking relations have – relationships have broken down in developing countries. That has to do with this regulation.

Mr. Runde Regulation, Basel III.

Mr. Malpass Basel III, the FATF standards are done in a way that works for big banks because they're protecting all of us from terrorism, from money laundering.

Mr. Runde Yeah. Sure.

Mr. Malpass But there needs to be a way for the – for the smaller countries, the poorer countries to connect to some of international –

Mr. Runde To the global banking system. I can't tell you how many times, Mr. Malpass, I've been with a developing country, sometimes in a post-conflict situation, that has some stuff going on. They'll come here to CSIS and their main ask will be: Could I please have a correspondent banking relationship?

Mr. Malpass I go to these – (laughs) – international meetings, that's the number one on the poorer countries' mind. And it's because it's really important to have – to have a bank that can – if a company exports, how do you get the money back into the country without paying an arm and a leg for it?

Mr. Runde Yeah.

Mr. Malpass We stepped in – as COVID hit, the banks pulled back from the countries. We stepped in with trade finance.

Mr. Runde Yes.

Mr. Malpass So we doubled our trade finance business, which then helps the smaller businesses keep alive –

Mr. Runde Keep alive.

Mr. Malpass – in these. So we're working on it.

Growth, you know, isn't really one thing that countries do; it's addressing all of their business climate to make it better and more attractive for their own – you know, people forget the biggest necessary investor for a country is its own citizens. They've got to reinvest in their business rather than sending it to a relative somewhere else. And so creating a climate that the local business wants to reinvest into is the starting point, really, for development.

Mr. Runde So I think this is very interesting in the sense that having increasing digital connectivity – that was one of my other takeaways from my 1,500 Zoom calls, is there's been more e-commerce, e-government, digital payments, and distance learning in the last 80 weeks than in the last 80 years.

Mr. Malpass Yes.

Mr. Runde And sooner – one way or the other, the digital divide that's been exacerbated or accelerated or uncovered is going to get closed. So I'm very, very interested in having institutions like the World Bank Group and the alphabet soup of development finance institutions and aid agencies like AID be front and center on closing that digital divide. Some of it is regulatory stuff like we were talking about, getting everybody on the same page on regulations. Sometimes it's about financing infrastructure. Sometimes it's about making it attractive for the private sector to invest. All things that you all have a role in and have influence in, right?

Mr. Malpass And I can – I won't, but I could go country by country. So what are we doing in Ghana? What are we doing in Nigeria? What are we doing in Indonesia on telecom? And countries are making progress, but it's fits and starts.

Mr. Runde It's fits and starts. But I think over – we're going to have – we have – just as we have in global development, we have, OK, literacy rates, life expectancy, telephone access, food security. You're going to have a new line that's called digital that's just going to be forever. This is just the new electricity.

Mr. Malpass Can I make –

Mr. Runde Yes.

Mr. Malpass Exactly right. And so – and you could say, OK, how many billions of dollars go through the system? Or, more important, how many billions of transactions? So which ones have done a billion or done 10 billion transactions? Kenya is doing tens of billions of transactions with a system that's regulated.

Mr. Runde M-Pesa.

Mr. Malpass M-Pesa. Because, you know, the telecom company is regulated within the financial system so that – so that people are comfortable with it being legitimate. More than that, but I mean –

Mr. Runde Yeah, sure.

Mr. Malpass – comfortable with it. And that empowers. So –

Mr. Runde Something like 30 or 40 percent of the GNP of Kenya flows through phones through M-Pesa. It's some amazing number.

Mr. Malpass And these are often very poor people doing something that earns a small amount of money that they wouldn't be able to do if there was any charge, significant charge, on the transaction. But it's a non-factor. And so the farmers can get fertilizer using a voucher that comes through digitally.

But I had a thought and I forgot my thought.

Mr. Runde Sorry.

Mr. Malpass Sorry about that. (Laughs.)

Mr. Runde Sorry. But digital is a critical part of what you're doing, and it's about the flows. It's about connecting poor people and –

Mr. Malpass I thought of the – you know, one thing that can help is social safety nets.

Mr. Runde Yeah.

