Good evening. Thank you, Vice President Schwarzenegger, for the warm welcome.

It is an honor to join you at the University of Zurich, the site of Winston Churchill’s historic 1946 speech – delivered at another time of great consequence for Europe and the world. When Sir Winston spoke here in 1946, the world was emerging from years of devastating war and genocide. Tens of millions of people had been killed in one of the worst atrocities of our history. Millions more had fled their homelands as refugees, seeking safety and sustenance. The European economy was in ruins and its fabric was torn, leaving people in need of food, jobs, and hope for the future.

In his address to this institution, the former Prime Minister provided a vision for Europe that helped inspire decades of peace, safety, and growth on the continent. As Europe now relives the tragedy of war, Churchill’s call “to recreate the European fabric... and to provide it with a structure under which it can dwell in peace, in safety and in freedom” is more urgent than ever.

Within nine months of Churchill’s speech here, the World Bank made its first loan to rebuild Europe. Last week, we marked the 75th anniversary of that loan – a reconstruction loan to France to help lay the groundwork for the continent’s renewed growth and development.

We hope to do the same for Ukraine. As in 1946, war sharpens our focus on the value of prompt action and effective international cooperation. Today, I also want to bring acute attention to the world’s overlapping development crises. People in developing countries are suffering from severe reversals in poverty, health, and education; from a loss of access to food, fertilizer, and fuel; and, perhaps worst of all, from inequality and significantly diminished prospects for personal advancement and growth.

I will focus on the war in Ukraine and its implications for energy and food; the global crisis of inflation, inequality and debt; and the World Bank Group’s evolving role in addressing these challenges, climate change and global public goods.

UKRAINE, REFUGEES AND FRAGILITY

Like you, I have been horrified and dismayed by the Russian invasion of Ukraine, the atrocities committed against civilians, and the economic losses across the globe. I grew
up in the heart of the Cold War when conflict with the Soviet Union was our nightmare. For millions of people, outright war has become their reality. The damage to Ukraine, which worsens by the day, has been catastrophic—lives lost; people’s livelihoods, homes and basic economic needs destroyed; millions of refugees; damage to buildings and critical infrastructure; and severe threats to international security.

Churchill spoke here 76 years ago about Europe’s human tragedy – of “…bewildered human beings, who wait in the ruins of their cities and homes and scan the dark horizons for the approach of some new form of tyranny or terror.”

His words apply today to Ukrainians. Our estimates show $4 billion of physical damage per week, with the human toll on families and society greater still. Just as President Ronald Reagan demanded that Soviet Russia tear down the Berlin wall, the world now demands that Russia end this war.

The World Bank Group’s goal upon Russia’s invasion was to respond immediately and decisively. Since the start of the war, the World Bank has quickly disbursed over $500 million and mobilized more than $4.5 billion to finance health care, pensions, and wages of public servants. We have supplemented our own financing with grants, guarantees, and parallel financing from development partners. Many of our major shareholders – including Switzerland – have participated in these supplements. Through IFC and MIGA, our private sector and insurance arms, we provided working capital and insurance to finance food and other supplies flowing into Ukraine.

We are also working to help displaced Ukrainians who have become refugees, both inside and outside their country. I visited Warsaw and Bucharest in March. While there, I met with refugees and schoolchildren, and saw the vital connections among Europeans caring for each other. The support from people who have opened their homes was invaluable in helping Eastern Europe absorb millions of refugees in a matter of weeks.

Sadly, Ukrainians and Russians are not the only people suffering violence and conflict. Globally, the number of people living in conflict areas nearly doubled from 2007 to 2020. In the Middle East and North Africa, 20 percent of people live in an area affected by conflict. Jordan, Lebanon, and Turkey are home to refugee camps for millions of Syrians afraid to return home. Similarly, millions of Rohingya live in Bangladesh after violent expulsions from Myanmar.

Conflict and refugee flows have become a core challenge for development. The World Bank Group has greatly expanded our engagement with fragile countries around the world, including with more loans and grants, an increased physical presence, and through our work with partner agencies, such as the World Food Program.

