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NAVIGATING A CHALLENGING AND UNCERTAIN GLOBAL ECONOMIC CLIMATE

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COULIBALY: Afternoon, everyone. Good afternoon. All right, very good. I was beginning to doubt the quality of our coffee. So, to all of you here, but also for the hundreds of people who are following us online, thank you for joining. My name is Brahima Coulibaly. I'm the vice president of the Global Economy and Development program here at Brookings. And it gives me great pleasure to welcome you to Brookings for this convening on navigating a challenging and uncertain global economic climate. Before we get started, I'd like to express our solidarity with the people of Morocco and Libya as they cope with the tragic events of earthquakes in the case of Libya, of Morocco, and the floods in the case of Libya. Our deepest thoughts and prayers will be with them and all of those who have been affected.

So, this event here is part of our Brookings State of the Global Economy and Global Governance event series, which features leading voices on global economic issues. For today's conversation, we're really honored to be joined by Makhtar Diop, the managing director of the International Finance Corporation. A few observations on the state of the global economy, to put the conversation a bit in context. I think over the past three years, nations have had to grapple with the protracted effect of a series of destabilizing shocks. I think they started off with the COVID-19 pandemic, and then it was further exacerbated by the Russian invasion of Ukraine early last year. And that then led to a bit of a dislocation in food and energy markets. And as a result, we saw inflation, inflationary pressures, rise even further to levels that we hadn't even seen in decades.

But of course, in response, the central banks have tightened monetary policy and in some cases quite aggressively. The higher interest rates, of course, have the objective and the benefit of containing inflation, but they also come with the unwelcome effect of raising the cost of capital and financing for development, precisely at a time when access to affordable financing is most needed to manage these shocks, address issues such as climate change, and support the economic recoveries. And the high interest rate is also raising the risk of a sovereign debt crisis in the developing world. As the economic fallout from this crisis were still playing out when a new shock emerged earlier in the year, with the debacles and bank failures in here, U.S., but also Europe, which has also heightened the global financial stability risks.

And finally, the global economy faces what's been labeled geo-economic fragmentation with the resurgence of industrial policies and geopolitical competition, which could have really wide-ranging consequences. So, I guess it's fair to say that this environment is quite unique. And seldom have we seen such a string of overlapping shocks hit the global economy in such a short window of time. One remarkable feature then of these shocks is that they have reverberated very fast, and I think that's testament to how integrated the global economy has become. So more than ever then, I think global cooperation is imperative not only to successfully navigate these challenges, but also to lay the foundation for more sustainable, inclusive, and resilience economies. Governments, multilateral institutions, private sector, all have a vital role to play.

So, we are truly honored to have with us Makhtar Diop, who is a great leader in the multilateral space, to share his expert views on the state of the global economy and how multilateral institutions, such as the IFC, can lead with meaningful policy solutions in this uncertain environment. Though by way of introduction, Makhtar has been serving as managing director of the IFC since March 2021. But prior to the IFC, he was the World Bank's vice president for infrastructure, where he led global efforts to build sustainable infrastructure in developing and emerging economies. In this role, he oversaw the bank's critical work on energy, transport, digital infrastructure, and public-private partnerships, among others. He also served six years as the World Bank's vice president for Africa, where he oversaw the delivery of a record-breaking 70 billion to sub-Saharan Africa to help tackle development challenges.

Makhtar began his career in the banking industry and has extensive private sector experience. He's also held government positions, most notably as minister of economy and finance in Senegal, where he played a key role in instituting structural reforms that helped build a strong foundation for Senegal's growth in the late 1980s. He is a well-recognized opinion leader and has been named one of the 100 most influential Africans. He is also a recipient of the prestigious Regent's Lectureship Award from UC Berkeley. So, with decades of experience in the private sector, government, and multilateral institutions, Makhtar brings to the conversation a wealth of experience and understanding of development challenges. But there's one more qualification that you're not going to find anywhere on the bio or on the CV, but that I discovered and I'm going to let you in on it, is that Makhtar is also an expert in martial arts, and he holds a black belt in karate.

So-- but before I conclude, let me let me express the gratitude really, to the teams, both here and global, particularly our Comm teams, but also our counterpart, IFC, who worked tirelessly behind the scenes to make today possible. And for those who are joining online, I know there's quite a lot of you, you can join the conversation by using the #GlobalEconomy. So then in terms of the plan, for the next few minutes, I'm going to moderate a conversation with Makhtar. And then we'll have time at the end to take your questions, including some of the ones that came in through those following us online. And you can continue to submit those questions, the email address events@brookings.edu. It's events with s at the end, at brookings.edu.