Mr. Malpass So, you know, we've been used to a world where you could give people food, but we recognize that's a problem because they become dependent on the flow. In Afghanistan there were huge cash payments. That's problematic, because how do you control them? How do you keep them from being diverted?

And so in – and so, in digital transactions, you can get the money to a woman who is the – who has children.

Mr. Runde Yeah, who's the house –

Mr. Malpass So what can be better than that? And you can do it every month and –

Mr. Runde Send it to her phone.

Mr. Malpass That saves her and provides nutrition for her kids. But it's got to go to a specific person. How do you do that? Digital services. And so I envision a world where we can measure how many billions of dollars go through those systems country by country to the actual people that need the money. And

we're now able to measure that and set goals. Let's double that every year for the next five years.

Mr. Runde So in the last 20 years the World Bank and other institutions have been toiling in the vineyards and creating social safety nets around the world; some of them anti-poverty, some others. What you're saying is – I'm sure they've been really ramped up in the last 18 months because of COVID.

Mr. Malpass Yes.

Mr. Runde But also what you're going to see is a lot of them are going to transition to a digital platform and it's going to change the way we can deliver social services, right?

Mr. Malpass Correct. So in Jordan – I was recently there – there's a social safety net. The money is loaded onto a card. And even the refugees from outside of Jordan are able to get access to that system. So then you can measure how to push more money through that system in a crisis. So it becomes a critical pandemic – you know, a preparedness step is to have countries able to push money to the people that need it most.

Mr. Runde OK. So we've talked – so there's the International Development Association. That's IDA. So this is the grant vehicle for the World Bank. You've had to spend a lot of that IDA money to respond to this unprecedented crisis of the last 18 months. You're going to be asking donor countries like the United States and others all over the world – Japan, other countries – to replenish IDA.

So what are your expectations for IDA this year? And what kind of commitments does IDA need from countries like the United States and others?

Mr. Malpass IDA is a good vehicle because it's flexible. It works in lots of countries, the low-income countries. And so what we were able to do when COVID hit was frontload IDA, meaning it – IDA is normally on a three-year replenishment cycle. So you kind of allocate it year by year over a three-year period. We're able to pull the third year into the second year and really expand our delivery in – over the last 15 months. So in that 15-month period, the World Bank expanded 60 percent growth from the previous 15 months. And that was –

Mr. Runde To respond to the crisis.

Mr. Malpass To respond to the crisis. And a big component of that was the ability to pull forward IDA. So we've presented it as good to the world. And it's been very well received by the recipient countries and by the donor countries that this is a good central platform to help with education, with health care, with child nutrition, with – and with climate. It does all of those as – and with gender-

equality issues that are very important around the world, really.

Mr. Runde So if we've had a lot of inconveniences – I'm going to use that term; if you live in the ring counties around the District of Columbia or you live in a very wealthy developed country, COVID's been hard. It's been an inconvenience. And for some people it's been really hard.

But if you're in a developing country, it's been almost catastrophic if you have a 60 percent informal economy. So all the hard stuff for someone in Montgomery County or someone in the Bay Area, where their kid was on Zoom – if you couldn't put your kid on Zoom – and, you know, like you said earlier, this has been like a lost 18 months. This has been terrible. There's some of the – statistically, I think it's been the largest economic drops in the formal economy in Latin America ever recorded, right? I mean, this is just horrific stuff. So –

Mr. Malpass That's right. We see it in the poverty data and in the nutrition data. I mentioned the education data.

Mr. Runde Yeah.

Mr. Malpass Because basically the world – the developed world shut down. You know, when there was a lockdown in the developed world, the impact on the poorer countries was immense, because they're really connected –

Mr. Runde Whether it's tourism, whether it's exporting agricultural products, any number of different ways. There's deep – because of globalization – deep interdependence. So IDA is a way – has been a way to respond in the last 18 months. And even if we're starting to emerge, if I can put it that way – and that's maybe too optimistic. You know, we're cautiously – in the OECD countries, the wealthier countries – starting to kind of emerge. That's not necessarily the case in these developing countries, if you've got two, three, five percent. So these folks are still going to be whacked for at least the next year. And so things like IDA monies are going to be needed to respond to this for a bit while longer, is that right, David?

