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Jean-Claude Trichet, President of the Académie des sciences morales et politiques, former President of the European Central Bank, Honorary Governor of the Banque de France

Thank you, Masood, you were crystal clear and extremely concise with real issues and I am sure that we will first echo some of the real issues you mentioned with Bertrand who has been in the World Bank and is in the private sector.

Bertrand Badré, Managing Partner and Founder of Blue like an Orange Sustainable Capital, former Managing Director and Chief Financial Officer of the World Bank Group

Yes, I could also share horror stories with some people around the table. Masood tried to incentivize me to go, but I will try to resist that temptation. Let me start with celebrating a good memory. 200 years ago in 2015 the entire world agreed on the new roadmap for economy, we called it sustainable development, we added the Paris Accord in December and previously to that we had the partnership for the development signed in Addis, therefore in 2015 we agreed that the economy should be more resilient, more inclusive and more sustainable and everybody agreed, everybody signed, all our governments are part of this roadmap.

I remember at that time one of the questions I raised was it is great to agree on objectives, how do we pay for this? How much does it cost and who is going to foot the bill? One of my contributions was the report From Billions to Trillions. Here we are eight years later, we are both totally offtrack and at a turning point. The number of billions available is, let me be optimistic, still the same, and the number of trillions needed has grown precisely because we are offtrack. On top of that, I mean we have discussed that yesterday and this morning, we are facing centrifugal forces wherever we look, you call it polycrisis, permacrisis, you have the geopolitical issues, economic tensions, the financial change of power, the raise of interest rates, inflation, social, AI, etc., which basically moved a number of people to look inwards and not outward. I think it is a very important issue, people are less and less interested by the rest of the world, to a certain extent I have sympathy for that approach. Therefore you see the results in a number of big gatherings, be it the G20, be it the BRICS, be it the discussion around the loss and damage, so last year we celebrated the success, the creation of loss and damage fund and last week or two weeks ago people say it is going to be difficult and we do not want the World Bank to be in charge because the World Bank is American. That is the reality.

We are facing a global gap, so people now are playing the global south against the global north or the global west and the tensions abound. I was sharing with Jean-Michel over lunch a quote from Margarete Yourcenar, some of you might know her. She was a Belgian writer actually, she lived and died on the US and she wrote a book called *The Memoirs of Hadrian*, so she put herself in the shoes of Emperor Hadrian ageing in his villa north of Rome and



reflecting on Rome and the fall of Rome. He says, 'I know that the fall of Rome will arrive, how can I delay that moment where the barbarians outside and the slaves inside will rush onto a world which we ask them to respect from afar or to serve from below?' Then he adds, 'But I would like them to love Rome'. I think, I mean it does echo with the situation we are facing today.

Therefore, we are facing this tension, and it has a main impact on what Masood described, so we are facing challenges, the roadmap we agreed in 2015 requires trillions. I mean it looks a little bit surreal to add trillions to trillions, and we have to find these trillions in a world where market conditions have changed. I think a number of the speakers will discuss these market conditions, they are not helpful, where the policy mix is changing as well, fiscal stress, the role of monetary policy has changed and when the governance, the global governance is more and more fragmented.

In a nutshell private flows are diminishing, they are miniscule and they are diminishing, it is less than 4% of European AUM which goes to emerging markets, less than 2% of American AUM, so it is very small. It is diminishing for a number of very rational reasons, interest rates, when you are a small mutual insurance company why would you want to take a risk in Addis or in Morocco if you can get 5% on US Treasury? It is very straight forward. Second, industrial policy, it is a green deal and higher risk that require to mobilize local savings. Here again there is a French Government example, put money in the French tech, put money in this, put money in this, so there is no money left for the rest of the world. Everybody is doing the same. On top of that, as I said, the inward-looking perspective of a number of clients, I mean I have heard pension funds and people telling me, 'My clients do not want their money to be used elsewhere, we have enough problems at home, why would you move my money to help these people? Whereas in my country we have also suburban issues, we also have transition issues, etc.' So private money is under stress. On top of that of course Basel II, Solvency II and the rest do not help, or provide good excuse not to do anything.

Public flows are under stress. In real terms the flows to Africa have diminished and there are a number of reasons for that, I mean fiscal stress, but also Ukraine, refugees and the like. Therefore money is going there. In addition you have the tension that Masood highlighted, on the one hand development, on the other climate, with the same pot of money, so you are adding a number of priorities to the same pot of money.

Therefore all this was solved in Paris with the summit on the Global Financing Pact, if you remember there was a joint op-ed by Biden, Macron, Sunak, Rama Fossa, 13 or 15 heads of State, which basically says it all, a green transition that leaves no one behind, hallelujah. Therefore that is exactly what we should aim at but the reality is far beyond the headline, how do we get there?

On top of that we are adding to the equation norms and standards, I mean let me call it EFG, I am fan of this, but the reality is that we are imposing this on the rest of the world, I would not want Europe to impose on the rest of the world a number of very nice expectations which do not fit the capacity of a number of countries.

Let me conclude with that, I think we really have to shift the needle, we have to first of all recognize the issue, and that was the benefit of the Paris summit, it put the issue on the table. There is a divide between the south and the north, there are real reasons for this divide, there are financing problems, we have a lack of money and we have a multiplication of objectives and we have very few places where we can do this properly, including, as Masood said, within the MDB international system, which is less and less fit for purpose very unfortunately. Therefore it is very difficult to follow and that is because the issue will be handled if we are able to join forces, and of course it is easier said than done, join forces meaning that the



receiving countries should do something, that the MDB and DFI should also way they handle things, that we address a number of the normative issues, which of course in a universe where risk is the name of the game, people are less tempted to do so, good luck to the people who want to change Basel II or Solvency II into this world. We have to mobilize investors, so it seems that it is quite difficult.

In addition the big issue, and I conclude with that, Masood said, I said and we said that we need to increase the money in the system, that was billions to trillions equation, I think it is still valid, we need to put more money. However, maybe more importantly, we need to add a new chapter, it will be from trillions to millions, even if hypothetically we got the trillions I do not think we would be able to use this money, I am very serious about this, and you see that with the EU plan. We are supposed to have 800 billion, I mean the big chunk of the billions cannot be spent. Therefore that is the issue today, I think we are a dramatic and fantastic situation and we really have to revise our operating system fast, if not we gather next year and it is going to be even more problematic, thank you.

Jean-Claude Trichet

Thank you very much indeed Bertrand. I do not want you to react, I was looking for your criticism of the promises that were simple promises with figures and were not at all respected, the 100 billion-

Bertrand Badré

For instance, yes. There are many other problems.

Jean-Claude Trichet

It is a catastrophe.

Bertrand Badré

That is one of many problems.

Jean-Claude Trichet

Everywhere I go they do not speak of trillions, they say, 'No, you said you would ship 100 billion and we saw nothing'.