So, with that, please join me to welcome Makhtar to the podium. Please, you first. Thank you. So, Makhtar, welcome. And we are really honored by your presence here at Brookings for this important conversation. Well, I thought maybe to to start off, you can help our audience understand the unique role of the IFC in the multilateral development space and how is it different from other groups from within the World Bank. Because some of them may think of it as just the same institution, but how is IFC different?

DIOP: Thank, thank you very much Brahima, for hosting me here. It's a pleasure to be at Brookings because it's, I feel a bit at home. This is actually at a time of uncertainty where we all looking for solutions to address the big challenges that we have. Having the sounding board, a place where we can have exchange of ideas to find solution to find ways of moving out of these crises, is essential. And I do believe that those solutions will be coming from having conversations like this one. Actually, I know that we'll talk about it later on but in all this discussion about [inaudible] of MDB, evolution of MDB, and those kind of discussions that were held recently at the G20, are just calling for looking again at a certain number of things in a different way of open mind.

So, what is IFC? I have, you know, in my career, you know, the opportunity to work with various places which are related to Bretton Woods. I worked as an economy-- economist at the IMF, I worked at the World Bank, and I work at IFC. So, let me contrast a little bit what each of them is doing. Even though we are seeing more and more convergence and actually some overlap in some of the of the functions because actually the nature of the shocks and the challenges that we are facing. So traditionally, the IMF — we're looking at macroeconomic stability, as we know. We're making sure that we are efficient, under control, the fiscal deficit are under control, growth is sustained. And, you know, we're looking at the World Bank to look at the micro-level or sector-level — how we can make sure that high core is increasing, improving significantly, and that economies with needs to be financed and development needs are financed. And let's not forget that at the beginning, the World Bank was looking very much at the two-gap model of Chenery, became a three-gap models, that were, are, to finance the economy. But it was mainly thinking about it from a public and sovereign side because when you look at the original paper of Chenery, the role of of of an institution like the World Bank was to finance to sovereign partners for a need and to increase public investment. So, in that context, there were an understanding that the private sector needs to be to be mobilized also in that process, and that's what IFC is doing. So, over the years and the evolution of this institution of Bretton Woods, the role of the private sector has been increasing significantly. Why? Because the multiplicity of shock, the magnitude of shock, and the diversity of shocks, requires much more investment and resource share mobilize.

So, at a time when people were-- remember when we were all studying young economists, who were saying that there are some sectors that natural monopolies controlled by the state, etc. All this is being blurred now. People start introducing concept types, PPPs. People started talking to private sector. And actually, IFC is filling that gap, particularly for emerging economies. We have in all [inaudible] countries a lot of liquidity, capital matter, that are deep but are not looking at emerging countries the way we are looking at it and the expertise that we are bringing. And you hosted our new president, Ajay Banga here, and one of the things that you were saying is that how is the different in part of the World Bank Group can leverage each other. But I will go as an also [inaudible] not only the World Bank Group but also IMF. For instance, you know, one of the things that we are doing more and more with IMF is to start discussing with them, how when you have a fiscal space which is constrained and very limited in a country, how can we ensure that the private sector is filling that gap? And the fund is looking more and more to policies which are private sector enhancing.

Secondly, the fund also of with Kristalina emphasized the role of of the fund in addressing youth shocks like climate change. And the, you know, in one of the talks that we had at the fund, I was saying that when I was at the fund, is the instrument I designed to be able to address the the commodity price shock. Now people need to adjust to different type of shocks which go beyond the commodity price shock, like--. So, this is what I see is, is that in that ensemble is the one which is focusing on private sector in emerging countries.

COULIBALY: Makhtar, thank you, thank you for that. So, important institution, we were in the midst of the the the pandemic in early 2021, and then you take charge. Can you walk us through what it meant at that time to lead in a period of high uncertainty? We talk about uncertainty now, but early days of COVID, I think that uncertainty sort of tops it all. And how do you go about even setting the priorities in that environment in context?

DIOP: It was, it was a challenge, I must say, because you come, you have to lead an institution, and you don't see people, because 2021 everybody was locked. So, you see, you know, usually when I go and lead in an institution, I try to meet people, I walk the corridor, I get a sense of what is a dynamic in the institution. Here you have to do it virtually. So, Aurele, I met him before when he was in different position. But at IFC for a couple of years, we we just met virtually because I didn't have an option. So, how in a in a context of physical distanciation and a time where all the the fundamentals were upside down, and you as a macroeconomics you can see how complicated it was at that time when inflation was up, when people there were not used to this type of shock, you know, you knew how to deal with the commodities shock or this type of shock, but COVID was a shock that we didn't know of to deal with.