Mr. Malpass So that's right. And the donations from the advanced economies can be leveraged in IDA. It's a – it's a unique capability of IDA, because it issues bonds on global markets. So you're able to take money from the U.S., or from Europe, from Japan, the bigger donors. China is a – is a donor to IDA.

Mr. Runde Is a donor to IDA.

Mr. Malpass Which is great. I'm hoping for more. And the countries put in money. And it's – you know, it's not very much in the numbers – so, around the U.S., people think in terms of trillions of dollars. The U.S. puts in maybe one-and-a-half billion (dollars) into IDA, which is then leveraged four times to get aid to

people in the lowest-income countries. So we're right now in the final stages of what's called IDA 20. It's the 20th replenishment of IDA.

Mr. Runde Replenishment.

Mr. Malpass It will be concluded in December with contributions from the – commitments –

Mr. Runde Yeah.

Mr. Malpass – from the U.S., the U.K., and countries around the world. I don't actually know, maybe 60 countries that end up donating to 75 of the poorest countries. So to –

Mr. Runde That are in – that are IDA classified.

Mr. Malpass : IDA classified. So it's a great investment. And it's leverageable. And it's not very much in the global perspective of the trillions of dollars. So we're hoping that this one will reach \$95 billion. The last three – that will last for three years. So IDA –

Mr. Runde So the U.S. puts in some money, all these other countries donate that we've talked about – put in money, including China – donate into this pot of money. You're – from – I'm going to call it profits from operations from the World Bank Group go into this pot of money as well.

Mr. Malpass That's right. Historically the World Bank itself has been the biggest donor, bigger than the individual countries –

Mr. Runde In the last 15 years.

Mr. Malpass – to IDA.

Mr. Runde Yeah.

Mr. Malpass And so World Bank puts in money annually.

Mr. Runde And then there's something called reflows, when people pay back their monies. So it's a – the U.S. is getting a really good deal on its money, multiples and multiples of this money.

Mr. Malpass That's right. And it's supportive of this. And so the issue is down to, OK, can we –

Mr. Runde How much we going to –

Mr. Malpass – get an extra – \$100 million goes a long way in these countries.

Mr. Runde So one of the things the Biden-Harris administration has put forward in their budget proposal is to allow for the World Bank Group to issue IDA bonds on the U.S. bond markets. Why is that important?

Mr. Malpass Yeah. Because the U.S. has the deepest markets. So we would like to do that. It's a bit of an anomaly. Other MDBs, multilateral development banks, issue in U.S. markets, as does the World Bank itself. But IDA hasn't received that –

Mr. Runde Permission.

Mr. Malpass That permission from the SEC, the Securities and Exchange Commission. So we're hoping that that can be done, because right now IDA issues bonds in Europe, in the U.K., in Japan, in their public markets, but not in the U.S. primary bond market. And it's a deep market. And IDA issues long-term bonds, because the needs of the countries are long term.

Mr. Runde Are long term.

Mr. Malpass And so we would welcome that capability.

Mr. Runde So, Mr. Malpass, talk about – there have been a number of announcements made at the G-20 and COP26. There were a few announcements made, including agreement on a minimum 15 percent global tax and pledges to end methane emissions and coal financing. Can you talk about the issue of a global tax on the one hand? And then let's talk about climate.

Mr. Malpass Yeah. Let's do talk about methane and coal, if we can.

Mr. Runde Let's – yeah. Let's do that.

Mr. Malpass So on the global tax, the World Bank's not party to that outcome. That was discussed by the various G-20 members, the member countries. So they reached agreement. And the – so the one thing I do want to say, for developing countries it's important that they have the capacity to actually administer their portion of this. You know, one of the – one of the goals – or, one of the issues is there will apparently be revenue sharing from the corporate taxes of the big – of the big tech companies and some of the other companies toward their customer countries.

So if you're a big, developing country, you have a lot of users on social media. Right now, you're not getting corporate tax revenue. So there is supposed to be a process to do that. And the one thing that the IMF and the World Bank have taken note of is there's – that the technical difficulty for these countries in keeping up with a complex set of rules and regulations. So as they do this minimum tax, if they can make it simple enough for developing countries to actually participate, that'll be important.