ENERGY REALIGNMENT

Churchill called for a European continent that could simultaneously build its infrastructure and nations of freedom and democracy. We can imagine his many emotions at Europe’s results. He would have been proud of Europe’s economic success and gratified by the caring spirit Europe is showing for Ukrainian refugees. He
was rightly dismayed when “an Iron Curtain descended across the Continent” and would have been elated by the fall of the Berlin Wall and the demise of Soviet communism, which controlled people through fear and scarcity.

We can imagine that Churchill would have stood firmly against dependence on Russian pipelines. Just as solidifying Europe and rebuilding it were of great consequence after World War II, a solid energy vision is vital now for Europe’s growth, Ukraine’s reconstruction, as well as for global development. Reducing dependence on Russia’s coal, oil, and natural gas will require time, innovation, and huge investments.

Some of the groundwork is in place. Europe is taking steps to expand the use of liquified natural gas and nuclear power. These will be critical for electricity baseload if the latest upswing in coal burning is to be reversed. Securing more sources of cleaner, non-intermittent energy is necessary to maintain Europe’s electricity grids, especially as renewables are added. Norway is finishing an important gas pipeline to Poland, a necessary step before adding renewables there. Italy recently agreed to increase its natural gas imports from Algeria by 40 percent, taking advantage of Algeria’s estrangement from Morocco and an underused pipeline beneath the Mediterranean. Other possible stabilizers for Europe include quickly finishing Germany’s new LNG offloading terminals; connecting Iberia to Europe’s grids; upgrading Eastern Europe’s electricity grids to absorb renewables; and developing natural gas reserves in Europe, the eastern Mediterranean and Africa.

Looking beyond Europe, we should recognize that the energy tradeoffs made in Europe will have major consequences for developing countries. Natural gas and other sources of energy are a vital input to fertilizer, farm machinery, and the transport of agricultural good. For the 800 million people living without electricity, the impacts of the war are taking energy access even further out of reach; delaying reading lights, clean water, digitalization, and the vital information flow that comes through internet access. As Europe absorbs more resources, it affects the availability of energy, electricity and food around the world, making new energy supplies an imperative for Europe and the world. For now, LNG capacity is constrained at each point – by the limited supply of gas and pipelines, compression and decompression facilities, and ocean shipping. Gas flaring, methane leakage and the operation of antiquated coal-fired power plants, with severe health and climate impacts, continues with little abatement. Already, the high price of LNG is causing an increased use of coal, diesel, and heavy fuel oil.

In sum, global energy supplies must expand to depend less on Russia and more on new, cleaner energy. There will also need to be a concerted effort by the major economies to reduce government subsidies for using energy; increase energy efficiency; reverse the trends toward diesel generators and biofuels such as ethanol; and make major new investments in electricity and pipeline grids and mid-stream gas.

**INFLATION, DEBT AND GROWTH**

Let me turn to the problem of inflation. The impact of inflation hits the poor the hardest and is materially worsening the reversals in development that appeared during Covid. Each step in the progression of crises in recent years is leaving poorer countries further behind, adding to inequality.
During Covid, most of the impact of accommodative fiscal and monetary policies was felt in advanced economies. Increasing amounts of global capital were allocated to a narrow group. While this policy accommodation has been increasing for years, concentrating wealth, the misallocation accelerated dramatically during Covid, leaving demand elevated and supply chains constrained.

On the fiscal side, governments borrowed heavily from savers around the world to support consumption, leaving shortages of capital for growth and investment, especially in developing countries. Almost all the fiscal stimulus went to benefit people in advanced economies, often people with incomes well above the median.

On the monetary side, the major central banks moved further away from monetarism. Some entirely removed the reserve requirement on banks, adopting a post-monetarist framework in which central banks both regulate and allocate capital, rather than controlling the money supply through bank reserves. The regulatory framework has the explicit bias that debt of advanced country governments is considered zero risk while other debt, especially that of small businesses, developing countries or new entrants, is treated as risky and requires costly bank equity capitalization. Separately, the purchase and ownership of bonds by central banks allocates capital from small bank accounts to bond issuers. The result is to increase asset prices in over-capitalized sectors of the advanced economies. From an inequality standpoint, this framework misallocates capital, favoring those with higher net worth at the expense of broad-based growth.