So, you come in it, and you say, what would be our response? So, what I try to do is first to to look at what was the fund-- the the fundamental approach that IFC was starting to implement. And luckily we had IFC 3.0, which was looking at IFC, not only us-- not as an institution, we were looking in an opportunistic way about intervention, which allows you to maximize your profit, but which was put in much more centrally economic development and sustainability at the heart of their function, which means that actually you are more economist now looking at IFC, more economists inside IFC, and it was giving me a source, a bit of comfort, I would say.

So, how to to articulate all this at a time when the risk level and the perception of risk in emerging countries were increasing? So, the question was, how-- I start a lot talking to clients because it was important to understand at the firm level what are the constraints. So, we find out that at this time, a lot of the trade financing was a constraint for for for companies' working capital. The financial sector was not working the way it was working. They didn't have access to correspondent banking because of the situation. So, we put a lot of emphasis in bringing them working capital, but also giving them trade finance so that they are not disconnected from the market.

The second thing that we, I did, is to start looking at what would be the medium-term or long-term response to the shocks that we had. And one of the shock was about food security. So, we we worked on platforms that allow to, for us, to invest much quicker and much simpler in area like agriculture and food security. Third, we had a processes that, you know, was set at a time where the main constraint was to protect the balance sheet and to make sure that the balance sheet is protected and managed in a sound way. But those processes in a time where you clean up a little bit of that and you have a healthy balance sheet, you have a capital increase and that the world is asking you to take more risk because the work is riskier, you cannot have the same processes and the same risk appetite and-- or the architecture that is supporting this. So, we did a lot of clean ups, simplification in that process, to bring much more agility and to create an approach which is riskier. For the staff also, in some time when I was talking to them, they were saying, "I want to take those risks. But I'm not sure that I can take it." So, how to freeze a mind for them to to feel confident that you can invest in a SME for a woman in in Burkina Faso in agriculture, and I want you to take risk, which is even much higher than the one I would take if I have to invest in a country where the capital market is because it has an impact on development. So, this was the kind of question. So, removing a little bit of the bureaucracy that we have had internally.

Another thing that also I, I try to do, to do as a team, is to sit and have work together as a collective leadership. It's done to like standard recipe. But it was important to-- when you are working in the private sector, the incentive is to focus on your deal because this is what is your objective function. My deal, maximize it and I will adjust the focus on it. By doing that, you lose a little bit of the 260 approach, and you tend to to neglect externalities. So, how to together to sit and talk about those issues was also something that we-- so the combination of all these, actually, I was surprised to see how people were reacting so fast to those incentive and how together they are able to to have a same purpose. And this year, we had last, this closing year, we have a 30% increase in our commitment, which is quite unheard, but it was a combination of all of these. People feel that, you know, you can take more risk, delegated responsibility to you. I will not watch over, over your shoulders. And now you have the capital. Let's continue after fiscal-- the financial discipline in managing our balance sheet. But our balance sheet allow us to take much more risk and do much more in this time, whereas private sector needs resources.

COULIBALY: Right. And it looks like the IFC has indeed stepped up. If I am correct, your commitments were like close to 33 billion last year. But yet there's a recognition that the--.

DIOP: Forty-three. 43, from 32.

COULIBALY: From 32. Okay. So, then it looks like there's a recognition that despite all these efforts being done, it's not enough. And then how do we scale up even more than we have in the past in that context? You now have a multilateral development bank reform agenda under way. So, can you comment a bit on the reform agenda itself and what implications it might have for the IFC and how the IFC does business and the resources of the disposal of IFC, etc.?

DIOP: Let me start with climate change because I haven't yet talked about climate change. It's something that really articulating a lot of what we are doing today. The nature of the demand that we are receiving from companies are shifted. They say in middle-income countries people want to have access to capital market, but they want to access it in a sustainable and livable planet. As I just said, you know, we want to have a livable planet. And today, when we are seeing the type of of projects that we are developing in some of the middle-income countries, quite interesting. Let me give you example. The first, the carbon-free pulp in in in Brazil. We are working with OCP on fertilizers, to green the fertilizer the fertilizer. We are working on wind project in Egypt and solar project. We are moving towards being an active member of the green hydrogen-- we are working on the hard-to-abate sector, which are some things that we've not talked so much about in the current discussion, like, you know, steel industry, mining, but which are huge contributor just to to to say all this. So, how to help those sectors to green much more?