Mr. Runde OK. So are you – if I want to do a gas project with the World Bank Group, what is the World Bank’s policy on gas?

Mr. Malpass So the World Bank – I should be really clear – hasn’t done any coal financing, financing of coal, since 2010. That was the last one. And there’s a formal policy in the World Bank not to promote coal, on the recognition that not only is it CO₂, but it’s physical emissions from coal-fired power plants and so on. For natural gas, we don’t – and oil – we don’t work upstream. Meaning, we don’t help countries go look for oil and gas and develop the wells and so on. But if a country has natural gas that’s available, that may be the cleaner fuel. And so we can work in countries when there’s not an alternative. If there’s not a cleaner alternative.

 Oftentimes natural gas is going to be cleaner than, say, diesel fuel. One of the concerns I think that the world needs to have is the prevalence of diesel as a source of electricity generation. So if you’re in Madagascar, for example, they’re using bunker fuel, meaning the dirtiest kind of oil, in order to make electricity. And it ends up being smog and pollution and carbon dioxide and methane that comes out of it. So there needs to be a transition to cleaner fuels. And we just saw the explosion in Sierra Leone over the weekend. You know, Sierra Leone –

Mr. Runde Terrible.

Mr. Malpass – is – it’s on the west coast of Africa.

Mr. Runde Yeah.

Mr. Malpass And they, like many of their neighbors, have diesel generators operating. So there’s constant shipments of diesel fuel. It would make more –

Mr. Runde That’s dangerous.

Mr. Malpass It’s dangerous. So big explosion, 100 people killed.

Mr. Runde Terrible.

Mr. Malpass Very, very unfortunate. And one of the – one of the things that we want to do is make sure that people have access to electricity in a way that’s safe. And that often comes off a grid. In the big cities, you need to have an electric grid that has baseload capacity. And there’s limited ways to produce that. So we can work in limited case, and the U.S. government policy is the same. That if there’s not an alternative, then let’s use the clean fuel that’s available.

Mr. Runde So my senior advisor here at CSIS, and a former managing director of the World Bank, is Dr. Juan José Daboub. And he’s done an incredible amount of work. He founded something called the Global Adaptation Institute and looking at issues of climate adaptation. He was way ahead of the curve,

maybe 10 – more than 10 years ago now. How does the World Bank Group think – work on and think about climate adaptation?

Mr. Malpass One part is, for many of the poorest countries, it's the bigger issue than mitigation. Mitigation is reducing your greenhouse gases. So that might be, for example, I you have a coal-fired power plant that you let it expire and put in a cleaner alternative fuel to run the grid. That's mitigation. Adaptation is the idea of not having people live below the floodplain or having your building codes be able to withstand a hurricane or strong winds if those come. And for a lot of countries, it means the seeds that the farmers can use that are able to –

Mr. Runde Drought resistant or flood resistant.

Mr. Malpass Drought resistant. Those are creating much better yields for crops if they can be connected.

So all of those cost money. World Bank is committed to having a minimum of 50 percent of our climate finance be in adaptation. So it's a world leader in adaptation finance as part of recognizing that for poor countries that's actually the bigger challenge.

Dan, I don't want to miss this – the chance to talk about methane and coal.

Mr. Runde Yeah, tell me about methane and coal.

Mr. Malpass So they contribute massively to greenhouse gases. And so one of the things I emphasized at COP26 in Glasgow is that the world really needs to confront the need for priority projects. So if we're going to have an impact on the – on the greenhouse gas emissions, there has to be actually discussion of specific projects that can be done in a priority format. One of the biggest is methane because it leaks and it creates more greenhouse gas than other sources. And so that means the pipelines themselves, the way that the pumping has worked within the pipelines has to be repaired.

So as the world thinks about it, I wanted people in Glasgow to think about what they could actually do, meaning actions that would make a difference. There's, you know, a lot of tendency to have conferences and to talk about things but not actually name a project. So World Bank is focused on having projects in countries that will make an impact and then figuring out how to finance them. Some are very expensive – the decommissioning of coal-fired power plants, for example.

