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THE CURRENT: Who is Ajay Banga, US nominee for World Bank president?

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PITA: You're listening to The Current, part of the Brookings Podcast Network. I'm your host, Adrianna Pita. President Biden has nominated Ajay Banga, former CEO of MasterCard, to be the next president of the World Bank following the early resignation of outgoing President David Malpass.

Here to talk with us about this new president and the role of the World Bank going forward is Homi Kharas, a senior fellow with the Center for Sustainable Development here at Brookings. Homi, thanks so much for talking to us today.

KHARAS: Thanks, Adrianna.

PITA: I'm wondering if you could tell us a little bit about Ajay Banga. What's his background and what about his experience is going to be relevant for this position? Basically, why did the Biden administration put him forward?

KHARAS: Well, I think the main reason is that he was for ten years the CEO of MasterCard. So a massive financial services company. And like the World Bank, MasterCard has offices. It operates everywhere in the world. It has offices everywhere. It employs a global staff, again, like the World Bank. And in working in all of these countries, Mr. Banga must have had considerable dealings with government officials in those countries. So in many ways, he is coming at it from a somewhat different perspective. Obviously from MasterCard, it was from the perspective of MasterCard as a business. Now it will be from the World Bank Group, but it's a very similar kind of organization from the point of view of who their clients are, where they're going to be based.

The other thing that I think is useful to know about Mr. Banga is that halfway through his stint at MasterCard, he set up a center for inclusive and sustainable growth. And that is actually what the World Bank is supposed to be all about. So many of the topics and the issues, the substance of the discussion will not be foreign to him. It will actually be things that are true to his heart. And he came at it and put something into practice in 2014, well before many of these things became fashionable in development circles. So the chances are that these are things he truly believes in.

PITA: Great. Before we go further on, on his background, maybe you can give us a little bit of understanding about why the head of the World Bank is a choice by the U.S. president. You know, that's different from how the IMF or the WTO or a lot of these other multilateral organizations work. How does the U.S. being one to choose the leader affect either the actuality of how the bank functions or the perceptions of how the bank functions?

KHARAS: Well, this has always been something which is informal rather than formal. So formally speaking, the board of the World Bank will consider nominees from all the candidates that are put forward by their respective governments and constituencies. But in practice, the World Bank president has always been the nominee selected by the U.S. administration. And I think that that's come about because the, first the U.S. is far and away the largest shareholder in the World Bank, so it's critically important for the nominee to have the full support of its largest shareholder. And secondly, because the U.S. continues to provide most of the money, certainly it's the largest donor to the concessional arm of the World Bank, the International Development Association. Mr. Banga will be the president of the World Bank Group. That's a group of five different organizations and agencies. And so one of them, as I said, IDA, is very heavily dependent on the U.S. So I think it's a tradition which has served the institution well. It certainly has its drawbacks, and lots of

people would prefer that the nominee be merit-based, as they say, but at a slightly different level, which is the one of a needed qualification, is the full support and backing of the U.S. administration.

PITA: Moving on to what some of his priorities are going to be at the bank, climate change, as you've already spoken to, is obviously going to be a large one. While White House Special Envoy for Climate Change John Kerry spoke very much in praise of the selection of Ajay Banga, an interesting contrast. In a recent statement, the Republican chair of the House Financial Services Committee, Patrick McHenry, he approved Mr. Banga as a departure from the administration's, quote, radical climate and social agendas. Can you speak a little bit to how you see Mr. Banga approaching and hopefully changing for the better, the bank's approach to helping developing nations on climate finance?

KHARAS: Well, I think a lot has been, there are many questions about whether climate is actually complementary to or something different from the World Bank's traditional agenda, which is sustainable development and the development of and improvement in the lives of the poorest people. So the World Bank's mission statement is currently all about ending extreme poverty and improving the prosperity of the bottom 40% of the income distribution in every country. So there is some questions about whether climate is just doing the same, but now understanding that because climate affects all of our lives and because it's very often the poorest people who are worst-affected by natural disasters that are induced by climate, is it just taking a different lens to the same problem, or is it a different problem? And personally, I'm in the camp that says this is all very much the same problem. We have to think about development, economic development, with an understanding that this is now economic development in the context of climate change. And if you don't integrate your activities on climate, in particular on adaptation and resilience with your activities on development, you'll get neither the one nor the other. You'll fail on both. So it's very much of an integrated agenda. And I think that this is now increasingly being recognized. I certainly wouldn't describe it as a radical agenda. I would describe it as very much of a commonsense agenda.

PITA: Okay. So let's return a little bit to about Mr. Banga's background and how you think that's going to fit into meeting this commonsense agenda. What would you like to see him do? What is his past experience that you spoke about, the project at MasterCard that he set up? How do you see that integrating going forward?

KHARAS: Well, I think his one of his biggest challenges is going to be to really make the World Bank and relevant in many middle-income countries. Over the years, the World Bank has declined in size and influence in middle-income countries to the extent that now many of them have opted to go to other sources of finance, in particular to bond markets to finance their development needs. They get the money that way, but they don't get the advice and they have to deal with much greater volatility in those kinds of markets. And I think now many are recognizing that they can't really rely on these private markets without some assistance from these international organizations like the World Bank. So Mr. Banga's core challenge is going to be to persuade people that there is a need for a far larger World Bank. By far larger, I'm talking about three times, five times. I don't know the exact size, but many multiples of where the World Bank is today. And to scale it up and to bring not just the World Bank's own financial firepower to bear and their analytical knowledge, but also to crowd in finance from all kinds of other private financiers so that one can actually undertake very large investments that are going to be needed if countries are going to move to this integrated climate-cum-development agenda at scale and achieve fairly decisive transformations. And just to end on that, if you don't do this in a really scaled-up way, you will constantly be fighting against vested interests in countries, and it becomes very difficult to maintain your momentum against those interests if you don't come in with a big effort, big political momentum, and an ability to actually show that you can deliver results that are better than the previous approach and strategies.

PITA: All right. To end on that note, outside of the specific issue of climate and outside the questions of Mr. Banga's personal leadership and what he's going to bring to the role, what are some of the other big priorities and other changes that you'd like to see the bank bring to bear, outside of expanding as you spoke of?

KHARAS: Well, this scaling-up, this partnership: the World Bank can't do things by itself. It has to partner much more with others. This is a big job. This area of integrating climate and development is one where we're only starting to build a knowledge base and experience base, and countries are approaching it

in very different ways using different instruments. Some use regulations, some use taxes, some go in other directions. Building that up into an understanding of what works best and under what conditions is going to be very important.

And, you know, getting the policies right, setting the right regulatory frameworks is going to be super important while recognizing that in all of these countries you have to deal with transition issues. If you're going to think about how do we do this in, let's say, South Africa or Indonesia, where there are some parts of the country which have very large coal interests, and you're going to say, well, we're not going to deal with coal any longer? Well, you've got to have an alternative plan and strategy in mind. And many, many developing countries are dependent on fossil fuels for their public finances. In fact, if you look at the continent of Africa, a lot of the tax revenue in Africa comes from energy sources, whether it's oil or gas or coal or other other kinds of natural resources that they need to manage a transition, which is not going to be easy. And that's where I think having a partner like the World Bank can be very helpful.

PITA: All right. Well, Homi, thanks so much for talking to us today and explaining this.

KHARAS: Thank you so much, Adrianna.