The second is opportunity that this new climate change economy is, is giving to countries. It's interesting because now the conversation in the South has been more and more vocal about it. You, you don't want it to have, just to be be exporter of lithium or this, even if that's green. So, I want to be-- have larger value addition in, in the supply chain. So, now country, like, like Chile and others are saying, "Couldn't I have battery now, the factory, in my country, not only exporting." So, you will have more and more of this. And in our work now, we will start looking at more and more, what in detail, what are the constraints of supply chain, for those country of the Big South to be more and more integrated and have a larger share of the supply supply chain. It creates also challenge on the public side. Say education system needs to be adjusted, you know, you have different type of skills, we need to have different type of people to be able to work in the industry where it says that why it requires to work together.

So, climate change is very central. We are working. We spend many many hours together in meetings. And I'm very hopeful that COP 28 will be a place where we-- a very serious dialog will be will be had on on this question. So, climate change is in it. But when I talk about climate change, we have a challenge, and I would like to mention it. It is adaptation. Adaptation is really where a lot of the poor countries and the poor are. It's small agriculture, it's drought, it's coastal erosion. In my country, okay, where the coastal erosion that you are seeing are pushing people from village to take a boat and try to get to Europe and unfortunately die on the on the way. So, how we can address those issues? But often these issues are PPPs, because they're public good dimension to adaptation and there is a private good dimension. So, how to articulate that and bring more blended finance to be able to address this, is something that we are, we are are looking into. Second, long-term issues. You know, you are originally from Africa, okay? As African, it just hurts me that every time we continue talking about food security in Africa.

COULIBALY: Yeah.

DIOP: It's just, you know. It has to stop at some point. And stop complaining about it and doing something about it. So, what we would like really to do is to push the dialog to see what would be the really-- how can we unlock the huge potential in arable land, in water, and so forth? So that people house was at so poor in Africa. We not every time there is a shock externally, we going down to extreme poverty because food is missing when there's potential. So, how to tackle those issues, medium-term issues. But I want to move out of this short-term cycle of fixing initially now and then, and really addressing those issues. And the role of emerging countries in the new opportunities that afford the climate change and transition economy.

And lastly, we have the issue of the [inaudible], which is how to help in the energy transition, large emitters. And they raise very valid questions. And this question are important, and I would like us just to collectively think about it. When your country which is just importing coal to run your electricity, that's one thing. But if a big part of your county is living out of those mines, you need some transition. And that's what we need to help them accelerate this transition because all this country want to move out from intensive fossil fuel economy. But they have some transition costs. And I think that's what we can help also by helping on a attracting new technology and renewable energy. So, this is the kind of questions that we are dealing with recurrently at the IFC.

COULIBALY: All right. Thank you for that. I think as we're coming in, we'd touch a little bit on the, on the security, on the security situation in the Sahel, but it raises the broader question of fragile countries in general. And I think the statistics and projections show that that's where we're likely going to see increasing concentration of poverty and deprivations. So, can you-- and sometimes tend to think of those fragile countries as places where private sector is not equipped or environment is not conducive for private sector to thrive, but we all, but yet we all agree that to break that cycle, you really need private enterprise to play a larger role. So, can you walk us a bit how IFC has worked in some of those fragile countries, overcoming those significant challenges? And what lessons can we draw from that in terms of how we support private sector development in those difficult areas?

DIOP: Just to picture something. Today, you can connect the west coast of Africa and travel to the east coast, and doing only through country which are led by militaries. And I think the first time happen in [inaudible]. You can travel from the Atlantic to the other coast, just to crossing countries which are led by military regime. And some of them didn't come in the nicest way to power. This is very much in contrast, when 10 years ago, 15 years ago, we were seeing Africa as being the place where people wanted to invest, and fast growing. I'm taking Africa, not because I'm from there, it's because this is the places where they are the last largest number and proportion of four. And that raised a challenge.

We have been doing a lot of investment in fragile states. For instance, we are in the middle of a big investment on solar in Niger. It was the first time that Niger will have an IPP. And we are so proud of it because it was really a lot of hard work. You can see how complicated now it's becoming. Hope that we will be able to find a solution. And you have repeat institution. But what is one of the characteristic of developing countries, particularly those who are far? It's that what I would call the contagion effect or the misperception effect. So, you sit in a, in a, in the city in London, on Wall Street, a coup in Niger for you means that investing in Botswana is risky. Because for you, Africa is a big mass and you don't understand all of these and you don't have time to look into it.

So, when the externalities of shock in Africa are much larger than, you know, the country, and that's the same story that you see in other part of the world, which are fragile. When there is a conflict somewhere, you would say, "Oh, that whole region is bundled is at risk." So, this makes even more complicated to attract investors. And at a time when, as I just say, interest rate has been increase in OECD, the country for the right, for the good reason of of taming inflation. There is a huge pool effect. So, people have liquidity, so why should I bother putting in this country where hearing that there is some coup around when I can just buy paper here with interest rates, which are interesting? So, that that is a challenge that we are having.