Mr. Runde So it may require you to work with, say, the other regional development banks or aid agencies.

Mr. Malpass We want to bring those in. The other MDBs – you know, the World Bank alone is more than – more than all of the other MDBs combined, so.

Mr. Runde It's true.

Mr. Malpass But we need to have the development finance agencies –

Mr. Runde This is like the DFC here in the United State or FMO?

Mr. Malpass Former OPIC in the U.S. –

Mr. Runde Yeah.

Mr. Malpass – now called DFC. And having those entities – and they exist in the U.K., in Germany, in France –

Mr. Runde There's like 30 of them. Very important.

Mr. Malpass – having them be Paris-aligned. So we're encouraging them to join us in being Paris-aligned and also to be – to be funding. But also, the bigger form of money is going to be private foundations and also the corporate money that wants to make a difference. And so I talked at some length at COP26 about – that the World Bank can identify and can develop the projects, work with the governments so that they're actually trying to change their policies. And then we need to bring in funding sources from all the different things we've talked about: the private sector that's looking to make a profit, but then there needs to be the corporate sector that wants to make a climate difference that it may not be profitable. They're going to be buying carbon offsets in order to have projects that actually reduce greenhouse gases. Let's see if that can work.

And the private foundations can make a difference. They have large sums of money that can go into grants to help the countries make the transition to cleaner fuels.

Mr. Runde Great. OK. Mr. Malpass, you know I've been very vocal about Doing Business. I think Doing Business has been the most important thing that the World Bank Group has done in the last 20 years. You know, there's been a push to have evidence-based and data-driven work. There's also been a big push for the World Bank Group to work on public goods. The World Bank is also supposed to be an institution that provides a lot of advice.

I think that the Doing Business indicators have been a major source of reform and change in the world. I know there's been – I've done a number of things to try and protect the Doing Business indicators over the last 10 years, but in September of 2021 the World Bank Group announced it would discontinue the Doing Business report because of allegations of tampering to improve the rankings of certain countries. What is the future of Doing Business, if I can put it that way? And how does the World Bank plan to carry forward this important work?

Mr. Malpass Yeah. So I take your full thrust, that countries – that improving the business climate for countries is one of the most important things that can be done. And the World Bank can and should have a big role in helping countries do that.

So then the question is how to best do that. That old report, Doing Business report, which was a thick document, compared countries in a way that was very hard to monitor because it was by nature a change that was done in one country was compared – and it – these would be very technical legal changes to law in one country and then the report was evaluating that and saying that was better than a completely different change that was being done in another country. It's a hard thing to accomplish, and so the decision was made by the senior leadership of the Bank that there was no alternative but to discontinue the report. It couldn't be repaired in a way that would make it useful.

And, you know, I've talked with a lot of finance ministers now and the majority of them said, I hated that report because it compared me and it was done by shaming me relative to someone else. Now, you might say, hmm, that's an effective way.

Mr. Runde That was great. That was an effective way to do it.

Mr. Malpass Report cards for kids at school are good because you know if you got an A or you got a B. But that led to –

Mr. Runde I worry that we're going to have kind of Gen Z everybody gets a trophy kind of global development –

Mr. Malpass (Laughs.) Let's not do that.

Mr. Runde So I worry about this – so, Mr. Malpass, I respectfully disagree; I understand the thrust and I understand that the senior leadership. So I believe there were many senior staff at the World Bank Group who hated Doing Business; many of your middle-ranking folks liked Doing Business, and many reform governments really relied on Doing Business, and it was really the most – one of the most watched things that the World Bank Group did, but I worry that it got maybe – instead of three cheers, it maybe got one-and-a-half cheers from your largest shareholder, the United States. And to the extent you didn't have support from some of your more larger shareholders, I suspect – and you having sort of loud and influential voices in your leadership ranks, it was probably – I understand – I don't like the decision. I understand the decision. I regret – very greatly regret the decision. I think it's something we'll regret in the long run because I think it's going to end up going into sort of the “everybody gets a trophy” global development sorts of things. And so, as I've said, I've had lots of people – I've been in this business for 20 years and many folks I respect say we ought to be data-driven,

evidence-based, and it's the most data-driven and evidence-based thing I've ever seen. We ought to be doing public goods things at the World Bank. This was a super-duper public goods thing. And we ought to be in the advice business.