If the anti-inflationary policies getting underway now are primarily achieved through interest rate increases, it risks deepening the inequality problem. Stagflation could worsen, exacerbated by shortages of the working capital needed for small businesses and supply chains. There are important additional tools available to policymakers as they combat inflation including:

1. Encourage a supply response to counteract price increases; markets are forward-looking, so even the announcement of future supply would help; unfortunately, many of the policy announcements being made go in the opposite direction.

2. In the advanced economies, reduce government spending and target it more for those most in need; this would reduce non-productive demand and allow global capital markets to focus on supply chains, taking pressure off inflation.

3. Reduce central bank bond holdings; this would allow more capital to flow to other assets such as the short-term floating rate capital needed by smaller businesses to increase global output; and

4. Perhaps most important, link all these steps to the goal and expectation of enhancing growth, increasing global supplies, and assuring currency stability; this would make clear and explicit the distinction between the current price surge and the severe stagflation of the 1970s following the 1971 global currency devaluations.
THE CHALLENGE OF GLOBAL PUBLIC GOODS

To confront these overlapping crises, the World Bank Group is preparing a 15-month crisis-response envelope of around $170 billion for the period from April 2022 to June 2023. Part of this surge in financing is aimed at global public goods—activities that benefit all countries. These include climate change, food security, refugee flows, and health preparedness.

Consider the massive and complex challenge of climate change. Our Climate Change Action Plan is built on the integration of climate and development by identifying the major contributors to greenhouse gas emissions, developing often-complex, multi-decade projects that will have the most impact, and working with the global community to fund them. Last year, the World Bank Group provided over $26 billion for mitigation and adaptation efforts in developing countries, more than half of all the multilateral financing in this area.

More than two years into the Covid crisis, it is devastatingly clear that broad-based participation in global public goods is necessary, whether for climate change, COVID-19 vaccines, refugees or future pandemic prevention and preparedness.

The kind of investment required for a comprehensive approach to global public goods is far beyond the current capacity of governments and international financial institutions. Private capital has expressed a welcome interest in funding climate change investments, but many of the most impactful will be unprofitable, and in fact costly. We’ve proposed various models to pool their funding and make it available for the most impactful climate change projects. Financing the global public goods agenda is a discussion that we welcome and have engaged in comprehensively. The major new challenges facing the world make clear that the problems, solutions, and financing for them will have to go beyond national borders. This is especially apparent for developing countries, that in many cases are facing the biggest problems despite having the least national resources.

SWISS PARTNERSHIP

I would be remiss in this setting not to mention the World Bank Group’s partnership with Switzerland. It has been a steady partner for us, and I am pleased to commemorate the 30th anniversary of Switzerland’s membership in the World Bank. Moments like this require strong partnerships that can withstand tough times. Switzerland is a valued, active shareholder and partner of the World Bank Group, through its thought leadership, knowledge, and financial support. This partnership is generating results that improve lives in low- and middle-income countries.

Switzerland recently pledged $724 million at IDA’s 20th replenishment. It is the 10th largest contributing partner to IDA since inception. I would like to take this opportunity to thank the Swiss government and all Swiss stakeholders for their support and trust.

I would also like to recognize the constructive policy dialogue over the years, in key areas such as jobs and economic transformation, private sector development, climate,
fragility, the humanitarian-development nexus, crisis preparedness, good governance, and digital development.

CONCLUSION

I look forward to the day, and hope it will be soon, when the fighting has stopped in Ukraine and the World Bank Group helps the Ukrainian people achieve peace, stability, and growth.

As we plan for that day, we must work in parallel to address the world’s other development crises—the worsening inequality and instability, the catastrophe of higher food and energy prices, the overhang of debt, and the importance of global public goods such as climate mitigation and adaptation.

Getting there will take concerted action by governments, international institutions, and the private sector, and will rely on strong relationships like the World Bank Group’s partnership with Switzerland. The World Bank Group will continue to work urgently to address these overlapping crises, and as Churchill so eloquently said in his speech here in 1946, help people across the globe “regain the simple joys and hopes which make life worth living.”

Thank you very much.