Part of it, I think, will be somewhere somehow, maybe by pushing a little bit more into regional markets if they still exist [inaudible] because I think there we could kind of address the risk in a different way. I would like also to say that our president, Ajay Bunga, has been pushing for the private sector [inaudible] which would be a gathering. Actually, we have our first meeting next week, whereby he has called captains of industry in largest or OECB countries and and also emerging countries and ask them, "What do you consider as being your constituents to investing more in those emerging." So, we will be crowdsourcing a lot of the views from practitioners and will be. At this stage, we will also bring some developers who have been facing those issue day to day, so they can still face these issues. And us, as as IFC or our sister organization, MIGA, adjust our product to be able to respond to those needs.

COULIBALY: And it's not part of overcoming those externalities, trying to mitigate risk enough or take some fresh loss arrangement that makes the private sector more comfortable [inaudible], okay.

DIOP: And guarantee, being political guarantee and commercial guarantee.

COULIBALY: Hope I can now twist to last question then. I know you've been patient and I'll open it up for questions from the from the audience. It's touching a bit on the groups within programs —that can be within countries — that could someone feel marginalized. Why we have sometimes gender issues, we got youth issues, we also have small and micro-enterprises issues that we know tend to be the creators of jobs, etc.. So. what is the-- how IFC mainstreaming the gender or attention to job creation in its projects, for example? How is that mainstream into your your business model?

DIOP: First of all, we tried institutionally to get stronger in the gender agenda. We are just recruited, right now, we just recruited recently a director for gender who is coming from the private sector, I wouldn't say where the person is coming. But also, to mobilize parents in financial inclusion. And I felt for me was important, because I don't want the issue of gender to be talked just in general or to-- should not exclusively on only be the representation of of women at the board of large company, which is important, and we are monitoring. But I think that if we don't address the issue of SMEs financing, we are not empowering women.

I'll give you the way I see it. If a woman in — if you want to fight gender-based violence — if a woman doesn't have independent income to sustain herself, she might stay for a long time in in in a relationship, in a household, where she is brutalized and victim of violence. She has an option to have an independent living, she might be able to make the right decision and be able to protect herself by not staying in that situation. So, when you talk about gender-based violence is not just advocacy and saying, "Oh, is it to abuse, it is morally wrong," etc. What needs to be done to solve that issue? And I think that economic empowerment is at the heart of it and inclusion.

So, for me, MSMEs is really something that I would like to to do to put much more emphasis. And we are looking at the various ways of-- it's not an easy sector because the risk profile is different and so forth and so forth. But we need, we have no choice. If you want to do inclusion to help the young people work in the agricultural sector, help close the gender gap, all these we need to work on MSMEs. So, for me, this is what keeps me awake at night. How can we ensure that-- so because it's a very transaction-intensive. So, you can work with financial institutions, which which are intermediaries, but I would like to go beyond just to say, you know, what we are doing now a lot, with a lot of bonds, etc., where they use the proceeds to do to do investment in in MSMEs.

But I want to go even deeper and deeper, and that will require some time, some partnership with people. Maybe some time we are better. We have the right tools to go at the micro micro level to be able to support the micro enterprises and so forth, which are so essential. So, any ideas that you have to do more on MSMEs, I'm thinking, because that's really something that I would like to focus a lot, and I think that's the next frontier for me to do a kind of qualitative jump in this area.

COULIBALY: And on-the-job creation. So, is there some job creation, I would say metrics that are attached to projects? And how do you approach that?

DIOP: We have a department, a unit which is called AIMM, and there is a-- we're trying to do anticipated impact of measurement. And one of the of the indicators that we're looking at is job creation. So, we are measuring it and we continue measuring it even more to see our impact on, you know, and that's [inaudible]. So, this is one of the criteria that we are using to to to do that. But also, Denis-- where is Denis? Denis? Okay. Denis has been doing last year an excellent job on the analytical side to really push also. And we are teaming a lot with academic institution to discuss some of the impact evaluation work, some of the thematic things. And he has led the organization recently of a conference that we had with academic institution where we are looking at those questions. And we will be certainly looking in the future of a conference where we can focus on gender issues and youth, so that we can pool the knowledge available in Brookings, available in academia, available out there so that we can better shape the quality of our intervention.

COULIBALY: Very well. And now it's your turn. So, if you would, please raise your hand, identify yourself —name and your affiliation. Yes. The mic is coming around. Yeah.