So yes, there are countries that didn't like it, but if you had – if your national mythology was the people over the mountains were terrible people and they were 50 points ahead of you or 50 rankings on – it was a spur to get you to – (laughs) – to change, and so it played upon sort of national rivalries in a way that was a constructive way to change things.

Mr. Malpass Fair enough. And so let's try to have an approach that captures the benefits that you're talking about, of being detailed, not being captured by clients.

Mr. Runde Yes.

Mr. Malpass You know, there is the risk that the World Bank works in these countries, various parts of the Bank work, and they want to have the goodwill of the country and the government.

Mr. Runde Yes.

Mr. Malpass Well, that's specifically what we need to say, look, it needs to be an honest report about – or an honest interaction with the country on the business environment.

Mr. Runde And Mr. Malpass, all the things that were described in that report by WilmerHale did not happen on your watch, so let's everyone be clear that you entered post all of these allegations. This was not on your watch any of this happened. You were presented with a – I think the think tank term is a crap sandwich, I think a very difficult crap sandwich. So I guess, Mr. Malpass, I guess the thing is I worry that – the other thing I worry about is, having had a Laissez-Passer at the World Bank Group, sometimes these institutions can be fear-based institutions when you're there, and so if you fear that your largest shareholder is taking a policy of unilateralism or is going to pull their funding and so you start thinking about – this wasn't under your watch but under a previous watch – that we have to go find finding to keep our work going, that may create all sorts of distortions.

Mr. Malpass So I'll put a positive connotation – so our biggest shareholder – I guess you're referring to the U.S. We have good relations there. And so they and our other large shareholders are all really supportive of the World Bank and working together to, for one, provide funding, and the institution is well-enough funded to do the job. So I really want to put the focus more on the idea of how do we have products that are really useful, that are trustworthy, that are confidence-inspiring –

Mr. Runde Yes.

Mr. Malpass – for countries. That’s what we’re going to do. We’re going to build that.

Mr. Runde OK. So I’ve made it clear I’m unhappy about this, right?

Mr. Malpass I heard that.

Mr. Runde OK. All right. So I want to talk about a couple of other things. So the – there’s been a – I worked – it’s tragic what’s happened in Afghanistan. And the World Bank has been an important partner. And I worry about girls not being in school. I worry about a financial crisis in Afghanistan. There’s a drought. There’s significant food insecurity. And I worry about the importance – institutions, whether at the national level or at the subnational level, collapsing and having all sorts of other bad effects.

And so if I say Afghanistan and the World Bank, what’s your reaction to that, Mr. Malpass?

Mr. Malpass These are legitimate concerns. We’re very concerned about the situation. I have to broaden it and say there are a lot of fragile countries that are also facing those problems –

Mr. Runde Challenges.

Mr. Malpass – that didn’t have a banking system to collapse. So in Afghanistan the very rapid takeover has created a super-difficult situation. We were able to get World Bank staff out. That was a big challenge –

Mr. Runde That was important.

Mr. Malpass – because of the suddenness. We suspended our disbursements which had been going on.

The World Bank works in two ways, to oversimplify, with a trust fund, which the World Bank was the trustee of and worked with donors who put money into that trust fund for specific use in Afghanistan. So those have been suspended. And then separately IDA operated in Afghanistan. It’s a poor country with pockets of deep poverty. And IDA worked there. That also has been suspended.

So what we’ve said to the donors is they need to sort out what the bilateral interaction is going to be with Afghanistan. Are they going to recognize the government? World Bank, as a technical matter –

Mr. Runde You have to respond based on that.

Mr. Malpass To –

Mr. Runde They have to sort out the diplomatic issues first.

Mr. Malpass So we're doing one thing in the trust fund which – and I've met with the G-20 leaders on this. You know, we had an emergency session about three weeks ago by Zoom, one of those Zoom calls.

Mr. Runde Yeah, one of those Zoom calls.