AUDIENCE MEMBER: I'm Christian Guichard, and I'm a student at UCLA Luskin's School of Public Policy. I had a question just regarding the new shift. Seems like there's an anticolonial shift in like, West Africa Central Africa region. And looking back probably 50-60 years to the same shift that happened in many of those countries, there was a protectionist movement and like a import substitution movement that that really sheltered those private companies in those countries. But when they opened back up to global supply chains and markets, they weren't very competitive. And I think that was an exposing moment for a lot of those companies that were brought in under anti-colonial rule and certain forms of propaganda. Are there ways in which the IFCs working, you know, marking this trend that's happening currently to address the, what looks like an incoming nationalization of industry and protectionist movement, and making a healthy business base in a lot of those countries?

COULIBALY: Well, I think we can take one more question from the floor and then one from our online audience. I think he, he's next here. On the same row on this side.

AUDIENCE MEMBER: Hi, my name is Alexander Rifaat. I'm a journalist with Tax Notes. You mentioned sort of the challenge sort of with emerging markets and climate change in the U.S. and soon to be in the E.U. They're instituting a number of, you know, tax credits to promote sort of a transition to cleaner technologies. I just want to get your-- you mentioned a little bit sort of how some emerging countries are sort of dealing that. But I want to get sort of your thoughts on sort of those programs. What's their effect on emerging markets? What do you think is the best strategy for developing countries to sort of accelerate that transition, given it's a bit more difficult for them to sort of institute sort of these similar subsidies? Thanks.

COULIBALY: And the question that came online was from Linda Odur-Noah who is a health adviser with Oxfam. And it reads, "In the push for mobilization of private finance, how will the IFC be reporting more transparently on the development impact of its investments, especially given they are largely unavailable in public domain? And second, what enhanced safeguards and guardrails will be established to ensure that private actors are prevented from violating human rights and that remedy is assured when harm is identified?" You can take them in any order.

DIOP: Yeah, let me take the last one. I mean, I think that I would not start a discussion here on remedies because what the question is asked here. Let me just say something about it. IFC is the most transparent institution working on private sector on the DFI. We are claiming that we are setting the standard in terms of transparency. And actually, a lot of the standards are made in terms of transparency were set with IFC. But we are not sitting on our laurels, we continue that, and continue that effort, and ensure that, you know, the [inaudible] are making public, everything is public. Actually, we are in the process of doing something for it on data because one of the perceptions of risk that the private sector has in emerging countries, is because they don't have the right to data on on return of [inaudible].

So, we are pushing reform of the banks in our initiative called GEMs, where we would like these to be available to people. So, when people come and [inaudible]. And let me tell you why it's important, I relate it to my own experience, I want to say what it is because younger people will say that "Oh wow, it's a long time ago." But when I was a minister of finance in my own country, one of the things that I came at the time was a Wall Street, and city was a liquidity, wasn't the capital. Say we are looking at-- when you talk to them, first of all, say maybe have one person who was really focusing on those market, two maybe. Okay? And that person, what that person was doing is to take the list of countries, say, okay — you have a program with a fund. It means that you have that problem. Your program is at World Bank, it means that you have.

So, you classify the country very simply, okay? Say I have a debt problem that is not sustainable, that's why I it's our program with the bank on the fund. And therefore, we price the risk for those country in the same way, in a bulk way, because actually, I don't have time to devote to someone to look at in details this market because it's too small for me. And since I am looking, my my job is to get a return. I mean, why should I? And this was the right incentive.

So, at time, we launched in Senegal, and I was among those who are push-- putting at the table to do some sovereign credit rating. So those first ones, at that time, that was followed all the waves that you've seen. The first way-- one that was done was in Senegal, except South Africa, which was already already sovereign. And the reason why I wanted at that time, that the market recognized the fiscal discipline that Senegal had at that time, and it's recognized in the pricing, that of the risk pricing. So, I thought it was interesting because at that time Senegal kept me for rating of SMP, which is similar to Turkey. It was not the best time of Turkey's economy, I must say. But just given an answer, no. But a lot of people when we went to the market for for the roadshows, they were saying "What? We never would have thought that." It was a good example.

So, after that, through an [inaudible] an organization, other African countries get into that. It led sometimes also to excess of borrowing because, to tell you an idea, when I was vice president for Africa in 2012 I started, it was 25% of GDP is the level of indebtedness. Okay? Today we have half of the country which are highly indebted or distressed case. Just look at the short time debt have been ranked. And a lot of this came after, actually these Eurobond and all those etc. Well, I just remember, I just tell you some stories, so you can you can relate to it. At the time where interest rate was close to to zero, you have country with a borrowing at 8.5%, maturity eight years in dollar denominated. So. you understand why we find ourselves here. Zero interest rate, the market was taking a premium of 800 [inaudible] point. You just, whoever thinks about it, you just say [inaudible], and it was the eight-year maturity so and it was bullet payment. So, country finds themself in a s a situation that we are seeing after you need to revive a theory to do so.

A big lesson about how to deal with this question would be also an important lesson to to address as we are looking again at the situation. So, we will be transparent. We are transparent, entire sector. What I can say, the health sector also needs a private sector. The health sector needs a private sector. It needs to be done well. It needs to be done with the right safeguard, and I fully agree with it. But we cannot deny that the private sector needs to, the country need to have the private sector investing in health. That is clear in our mind. And we are happy to work with anybody to see how to do it the best. On the carbon tax and carbon credit is a [inaudible]. This is exactly an area that we would like to push more on.

How, how is the credit, the carbon credit market is working? It hasn't been working in some places very well, as you rightly said. And we are planning to do a little bit of a deep dive on this question to be able to to see what are the conditions. And I know that moving to COP 28, it will be one of the question that certainly will put at the table, that how the carbon credit market can be can be... what are the condition for it to be functioning better. Protectionism, important position. Unfortunately, the world is not in a good place when it comes to trade today actually. The world in general is not. And my sister Ngozi has been going around and explaining it and thing. Actually, there is an estimate of the fund has been indicating that the geopolitical issues which are raised have an impact on trade, have cost roughly 7% of GDP. Okay? So, it's not a negligible.

So, in that context, it's the dialog becomes even more complicated than it was at a time where people can see trade flowing, etc., because everybody can point to someone else to say, "See, I'm doing it, but my neighbor is not doing it." So, it's not-- we are not in a good place of multilateralism on trade issues and we need to be on a much better place collectively. That being said, I think that the reaction is not always to to increase the effective protection rate of your economy and therefore to reduce the significantly, the welfare gains that a household can have from from trade. This is not the direction.

But, you know, there is a certain political reality that leaders need to face when when the world is not in a good place overall on trade. I think that there is some area where we have lent lent, less density in terms of protectionism that will allow countries to be to be able to integrate more of supply chain on on some sectors. And I think that it should be. We still have some preferential arrangements which are still existing which allow, at least in some areas and under certain circumstances, to have, still, trade, which is helping some of this country. But my general view is that we are-- the world is not in its best place when it comes to trade these days. And low-income countries are the ones who are suffering the most of it.

COULIBALY: Thank you. We will take another round of questions. We can start here with Omar, in the front row. Then, we go to the second second row.

AUDIENCE MEMBER: Thank you Makhtar for your leadership and at least in my area, on climate change. So, you know, the the clean transition or the green transition is the biggest investment opportunity we will have in this generation with the private sector playing a leading role. And within that, as the IFC-IEA report points out, the scaling up of clean energy is absolutely central. So, my question is, in that a big issue is the cost of capital, especially for Africa. So, what do you think you know will really make a big difference? And how do you think IFC can contribute to that? It's not an easy question I know, because there are many dimensions to it, but it's one that we have to push very hard on.

AUDIENCE MEMBER: Thank you, Makhtar, for your leadership. I have the privilege of having a second boss who's also a great leader. I'm Pep Bardouille. I'm with the government of Barbados, Prime Minister's Office on secondment from the IFC. I'd like to follow up on Omar's point and also to applaud you on mentioning a number of the points rais-- moving from debt, the cost of capital, you know, this 8% margin you talked about, to the point on trade, both of which are mentioned, along with adaptation and the Bridgetown Initiative. But following up on Omar's point, beyond the cost of capital, what do you think it would take to catalyze the 1.5 plus trillion dollars a year that we need to push into climate change mitigation, particularly in some of the smaller markets? I think everyone's interested in the Indias, the Chinas, the Indonesias. You talked about Burkina Faso, Barbados, Bangladesh. What will it take to get to that level of investment outside of adjusting the cost of capital? Thank you.

COULIBALY: And then the third one [inaudible]. The gentleman in the back.

AUDIENCE MEMBER: Hello Mr. Mukhtar. My name is Samuel and I'm working for AME-SADA. This is a nonprofit work in Africa and in the Caribbean. I would talk about co-ops. Are women and young people in those countries. Haiti, everybody knows that is a difficult situation. Africa where we work, in Ghana, in [inaudible], some areas people are suffering. But the main thing there is agriculture. That's the way they can finance their kid's education, live a better life, I mean, try to have a better life. For those people who don't have access to the banking system, like here, where you can go and borrow some money easily. How those people can be financed by the by IFC? Those people, they are the ones living the life there and they know what they need for their population. They have good ideas. We were talking about aquaponics projects with them for 300 women and their families. So today, if those people, they need some help financially, how they can come to IFC and have their project finance and be helped during all those process. Thank you.

COULIBALY: Yeah. Over to you.