Mr. Malpass And I explained what we're doing. And they welcome that, that we're, from a paperwork standpoint, canceling the projects that were going through the trust fund. That creates space within the trust fund for there to be cash balances. And then I've met twice now with the ICRC, the International Committee on the Red Cross, Peter Maurer head, and also with the U.N. agencies that operate. Some agencies still have people inside Afghanistan who are trying to make the health clinics operate. So we can – we're looking for ways to let the bilateral donors, working through the U.N., ICRC, and can we be supportive of their efforts?

Mr. Runde Well, I think what you're doing – I understand. And so it's up to your shareholders and your donors need to make a decision. But you're prepared to act when they –

Mr. Malpass I would not envision us operating inside – given the full breakdown. One of the challenges is the payment system, which you mentioned. There's not the ability to have money actually flow, given what the current de facto government –

Mr. Runde The situation is –

Mr. Malpass – is doing.

Mr. Runde So I've got three questions from the audience. So one is from Mark Schneider, who's a senior adviser here at CSIS. President Biden has issued an executive order declaring corruption a threat to national security. The World Bank has similarly recognized corruption. Actually, the World Bank was the early adopter in 1996. That famous speech by your predecessor, Jim Wolfensohn, about corruption kind of put it on the map, so as undermining democracy. And he references Nicaragua, Honduras, El Salvador, Guatemala, and economic prosperity.

What is the Bank doing to condition macroeconomic financial support to governments as regard to their respect for rule of law and to prevent the IFC from providing loans to corrupt firms, some of which have been sanctioned by the U.S. treasury for tax evasion and bribery?

Why don't I give you the three of them so it gives you a chance to think about each of them.

Mr. Malpass OK.

Mr. Runde There's another one from a person at JBIC: Belt and Road loans are not transparent. Disclosure is limited. And the terms of agreement are different from market standards, which put borrowers at a disadvantageous position. So what is the World Bank doing to improve transparency in lending more broadly? And how are you providing – promoting more sustainable lending? So maybe you can – you might want to take that second half of the question, Mr. Malpass?

Mr. Malpass Mmm hmm.

Mr. Runde OK. My friend Doug Rediker from Brookings asks: Tensions between the Bank and the IMF are currently high. To what do you attribute these tensions? And how can they be reduced?

Mr. Malpass OK. So all great points, hard to answer.

Mr. Runde Yeah.

Mr. Malpass So on corruption, so the Bank has pretty elaborate procedures to try to avoid dealing with corrupt entities, and there are – and there are those. And there's also a pretty elaborate sanctions process that people don't see in the media, but the Bank is sanctioning companies rather frequently.

Mr. Runde All the time, yeah.

Mr. Malpass All the time, with a lot of investigators that look into it. The problem is corruption is endemic in some of the systems, and so you're challenged by you want to help the people of the country and you want to avoid dealing with corrupt entities.

And I know you're concerned, rightly, about Nicaragua. I mean, that's a – that's a –

Mr. Runde Terrible.

Mr. Malpass Case in point. How do you get through that? So –

Mr. Runde And they had the sham elections yesterday.

Mr. Malpass I underscore the questioner's point –

Mr. Runde Yeah, yeah.

Mr. Malpass – on the importance of this.

Now, that leads right into the transparency point by the second questioner. Transparency is critical in avoiding corruption. A lot of corruption is done in the – in darkness. So if the contract says that there's a non-disclosure clause, you can kind of wonder: Why did they put that in, to not disclose what's in a contract with a government? Is that because there's a side payment? Is that because there's something odd going on?

Mr. Runde Right.

Mr. Malpass And so we've pushed hard. In fact, we have a report coming out I think next week that will – that will really show the extent of the problem from non-transparency – or from non-disclosure clauses in these contracts. This is a relatively new phenomenon. I have to name China in this. So in – starting in 2012 or 2014, China started in its lending – and the questioner asked about Belt and Road –

Mr. Runde Belt and Road.

Mr. Malpass – started putting that neither the government nor – the government of the country is not permitted to disclose what's in a contract. Now, that we need to break away from, and we've pushed hard on that. We've also pushed for disclosure of contracts. So this applies in Chad, in Ecuador, in the countries that we're working on debt restructurings on to encourage the borrower to disclose the contracts, because otherwise you don't know what the interest rate is, what's the – what's the terms, what special deals are being done. In some there's been progress made, Ecuador being a notable one.

Mr. Runde Sure.

Mr. Malpass So we're working hard on that, and I could go on for – well, this is a primary topic at the G-20. So the G-20 leaders literally discuss debt sustainability from a transparency standpoint. That's the good news. There is an awareness by the world. The World Bank is putting out the data showing 12 percent increase in debt of the low-income countries –

Mr. Runde Wow.

Mr. Malpass – to \$860 billion. Who could – that group of countries, low-income countries, owes \$860 billion. The biggest creditor is China. So this creates a challenge for the world. How do you interact, even – and this is happening day by day – with new contracts being entered into that have non-disclosure clauses?

So I've called on and urged the G-7 and the G-20 to take bolder action toward transparency. The U.S. has been very supportive of that and outspoken. And they were over the – during the last week, President Biden was talking about transparency in contracts, which I welcome because, I mean, that's good leadership and it's an important step that can be made.

Now, as far as Bank-Fund relations, I disagree with the questioner.

Mr. Runde The premise.

Mr. Malpass So I talk with Kristalina regularly. I sat next to her at dinner in Glasgow. We had a great conversation. The staff are working closely together on these debt issues. We did a joint paper in September that was presented to the – to the G-7 and the G-20 – though, you know, it wasn't included – the findings of the World Bank and IMF on this debt problem were, unfortunately, not really included in the G-20 communique.

So one of the things we're trying to do as joint organizations, Bretton Woods organizations –

Mr. Runde Sure.

Mr. Malpass – is try to get the G-20 to move in a – in a direction that will be helpful on this debt overhang or on vaccines or on climate, where we work closely together.

Mr. Runde These problems are too big for one institution to work on alone.

Mr. Malpass So I think it's – you know, people love to look for weaknesses in the global system, and so that generates this idea that there's some kind of tension. The reality is we're working together every day – intraday. I have a big meeting with the task force that I mentioned, the –

Mr. Runde Yeah.

Mr. Malpass – vaccine task force, which includes Kristalina, Tedros, and Ngozi. We meet tomorrow. I'm co-chair with Tedros, but Ngozi and Kristalina Georgieva are strong leaders and pushing forward on the vaccine front. And then on climate, we have regular meetings. And on debt, we have regular meetings where we talk about the ways the organizations can work together so they don't overlap, don't try to do what the other organization is better suited to do. And so I think that's actually going well.

Of course, we can always do more in terms of – well, let me be practical. IMF and World Bank are dealing together in difficult country situations, Ethiopia being one –

Mr. Runde Sure.

Mr. Malpass – Sudan being one. And on – where we both have programs, and our staff work on an hourly basis to try to try to get governments moving in the right direction. So let me take a moment on Ethiopia. My concern is grave. There needs to be an end to the hostilities by both sides there. And the world

shouldn't underestimate the severity of this crisis. This is maybe 100 million people – I don't know, 110,000 million people –

Mr. Runde A lot of people.

Mr. Malpass – that are at risk of – or, I mean, that are in –

Mr. Runde Food insecurity and –

Mr. Malpass – in an all-out crisis going on right now. And it has to stop. In Sudan, next door, where – I was in just in Sudan three weeks ago. And that government that I met with, and I also met with the military. The military took over the government, not related to my trip. And we in the World Bank and the U.S. and other bilateral countries protested. But so far, as of this morning, the situation hasn't been resolved. And it also is very concerning. This is 40 million people. The world has worked so hard to put together a peaceful transition of power, and then the military stepped in and took that away.

Mr. Runde Terrible. Mr. Malpass, you have been really, really generous with your time. I so appreciate you doing this. Thank you for your leadership at the Bank. Thanks for coming to update us. And thank you so much. We're really grateful.

Mr. Malpass Thanks, Dan. Thanks, CSIS.

Mr. Runde Great. Good.

Mr. Malpass OK, super.

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