DIOP: I think it's a question of the cost of capital is a tough question that we are all dealing with. My approach would be very pragmatic it's try to see to see-- it is a large amount of money you have. If we break it down in smaller pieces and smaller group of countries, I think you can have something where you can really have a target which you can reach in the short term. So, my my approach would be to try to break it down. Okay? Because if you mix the needs of Indonesia, India, on it, with the need of Barbados, [inaudible]. So, I think that as much we could we can we can kind of separate a little bit by-- we would be able to to identify sources of financing. And my my my view is that it's important to do that because it is I wouldn't say low and the foods, but foods that you could at our reach. And if you get success here, we can demonstrate that it may be possible to do it in a in a bigger ship. So, and I think that you know it because you are you are working on it.

The project that we are doing that on Barbados, where we try to bring renewable energy. For me is important where we are just outside the mandate, to bring investment in renewable--. If you can demonstrate the structuring that we need for a project like that on Barbados, we can replicate it in the Caribbean, okay? So we have a model with small island which have an income, which is a middle or high income depending on the situation, what is the model? And if you add it up, it's not a lot of money because of population and that need [inaudible]. Similarly, if you take other group of countries, I would say the country which we were all sitting in Nairobi last week talking about it. If you're breaking down in numbers, beyond the big the big numbers, and by sector, you can do something. And I think that there are some sectors where we need to quickly also bring the policy contingency that allow us to mobilize capital.

And this brings me to agriculture. We need to have an agenda where people are addressing the issue of land tenure. You would not be able to address this issue of investment in agriculture if nobody is ready to take, sometimes, the political risk which is attached to it. But whatever solution, to create the framework where people feel that they can put their money in the sector. So, can we work with countries to really tell them there is investment coming in in this sector, adaptation [inaudible] coming? But we need to be fast because one of the problems that we have been facing in the past, I think, is that sometimes a commitment on reform is that is an immediate response may be a bit too slow. So, we need to be sure that people see the reward of this reform very quickly, so that they are more and more interested.

There are also sectors which are not around energy and which are important for climate change that we need to to bring to the conversation. And that's why I'm pushing for agriculture. One of them, one sector, I think which is under, is water. If you look at what is impact on adaptation. And now water is not anymore a problem of of poor countries, it's becoming a serious problem for Europe, okay? For west of the U.S. So, I would like to push in the discussion on climate change to have a much bigger emphasis on on water, because everything we are talking about in climate change, we will have a link to water. I know that the commission is working on it, but I think that is something that we might be able to elevate and where we could attract more investment because I [inaudible] think also the area where there is an imminent convergence of interests between the larger country and the small country. And water is one of the sectors where I think that it would be easier to build a consensus about what needs to be done and what people want to do. I think [inaudible] IFC, we usually walk work through [inaudible]. We are present in 100 some countries. We are usually working with a financial institution. We give them the proceeds of their loan. They use it to invest in this particular sector.

You're raising a very interesting point, and I think that's where we need to think in collaboration, work in collaboration. We have the product, but we need to interface the demand with the product. So, what I think NGOs and CSOs are good at is that they have a lot of people they're working with at the micro level. But these people often don't, are not interface, with the bankers while receiving the loan to be or even is that a targeted loan for gender or for youth? So, what I ask the team now to do is to interact much more organization like you on the ground so that we can organize much. For instance, a day where you will bring the 50 or 60 grouping of farmers you are working with to have a meeting somewhere where you bring the credit officers of that bank that we are giving resources to lend to the farmers, so they interface and have a matching at that time. And I think that it's interesting because this conversation will also inform us about why those why those bankers were not aggressive in going to this farmer. What are they concerned with? What is the level of risk they are seeing? And trying to tailor our product and the conditions under which we are giving them the loan, so they are responding more to the needs of the farmers. But I am really committed on agriculture because as an African, I find it, I don't want in five years till you hear another shock and see people are dying from food, the lack of food security, when you have rivers and land sitting before you. It's just not acceptable.

COULIBALY: When we hosted the Mandela Fellows, the young leaders from Africa, and that was really top of their minds and kind of almost shaming us, the elders, for a way. We continue to talk about food security when you have vast amounts of arable arable land. So, I certainly agree with you that has to be addressed. So next time we do talk about it, it'll be how we solved it, not how we're going to solve it. Unfortunately, that's all the time we have. I know a few of you still had your hands up, I apologize we couldn't, couldn't get to you. So, thank you, Makhtar, for what's been, I think, a very fascinating conversation. Thank you for your leadership and for everything that IFC has been doing as well to to step up in these challenging times. But I do hope we can welcome you back here again to continue this conversation. So with that, please join me in thanking Makhtar for a really fascinating conversation.